



## Property Management News

September 2019

### ATO CRACKING DOWN ON INVESTMENT PROPERTY DEDUCTIONS

Just in time for the end of the financial year, the Australian Taxation Office (ATO) announced it would be sending letters to an increasing number of Australians who need to explain investment property deductions in their tax returns. This increased scrutiny of tax returns for Australians who make deductions for an investment property comes after significant growth in the amount of deductions Australians have been claiming each financial year.

In the 2017/18 financial year, for example, 2.2 million people claimed over \$47 billion of tax deductions. A large portion of these deductions came from work-related expenses and deductions for rental properties. As a result of the significant increases in deductions, the ATO announced it would double the number of audits on Australian taxpayers.



For taxpayers who are audited, and a genuine mistake is detected, there are no penalties. The taxpayer will just need to adjust their accounts with the ATO and pay the likely bill owing. For taxpayers who are found to be deliberately trying to over-claim deductions, penalties of up to 75% of the amounts claimed can be applied.

Specific scenarios that the ATO will be looking out for include incorrect recording of rental income and expenses. This is particularly relevant on jointly-owned properties. For example, if two people own an investment property and all of the deductions are claimed by the higher income earner, this will raise suspicions with the ATO.

Holiday homes are also a focus for the ATO. In particular, the ATO are on the lookout for taxpayers who claim deductions for holiday homes that aren't genuinely available for holiday letting. The agency will also be checking to ensure deductions are only claimed for the periods when holiday homes are rented to visitors, and not when the owners are using the property for their personal use.

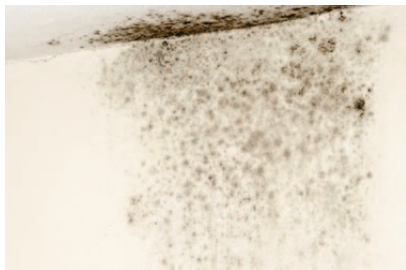
"We expect to more than double the number of in-depth audits we conduct this year to 4500, with a specific focus on over-claimed interest, capital works claimed as repairs, incorrect apportionment of expenses for holiday homes let out to others and omitted income from accommodation sharing," the ATO's Assistant Commissioner explained in a statement.

With the ATO cracking down on false deductions, it's more important than ever to make sure you're keeping appropriate records to ensure tax times goes smoothly for you.

## A MOULDY ISSUE

Mould in rental properties is a tricky topic which often comes to the fore during the cooler months.

A lack of ventilation, various building faults and cold, damp environments can cause excess moisture to collect, resulting in exterior or interior mould problems.



Here are some ways to help prevent the growth of mould in your property:

- If mould is present, provide a dehumidifier to reduce moisture in the home
- Install extractor fans in bathrooms and kitchens where moisture generated by steam collects
- Properly insulating all walls
- Installing heating and cooling systems to manage the seasonal temperature

If mould does begin to form in your property, the key to successful treatment is fixing the problem at its source.

It's important to deal with mould problems using the assistance of mould remediation professionals, as using bleach or other improper chemicals will only exacerbate the issue. As a landlord, it is of utmost importance to quickly and efficiently deal with mould problems.

Left untreated, mould can cause serious health problems – a risk too high for anyone to ignore.

## HOW TO MAKE TAX TIME GO SMOOTHLY

Tax time is here again and that means many property investors are going through the process of completing their tax return, or having it completed by a tax accountant. To make sure your tax time goes smoothly, there are things you need to do throughout the financial year. Here's are the two most important things you need to do to save potential headaches when you complete your tax return.

### Consult a professional

This comes down to personal preference, but as soon as you have details other than PAYG income and a HECS-HELP debt to record on your tax return, it's probably time to consult a professional. Not only can a tax accountant help to make sure everything you're submitting to the ATO is correct the first time, they will also help you legally maximise your deductions.

Having a professional complete your tax return and keeping in regular contact as an ongoing client will also help when it comes time to buy another property, finance other purchases such as a new car, or to simply verify your income if you're self-employed. Yes, you'll be paying a fee to have them complete your tax return, but you can claim it as a deduction the following year. Plus, the small fee now could save you potentially expensive mistakes from not completing your tax return properly.

### Keep records of everything

Throughout the financial year, make sure you keep detailed records of everything. For property investors, this will include documents such as rental statements, invoices, bills, insurance and receipts for repairs and maintenance.

Even if you don't have time to fill and record everything as documents are incoming, you can keep a folder in your home office (either physical or electronic) to store everything that needs to be recorded. This will help you keep track of everything even when you're busy and make sure you and your accountant can find everything at tax time.

Another important thing to keep a record of is when your property is advertised for rent. This will include things such as emails between you and your property manager, rental listings on property websites and calendar entries where you may have met with your property manager to discuss your property. Keeping records of these activities is important especially so you can claim deductions for when the property is vacant. Remember, you can't claim rental income losses for the period that your property is vacant.

By keeping detailed records throughout the tax year and consulting a professional to complete your tax return, you can ensure your tax time goes smoothly. If you have specific questions about your deductions or submitting your tax return, make sure you consult an accountant so they can provide you with personalised advice.

# R&W

Just a friendly reminder that the deadline for lodging your tax return for the fiscal year 1 July 2018 – 30 June 2019 on your investment property is 31 October 2019, if you haven't done it yet we recommend that



you look into it and contact your registered Tax Agent for help.

**Hendra Wijaya**  
Principal

## RECENT RENTALS

- 135/116 Maroubra Road Maroubra  
2 bed 2 bath 1 parking \$570
- 30/398 Anzac Parade, Kingsford  
2 bed 1 bath 1 parking \$570
- 205/1 Bruce bennet place Maroubra  
2 bed, 2 bath 1 parking \$630
- 3 Kingsford street Maroubra  
3 bed, 2 bath, 1 parking \$ 850

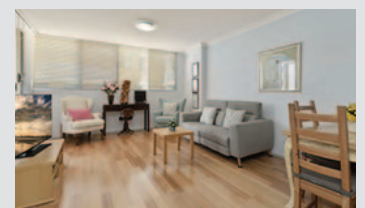
## RECENT SALES



306/2 Oscar Place, Eastgardens  
SOLD for \$855,000  
2 Beds, 2 Baths, 2 Cars



218/116 Maroubra Road, Maroubra  
SOLD for \$650,000  
1 Bed, 1 Bath, 1 Car



24/108 Boyce Road, Maroubra  
Price Undisclosed  
2 Beds, 2 Baths, 2 Cars

## The best reputation in real estate

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