SIRAGUSA
ACCOUNTANTS & ADVISERS

Rental Schedule

Address 1:

Property owners & ownership percentage:

Gross Annual Income $

AND Attach agents annual statement: ❑

Expenses	Amount
Owners Corporation Fee	$
Insurance	$
Land Tax	$
Repairs*	$

Quarter	Water Rates	Council Rates
1	$	$
2	$	$
3	$	$
4	$	$

Bank Interest	Amount

Attach loan statement 30/06: ❑

Have you refinanced your loan this year? ❑

New Assets*

Date	Description	Amount

Other	Amount

Address 2:

Property owners & ownership percentage:

Gross Annual Income $

AND Attach agents annual statement: ❑

Expenses	Amount
Owners Corporation Fee	$
Insurance	$
Land Tax	$
Repairs*	$

Quarter	Water Rates	Council Rates
1	$	$
2	$	$
3	$	$
4	$	$

Bank Interest	Amount

Attach loan statement 30/06: ❑

Have you refinanced your loan this year? ❑

New Assets*

Date	Description	Amount

Other	Amount

***To learn more about repairs vs new assets please refer to the next page**

Australian Government
Australian Taxation Office

Rental properties

Repairs, maintenance and capital expenditure

Quick reference guide

Scenario	Likely treatment	Example	How to claim
Replacing part of something that is worn out, damaged or broken because of renting out the property.	This is likely to be a **repair**.	Replacing part of a fence damaged in a storm or getting in a plumber to fix a leaking tap.	Claim repairs at **Repairs and maintenance** in the income year the expense is incurred.
Work to prevent deterioration or fix existing deterioration to keep the property in a tenantable condition.	This is likely to be **maintenance**.	Getting faded interior walls repainted or having a deck re-oiled.	Claim maintenance at **Repairs and maintenance** in the income year the expense is incurred.
Repairing damage that existed when the property was bought (whether it was known about at the time of purchase or not).	This is likely to be an **initial repair**.	Fixing floorboards or repairing deteriorated window frames.	Initial repairs are **capital expenses** and aren't deductible. In some circumstances, the expense may be claimed as capital works deduction (generally 2.5% of the expense over 40 years). Claim these types of initial repairs at **Capital works**.
Renovating, replacing an entire structure that's partly damaged, or adding a new structure to improve the property.	This is likely to be **capital works**.	Replacing all the fencing, not just the damaged portion, or adding a carport.	Claim at **Capital works**. Unclaimed costs can be used to work out your capital gain or capital loss when you sell the property.
Installing a new appliance or window covering.	This is likely to be a **depreciating asset**.	Buying a new dishwasher or installing new carpet.	This should be claimed at **Capital allowances**. The cost must be claimed over the asset's effective life.

Detailed guide

Find out more about repairs, maintenance, improvements and capital expenditure.

Repairs and maintenance

The cost of repairs and maintenance may be deductible in full in the year you incur them if:

- the expense directly relates to wear and tear or other damage that occurred while renting out the property
- the property either
  - continues to be rented on an ongoing basis
  - remains available for rent, but there's a short time when the property is unoccupied (for example, where unseasonable weather causes cancellations of bookings or all reasonable efforts to attract tenants were unsuccessful).

Repairs

To claim a deduction for the cost of repairs they must either:

- occur after your property was rented or made available for rent, and have been caused by the rental activity of the person making the claim (not from a previous owner), or
- caused by special circumstances beyond your control, such as a natural disaster or deliberate damage by tenants.

Generally, repairs can be claimed in full in the same year you incurred the expense.

Examples of repairs include:

- replacing broken windows
- repairing electrical appliances or machinery
- replacing part of the guttering damaged in a storm
- replacing part of a fence damaged by a falling tree branch.

Maintenance

Maintenance generally involves keeping your property in a tenantable condition. It includes work to prevent deterioration or to fix existing deterioration.

Examples of maintenance include:

- repainting faded or damaged interior walls
- oiling, brushing or cleaning something that is otherwise in good working condition (for example, oiling a deck or cleaning a swimming pool)
- maintaining plumbing.

Capital expenses to claim over several years

Find out about capital expenses you can claim over several years.

Depreciating assets (capital allowances)

Depreciating assets are items that can be described as plant, which don't form part of the premises. These items are usually:

- separately identifiable
- not likely to be permanent and expected to be replaced within a relatively short period
- not part of the structure.

When claiming a deduction for decline in value for each asset, you can choose to use either:

- the effective life the Commissioner has determined for these types of assets
- your own reasonable estimate of its effective life.

