Residential Rental Property Checklist 2024

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This checklist will assist public practice members in discharging their obligations in preparing 2024 tax returns for residential rental properties.

This information is based on legislation current as at 30 May 2024.

**About the author**

This checklist was prepared by SW Accountants and Advisors on behalf of CPA Australia.

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## LEGEND

**Reference:**  Label on Rental property schedule

**Column 1:** Column 1 requires the user to indicate whether they were either Advised (‘A’) of the information or Sighted (‘S’) documentation or whether No Substantiation is required (‘N/A’).

**Column 2:** Column 2 requires the user to indicate whether an additional work paper (WP) should be completed in respect of that item.

**Column 3:** Column 3 indicates whether an attachment was obtained in respect of that item.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **REFERENCE** | **DESCRIPTION** | **Column 1 (A) (S) (N/A)** | **Column 2 WP (Y or N)** | **Column 3 Attachment (Y or N)** |
| RENTAL DETAILS | | | | |
|  | Do you own or have an interest in a rental property in Australia?  If the answer is yes, you will need to complete a rental property schedule.  Note foreign rental properties are excluded from the rental property schedule as income derived from the rental of a foreign property is included in foreign income.  Information regarding foreign investment in residential properties, including the annual vacancy fee payable by foreign owners of a residential real estate dwelling can be found on the [ATO website](https://www.ato.gov.au/individuals-and-families/investments-and-assets/foreign-investment-in-australia/vacancy-fee-return-for-foreign-owners).  **Deductibility of expenses**  The ATO has advised that taxpayers should ensure that:   * rental expenses are only deducted to the extent the property is rented or made genuinely available for rent (for example, there are no unreasonable restrictions placed on renting the property) * rental income and expenses are properly apportioned between property owners * deductions claimed for initial repairs are included in the cost base of the rental property for capital gains tax (CGT) purposes * capital improvements are not treated as deductible repairs when they constitute capital works depreciable at 2.5%, being an alteration, extension, or improvement to a building * legal costs and other purchase or sale costs should not be claimed as deductions but included in the cost base of the property for CGT purposes * interest expense claims should be apportioned where the loan partly relates to the property and partly to a private purpose * expenses should not be claimed in respect of holiday homes not genuinely made available for rent * deductions should not be claimed for expenses incurred by tenants (e.g. electricity charges) * rental income should reflect commercial arm’s length rates and * any holding costs related to land which is vacant or not available for use is not deductible – refer to Taxation Ruling 2023/3. |  |  |  |
| **RENTAL DETAILS** | | | | |
|  | **Deductibility of travel expenses**  From 1 July 2017 travel expenses are non-deductible to the extent that the travel has been incurred in gaining or producing assessable income from residential rental premises. Nor are such costs included in the cost base of the rental property for CGT purposes. In this context travel expenses includes the costs of all travel to inspect, maintain or collect rent from a residential rental property and will include motor vehicle expenses, taxi, or hire car costs, airfares, public transport costs and any related meals or accommodation costs incurred for the above purpose.  However, the above change will not apply to an entity if they incurred such travel costs in the course of carrying on a business (including a rental property business), or if the taxpayer is either a corporate tax entity, a superannuation fund other than an SMSF, a public unit trust, a managed investment trust, or a partnership or a unit trust where each member of the partnership or unit trust is one of the aforementioned excluded entities. Nor will the change apply where the premises are commercial premises as opposed to residential premises used for residential accommodation. |  |  |  |
|  | Do you have multiple rental properties?  If the answer is yes, are the properties:   * on different titles? If yes, separate rental property schedules will be required to be completed for each rental property OR * on the same title? If yes, one rental property schedule is required to be completed. |  |  |  |
|  | Do you only have a part-interest in a rental property (i.e. you are a joint proprietor or a tenant in common)?  If the answer is yes, fill out the rental property schedule in relation to your legal interest in the total rental income and expenses relating to the rental property. |  |  |  |
