



**scotts**  
chartered accountants

## ATO TARGETS PROPERTY INVESTORS

### The 12 most common errors detected by the ATO:

- 1 Construction costs- claiming the cost of the land component; claiming ineligible expenditure such as drive ways or landscaping; no invoices or quantity surveyors report as proof of claim.
- 2 Depreciation- claiming capital expenditure items using higher depreciation rates, use or incorrect rates, no invoices or quantity surveyors report as proof of claim.
- 3 Initial repairs- claiming initial repairs in the first year of owning the property as improvements or immediate deductions. Any repairs made before the property was actually earning income (i.e. rented out) are not deductible.
- 4 Interest- claiming a deduction for interest on the private portion of the loan; claiming interest on a line of credit incorrectly; redrawing on the loan and using the funds for private purposes.
- 5 Legal fees- claiming a deduction for conveyancing costs.
- 6 Travel expenses- claiming a deduction for travel when the main purpose of the trip was to have a holiday, and the property inspection is incidental.
- 7 Apportionment of rental expenses- claiming a deduction relating to private use of the property or claiming deductions for a property that is not genuinely available for rent.
- 8 Borrowing costs- claiming a full deduction in the first year instead of over the term of the loan or 5 years, whichever is less.
- 9 Ownership interest- claiming income and expenses differently to their legal interest in the property i.e. 1% and 99% instead of 50/50.
- 10 Rent- not showing a market rent as income when the property is rented to a related or associated person.
- 11 Repairs vs improvements- claiming items as repairs that are in fact improvements i.e. replacing timber windows with aluminium windows is an improvement not a repair.
- 12 Capital gains- not declaring capital gains when selling an investment property. The ATO receives details of all properties sold direct from the State Revenue Office.

**We offer a personal service and specialist advice to small businesses and investors.**



## Proforma Rental Income and Expense Statement

Property Address: \_\_\_\_\_

Suburb: \_\_\_\_\_ State: \_\_\_\_\_ Postcode: \_\_\_\_\_

### Income

Rent	\$ _____
Insurance Proceeds	\$ _____
Other	\$ _____

### Expenses

Advertising	\$ _____
Agents Commission	\$ _____
Bank Charges	\$ _____
Body Corporate Fees	\$ _____
Capital Expenditure w/off Buildings	\$ _____
Council Rates	\$ _____
Depreciation Fixtures & Furniture	\$ _____
Gardening / Lawn Mowing	\$ _____
Insurance	\$ _____
Interest	\$ _____
Land Tax	\$ _____
Letting Fee	\$ _____
Repairs & Maintenance	\$ _____
Stationary & Postage	\$ _____
Telephone	\$ _____
Travel	\$ _____
Water Rates	\$ _____
Other (please list)	\$ _____

_____	\$ _____
_____	\$ _____
_____	\$ _____

Capital Expenses over \$300 (please list items, include purchase date)	\$ _____
_____	\$ _____
_____	\$ _____

### If a new property the following is also required:

- Statement of adjustments on purchase
- Loan Statements
- Stamp duty cost
- Loan establishment fee and other costs
- Registration title costs
- Legal fees on purchase
- Quantity surveyors report or list of depreciable assets

