



Property investors reminded of new deduction rules

Unless you are in the business of rental property investing, most residential rental property investors can no longer claim a deduction for travel costs incurred when inspecting, maintaining or collecting rent from rental properties.

The new legislation was introduced from 1 July 2017 as part of the housing affordability measures introduced in the 2017/18 Federal Budget. These laws disallow the deduction of travel expenses related to residential rental properties and no longer recognise travel expenditure in the cost base of the property for CGT purposes.

Travel expenses that can no longer be claimed as a deduction include:

- preparing the property for new tenants (except for the first tenants)
- inspecting the property during or at the end of tenancy
- undertaking repairs, where those repairs are because of damage or wear and tear incurred while renting out the property
- maintaining the property, such as cleaning and gardening, while it is rented or genuinely available for rent
- collecting the rent
- visiting your agent to discuss your rental property

If you are an excluded class of entity or are carrying on a business for the purposes of gaining or producing assessable income, you are exempt from the new rules.

The ATO considers an excluded class of entity as:

a corporate tax entity;
a superannuation plan that is not a self-managed superannuation fund;
a public unit trust;
a managed investment trust; or
a unit trust or a partnership, members of which are entities of a type listed above.