

ISSUE  
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# THE INVESTOR

## FRIENDSHIPS AND VERBAL AGREEMENTS

Friendships and verbal agreements entered by the landlord directly with the tenant (without the agents' knowledge) start with the best intentions. However, from experience, it can ultimately affect the relationship between all parties if there is a dispute during the tenancy.

Renting a property should be considered a business transaction, not a friendship. That is not to say that when communicating or inspecting the property, you cannot be friendly and appreciative of the tenant.

However, if you find yourself in a position of communicating with the tenant directly, regarding matters as outlined below ... beware.

- Rent reductions.
- Payment plans.
- Approval of pets or additional tenants.
- A tenant request to conduct their own maintenance.
- Approval of new inclusions.
- Alterations at the property.
- Organising regular access to the property, to name a few.

A general conversation could turn into a verbal agreement.

It is therefore imperative that before communicating with the tenant/s on any matter, to speak with your managing agent to ensure that it is in line with legislation requirements and beneficial to your investment needs and outcomes to reduce the risk of something potentially going wrong.

You should also avoid providing the tenant with your direct contact details to avoid the possibility of mistakenly entering into an agreement.



## END OF FINANCIAL YEAR

With the end of the financial year fast approaching... now is the time to schedule an appointment with your tax agent, accountant, or financial advisor to discuss your finances and investment goals, so that you have ample time to act.

Do you need to pre-pay mortgage payments or loan interest, rates, utilities, or other expenses, before 30 June to minimise your taxable income?

Do you need to organise renovations, maintenance, or upgrades to your investment property to enable you to make a claim in this financial year – if required?

Many property investors leave this important review and audit process until it is too late.

And finally, make an important task reminder to ensure that all your paperwork, documents, and invoices are in order so that you are aware of the total income and expenses relating to your investment property.

### DEDUCTIONS CHECKLIST GUIDE

- |  |   |
|--|---|
| <input type="checkbox"/> Accountant costs              | <input type="checkbox"/> Land tax                     |
| <input type="checkbox"/> Advertising                   | <input type="checkbox"/> Legal costs                  |
| <input type="checkbox"/> Agent fees & commissions      | <input type="checkbox"/> Loan fees                    |
| <input type="checkbox"/> Bank charges.                 | <input type="checkbox"/> Pest control                 |
| <input type="checkbox"/> Body corporate fees & charges | <input type="checkbox"/> Pool care                    |
| <input type="checkbox"/> Bookkeeping                   | <input type="checkbox"/> Pre-paid expenses            |
| <input type="checkbox"/> Capital works                 | <input type="checkbox"/> Property extensions          |
| <input type="checkbox"/> Cleaning                      | <input type="checkbox"/> Renovations                  |
| <input type="checkbox"/> Council rates & water charges | <input type="checkbox"/> Repairs & maintenance        |
| <input type="checkbox"/> Depreciation                  | <input type="checkbox"/> Replaced assets              |
| <input type="checkbox"/> Gardening & lawn mowing       | <input type="checkbox"/> Servicing costs              |
| <input type="checkbox"/> Insurance premiums            | <input type="checkbox"/> Stationery & admin costs     |
| <input type="checkbox"/> Interest expenses             | <input type="checkbox"/> Tax depreciation schedule    |
|  | <input type="checkbox"/> Utilities (where applicable) |

# TOP 10 MAINTENANCE AND PROPERTY UPGRADES TO ATTEND TO AT TAX TIME

If your tax agent, accountant, or financial advisor suggests investing money into property maintenance or upgrades before the end of the financial year, consider the following:

1. Replace old and worn-out carpet.
2. Upgrade outdated appliances.
3. Organise a tradesperson to give the internal property one coat of paint, which will be significantly cheaper than two coats.
4. Landscape gardens.
5. Patch paint external property walls that are looking faded. Often, you won't need to paint all the walls.
6. Replace an aging hot water system.
7. Consider installing air-conditioning.
8. Review installing energy-efficient features at the property.
9. Repair and replace any old fences.
10. Invest in an annual building and pest report.

Before attending to any works, it is important to seek advice to determine if it is a maintenance 'repair' that can be claimed immediately or a capital improvement that is claimed as a depreciating asset over time.

## ATO ANNUAL CRACKDOWN WARNING LANDLORDS TO BE TARGETTED

This is a friendly reminder that the ATO will once again be scrutinising tax returns that involve investment properties.

The ATO will be targeting landlords as research and data reveals that 90 per cent of rental property owners are getting their income tax returns wrong.

Inflated claims for rental properties relating to repairs and maintenance, and incorrectly allocating capital expenses and improvements will be their key focus.

Reporting rental income and deductions can be complex and confusing, especially when determining the difference between maintenance and repairs versus capital improvements.

Appointing a registered tax agent or accountant will ensure that you get the right advice and prepare your tax return correctly.

This coming financial year the ATO is particularly focused on claims that may have been inflated to offset increases in rental income to get a greater tax benefit.

## TAX DEPRECIATION SCHEDULE DO YOU HAVE ONE?

A Tax Depreciation Schedule is a comprehensive report that outlines the historical construction costs and asset value of a property, including the fixtures and fittings.

An annual Tax Depreciation Schedule takes into consideration the value of depreciating items due to aging from year to year. This depreciating value can be claimed as a tax deduction.

Depreciation affects the income and expenses of an investment property and will have an impact on your tax return.

To maximise your tax deductions and minimise your tax payable, we strongly recommend that you seek advice regarding the benefits of a depreciation schedule, if you do not already have one.

## TALK TO US

BUYING, SELLING & PROPERTY MANAGEMENT

CALL OLIVE ON  
0424 873 428  
IF YOU NEED ADVICE

## PROPERTY MARKET

Keeping you updated

### FOR RENT

2/2-4 Montgomery St Miranda  
6/2-4 Montgomery St Miranda

### RENTED

303/87 Railway Pde Mortdale  
2/19 Pitt St Mortdale  
3 McEvoy Rd Padstow  
G01/57-59 Trafalgar St Peakhurst  
102/57-59 Trafalgar St Peakhurst  
103/57-59 Trafalgar St Peakhurst  
202/57-59 Trafalgar St Peakhurst  
204/57-59 Trafalgar St Peakhurst  
86 Edgbaston Rd Beverly Hills

### FOR SALE

G04/13-15 Gover St Peakhurst  
G02/57-59 Trafalgar St Peakhurst  
G04/57-59 Trafalgar St Peakhurst  
203/57-59 Trafalgar St Peakhurst  
264A Woniora Rd Blakehurst  
201/378-384 Forest Rd Hurstville  
301 1/74B Belmore St Ryde

### SOLD

101/57-59 Trafalgar St Peakhurst

## SUDOKU COFFEE BREAK

Every row & column, and 3X3 box, must contain the numbers from 1-9

2			6	8			
	5			2		1	3
	3		9	1	7	8	
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9			4				
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		1		3			5
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