

RESIDENTIAL RENTAL PROPERTY CHECKLIST 2017

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Residential Rental Property Checklist 2017

This checklist will assist you in completing the relevant tax return details for residential rental properties.

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.

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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)
Rental Details				
	<p>Do you own or have an interest in rental property in Australia?*</p> <p>If the answer is yes, you will need to complete a rental property schedule.</p> <p>* Foreign rental properties are excluded as income derived from the rental of a foreign property is included in foreign income.</p> <p>Note: the Federal Government proposed in the 2017-18 Federal Budget that it will impose an annual charge on foreign owners of a residential property where the property is not occupied or genuinely available on the rental market for at least six months of the year. The new tax will be equivalent to the foreign investment application fee imposed on the property when it was acquired by the foreign investor. The proposed change will apply to foreign investors who make a foreign investment application for a residential property on or after 7.30 p.m. on 9 May 2017.</p> <p>Note: the ATO has advised that it is paying particular attention to: the basis on which rental income and expenses is apportioned between property owners; deductions being claimed for initial repairs which should be included in the cost base of the rental property for capital gains tax purposes; excessive rental interest expense claims; holiday homes that are not genuinely available for rent; and non-commercial rental agreements.</p>			
	<p>Do you have multiple rental properties?</p> <p>If the answer is yes, are the properties:</p> <ul style="list-style-type: none"> on different titles? If yes, separate rental property schedules will be required to be completed for each rental property OR on the same title? If yes, one rental property schedule is required to be completed. 			
	<p>Do you only have a part-interest in a rental property (i.e. you are a joint proprietor or a tenant in common)?</p> <p>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.</p>			
	<p>In the rental property schedule, complete the period details (i.e. the financial year in which the information relates to).</p>			

Residential Rental Property Checklist 2017

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 (continued)				
	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 start and finish dates during the year when the property was rented 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). 			
Income (exclude cents on all amounts)				
A	Did you earn any rental income? <ul style="list-style-type: none"> Yes – calculate rental income No – go to B Rental income includes the gross amount of all rent paid by your tenants. Do not deduct agent's commission or other costs from this amount.			
B	Did you earn other rental related income? <ul style="list-style-type: none"> Yes – calculate rental related income No – go to label C Other rental related income includes: <ul style="list-style-type: none"> compensation for lost rent (insurance payments) rental bond money retained to cover outstanding rent or to cover damages sustained to the property reimbursements and recoupments, such as tenant's reimbursements for cost of repairs to the property. 			
C	Calculate gross rent: (Add A and B)			
Expenses (exclude cents on all amounts)				
	Did you incur deductible expenditure relating to the rental property in the current financial year? <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: expenditure can only be claimed as a deduction under one label. Capital expenditure on eligible depreciating assets and capital works may be written off and included under Labels I and R respectively.</p> <p>You may need to apportion rental expenses where only part of the property was rented during the year or the property was only available for rent for part of the year.</p>			

Residential Rental Property Checklist 2017

Rental property schedule reference	Description	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
Expenses (exclude cents on all amounts) (continued)				
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, go 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 owner's corporation (formerly body corporate) fees and then move to label F.</p> <p>If the answer is no, go directly to label F.</p>			
F	<p>Did the expenditure relate to borrowing expenses you incurred in the current or previous income year? (e.g. undeducted borrowing cost balances)</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>Borrowing expenses directly related to a loan include:</p> <ul style="list-style-type: none"> • loan establishment fees • stamp duty on registration of a mortgage • title search fees • mortgage broker fees • valuation expenses • lender's mortgage insurance. <p>(Borrowing expenses do not include interest payable on the loan which is included at label L).</p> <p>If the total amount is:</p> <ul style="list-style-type: none"> • greater than \$100 – apportion the cost over the shorter of five years or term of the loan on a pro rata daily basis • less than \$100 – deduct the entire amount in the year incurred. 			
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>			