|  | Complete the following details in the rental property schedule:   * the period (i.e. the financial year the information relates to) * the tax file number of the taxpayer * the full name of the taxpayer * the address of the rental property * the date the property first earned rental income (not merely when purchased or made available for rent) * the start and finish dates during the year when the property was rented * the number of weeks the property was rented out in the current financial year * the date of acquisition of the rental property * the sale date of the rental property (if sold in the current year). |  |  |  |
| **INCOME (EXCLUDE CENTS ON ALL AMOUNTS)** | | | | |
| A | Did you earn any rental income?   * Yes – calculate rental income * No – go to B   Rental income includes the gross amount of all rent paid by your tenants. Do not deduct agent’s commission or other costs from this amount. |  |  |  |
| B | Did you earn other rental related income?   * Yes – calculate rental related income * No – go to Label C   Other rental related income includes:   * compensation for lost rent (insurance payments) * rental bond money retained to cover outstanding rent or to cover damage sustained to the property * reimbursements and recoupments, such as tenant’s reimbursements for cost of repairs to the property * government rebates for the purchase of a depreciating asset such as a solar hot water system. |  |  |  |
| C | Calculate gross rent:  (Add A and B) |  |  |  |
| EXPENSES (EXCLUDE CENTS ON ALL AMOUNTS) | | | | |
|  | Did you incur deductible expenditure relating to the rental property in the current financial year?  The answer will only be yes if:   * the property was rented or made genuinely available for rent in the current income year * the expenditure was not of a private or capital nature.   Expenditure can only be claimed as a deduction under one Label. Capital expenditure on eligible depreciating assets and capital works may be written off and included under Labels I and R respectively.  You may need to apportion rental expenses where only part of the property was rented during the year or the property was only available for rent for part of the year. |  |  |  |
| D | Did the expenditure relate to advertising for tenants?  If the answer is yes, calculate the deductible advertising expenses and then proceed to Label E.  If the answer is no, go directly to Label E. |  |  |  |
| **EXPENSES (EXCLUDE CENTS ON ALL AMOUNTS)** | | | | |
| E | Did the expenditure relate to owner’s corporation (i.e. body corporate) fees for the daily administration and maintenance of the property?  If the answer is yes, calculate the deductible owner’s corporation (i.e. body corporate) fees and then proceed to Label F.  If the answer is no, go directly to Label F. |  |  |  |
| F | Did the expenditure relate to borrowing expenses you incurred in the current or previous income year? (e.g. undeducted borrowing cost balances)  If the answer is yes, calculate the deductible borrowing expenses and then proceed to Label G.  If the answer is no, go directly to Label G.  Borrowing expenses directly related to a loan include:   * loan establishment fees * stamp duty on registration of a mortgage * title search fees charged by a lender * mortgage broker fees * valuation fees for valuation required for loan approval * lender’s mortgage insurance billed to the borrower.   Deductible borrowing expenses do not include insurance premiums on a policy that provides for a loan to paid out in the event of death or permanent or temporary disability; interest expenses; or stamp duty charged on the transfer of a property.  Borrowing expenses do not include interest payable on the loan which is included at Label L.  If the total amount is:   * greater than $100 – apportion the cost over the shorter of five years or the term of the loan on a pro rata daily basis * less than $100 – deduct the entire amount in the year incurred. |  |  |  |
| G | Did the expenditure relate to cleaning expenses you incurred?  If the answer is yes, calculate the deductible cleaning expenses and then proceed to Label H.  If the answer is no, go directly to Label H. |  |  |  |
| H | Did the expenditure relate to council rates you incurred?  If the answer is yes, calculate the deductible council rates and then proceed to Label I.  If the answer is no, go directly to Label I. |  |  |  |
| I | Did the expenditure relate to a capital allowance deduction on a depreciating asset used in the rental property (i.e. tax depreciation)?  If the answer is yes, calculate the deduction for the decline in value of such assets and then proceed to Label J. |  |  |  |
| **EXPENSES (EXCLUDE CENTS ON ALL AMOUNTS)** | | | | |
| I | If the answer is no, go directly to Label J.  To claim a capital allowance deduction on a depreciating asset, the asset must have been used or installed to be used for income-producing purposes during the current income year.  A taxpayer is entitled to apply their own effective life estimates and depreciation rates when claiming depreciation deductions. However, any self-assessed effective life and related depreciation rate applied by a taxpayer in respect of a depreciating asset would need to be substantiated. An immediate deduction may be available in respect of a depreciating asset costing $300 or less to the extent it was used to produce assessable income (e.g. rent) during the year and is not income from carrying on a business.  