

Top 20 Tax Tips for property Investors

investax.com.au/knowledge-base/top-20-tax-tips-for-property-investors

Tax Tips for property Investors: Many Australians invest in property, financial markets and other assets, both in Australia and overseas. Managing the tax on your investments can help you increase your wealth.

The ATO's data matching and information-gathering capabilities are significant and cover many capital transactions and investment revenue streams.



In this article, we flag important issues that investors should consider when planning for end of financial year tax lodgement. The article covers the following:

- Property investments
- Cryptocurrencies and digital assets
- Capital gains tax planning
- Foreign income and investments
- Exchange traded funds
- Investment deductions
- Investment products

Tax Tips for property Investors | Rental properties

If you're renting out a whole home or just a room, you'll need to declare the income. The ATO has an ongoing focus on checking rental deductions and is matching reported income against details from property managers, rental bond authorities and sharing economy

platform providers.

Make sure that interest expense claims are correctly calculated, rental income is correctly apportioned between owners, depreciation calculations are done properly and holiday homes are genuinely available for rent. Advertising your property via word of mouth only won't cut it, nor will advertising it at above the market rate. The ATO keeps a watchful eye out for people who try to obtain rental tax deductions for periods when a property is only available for personal use and targets postcodes where holiday homes are located.

Landlords can claim deductions for a range of expenses such as interest on investment loans, land tax, council and water rates, body corporate charges, repairs and maintenance and agents' commissions. Make sure you keep evidence of each deduction that you intend to claim. This could be in the form of invoices, receipts, bank and credit card statements, lease agreements, or other suitable documentation. A good tip is to check your rental expense receipts against your bank and credit card statements to ensure that all rental expenses are captured. It also helps to keep separate accounts for your investments to make record-keeping and tax time much easier.

Summarising your records into categories such as interest, depreciation, fees and bills will make it easier for your tax agent, and can reduce the time and expense of preparing your tax return. Consider using the ATO's deductions app to stay on top on record keeping throughout the year and share it with your tax agent.

- Landlords may be entitled to claim depreciation for the declining value of assets such as stoves, carpets and hot water systems. They may also be able to claim a deduction over a number of years for capital works, such as remodeling a bathroom.
- Depreciation deductions for residential properties are now limited to outlays actually incurred on new items. Although for properties acquired from 9 May 2017, you can no longer depreciate assets that were in the property at the time of purchase – you may be able to claim certain building and construction costs for your rental property. Don't underestimate the amount of building write-off per year that you may be able to claim as a capital works deduction if your property is eligible. You must obtain a tax report from a qualified professional like a quantity surveyor and we recommend you also get your tax agent to calculate the claim.
- Residential landlords cannot claim travel deductions relating to inspecting, maintaining or collecting rent for a rental property.

COVID-19 has raised a number of tax issues to consider including booking cancellations and insurance for lost rent or rent concessions. You may also need to adjust if you've changed how you use the property. If you hold vacant land, deductions for costs are limited for certain owners. The rules can be complex and the ATO has produced a flowchart to assist in determining whether this affects you.

There are also specific capital gains tax implications for non-resident owners of Australian residential property.

The ATO has information on holiday homes, renting out part or all of a home and holiday apartments in commercial residential properties, as well as their Tax time toolkit for investors. You'll also need to lodge a multi-property rental schedule with your tax return.

Cryptocurrencies & Digital Assets

With almost one in five Australians investing in cryptocurrencies, it's important to know that you may need to report your gains and losses to the ATO and pay tax on any net capital gains when you:

- sell or gift cryptocurrency
- trade or exchange cryptocurrency
- convert cryptocurrency to fiat currency, such as Australian dollars, or
- use cryptocurrency to obtain goods or services

The rules apply when you exchange one cryptocurrency for another cryptocurrency and for chain splits, staking rewards and airdrops.

The income tax treatment of non-fungible tokens (NFTs) follows the same general principles as cryptocurrencies. The ATO now matches transaction data from digital exchanges, so it is more important than ever to ensure cryptocurrency gains and losses are correctly reported.

Different rules apply if you use cryptocurrency in business, such as to run your start-up or to trade large volumes of cryptocurrency.

Capital gains tax planning

You should carefully consider the timing of when you sell assets and the capital gains tax consequences. This includes being mindful of the main residence exemption and holding eligible assets for at least 12 months to access the 50 per cent capital gains tax discount for individuals.

Keep proper records for all of your investments and ensure that you keep them for at least five years after a capital gains tax event occurs.

Foreign income and investments

If you are an Australian tax resident with overseas assets, you need to include any capital gains or losses and any assessable income received from overseas. If you have paid tax overseas, you may be entitled to a foreign income tax offset. Be aware that the ATO has

information exchange agreements with revenue authorities in many foreign jurisdictions and therefore is likely to receive data on any of your overseas investments and income.

Exchange-traded funds

Exchange-traded funds (ETFs) are an increasingly popular investment product but calculating the tax on them can be complicated. You will need to separately report the various distributions and capital gains amounts in your tax return according to specific rules.

While many investors will receive a member annual statement with the necessary details, these reports are optional. Follow up with your fund or registry if you require further information to complete your return.

Investment deductions

You can claim a deduction for expenses incurred in earning interest, dividend or other investment income, but not for exempt dividends or other exempt income.

Examples of investment deductions include

- account-keeping fees for investment accounts
- interest on money borrowed to buy shares and other related investments
- ongoing management fees or retainers and amounts paid for advice
- a portion of other costs, such as some travel expenses, investment journals and borrowing costs.
- If you attend an investment seminar, you are only entitled to claim a deduction for the portion of travel expenses relating to some investment income activities.

Investment products

You can claim a deduction for expenses incurred in earning interest, dividend or other investment income, but not for exempt dividends or other exempt income. Towards the end of the financial year, you may see the promotion of investment products that claim to be tax effective. Check to see if a product ruling is available or if a taxpayer alert has been issued by the ATO.

You should form your own view about the commercial and financial viability of a product. Consider seeking independent advice.

Remember to start gathering your information now, so that you can be ready to claim your maximum tax refund.

BOOK YOUR COMPLIMENTARY CONSULTATION NOW – We offer a 15-minute free consultation to discuss your tax, property investment and business needs.

General Advice Warning

The material on this page and on this website has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained on this page and on this website is General Advice and does not take into account any person's particular investment objectives, financial situation and particular needs.

Before making an investment decision based on this advice you should consider, with or without the assistance of a securities adviser, whether it is appropriate to your particular investment needs, objectives and financial circumstances. In addition, the examples provided on this page and on this website are for illustrative purposes only.

Although every effort has been made to verify the accuracy of the information contained on this page and on this website, Investax, its officers, representatives, employees, and agents disclaim all liability [except for any liability which by law cannot be excluded], for any error, inaccuracy in, or omission from the information contained in this website or any loss or damage suffered by any person directly or indirectly through relying on this information.



We offer a 15-minute free consultation to discuss your tax, property investment and business needs. Book your complimentary consultation now.

[Book Now](#)

Table of Contents

- [Tax Tips for property Investors | Rental properties](#)
- [Cryptocurrencies & Digital Assets](#)
- [Capital gains tax planning](#)
- [Foreign income and investments](#)

[Get the full article as a PDF](#)