



## **FAQ about Residential Property Investment**

### **How can I benefit from rental property losses?**

Rental property losses are available to be distributed to the owners of the property. These losses can then be offset against other taxable income of the taxpayer, thereby reducing the year end taxation liability. This only applies if the property is owned in personal names.

### **I have a rental property investment; do I have to declare this to Inland Revenue?**

As rental property income does not have tax deducted at source, there is a requirement to declare this income and expenses in the property owner's income tax return.

### **What deductions can I claim for my rental property?**

The most common rental property expenses are:

- Property rates – land and water
- Property insurance
- Mortgage interest
- Legal fees
- Repairs and maintenance
- Advertising
- Accountancy fees
- Property management fees or
- Home office expenses – a percentage of rates, water rates, power, house insurance, office related repairs and maintenance, rent or home loan interest, telephone (line rental only), and internet.

The other main deduction you will receive is depreciation.

### **What is depreciation?**

Depreciation is a deductible non-cash expense which recognises the general wear and tear of an asset over its useful life. Depreciation is not available for buildings or land.

### **What are the tax benefits of borrowing money to purchase the property?**

The tax benefit of taking a mortgage to purchase the property is that the interest cost is deductible from the rental income.

### **If I travel to my rental property to inspect my property, what percentage can I claim?**

If your sole purpose of travel is to visit your property, you can claim 100%. If you attend to any other business or have a holiday as a part of the trip, then the costs need to be apportioned, based on the time spent doing the different activities. A logbook must be kept to record mileage.

### **Is there capital gains tax in New Zealand?**

At present there is no capital gains tax in New Zealand but if a property is sold within five years of purchase then the profit made on the sale will be taxed. Also, if a property is purchased with the intention of selling it at a profit, then the profit is taxable.

### **Do I have to account for GST on my rental property income?**

Only if you have a commercial property. Residential rental income is an exempt supply under the GST Act.