Residential Rental Property Checklist 2017

Rental property schedule reference	Description	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
Expenses (exclude cents on all amounts) (continued)				
I	<p>Did the expenditure relate to a capital allowance deduction on a depreciating asset used in the rental property (i.e. tax depreciation)?</p> <p>If the answer is yes, calculate the deduction for the decline in value of such assets.</p> <p>If the answer is no, go directly to label J.</p> <p>To claim a capital allowance deduction on a depreciating asset, the asset must have been used or installed to be used for income-producing purposes during the current income year.</p> <p>Note: a taxpayer is entitled to apply their own effective life estimates and depreciation rates when claiming depreciation deductions. However, any self-assessed effective life and related depreciation rate applied by a taxpayer in respect of a depreciating asset would need to be substantiated. An immediate deduction may be available in respect of a depreciating asset costing \$300 or less to the extent it was used to produce assessable income (e.g. rent) during the year.</p> <p>Note: the Federal Government proposed in the 2017-18 Federal Budget that from 1 July 2017 plant and equipment depreciation deductions will be limited to outlays actually incurred by investors in residential rental properties. Accordingly, investors who purchase plant and equipment for their residential investment property after 9 May 2017 will be able to claim a deduction for the decline in value of a depreciating asset over its effective life. However, subsequent owners of such a property will not be able to claim depreciation deductions for plant and equipment purchased by a previous owner of that property which will instead be taken into account for CGT purposes when the property is on-sold. As a transitional measure where plant and equipment forms part of a residential property acquired on or before 9 May 2017 those assets will be depreciated until the investor either does not own the assets, or the assets reaches the end of their effective life.</p> <p>See 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.</p>			
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>Includes on-going gardening and lawn mowing expenses but does not include capital improvements.</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>Insurance premiums are deductible.</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>Includes interest on loans to purchase rental property or to finance repairs and renovations etc. made to the rental property. Generally speaking, the property must be rented or available for rental in the income year for which the deduction is claimed.</p> <p>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.</p>			

Residential Rental Property Checklist 2017

Rental property schedule reference	Description	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
Expenses (exclude cents on all amounts) (continued)				
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>Legal expenses that are capital in nature, for example, legal expenses to acquire or dispose of the property will not be deductible for tax purposes.</p> <p>Note: non-deductible expenses may, however, form part of the cost base to the property for capital gains tax purposes.</p> <p>However, legal expenses incurred in drafting a lease agreement or enforcing rental payments will be deductible for tax purposes. Legal costs incurred in evicting clients, seeking recovery of unpaid rent and defending third party injury claims are also allowable.</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>Includes management, inspection and rent collection costs but excludes fees paid in relation to the disposal of the rental property.</p>			
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>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. Such improvement expenditure will be required to be capitalised in the cost base of the property and may be potentially written off as a depreciating asset (refer to label I) or capital works (refer to label R).</p> <p>Note: expenditure incurred on initial repairs that are required to be made to the rental property (e.g. to make suitable for first tenant) will also not be deductible as they are treated in the same manner as improvements but can be included in the cost base of the property.</p>			

Residential Rental Property Checklist 2017

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Expenses (exclude cents on all amounts) (continued)				
R	<p>Did the expenditure relate to capital works expenditure (i.e. building or building alteration, extension or improvement)?</p> <p>If yes, calculate the deductible capital works deduction and go to label S.</p> <p>If no, go directly to label S.</p> <p>Deductions for construction expenditure and structural improvements may be available and will, in most cases, be deducted on a straight-line basis over 40 years on a pro-rata daily basis*. Deductions are available in respect of construction expenditure and no deduction is available until construction is complete.</p> <p>Note: where ownership of a building changes the right to claim any undeducted construction expenditure in respect of capital works passes to the new owner.</p> <p>*See Appendix B for categories of eligible capital works and range of applicable write-off rates.</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>Excludes telephone connection costs.</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>Travel costs must be related to the renting of the property (e.g. inspection) and need to be reduced to the extent that the travel was for private purposes.</p> <p>Note: the Federal Government proposed in the 2017-18 Federal Budget that travel expenses related to inspecting or maintaining residential rental properties or collecting rent from such properties would be disallowed from 1 July 2017. However, investors will continue to be able to claim a deduction for the provision of property management services by real estate agents.</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>			

Residential Rental Property Checklist 2017

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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-U?</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>Sundry expenses include electricity, gas, interest on loans to purchase depreciating assets, bank charges, bookkeeping fees etc.</p> <p>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).</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</p> <p>On completion of your rental property schedule, sign and date the taxpayer's declaration on the first page.</p> <p>Record keeping</p> <p>Records of income and deductions relating to the rental property should be kept for a period of five years from the date of lodgment 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</p> <p>Insert the details of this schedule into Item 21 of your income tax return.</p>				

Residential Rental Property Checklist 2017

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.

Further details on the effective lives and therefore depreciation rates applicable to depreciating assets acquired during the year ended 30 June 2017 for residential property operators is set out in Table A of Taxation Ruling TR2016/1.

The Australian Taxation Office has also released an updated version of its residential property guide ([Rental Properties 2017](#)).

* Refer to Appendix B for rates of write-off on eligible residential capital works.

Residential Rental Property Checklist 2017

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 for rates of write-off on certain depreciating assets which may be applicable to residential property owners.