Property Investors and Tax Expert Services Launched

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Property and tax expert TLK Partner

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(Newswire.net -- March 20, 2019) -- Kingsgrove, NSW -- Whether in money or in kind, anything investors are given that's linked to their rental property, is considered to be income, and the ATO wants to know about it, says TLK Partner's Matthew Mousa.

Whether in money or in kind, anything investors are given that's linked to their rental property, is considered to be income, and the Australian Taxation Office wants to know about it. Property and tax expert TLK Partners' Matthew Mousa runs through some of the less well-known forms of "rental income" from the Australian Taxation Office.

So for tax purposes, rental income only refers to a tenant's weekly or monthly cheque, right? Wrong, says Matthew. "If investors are renting out a property to earn a return on their investment, any payment received is considered part of their income, whether cash or in kind. And what comes in, must go out - in the form of information on your tax return."

Disclosing straight-up rental payments is par for the course, but Matthew reveals other forms of income associated with a rental property to be disclosed. These equally relevant, but less obvious forms of rental income are the ones to be mindful of, he cautions.

If an investor let young Joe live on their rental property for free, as long as he keeps the garden looking good and the swimming pool clean, as well as doing small maintenance jobs, their tax situation could be complicated, Matthew explains. The same applies when someone like Chloe, who has parents on a farm, agrees to pay part of her rent in fresh potatoes. Or perhaps Sam, who's in the premier league, gives the investor season tickets for rugby, in return for accommodation.

According to the Australian Tax Office this "income" must be disclosed in these instances. "Investors will have to put a market value on any of these, from the rental value of Joe's accommodation, to what the spuds or season ticket would have cost and add it to the rental income. Investors may be entitled to deduct some of the young man's "rent" in terms of the legally deductible parts of the services he performs. But as far as income goes, his "rental" does need to be included to balance the tax books."

If investors keep part of a tenant's security bond because they didn't pay the rent, or because you have had to repair damage after a tenant moved out, it classifies as income. The same applies if insurance company pays out for rental lost because a tenant left.

There are times when the investor receives money in lieu of damage to get repair work done to their property. "If a tenant gives money towards the cost of the repair, again that money must be recorded as income," Matthew says. "This is especially important if the investor wants to claim the repair cost as a deduction," Matthew continued.

The same principle applies for rebates as it does for reimbursements. If the investor installs a solar system to supply hot water, for instance, the government may provide a rebate. "As the solar system is a depreciating asset for which the investor will want to claim tax relief over a period of some years, they can't claim for the entire value, if they didn't actually pay the full amount because of the rebate received," Matthew says.

In some more complicated cases, as with limited recourse debt arrangements, financing, refinancing and notional loans, investors may not end up paying the full cost of the initial capital expenditure either. However, they may well want to claim deductions for this expenditure on a depreciating asset. In a similar way to the rebate situation, they could end up claiming for money they have not spent. The unpaid section has to be recorded as income, in order to balance a claim for the full expenditure.

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