Max Returns: Your Investment Property & Tax Time

As a landlord, your investment property should be working for you to maximise your financial position, growing in value year-on-year.

Experienced landlords understand the relationship between spending money on their investment property in order to make money. The more you wisely invest in your asset, the better your financial position will be at tax time. Simply employing an experienced property manager and investing in registered tradesmen to carry out maintenance can improve the quality of your property's presentation, and help you to achieve better rental yields. As expenditure related to your property is tax deductible, there's no reason not to be driving capital into your asset. When tax time rolls around, it's critical to maximise your potential return through good accounting practices – whether or not you employ a professional to help with your annual return. When filing a tax return as a landlord, it's important to include all your relevant expenses. You can claim direct costs involved with the maintenance and upkeep of your rental property, providing you are generating income and/or your property is adequately advertised and available for lease. These costs include insurance, tradesmen repairs, DIY repairs, travel, advertising and property management fees. While you might feel on top of your investment expenditure, it's often advisable to work with a qualified property accountant who is familiar with the type of expenses incurred by landlords. Their knowledge of the tax implications of negative gearing, for example, will put landlords in good stead.

Don't forget about depreciation either – one of the most regularly underclaimed expenses for property investors. Depending on your circumstances, you may be eligible for depreciation of your investment property's construction costs and fittings – there's a wide variety of potential claims to be made with the help of a savvy accountant. Speak with them to discuss maximising your tax return by claiming all relevant investment property expenses, ensuring your asset is working as hard as it can to benefit you financially.

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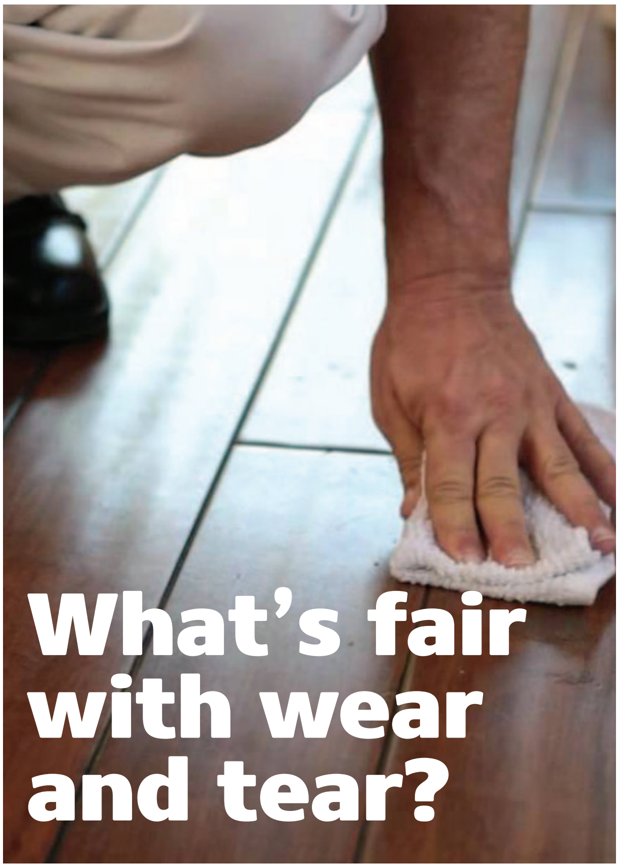


What's fair with wear and tear?

One of the more complex areas of property management is assessing the wear and tear. Sometimes, property damage falls into a zone outside of wear and tear and needs to be identified as accidental, deliberate or malicious.

If your property is damaged beyond wear and tear, your insurance company will need to be made aware of the damage category it relates to.

This differentiation is also important in the resolution of bond disputes. As a general rule of thumb, wear and tear is defined as minor damages that occur simply because there are tenants residing in the house. These damages can include scuffs to the floor, small marks on walls and wear to carpets.

Accidental damages include carpet spills or smashed windows, and deliberate damage comprises issues like fixing nails into walls without landlord permission. Whilst the act was deliberate, it wasn't intended to 'damage' the property in any way.

Malicious damage refers to intentional damage with vindictive intent – think graffiti and intentional carelessness. The potential of wear and tear or damage are a tricky part of investment property ownership – but they can be resolved or overcome entirely with the services of an experienced property manager and a great landlord insurance policy.

The long and winding lease

A tenant has applied to lease your property, and would like to sign a contract for several years. Will this benefit your financial position and property investment plans? The financial security of knowing your property is leased for a substantial period of time may appeal, but we recommend you consider the consequences of accepting or rejecting a long-term lease.

If you have plans to sell your property in the near future, signing a lengthy lease might not suit your circumstances. Shorter term tenancies are more appealing to purchasers, who won't have the wait years to move into your property should they purchase it. Lengthy leases can be a barrier to owner-occupiers, reducing your pool of willing purchasers.

Not thinking of selling? Happy with the proposed amount of rent being proffered by your potential long-term tenant? Choosing to accept this lease with the assistance of your property manager means you'll be lowering your risk of vacancy, and guaranteeing consistent rental income. You'll also save on advertising and leasing fees associated with sourcing new tenants. Most importantly, the wear and tear upon your property will be reduced as there won't be tenants moving in and out on an annual basis.

If you encounter a request for a long lease, speak with your accountant and property manager for advice. Assess whether it's the right strategy for you, and if not, try and negotiate an agreement that benefits both parties. A break clause or scheduled rent review could provide a happy solution.

R&W

We are more than half way through the year and we are proud to say it has been a great year for R&W. We are excited to announce that we have been selected as the agents to sell the Allium First Stage Release of Pagewood Green offering the exceptional range of 1, 2 and 3 bedroom apartments. If you are interested to learn more about the off the plan project by Meriton please contact me on 0414 598 865 or Hendra@rwmaroubra.com.au

Hendra Wijaya
Principal

Recent Rentals

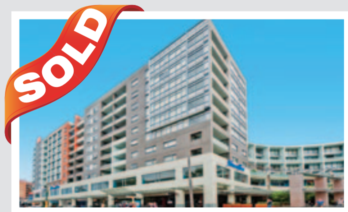
178/635 Gardeners Road, Mascot – 3 Bed 2 Bath 2 Bed $880 Per Week

302/679 Anzac Parade, Maroubra – 3 Bed 2 Bath 1 Car $800 Per Week

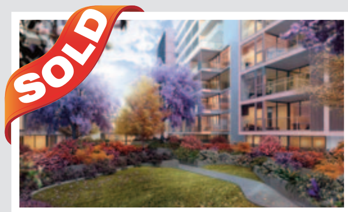
1/87 Gale Road, Maroubra – 2 Bed 2 Bath 1 Car $650 Per Week

1/10-14 Duke Street, Kensington – 2 Bed 1 Bath 1 Car $575 Per Week

Recent Sales



603/747 Anzac Parade, Maroubra
Bed 1 Bath 1 Car 1
$745,000.00



A1512/ 7-9 Kent St, Mascot
Bed 1 plus study Bath 2 Car 1
$865,000.00

A1301/7-9 Kent St, Mascot
Bed 1 plus study Bath 2 Car 1
$855,000.00

The best reputation in real estate