

2021

# Tax Time Toolkit

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## 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](https://ato.gov.au/property)

**Adam O'Grady**

Assistant Commissioner  
Individuals and Intermediaries  
Australian Taxation Office

# 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:

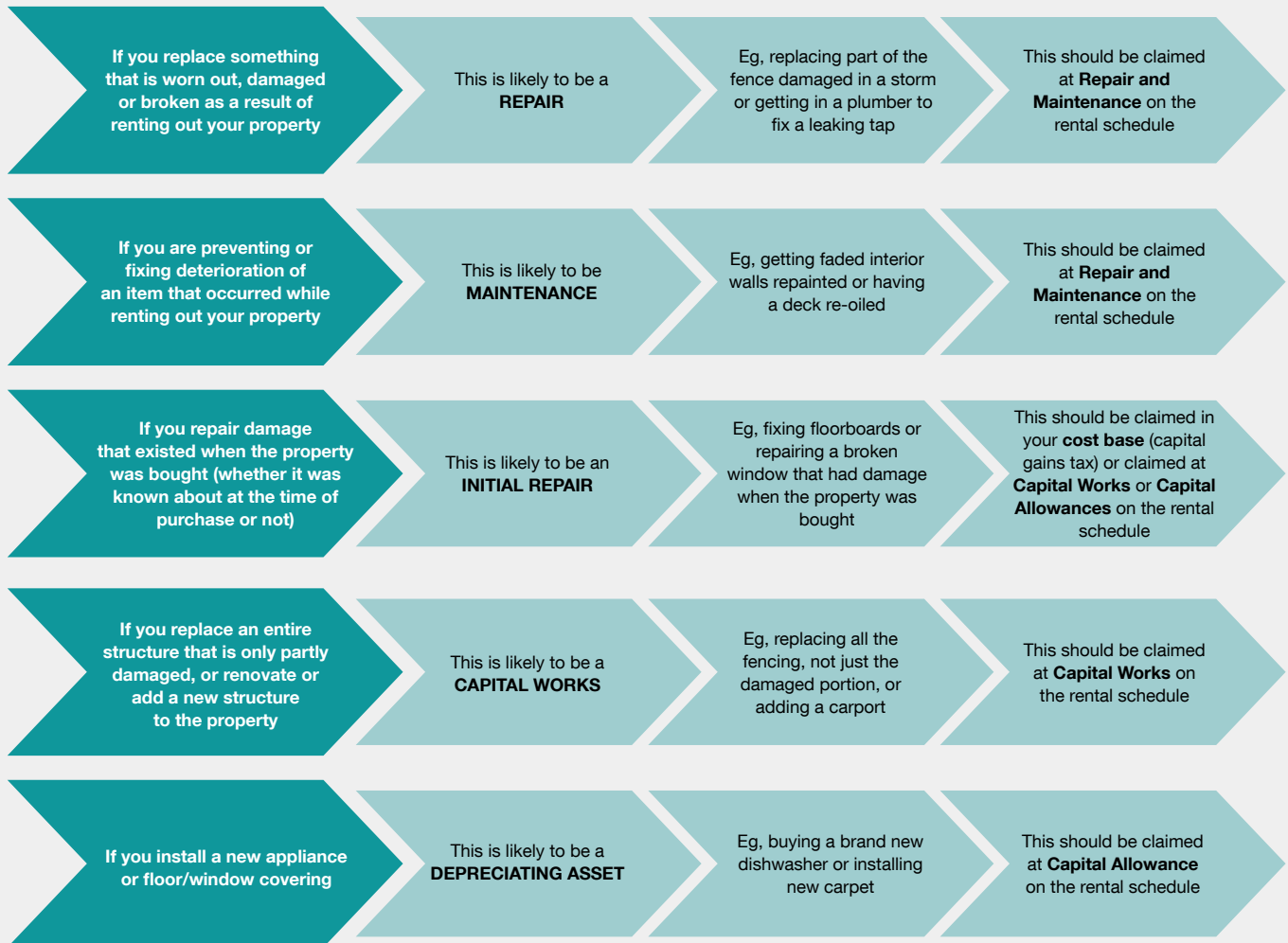
- **Tax time essentials** – an overview of the essential information individuals need to know for their tax return this year
- **Dealing with disasters** – specific advice for those affected by natural disasters
- **COVID-19** – specific advice for those affected by COVID-19
- **What's new for individuals** – 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



# Rental properties repairs, maintenance and capital expenditure



## Quick reference chart



## Repairs and maintenance

The cost of repairs and maintenance may be deductible in full in the year you incur them if both:

- the expense directly relates to wear and tear or other damage that occurred as a result of your renting out the property
- the property either
  - continues to be rented on an ongoing basis
  - remains available for rent but there is a short period when the property is unoccupied (for example, where unseasonable weather causes cancellations of bookings or advertising is unsuccessful in attracting tenants).

