

2021

Tax Time Toolkit

Investors



Australian Government
Australian Taxation Office

The 2021 Tax Time Toolkit for Investors

We encourage you to share this information with your staff, clients, members and networks.

Our investors toolkit is a great resource for anyone earning money from their investments, whether you invest in property or cryptocurrency.

While things look different this year, what hasn't changed is our commitment to provide further support for all investors to lodge their returns accurately. The resources in the toolkit provide information to help investors keep the records they need to prepare their returns now and in the future. Getting your return right avoids costly follow up, and rework down the track.

In addition to our rental property fact sheets we have expanded the topics to include information on:

- cryptocurrency
- pay as you go instalments
- capital gains tax for
 - marriage or relationship breakdowns and real estate transfers
 - inherited property
 - sale of a rental property.

While we provide help and support, we also focus on ensuring the integrity of the system and take actions to ensure all taxpayers are paying their fair share. This means we will continue to review returns where we have indicators the claims are incorrect, or income has been omitted. We will also deal with those who choose to do the wrong thing, which may include application of penalties and prosecution.

Whilst this year has still had its challenges, your tax return doesn't need to be challenging. This toolkit has been designed to help investors and their agents understand their obligations and avoid costly mistakes in their returns. I encourage all investors and their agents to refer to this toolkit as they complete their returns. You can access other products we have available to assist, such as videos and our rental property guide at ato.gov.au/property

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A helpful directory for tax time

The ATO has a range of information, tools and services available to help Australians prepare and lodge their tax return every year:

- **Tax time essentials** – an overview of the essential information individuals need to know for their tax return this year
- **Dealing with disasters** – specific advice for those affected by natural disasters
- **COVID-19** – specific advice for those affected by COVID-19
- **What's new for individuals** – changes to be aware of before you complete your tax return
- **Do you need to lodge a tax return?** – an easy tool to find out if you need to lodge a tax return this year
- **How to lodge your tax return** – lodge using myTax or a registered tax agent. If you are going to lodge your own return, myTax is the quickest and easiest way to lodge.
- **Rental properties (COVID-19)** – specific advice for rental property owners affected by COVID-19
- **Residential rental properties** – find out what you need to declare and what you can claim for your investment property
- **Deductions you can claim** – it pays to know what you can claim at tax time
- **Occupation and industry specific guides** – guides from specific industries and occupations to help you correctly claim the work-related expenses you are entitled to
- **myDeductions** – a useful way to keep track of records throughout the year to make tax time easier
- **Income you must declare** – find out what income you must declare in your tax return
- **Calculators and tools** – a range of popular calculators and tools to help you work out the answers to questions unique to your tax and super circumstances
- **Correct (amend) your tax return** – fix a mistake or amend your return
- **Online services** – access a range of tax and super services in one place, including lodging your tax return, tracking the progress of your return and making a payment or entering a payment arrangement
- **ATO Community** – ask your tax and super related questions over on the ATO's online community forum
- **Join the discussion online** – keep up to date with the latest tax and super information on the go! Follow the ATO to get tax tips and updates in seconds, share information and stay informed
- **Tax Time Toolkits** – full list of resources



Body corporate fees and charges



Strata title body corporates are constituted under the strata title legislation of the various states and territories.

The body corporate maintains, manages and controls the common property on behalf of owners.

It decides the amounts to be paid by the owners to make sure the body corporate can operate (body corporate fees).

You may be able to claim a deduction for body corporate fees and charges you incur for your rental property.

✔ What you can claim

Body corporate fees may be deductible in full in the financial year you incur them.

Administrative funds

Payments you make to a body corporate for administration funds.

The funds are used by the body corporate to cover day-to-day expenses to maintain and manage the building. For example, insurance premiums, maintenance of gardens and management of the body corporate itself.

General purpose sinking fund

Payments you make to a general-purpose sinking or reserve fund that covers non-routine but anticipated expenses such as the painting, or roof repairs of common property.

✘ What you can't claim

Certain body corporate fees may not be deductible in the financial year you incur them, such as payments to a:

- special purpose fund, which is established to cover a specified, generally significant expense that is not covered by ongoing contributions to a general-purpose sinking fund
- special purpose fund to pay for a one-off unexpected major capital expense
- special contribution to pay for major capital expenses out of the general-purpose sinking fund.

These payments cover the cost of capital improvements or repairs of a capital nature and are not deductible. You may be able to claim a capital works deduction once the work is completed and the cost has been charged to the fund.

⚠ If amounts for gardening, deductible repairs or building insurance costs have been charged and included as part of your body corporate fees, you **can't claim** a separate deduction when completing the rental schedule in your tax return.

Examples

👤 Immediate deduction body corporate fees

Charlie owns a strata title interest, which is a unit in an apartment block. Charlie currently rents out the unit to Karl. Part of the strata entitlement includes a right to use or have access to strata title body common property.

This consists of:

- the garden area
- lifts, stairwells and passageways
- depreciating assets.

Charlie pays a body corporate fee of \$2,500 annually for the general upkeep of the building's common areas.

Charlie is entitled to claim \$2,500 for body corporate fees in his income tax return.

👤 Non-deductible capital works costs

Sophia rents her unit to Steve and has been paying a body corporate fee of \$3,000 annually for the last two years. Her body corporate contacted each unit owner and advised of a new charge to pay an additional \$1,000 per year, to a special purpose fund for future works to upgrade the building lifts.

Sophia is able to claim an immediate deduction for the \$3,000 body corporate fee but cannot claim a deduction for the additional \$1,000. This expense is for future capital works and can be claimed as a capital works deduction once the work to upgrade the lifts has been completed.

If Sophia pays \$1,000 each year over the period of five years to upgrade the lifts, she can claim a capital works deduction of \$125 ($\$5,000 \times 2.5\%$) from the date the works were completed for 40 years.

👤 Non-deductible capital works costs

Joe rents his unit to Meredith and has been paying a body corporate fee of \$2,500 annually for the last two years.

Unexpectedly, the council notified the body corporate that the common veranda needed to be completely replaced because it had not been maintained to compliance standards.

As a result, the body corporate issued an enforcement notice to each unit owner to pay the amount of \$10,000 into a special purpose fund to cover this emergency cost.

Joe can claim an immediate deduction for the \$2,500 body corporate fee but he cannot claim a deduction for the \$10,000. This expense is for future capital works and can be claimed once the work is completed.

This is a general summary only

For more information go to ato.gov.au/rental. Watch our short videos at ato.gov.au/rentalvideos

Download our free Rental properties guide at ato.gov.au/rentalpropertyguide

Read our Guide to capital gains at ato.gov.au/cgtguide