From 1 July 2017, a deduction for the decline in value of a second-hand depreciating asset is not deductible to the extent that the asset is used or installed ready for use in residential rental premises, and the asset was previously used by another entity as a depreciating asset or the depreciating asset was previously used by the taxpayer for some non-taxable purpose. Where a balancing adjustment subsequently occurs in relation to the depreciating asset the taxpayer will make a capital loss (or capital gain) under CGT event K7 for CGT purposes in respect of the difference between the termination value of the asset and its cost. The above change will not apply where the depreciating asset was used by the taxpayer in carrying on a business, or the taxpayer is either a corporate tax entity, a superannuation fund other than an SMSF, a public unit trust, a managed investment trust, or a partnership or a unit trust where each member of the partnership or unit trust is one of the aforementioned excluded entities. The above change applies to depreciating assets acquired by the taxpayer from 7:30 p.m. on 9 May 2017. However, as a transitional measure where plant and equipment form part of a residential property acquired on or before 9 May 2017, those assets will be depreciated until the investor either does not own the assets, or the assets reach the end of their effective life.  See Appendix A for a summary of the effective life estimates and depreciation rates issued by the Commissioner of Taxation on certain assets typically contained within rental properties. |  |  |  |
| J | Did the expenditure relate to gardening or lawn mowing expenses you incurred?  If yes, calculate the deductible gardening and lawn mowing expenses and then proceed to Label K.  If no, go directly to Label K.  Includes on-going gardening and lawn mowing expenses but does not include capital improvements. |  |  |  |
| K | Did the expenditure relate to insurance expenses you incurred in respect of the property?  If yes, calculate the deductible insurance expenses and then proceed to Label L.  If no, go directly to Label L. |  |  |  |
| **EXPENSES (EXCLUDE CENTS ON ALL AMOUNTS)** | | | | |
| L | Did the expenditure relate to interest on loans you incurred?  If yes, calculate the deductible interest expense and then proceed to Label M.  If no, go directly to Label M.  Includes interest on loans to purchase the rental property or to finance repairs and renovations etc. made to the rental property. Generally speaking, the property must be rented or available for rental in the income year for which the deduction is claimed.  Deductibility is not available for interest where the property is no longer used for income-producing purposes or is vacant for a portion of the income tax year – refer to Taxation Ruling 2023/3.  At this Label, exclude borrowing expense items already included at Label F. |  |  |  |
| M | Did the expenditure relate to land tax expenses you incurred?  If yes, calculate the deductible land tax expenditure and then proceed to Label N.  If no, go directly to Label N. |  |  |  |
| N | Did the expenditure relate to legal expenses you incurred?  If yes, calculate the deductible legal expenses and then proceed to Label O.  If no, go directly to Label O.  Legal expenses that are capital in nature, for example, legal expenses to acquire or dispose of the property will not be deductible for tax purposes.  Non-deductible legal expenses may form part of the cost base to the property for CGT purposes.  However, legal expenses incurred in drafting a lease agreement or enforcing rental payments will be deductible for tax purposes. Legal costs incurred in evicting clients, seeking recovery of unpaid rent, and defending third party injury claims are also allowable. |  |  |  |
| O | Did the expenditure relate to pest control expenses you incurred?  If yes, calculate the deductible pest control expenses and then proceed to Label P.  If no, go directly to Label P. |  |  |  |
| P | Did the expenditure incurred relate to property agent fees or commissions paid to a property agent or real estate agent?  If yes, calculate the deductible property agent fees or commission expenses and then proceed to Label Q.  If no, go directly to Label Q.  Includes management, inspection and rent collection costs but excludes fees paid in relation to the disposal of the rental property or to find a suitable buyer. |  |  |  |
| **EXPENSES (EXCLUDE CENTS ON ALL AMOUNTS)** | | | | |
| Q | Did the expenditure relate to repairs and maintenance expenditure you incurred?  If yes, calculate the deductible repairs and maintenance expenses and then proceed to Label R.  If no, go directly to Label R.  Repairs and maintenance expenditure must be incurred as a result of general wear and tear on the rental property that has occurred as a result of the property being rented out by the taxpayer.  Repairs generally involve a replacement or renewal of a worn out or broken part, for example, replacing worn or damaged curtains, blinds or carpets between tenants.  Maintenance generally involves keeping the property in a tenantable condition, for example, repainting faded or damaged interior walls.  