### Repairs

Generally, repairs must relate directly to wear and tear or other damage that occurred as a result of your renting out the property.

Examples of repairs include:

- replacing broken windows

- repairing electrical appliances or machinery
- replacing part of the guttering damaged in a storm
- replacing part of a fence damaged by a falling tree branch.

### Maintenance

Maintenance generally involves keeping your property in a tenable condition. It includes work to prevent deterioration or fix existing deterioration.

Examples of maintenance include:

- repainting faded or damaged interior walls
- oiling, brushing or cleaning something that is otherwise in good working condition (for example, oiling a deck or cleaning a swimming pool)
- maintaining plumbing.



## Capital expenditure which may be claimable over time

### Capital Allowances

Depreciable assets are those items that can be described as plant, which do not form part of the premises. These items are usually:

- separately identifiable
- not likely to be permanent, and expected to be replaced within a relatively short period
- not part of the structure.

For each asset that you claim a deduction for decline in value, you can choose to use either:

- the effective life the Commissioner has determined for such assets
- your own reasonable estimate of its effective life.

Where you estimate an asset's effective life, you must keep records to show how you worked it out.

Examples of assets that deductions for decline in value can be applied to include:

- floating timber flooring
- carpets
- curtains
- appliances like a washing machine or fridge
- furniture.

### Capital works

Capital works is used to describe certain kinds of construction expenditure used to produce income.

The rate of deduction for these expenses is generally 2.5% per year for 40 years following construction.

Capital works include:

- building construction costs
- the cost of altering a building
- major renovations to a room
- adding a fence
- building extensions such as garages or patios
- adding structural improvements like a driveway or retaining wall.

### Improvements

An improvement is considered anything that makes an aspect of the property better, more valuable or more desirable, or changes the character of the item on which works are being carried out.

Improvements include work that:

- provides something new
- generally furthers the income-producing ability or expected life of the property
- goes beyond just restoring the efficient functioning of the property.

Improvements can be either capital works where it is a structural improvement or capital allowances where the item is a depreciable asset. It is important to correctly categorise each expense you incur to ensure it is treated correctly for tax purposes.

### Initial repairs

Costs you incur to remedy defects, damage or deterioration that existed at the time you acquired the property are considered capital in nature. These costs may form part of the cost base of the property for capital gains tax purposes (but not generally to the extent that capital works or capital allowances deductions have been or can be claimed for them). The costs to make a property suitable to be rented out are of a capital nature and not immediately

deductible. To be deductible, the necessity for repairs must have arisen from the rental activity of the person making the claim, not that of some previous owner.

However, if your new property was rented or made available for rent and has been affected by special circumstances beyond your control, such as a natural disaster or deliberate damage by tenants, you can claim a deduction for the cost of repairs incurred to restore the property to its original condition.



#### Example 1:

##### Initial repairs not deductible (existing damage)

Lisa purchased a property with the intention of renting it out. At the time of purchase Lisa knew that she would need to repair the roof (replace all roof tiles) and part of the ceiling as they were in a poor condition.

When carrying out the works, Lisa discovered that there was extra structural damage that required her immediate attention. The repair to the ceiling costs her \$2,000, the replacement of roof tiles cost her \$9,000 and the structural work cost her a total of \$15,000.

The 'initial' repair of the ceiling of \$2,000 is not deductible but it may form part of her cost base for CGT purposes, the replacement of the entire roof and the structural work can be claimed as capital works expenses.



#### Example 2:

##### Repairs cost (special circumstances beyond your control)

Dimitri purchased a property with the intention to rent. Unexpectedly, after ten weeks of the property being available for rent a heavy storm damaged the entire roof and minor parts of the ceiling.

As the property was genuinely available for rent before the storm and the expenses were undertaken to restore the property to its original condition, Dimitri will be able to claim repairs cost for the ceiling and capital works deduction for replacing the damaged roof tiles.

## This is a general summary only

For more information go to [ato.gov.au/rental](https://ato.gov.au/rental)

Watch our short videos at [ato.gov.au/rentalvideos](https://ato.gov.au/rentalvideos)

wnload our free Rental properties guide at [ato.gov.au/rentalpropertyguide](https://ato.gov.au/rentalpropertyguide)

Read our Guide to capital gains at [ato.gov.au/cgtguide](https://ato.gov.au/cgtguide)