

## What can I claim on my investment property?

by Adam Smith

Tax benefits are a great reward from owning an investment property, and we often have people ask us what they can claim for. So here's a little run through on just what you or your accountant can tally up on that tax return.

The primary idea behind property investment is to have your asset working for you, which means claiming for rental property expenses. And there's quite a list of things you can claim for...



### *The obvious ones:*

- **Rates (both water and land rates).**
- **Insurances** – This includes your house insurance for the property and any [rental insurance](#).
- **Interest paid on money borrowed to finance your property.**
- **Property management fees and any other tenancy related fees.**
- **Repairs and maintenance** – This includes things like replacing a showerhead, painting or papering, redecorating the property to bring it up to the standard it was when you bought it. It doesn't include renovations that substantially improve the property. Also, if you do the repairs yourself, you can only claim for materials, not your time.
- **Accounting fees for the preparation of accounts** – It's a clear business expense, and you can claim for everything right down to the paper and postage.
- **Depreciation on assets/chattels** – You can claim for any wear and tear or depreciation on furniture that belongs to you in the rental property, as well as chattels and fittings in some cases. You cannot claim depreciation on the building or items that are deemed to be part of the building. Your accountant can advise you on whether it's worth you claiming depreciation depending on your situation eg. if you're renting out your own home for a short period while you're away overseas, it may not be worth the hassle.

### *Some claims you may not know about:*

- **Motor vehicle and travel expenses** – When making a trip to your investment property you could claim the kilometers travelled, flights, car rental and possibly more.
- **Legal fees for arranging the mortgage or finance to buy the property:**
  - Since 2010, legal fees for buying and selling a property can be deducted, as long as your total legal expenses for the income year, including the fees associated with buying and selling a property, are not more than \$10,000.
  - Legal fees for buying and selling a property before 2010 are not deductible.
- **Mortgage repayment insurance** – If you've opted to have mortgage repayment insurance or income protection insurance, you can claim for this. If you also have a personal home that is covered by this insurance, you can claim a percentage attributed to your rental property (see home office section below).
- **Depreciation on the building prior to the 2011-2012 income year** – You can claim depreciation on the building structure at 3% per annum up until 1st April 2011.
- **Home office expenses** – You could claim a portion of your household expenses, such as the rates, insurance, power and the interest on your home mortgage. You can only claim the

expenses that relate to the area set aside for business – eg, the study or office and/or storage area. Work out the percentage of the work area, compared to the total floor area of the house and you can apply this percentage to the total house expenses.

For full details of what you can and can't claim for, this [IRD Rental Income Guide](#) is very useful tool. Here at Iron Bridge we know residential property investment well, and one of the best decisions we think you can make is setting yourself up with a good accountant. They know the ins and outs of the tricky topic of tax – things like doing end of year returns vs. using [special tax codes](#). They can help you maximise the tax benefits for the situation you're in, and make sure you're claiming your property for all its worth.

**If you're looking into the prospect of purchasing a rental property or making your next move – [give our Iron Bridge team a call](#).**

*NB. The above article is not a substitute for receiving professional accountancy advice and we recommend that you do so.*