Expenditure that results in the asset being improved beyond that of its original state will not be deductible. Such improvement expenditure may be potentially written off as a depreciating asset (refer to Label I) or capital works (refer to Label R), or if the item is not depreciable under these capital allowance provisions it may be included in the cost base of the property.  Expenditure incurred on initial repairs that are required to be made to the rental property (e.g. to make suitable for a first tenant) will also not be deductible as they are treated in the same manner as improvements but may be potentially depreciated as capital works or if the item is not depreciable it may be included in the cost base of the property.  Similarly, expenditure incurred on replacing an entire unit of property (e.g. a stove) will similarly be regarded as capital expenditure and potentially depreciable under the capital allowance provisions. |  |  |  |
| R | Did the expenditure relate to capital works expenditure (i.e. a building or a building alteration, extension or improvement or related structural improvement)?  If yes, calculate the deductible capital works deduction and then proceed to Label S.  If no, go directly to Label S.  Deductions for eligible construction expenditure on buildings and structural improvements may be available and will, in most cases, be deducted on a straight-line basis at a rate of 2.5% over 40 years on a pro-rata daily basis.  Deductions are available in respect of construction expenditure and no deduction is available until construction is complete.  Where ownership of a building changes the right to claim any undeducted construction expenditure in respect of capital works passes to the new owner who should obtain details of the construction expenditure from the former owner.  The new owner must continuously use the building to produce assessable income to be able to claim the deduction,  If the property was not previously used to produce income, the purchaser may obtain an estimation of the construction’s costs from an appropriately qualified people:   * a quantity surveyor. * a builder who is experienced in estimating construction costs of similar building projects * a supervising architect who approves payments at stages of projects * a clerk of works, such as a project organiser for major building projects   See Appendix B for categories of eligible capital works and range of applicable write-off rates*.* |  |  |  |
| **EXPENSES (EXCLUDE CENTS ON ALL AMOUNTS)** | | | | |
| S | Did the expenditure relate to stationery, telephone, and postage expenses you incurred?  If yes, calculate the deductible stationery, telephone and postage expenses and then proceed to Label T.  If no, go directly to Label T.  Excludes telephone connection costs. |  |  |  |
| U | Did the expenditure relate to water charges you incurred?  If yes, calculate the deductible water charges and then proceed to Label V.  If no, go directly to Label V. |  |  |  |
| V | Did the expenditure relate to any other sundry rental expenses you incurred that have not already been included within Labels D-U?  If yes, calculate the deductible sundry rental expenses and then proceed to Label W.  If no, go directly to Label W.  Sundry expenses include electricity, gas, interest on loans to purchase depreciating assets, bank charges and bookkeeping fees etc. which have been incurred by the taxpayer (and not by the tenant).  Generally, expenses may be inserted under this Label where the expense is recurring in nature and is not capital in nature (i.e. is not a one-off type expenditure that improves the underlying capital value of the rental property). |  |  |  |
| W | Total expenses  Add expenses from Labels D to V. |  | | |
| X | Net rent  Subtract total expenses (Label W) from gross rent (Label C).  If total expenses (W) is greater than gross rent (C), a rental loss will be incurred and should be noted by placing an L in the box provided on the right of Label X. |  | | |
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| **TAXPAYER’S DECLARATION** |
| **Complete the taxpayer’s declaration**  On completion of the rental property schedule, have the taxpayer sign and date the taxpayer’s declaration on the first page.  **Record keeping**  Records of rental expenses must be in English (or readily translatable into English) and include the name of the supplier, the amount of the expense, the nature of the goods or services acquired, the date the expense was incurred and the date of the document.  Records of income and deductions relating to the rental property should be kept for a period of five years from the date of lodgement of the tax return.  Records relating to acquisition and disposal of property and / or its depreciating assets should be kept for a period of five years after being disposed of.  Typical records that should be retained include (amongst others):   * loan documents * receipts for expenses including repairs, maintenance, insurance, and purchases of depreciable assets * land tax assessments * credit card statements * tenant leases * bank statements * rent records from the managing real estate agent.   **Income tax return**  Insert the details of this schedule into Item 21 of your income tax return, disclosing:   * gross rent * interest deductions * capital works deductions * other rental deductions * net rent. |

