bragg
TAX & ACCOUNTING

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Your 2020 Tax Checklist
Rental Property

If you have a rental property please bring the following information (if applicable);

Income

- ☐ Rental Statements from agent
- ☐ Rent not included on rental statements
- ☐ Other income (including bond/s retained and Payments received from insurers)

If first year as a rental

- ☐ Contract for purchase
- ☐ Loan contracts and/or documents
- ☐ Settlement statement from solicitor
- ☐ Any other information relevant to purchase

Deductions (if not included on rental smts)

- ☐ Advertising for tenants
- ☐ Bank fees loan
- ☐ Body corporate
- ☐ Borrowing costs – loans/mortgage
- ☐ Cleaning & rubbish removal
- ☐ Depreciation (or details of depreciable assets)
- ☐ Electricity
- ☐ Gardening & maintenance
- ☐ Insurance – building, contents, landlord/tenant
- ☐ Interest on loans
- ☐ Lease expenses
- ☐ Land tax
- ☐ Legal fees to collect unpaid rent
- ☐ Management/Agent Fees
- ☐ Materials & equipment used for repairs
- ☐ Mobile Phone
- ☐ New building write-off
- ☐ Pest control
- ☐ Postage & printing
- ☐ Repairs (not capital improvements)
- ☐ Council & water rates
- ☐ Seminars related to rental property ownership
- ☐ Stationery
- ☐ Telephone related to rental property
- ☐ Valuation Fees (quantity surveyor etc)

Note:

- To be used in combination with our "Individual Returns" checklist
- Please refer to following page for further information

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The ATO has recently advised that it will be doubling the number of full audits undertaken in respect of rental properties, following an error rate of almost 90% identified by the ATO in a sample of 300 audits recently conducted on rental property claims.

The ATO has also advised that, in relation to rental properties, it will be specifically focusing on (and targeting) the following:

A. **Interest deductions not being correctly apportioned**, such as where, for example:
   - loan moneys were used partly for rental and private purposes and
   - a property was **not** genuinely available for rent
B. The **incorrect classification of capital works** (or improvements) **as deductible repairs**.
C. **Travel claims** in relation to residential rental properties, which are generally **no longer available** (and have generally **not** been available since 1 July 2017).
D. Omitted income and overclaimed deductions (especially deductions that have been incorrectly apportioned) in relation to **accommodation sharing** (e.g., **Airbnb** and similar platforms).

Claiming deductions for holding vacant land from 1 July 2019

On 28 October 2019, the Government finalised its new rules aimed at limiting income tax deductions for 'vacant land' **from 1 July 2019**. Specifically, the new rules apply to holding costs incurred **on or after 1 July 2019** that relate to holding land, even if the land in question was first held (or acquired) before that date.

Therefore a loss or outgoing incurred by a taxpayer at a particular time in relation to holding land (e.g., interest, rates, land tax and building insurance) will generally **not** be deductible where there is **no substantive permanent building** (**or other substantive permanent structure**) on the land, that is ***"in use or ready for use"*** (i.e., where the land is 'vacant land').

Also land which contains *residential premises* that have been **constructed** or **substantially renovated**, *whilst the relevant taxpayer held the land,* will still be considered **'vacant'** land until those premises are:
- **lawfully able to be occupied** (e.g., an occupancy certificate has issued); and
- **leased, hired or licenced**, or **available for lease, hire or licence**.

This means that an individual taxpayer **will not be able to** deduct the costs of holding land containing constructed or substantially renovated **residential premises** whilst they held the land until they are actively seeking to derive income from the property (i.e., until the premises can be lawfully occupied and are at least genuinely available for rent).

Travel Deductions

From 1 July 2017, travel expenditure incurred by a taxpayer in relation to travel to a rental property is not deductible.