Harcourts

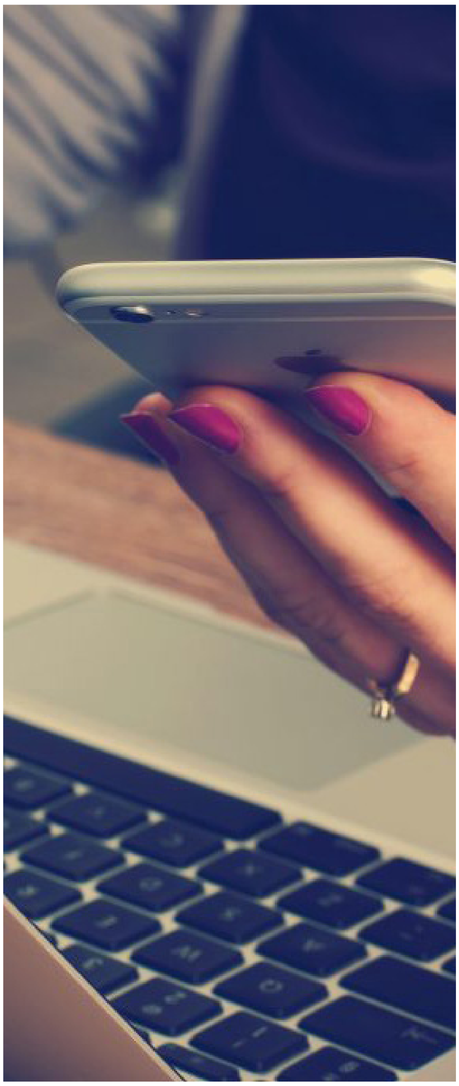
August 2019

# Property Focus

Bringing you the latest news, fact and figures from the world of Australian real estate.

## Maximise your tax return

The Australian Taxation Office (ATO) recently performed a review of individual tax returns and found that an astounding 90 per cent of investment property owners were making mistakes in their tax return. If you're a property investor, here are some tips for the new financial year that could help you avoid mistakes and save you thousands next tax time.



### UNDERSTAND LOAN INTEREST AND HOW IT CAN BE CLAIMED AT TAX TIME

If you obtain a loan to purchase an investment property, the interest charged on that loan can be claimed as a tax deduction. However, there are some rules around this:

- The property must have been rented, or genuinely available for rent, in the income year the deduction is claimed
- If the property was used for private purposes at any time throughout the year, the interest will be apportioned accordingly
- If the loan was used for more than one purpose, such as to buy the property and a car, the interest must be apportioned into deductible and non-deductible amounts

You can also pre-pay next financial year's interest in a lump sum and claim it at tax time this financial year.

### BORROWING EXPENSES

Borrowing expenses are expenses that are directly incurred in taking out a loan to buy an investment property. If over $100, they can be claimed over the course of five years. If under $100, the full amount can be claimed in the year the expense was incurred.

- lenders mortgage insurance
- stamp duty charged on the mortgage
- title search fees
- mortgage broker fees
- valuation fees
- loan establishment fees
- costs for preparing and filing mortgage documents

Please note, this isn't a comprehensive list. For more information on what can and can't be claimed at tax time as a borrowing expense, visit theATO website.

### REPAIRS, MAINTENANCE AND CAPITAL EXPENDITURE

When it comes to tax deductions, there are differences between repairs, maintenance and capital expenditure.

- Repairs are generally made to fix the wear and tear or damage that occurs to your property as a result of renting it out. If you are replacing something that's worn out or damaged, it's likely to be a repair. An example of a repair is fixing a broken kitchen cupboard
- Maintenance, as the name suggests, generally involves keeping the property in a good and tenantable condition. If you're preventing or fixing deterioration of an item, it's likely to be maintenance. An example of maintenance would be painting an interior wall
- Capital improvements occur when the condition or value of an item is improved beyond its original state at the time of purchase. Structural additions and renovations like adding a wall are considered capital works deductions. Adding removable or mechanical items like carpet, hot water systems and stoves are considered plant and equipment.

Repairs and maintenance costs may be fully tax deductible in the year they were incurred, so long as the expense occurred as a result of you renting out the property and the property was rented on an ongoing basis or was genuinely available for rent.

Capital improvements must be depreciated or claimed as capital works deductions or as plant and equipment depreciation over time.

If you made an initial repair or improvement to a property after purchase but before renting it out, you can't claim the cost as a standard tax deduction. These costs instead will be classed as capital works and claimed at 2.5 per cent per year over forty years.

