

Residential Rental Property Checklist 2011



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This checklist, prepared by Moore Stephens on behalf of CPA Australia, will assist you in completing the relevant tax return details for residential rental properties.

Legend

Column 1: Column 1 requires the user to indicate whether they were either Advised ('A') of the information or Sighted ('S') documentation or whether No Substantiation is required ('N/A').

Column 2: Column 2 requires the user to indicate whether an additional work paper (WP) should be completed in respect of that item.

Column 3: Column 3 indicates whether an attachment was obtained in respect of that item.

Rental property schedule reference	Description	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
Rental Details				
	Do you own or have an interest in rental property in Australia?*			
	If the answer is yes , you will need to complete a rental property schedule. * Foreign rental properties are excluded.			
	Do you have multiple rental properties? If the answer is yes , are the properties:			
	<ul style="list-style-type: none"> on different titles (in which case separate rental property schedules will be required to be completed for each rental property) OR on the same title (in which case only one rental property schedule is required to be completed)? 			
	Do you only have a part-interest in a rental property (i.e. you are a joint proprietor or a tenant in common)? If the answer is yes , fill out the rental property schedule in relation to your interest in the total rental income and expenses relating to the rental property.			
	In the rental property schedule, complete the period details (i.e. the financial year in which the information relates to).			
	Complete the following details in the rental property schedule: <ul style="list-style-type: none"> the tax file number of the taxpayer the name of the taxpayer the address of the rental property the date the property first earned rental income (not merely when purchased or made available for rent) the dates the property was rented between the number of weeks the property was rented out in the current financial year the date of acquisition of the rental property the date of sale of the rental property (if sold in the current year). 			

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Rental property schedule reference	Description	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
Income (exclude cents on all amounts)				
A	<p>Did you earn any rental income?</p> <ul style="list-style-type: none"> • Yes – calculate rental income • No – go to B <p><i>Rental income includes the full amount of all rent paid by your tenants. Do not deduct agent's commission or other costs from this amount.</i></p>			
B	<p>Did you earn other rental related income?</p> <ul style="list-style-type: none"> • Yes – calculate rental related income • No – go to label C <p><i>Other rental related income includes:</i></p> <ul style="list-style-type: none"> • <i>compensation for lost rent (insurance payments)</i> • <i>rental bond money retained to cover outstanding rent or to cover damages sustained to the property</i> • <i>reimbursements and recoupments, such as tenants reimbursements for cost of repairs to the property.</i> 			
C	<p>Calculate gross rent: (Add A and B)</p>			
Expenses (exclude cents on all amounts)				
	<p>Did you incur deductible expenditure relating to the rental property in the current financial year?</p> <p>The answer will only be yes if:</p> <ul style="list-style-type: none"> • the property was rented or available for rent in the current income year • the expenditure was not of a private or capital nature. <p>Note: <i>expenditure can only be claimed as a deduction under one label.</i></p>			
D	<p>Did the expenditure relate to advertising for tenants?</p> <p>If the answer is yes, calculate the deductible advertising expenses and then proceed to label E.</p> <p>If the answer is no, proceed directly to label E.</p>			
E	<p>Did the expenditure relate to owner's corporation (formerly body corporate) fees?</p> <p>If the answer is yes, calculate the deductible owners corporation (formerly body corporate) fees and then move to label F.</p> <p>If the answer is no, go directly to label F.</p>			