Where you estimate an asset's effective life, you must keep records to show how you worked it out.

Examples of assets that deductions for decline in value can be applied to include:

- floating timber flooring
- carpets
- curtains
- appliances like a washing machine or fridge
- furniture.

Second-hand depreciating assets

Second-hand depreciating assets are depreciating assets that were already installed ready for use or used:

- by another entity (except as trading stock)
- in your private residence
- for a non-taxable purpose, unless that use was occasional (for example, staying at the property for one evening while carrying out maintenance activities would be occasional use).

You can't claim a deduction for the decline in value of a second-hand depreciating asset used in a residential rental property, unless:

- you purchased the asset before 7:30 pm on 9 May 2017
- you installed it into your rental property before 1 July 2017.

Capital works

Capital works describe certain kinds of construction expense used to produce income.

The rate of deduction for these expenses is generally 2.5% per year for 40 years following construction.

When you sell the property, any unclaimed costs can be used to work out your capital gain or capital loss. Capital works include:

- building construction costs
- the cost of altering a building
- major renovations to a room
- adding a fence
- building extensions such as garages or patios
- adding structural improvements like a driveway or retaining wall.

In some circumstances, initial repairs will also be treated as capital works.

Improvements

An improvement can be anything that makes the property better, more valuable or more desirable, or changes the character of the item that works are being carried out on.

Improvements can be either:

- capital works – a structural improvement (for example, remodelling a bathroom or adding a pergola)
- capital allowances – the item is a depreciating asset (for example, carpet or a dishwasher).

Improvements include work that:

- provides something new – for example, adding a gazebo or carport
- improves the income-producing ability or expected life of the property
- goes beyond restoring the efficient functioning of the property.

It's important to correctly categorise each expense incurred to ensure it's treated correctly for tax purposes.

Initial repairs

Initial repairs are costs you incur to remedy defects, damage or deterioration that existed at the time you acquired the property to make it suitable to rent out. They are not immediately deductible. It doesn't matter if you were unaware of the need to make repairs to the property at the time you purchased it.

Similarly, initial repairs to a depreciating asset when you purchased the property that aren't from your tenant's use of the property, aren't deductible.

Where an initial repair relates to capital items associated with the building structure, like kitchen cabinets, you can claim the cost as a capital works deduction. Generally, this deduction will be at 2.5% per year for 40 years.

Initial repairs (continued)

Before renting the property out, if you replace an old depreciating asset with a new one, such as a new dishwasher, you can claim a decline in value deduction for this asset over its effective life.

The cost of remedying initial repairs that existed at the time of purchase form part of the CGT cost base when you sell the property. You must reduce the CGT cost base by amounts claimed (or that you were entitled to claim) as capital works for the initial repairs.

Example: initial repairs not deductible (existing damage)

Lisa buys a property with the intention of renting it out. At the time of purchase Lisa knew that she would need to repair the roof (replace all roof tiles) and part of the ceiling as they were in a poor condition.

When carrying out the works, Lisa discovered there was extra structural damage that required her immediate attention. The repair to the ceiling costs her $2,000, the replacement of roof tiles cost her $9,000 and the structural work cost her a total of $15,000.

The 'initial' repair of the ceiling of $2,000 isn't deductible as a repair but as with the replacement of the entire roof and the structural work, they can be claimed as capital works expenses. When the property is sold, Lisa can include the $26,000 for the work to rectify the existing damage in her CGT cost base. Lisa will also need to reduce that amount by the capital works deduction she has already claimed.

Example: repair cost (special circumstances beyond your control)

Dimitri buys a property with the intention to rent. Unexpectedly, 10 weeks after the property was rented, a heavy storm damaged sections of the roof and minor parts of the ceiling.

As the property was rented before the storm, the repairs were done to restore the property to its original condition. Dimitri can claim the cost of repairs to the roof and ceiling as an immediate deduction in the income year he incurred the expense.

Example: replacement asset isn't an initial repair

Rebecca buys a unit as an investment with the intention to rent it out. On inspection, she notices the dishwasher is broken. After settlement occurs, Rebecca replaces the broken dishwasher with a new one, which cost $999, before the new tenants move in.

Rebecca can't claim an immediate deduction for the replacement of the dishwasher because she is replacing a depreciating asset, not repairing it.

Rebecca can claim a decline in value deduction for the new dishwasher over its effective life.

This is a general summary only.
For more information go to ato.gov.au/rental
Watch our short videos at ato.gov.au/rentalvideos
Download our Rental properties guide at ato.gov.au/rentalpropertyguide
Read our Capital gains tax guide at ato.gov.au/cgtguide

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