

A photograph of a modern, single-story villa with a large glass facade. The interior is visible through the glass, showing a living area with a sofa and a television. Outside, there is a swimming pool with a curved edge, two lounge chairs with blue towels, and a patio table with chairs under a large umbrella. The sky is a soft, hazy blue.

# A guide to rental property tax deductions

Investing in rental properties offers numerous tax deduction opportunities that can reduce taxable income and improve cash flow. Effectively utilising these deductions supports the growth of a successful property portfolio and enhances potential for future investments.



## Advertising fees

Expenses incurred for advertising and marketing to secure tenants are tax deductible when arranged independently. If conducted through a property management agency, advertising costs are typically included in their costs and as part of those fees.



## Body corporate fees

Owners of strata properties can claim body corporate fees. Special levies can also be claimed and it's important for your accountant to know the type of levy, whether it's a capital works deduction (claimed over time) or an immediate deduction.



## Insurance

Protecting your investment property against underinsurance is an important step. The two most common insurances you need for a rental property includes landlord insurance and building and contents. Your insurance premiums are tax deductible. When you pre-pay for your insurances you can claim it back in the same financial year.



## Cleaning expenses

Costs for cleaning the rental property, whether through professional services or purchased cleaning supplies, are deductible. However, time spent cleaning personally is not eligible for deduction.



## Council rates

Local government and council rates are fully tax deductible for the time your property is available for rent.

The Australian Taxation Office (ATO) considers these as ongoing expenses that are incurred in the course of earning rental income. The same applies if your local council charges an annual emergency services levy.



## Gardening and lawn mowing

If your lease agreement includes garden and lawn maintenance, expenses such as hiring professional lawn mowing or gardening services are 100% tax deductible.



## Interest repayments

You can claim the interest charged on your rental property's home loan. This is in addition to any other fees related to servicing the loan.

It's important to note that you can't claim payments made on the home loan's principal amount. The same applies if you have used part of the loan for private purposes. In this instance, any interest repayments deductions must be apportioned.



## Land tax

Land tax is paid annually when you own a property (that isn't your main residence) that's above the land tax threshold.

You can claim land tax on your investment property as a tax deduction each financial year. Land tax amounts, when it's payable, the threshold and available exemptions and concessions differ between states and territories, so it's important to check what applies to you.



## Legal fees

Legal expenses related to rental activities, such as disputes over tenant damage, are deductible. Legal fees associated with property acquisition are not deductible and instead contribute to the property's cost base.



## Pest control

Expenses for pest control, if the landlord is responsible as per the lease agreement, are deductible.



## Property management fees

Fees for professional property management, including related communication expenses, are fully deductible.



## Refinancing costs

Administrative costs associated with refinancing an investment property mortgage, such as establishment or break fees, are deductible.



## Repairs and maintenance

Repair expenses (e.g., fixing a broken fence) and maintenance costs (e.g., varnishing a deck) are deductible. Capital improvements (e.g., retiling a bathroom) must be depreciated as capital works deductions.



## Tax depreciation

Depreciation is generally the second largest and the only non-cash deduction available to property investors, meaning you don't need to spend money to claim it. Property depreciation is the natural wear and tear of a building and its assets over time. The ATO allows owners of income-producing properties to claim this as a tax deduction.

Claiming depreciation deductions are an essential component to property investment, failing to claim will result in missing out on thousands of dollars. BMT Tax Depreciation's specialist quantity surveyors make sure all claims are maximised, ensuring you claim all available deductions compliantly.

The BMT Guarantee means if they can't obtain at least double their fee worth of deductions in the first full financial year claim, there will be no charge for their services. BMT found residential clients an average of **over \$11,000 in first full financial year deductions** last financial year.



## Tax depreciation schedule and accounting fees

Paperwork and tracking income and expenses can be extensive when owning an investment property. Having an accountant to look after this for you is the easiest way to make it a stress-free experience.

Your accountant uses a tax depreciation schedule prepared by a specialist quantity surveyor to determine your depreciation deductions every year. Both your accountant's fees and the tax depreciation schedule fee are tax deductible in the same year you paid for them.



## Travel

Legislation changes made in 2017 may affect your eligibility to claim travel expenses to and from your rental property.

As a property investor, you cannot claim travel expenses to visit your property. However, you can claim travel expenses if you are in the business of renting residential properties. Therefore, the ATO only allows the following entities to claim travel expenses:

- corporate tax entity
- superannuation plan that is not a self-managed superannuation fund
- public unit trust
- managed investment trust
- unit trust or a partnership, where all members are entities of a type listed above.



## Utilities

Including utilities under a lease agreement can increase tenant demand and the property's rental rate. Any utilities you include and pay for, including electricity and internet, are tax deductible.



## Water charges

Any water charges you pay for the property are tax deductible. While water usage is sometimes covered by the tenant, the expenses you directly incur, such as the annual service charge and any sewer service charges, can still be claimed.

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