## DON'T FORGET TO CLAIM DEPRECIATION AT TAX TIME

A comprehensive depreciation schedule for an investment property will help support any deductions you claim for the wear and tear of structures and assets in the property in the event of an audit.

And for those who haven't been claiming depreciation, a BMT Tax Depreciation Schedule can help you claim back missed dollars and amend your tax return for the previous two financial years.

## PROVE IT ALL WITH RECORDS

Maintaining accurate records for tax purposes is crucial. The standard rule is that if you can't verify it, you can't claim it.

MyBMT provides the perfect tax time solution, making it easy to track property costs throughout the year.

To find out more about how depreciation can help you save at tax time, Request a Quote or speak to our expert team on 1300 728 726 today.

About the author BMT is a Quantity Surveying company who specialise in tax depreciation with a personalised approach to every tax depreciation schedule prepared for investment, commercial and rental properties.

# Kitchen floors: wood vs tiles

Your kitchen sees you at your most inspired and messiest. The kitchen floor has to withstand it all and be easy to clean if it wants to survive your daily meal preparation. How do the two most popular choices in flooring compare?

## TILES

They've been kitchen favourites for a very long time. They're shiny, easy to clean and allow us to experiment with a variety of colours and textures.

### PROS

Hard wearing Tiles will weather the trials of your kitchen well and support years of foot traffic.

Design flexibility There are options to use a lighter colour to make a kitchen seem bigger or add contrast with darker tiles.

Larger tiles will also help a kitchen feel bigger. Temperature Tiles will keep your home cooler in warm and hot weather.

### CONS

Replacement Manufacturers stop making tiles regularly, so if you need to replace a broken one, you may find it hard to get an exact match.

Stains Tiles can be deceiving. Simple clean ups are usually straightforward, but some lighter coloured tiles will stain easily. Grout needs periodic sealing and if you have chosen a lighter coloured grout, you may be forever trying to fix the discolouration from food stains.

You drop it, you've lost it Tiles aren't a drop friendly surface, so be careful with tableware as once they hit the floor, the may crack the tiles.

## WOOD

Wood is back in demand as we find there's no reason that lovely look in other rooms can't be extended into our kitchens.

### PROS

Aesthetics Wooden floors add elegance and value to properties. Their clean lines give a seamless finish and look modern. They can make an area feel warm and more welcoming.

Less allergies Pet hair and dust won't stick as readily to wood, and may offer relief for those who suffer allergies.

Sustainability Well looked after wooden floors will last a really long time and are generally more environmentally friendly than synthetic materials.

### CONS

Extra care You'll need to treat them over the long term and take care not to use damaging cleaning materials.

Noise The floor will creak occasionally, and you will be able to hear people walking through the kitchen when wearing shoes, from other rooms in the house.

Wear and tear The kitchen sees a lot of traffic and hardwood floors do show their scratches. Wood also doesn't play well with excess moisture, so deal with any water damage quickly.

Price If you have a large space, or want to match floors to other parts of your property, it can be quite expensive.

# Market Facts

**Capital cities home value index - 31 July 2019**

| | ALL DWELLINGS | | HOUSES | | UNITS | |
|---|---|---|---|---|---|---|
| | % Change Year on Year | % Change Month on Month | % Change Year on Year | % Change Month on Month | % Change Year on Year | % Change Month on Month |
| **Sydney** | -8.96 ▼ | 0.22 ▲ | -9.76 ▼ | 0.18 ▲ | -7.14 ▼ | 0.35 ▲ |
| **Melbourne** | -8.18 ▼ | 0.18 ▲ | -10.67 ▼ | 0.09 ▲ | -2.69 ▼ | 0.36 ▲ |
| **Brisbane*** | -2.37 ▼ | 0.20 ▲ | -2.32 ▼ | 0.28 ▲ | -2.59 ▼ | -0.11 ▼ |
| **Adelaide** | -0.78 ▼ | -0.34 ▼ | -0.94 ▼ | -0.25 ▼ | 0.10 ▲ | -0.84 ▲ |
| **Perth** | -8.90 ▼ | -0.53 ▼ | -8.73 ▼ | -0.47 ▼ | -10.05 ▼ | -1.07 ▼ |
| **Hobart** | 2.76 ▲ | 0.27 ▲ | 3.10 ▲ | 0.26 ▲ | 1.58 ▲ | 0.32 ▲ |
| **Canberra** | 1.06 ▲ | -0.32 ▼ | 1.93 ▲ | -0.26 ▼ | -1.98 ▼ | -0.53 ▼ |

*includes Gold Coast