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Expenses (exclude cents on all amounts) (continued)				
F	<p>Did the expenditure relate to borrowing expenses you incurred?</p> <p>If the answer is yes, calculate the deductible borrowing expenses and then move to label G.</p> <p>If the answer is no, go directly to label G.</p> <p><i>Borrowing expenses directly related to a loan include:</i></p> <ul style="list-style-type: none"> • <i>establishment fees</i> • <i>stamp duty</i> • <i>title search fees</i> • <i>valuation expenses</i> • <i>lenders mortgage insurance.</i> <p><i>(Borrowing fees do not include interest payable on the loan)</i></p> <p><i>If the total amount is:</i></p> <ul style="list-style-type: none"> • <i>>\$100 – apportion the cost over the shorter of five years or term of the loan</i> • <i><\$100 – deduct entire amount in the year incurred.</i> 			
G	<p>Did the expenditure relate to cleaning expenses you incurred?</p> <p>If the answer is yes, calculate the deductible cleaning expenses and then move to label H.</p> <p>If the answer is no, go directly to label H.</p>			
H	<p>Did the expenditure relate to council rates you incurred?</p> <p>If the answer is yes, calculate the deductible council rates and then move to label I.</p> <p>If the answer is no, go directly to label I.</p>			
I	<p>Did the expenditure relate to a capital allowance deduction on an asset in the rental property?</p> <p>If the answer is yes, calculate the deductible capital allowances.</p> <p>If the answer is no, go directly to label J.</p> <p><i>To claim a capital allowance deduction on an asset, the asset must have been used or installed to be used for income-producing purposes during the current income year.</i></p> <p><i>Assets allocated to a low-value pool are not claimed as deductions here.</i></p> <p><i>Refer to Appendix A for a summary of the effective life estimates and depreciation rates issued by the Commissioner of Taxation on assets typically contained within rental properties.</i></p> <p>Note: <i>a taxpayer is entitled to apply their own effective life estimates and depreciation rates when claiming depreciation deductions. However, the rates applied by a taxpayer would need to be able to be substantiated.</i></p>			

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Expenses (exclude cents on all amounts) (continued)				
J	<p>Did the expenditure relate to gardening or lawn mowing expenses you incurred?</p> <p>If yes, calculate the deductible gardening and lawn mowing expenses and move to label K.</p> <p>If no, go directly to label K.</p> <p><i>Includes ongoing gardening and lawn mowing expenses but does not include capital improvements.</i></p>			
K	<p>Did the expenditure relate to insurance expenses you incurred?</p> <p>If yes, calculate the deductible insurance expenses and move to label L.</p> <p>If no, go directly to label L.</p> <p><i>Insurance premiums are deductible.</i></p>			
L	<p>Did the expenditure relate to interest on loans you incurred?</p> <p>If yes, calculate the deductible interest expense and move to label M.</p> <p>If no, go directly to label M.</p> <p><i>Includes interest on loans to purchase rental property or finance costs of repairs, renovations etc. made to the rental property.</i></p> <p><i>Does not include interest where the property is no longer used for income-producing purposes, interest on loans to purchase depreciating assets for rental property (included at label V) and items already included at label F.</i></p>			
M	<p>Did the expenditure relate to land tax expenses you incurred?</p> <p>If yes, calculate the deductible land tax expenditure and move to label N.</p> <p>If no, go directly to label N.</p>			
N	<p>Did the expenditure relate to legal expenses you incurred?</p> <p>If yes, calculate the deductible legal expenses and move to label O.</p> <p>If no, go directly to label O.</p> <p><i>Legal expenses to acquire or dispose of the property will not be deductible for tax purposes. However, legal expenses incurred in drafting a lease agreement or enforcing rental payments will be deductible for tax purposes.</i></p>			
O	<p>Did the expenditure relate to pest control expenses you incurred?</p> <p>If yes, calculate the deductible pest control expenses and move to label P.</p> <p>If no, go directly to label P.</p>			
P	<p>Did the expenditure relate to property agent fees or commissions you incurred?</p> <p>If yes, calculate the deductible property agent fees or commission expenses and move to label Q.</p> <p>If no, go directly to label Q.</p> <p><i>Includes managing and inspection costs.</i></p>			

