

Tax Return Time for Investors

With tax return time getting closer, there is no better time to tidy up the office, organise all your receipts and start looking for all your allowable deductions for your investment property.

If you are due a tax refund, getting organised before the end of June may mean you could have your tax cheque in your hand before the end of July.

The most obvious tax deduction is the interest on your investment loan. This can be deducted in the year it is paid. Other expenses that can be claimed in the same year as paid include council rates, insurance, renovation costs and repairs.

Be aware the common error of claiming as a deduction a repair that is actually an improvement to the property. A repair must directly relate to damage that occurred as a result of renting out your property. Replacing a part of a fence damaged in a storm is classified as a repair, for instance, but replacing the whole fence is seen as an improvement to the property.

While property improvements, alterations or extensions cannot be claimed as immediate deductions, you can still make your money back by claiming them as capital works depreciation. This involves writing off the cost of the item over a set number of years - the effective life of the asset.

You can also claim depreciation of items such as dishwashers, carpets and furniture. New items will have a greater impact on your tax claim. Older items may have already used up their "effective life" and not be eligible for a tax claim.

You may want to consider employing a property surveyor to prepare a depreciation schedule that your accountant will use each year to maximise your depreciation claims. The largest and most important component of the depreciation schedule is the historical cost of the construction of the property. The construction cost typically comprises 90% of the tax savings available. For residential investment properties, construction must have commenced on or after July 18, 1985.

Where construction commenced between 18 July, 1985 and 15 September, 1987 depreciation is applied at 4% of construction costs and is claimable for 25 years. Where construction commenced after 15 September, 1987 depreciation is applied at 2.5% of construction costs and is claimable for 40 years. In both cases substantial tax savings are possible.

Guidance about what you can and can't claim can also be found in the Australian Tax Office free guide 'Rental Properties' at www.ato.gov.au.



AlphaLoan Mortgage Group Pty Ltd
ACN: 120 187 386

M: 0411 886 310

F: (03) 8625 0035

E: gvimpani@alphaloan.com.au

W: www.alphaloan.com.au

For further information, please don't hesitate to call AlphaLoan today so we can match your needs against 100's of home loans from our panel of lenders, including all the major banks and many more!

Web: www.alphaloan.com.au

Mob: 0411 886 310

Email: gvimpani@alphaloan.com.au