## Appendix A

A sample of the depreciation rates contained in the [ATO Rental properties](https://www.ato.gov.au/forms-and-instructions/rental-properties-2023/residential-rental-property-assets/residential-rental-property-items?anchor=Residentialrentalpropertyitems#Residentialrentalpropertyitems) guide are provided below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset** | **Effective life  (if acquired from 1 July 2004 and before 1 July 2019)** | **Depreciation rate** | **Effective life  (if acquired from 1 July 2019)** | **Depreciation rate** |
| Air conditioners  (room units) | 10 years | 10% | 10 years | 10% |
| Smoke alarms | 6 years | 16.67% | 6 years | 16.67% |
| Carpets | 8 years | 12.5% | 8 years | 12.5% |
| Window curtains | 6 years | 16.67% | 6 years | 16.67% |
| Furniture and fittings | 13.33 years | 7.5% | 13.33 years | 7.5% |
| Electric heaters | 15 years | 6.67% | 15 years | 6.67% |
| Refrigerators | 12 years | 8.33% | 12 years | 8.33% |
| Washing machines | 10 years | 10% | 8 years | 12.5% |

All rates above have been calculated at prime cost. However, diminishing value rates can be used as an alternative and are 150% of prime cost rates for depreciating assets acquired before 10 May 2006. Such rates increased to 200% of prime cost rates for depreciating assets acquired on or after 10 May 2006.

Further details on the effective lives and therefore depreciation rates applicable to depreciating assets acquired during the year ended 30 June 2024 for residential property operators are set out in the ATO’s residential property guide (available at [Rental properties 2023](https://iorder.com.au/publication/Download.aspx?ProdID=1729-6.2023)) and Table A of Taxation Ruling TR 2022/1.

Refer to Appendix B for rates of write-off on eligible residential capital works.

## Appendix B

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Sub category** | **Date** | **Amount** |
| Residential buildings | Short-term traveller accommodation | 27/2/92 onwards  16/9/87 to 26/2/92  22/8/84 to 15/9/87  22/8/79 to 21/8/84 | 4%  2.5%  4%  2.5% |
| Structural improvements | Other residential accommodation | 16/9/87 onwards  18/7/85 to 15/9/87 | 2.5%  4% |
| 27/2/92 onwards | 2.5% |

Also refer to Appendix A for information regarding the write-off on certain depreciating assets which may be applicable to residential property owners.