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Expenses (exclude cents on all amounts) (continued)				
Q	<p>Did the expenditure relate to repairs and maintenance expenditure you incurred?</p> <p>If yes, calculate the deductible repairs and maintenance expenses and move to label R.</p> <p>If no, go directly to label R.</p> <p><i>Repairs and maintenance expenditure must be incurred as a result of general wear and tear on the rental property. Expenditure that results in the asset being improved beyond that of its original state will not be deductible. This expenditure will be required to be capitalised to the cost base of the property except to the extent to which they can be claimed as capital works deductions.</i></p> <p>Note: expenditure incurred on initial repairs or maintenance that are required to be made to the rental property will also not be deductible as they are treated in the same manner as improvements.</p>			
R	<p>Did the expenditure relate to capital works deductions (special building write-off)?</p> <p>If yes, calculate the deductible capital works deduction and move to label S.</p> <p>If no, go directly to label S.</p> <p><i>Deductions for construction expenditure and structural improvements may be available.</i></p> <p><i>See Appendix B for categories and rates.</i></p>			
S	<p>Did the expenditure relate to stationery, telephone and postage expenses you incurred?</p> <p>If yes, calculate the deductible stationery, telephone and postage expenses and move to label T.</p> <p>If no, go directly to label T.</p> <p><i>Excludes telephone connection costs.</i></p>			
T	<p>Did the expenditure relate to travel expenses you incurred?</p> <p>If yes, calculate the deductible travel expenses and move to label U.</p> <p>If no, go directly to label U.</p> <p><i>Travel must be related to the renting of the property (i.e. inspection).</i></p>			
U	<p>Did the expenditure relate to water charges you incurred?</p> <p>If yes, calculate the deductible water charges and move to label V.</p> <p>If no, go directly to label V.</p>			

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Expenses (exclude cents on all amounts) (continued)				
V	<p>Did the expenditure relate to any other sundry rental expenses you incurred that have not already been included within labels D-V?</p> <p>If yes, calculate the deductible sundry rental expenses and move to label W.</p> <p>If no, go directly to label W.</p> <p><i>Sundry expenses include electricity, gas, interest on loans to purchase depreciating assets, bank charges, bookkeeping fees etc.</i></p> <p><i>Generally, expenses may be inserted under this label where the expense is recurring in nature and is not capital in nature (i.e. is not a one-off type expenditure that improves the underlying capital value of the rental property).</i></p>			
W	<p>Total expenses</p> <p>Add expenses from labels D to V.</p>			
X	<p>Net rent</p> <p>Subtract total expenses (label W) from gross rent (label C).</p> <p>If total expenses (W) is greater than gross rent (C), a rental loss will be incurred and should be noted by placing an L in the box provided on the right of label X.</p>			
Taxpayer's Declaration				
<p>Complete the taxpayer's declaration On completion of your rental property schedule, sign and date the taxpayer's declaration on the first page.</p> <p>Record keeping Records of income and deductions relating to the rental property should be kept for a period of five years from the date of lodgement of the tax return.</p> <p>Records relating to acquisition and disposal of property and / or its depreciating assets should be kept for a period of five years after being disposed of.</p> <p>Income tax return Insert the details of this schedule into Item 20 of your income tax return.</p>				

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Appendix A*

Asset	Effective life (if acquired before 1 July 2004)	Depreciation rate	Effective life (if acquired from 1 July 2004)	Depreciation rate
Air conditioners (room units)	10 years	10%	10 years	10%
Smoke alarms	20 years	5%	6 years	16.67%
Carpets	10 years	10%	10 years	10%
Window curtains	6.66 years	15%	6 years	16.67%
Furniture and fittings	13.33 years	7.5%	13.33 years	7.5%
Electric heaters	10 years	10%	15 years	6.67%
Refrigerators	13.33 years	7.5%	12 years	8.33%
Washing machines	6.66 years	15%	10 years	10%

All rates above have been calculated at prime cost. However, diminishing value rates can be used as an alternative and are 150% of prime cost rates for depreciating assets acquired before 10 May 2006. Such rates have increased to 200% of prime cost rates for depreciating assets acquired on or after 10 May 2006.

* In July 2010 the Tax Office completed an effective life review of assets used by residential rental property owners. As a result of this review, the Commissioner has determined the effective lives for a list of those depreciating assets that take effect from 1 July 2010 (the commencement date). The list of assets and effective lives are available in Taxation Ruling TR 2010/2: Income tax: effective life of depreciating assets.

The Tax Office also released an updated version of its residential property guide ('Rental Properties 2010') in May 2010.

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Appendix B*

Category	Sub category	Date	Amount
Residential buildings	Short-term traveller accommodation	27.2.92 onwards	4%
		16.9.87 to 26.2.92	2.5%
		22.8.84 to 15.9.87	4%
		22.8.79 to 21.8.84	2.5%
	Other residential accommodation	16.9.87 onwards	2.5%
		18.7.85 to 15.9.87	4%
Structural improvements		27.2.92 onwards	2.5%

* Also refer to note to Appendix A.