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Please provide your own dividers for item 11 when binding the properties individual Record Book.

INVESTMENT PROPERTY RECORD BOOK

1. INTRODUCTION

We take this opportunity to congratulate you on your property purchase and wish you a wealthy and prosperous future.

To assist with your record keeping in relation to your investment, Australian Property Investor has designed the Record Book to help you in gaining the greatest negative gearing advantage.

The Record Book is designed to give the investor a greater understanding of his or her rights under the tax laws. The information given is a basic guide only and we suggest you rely on conclusive figures supplied by your accountant. However, any accountant will agree that proper understanding and record keeping will save you tax dollars.

We further suggest you maintain regular contact with your managing agent, whose job it is to collect your rents and inspect your property at regular intervals. Their job is to look after your interests.

Please remember – all records and receipts must be kept for 7 years. We suggest you use this Record Book as your current running year and replace the relevant pages you will regularly complete at the end of each financial year with the update pages that we will provide in June of each year.

INVESTMENT PROPERTY RECORD BOOK

2. INFORMATION GUIDE FOR LOG BOOK

There are a number of variables through the Record Book that will need to be completed by you immediately in relation to the purchase of the property. This will begin at the Fact Sheet and will involve actual figures from the settlement statement provided by your Solicitor.

To be eligible for a reduction in the tax instalment of your current pay cheque, you must apply for a tax variation at the beginning of the investment period by completing a S.221D.

The actual figures presented at the end of the financial year i.e. when you lodge your tax return will be confirmed by your accountant and naturally may vary slightly.

For further explanation of what you can and cannot deduct, please refer to Notice to Property Owners.

INVESTMENT PROPERTY RECORD BOOK

3. PROPERTY DETAILS AND CONTACTS

3.1 PROPERTY ADDRESS

3.2 MANAGING AGENT

Name _____

Contact _____

Address _____

Phone _____

Fax _____

E-mail _____

3.3 BODY CORPORATE

Name _____

Secretary _____

Strata Plan # _____

Address _____

Phone _____

Fax _____

E-mail _____

3.4 TENANTS

Name/s _____

Phone _____

Date _____

Name/s _____

Phone _____

Date _____

Name/s _____

Phone _____

Date _____

Name/s _____

Phone _____

Date _____

Name/s _____

Phone _____

Date _____

Name/s _____

Phone _____

Date _____

Name/s _____

Phone _____

Date _____

Name/s _____

Phone _____

Date _____

3.5 SOLICITOR

Name _____

Contact _____

Address _____

Phone _____

Fax _____

E-mail _____

3.6 ACCOUNTANT

Name _____

Contact _____

Address _____

Phone _____

Fax _____

E-mail _____

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3.7 FINANCIER

Name _____

Contact _____

Address _____

Phone _____

Fax _____

E-mail _____

Bank _____

Account # _____

3.8 INSURANCE COMPANY

BUILDING

Name _____

Contact _____

Address _____

Phone _____

Fax _____

Policy # _____

Premium \$ _____

Renewal Date _____

INVESTMENT PROPERTY RECORD BOOK

LANDLORD

Name _____

Contact _____

Address _____

Phone _____

Fax _____

Policy # _____

Premium \$ _____

Renewal Date _____

3.9 LOCAL COUNCIL AUTHORITY

Name _____

Address _____

Phone _____

Fax _____

3.10 LOCAL WATER AUTHORITY

Name _____

Address _____

Phone _____

Fax _____

INVESTMENT PROPERTY RECORD BOOK

4. NOTICE TO PROPERTY OWNERS

4.1 SUBSTANTIATION

To substantiate the tax deductibility of the various property expenses, the investor needs to retain **all** documentary evidence supporting the expenses paid. Such evidence can include loan statements, correspondence with financiers, evidence to support the payment of interest, debit notes, invoices, correspondence from lenders, bank statements, telephone accounts, solicitor's and accountant's fee notes, real estate agent statements and invoices from tradesmen carrying out repairs.

The Australian Taxation Office places the onus on the investor to substantiate his claims. Documents need to be kept for up to 7 years. In the event that a tax audit is held and the claim in the previous 7 years cannot be substantiated, the investor will be denied income tax deductions for the unsubstantiated expenses and be liable for tax penalties.

Australian Property Investor suggests the property owner makes full use of this book and in particular uses it for recording and logging all accounts, expenses and events in relation to the property. All paid accounts and receipts should be filed into this record book and postage and telephone expenditure logged. This log of expenses and income should be given to your accountant at the end of the financial year.

4.2 LOAN ESTABLISHMENT COSTS

- (a) Mortgage establishment costs, loan application fees, valuation fees and any charges associated with loan establishments are claimed as income tax deductions over the period of the loan or five (5) years, whichever is the lesser period.
- (b) Legal fees in connection with obtaining the loan eg. the discharge of a mortgage on a property, are tax deductible in the year the costs are incurred.

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4.3 LEGAL FEES AND STAMP DUTY

These are capital costs to be added to the cost of the property at any time of purchase. The **apportioned percentage** is added to the following three areas:-

- (a) Cost of the building.
- (b) Cost of chattels, fixtures and fittings.
- (c) Cost of the land.

Income tax deductions are now allowed on:-

- (a) The cost of building, including apportioned percentage of legal and stamp duty at the rate of 2.5%. If resort type building for public accommodation, the rate is 4%*.
- (b) The cost of chattels, fixtures and fittings as depreciation over the useful life of the asset.
- (c) The write off of legal expenses, stamp duty on loans and loan establishment fees, over five years or the term of the loan, whichever is the shortest.

* There must be at least 10 bedrooms or 10 apartments in the building for the higher rate to apply.

4.4 TENANCY AGREEMENTS

Legal fees paid in connection with the preparation of a lease are tax deductible in the year the costs are incurred. However, this expense is usually borne by the tenant.

4.5 LETTING AND MANAGEMENT AGENT'S FEES

In Victoria, pursuant to the Property, Stock and Business Agents Act 1941 – Regulations, letting and management fees for agents in Victoria were deregulated as at 1st May, 1993.

Letting and management fees are now a matter of negotiation between landlord and agent.

The Incoming Tenants Liability

Normally in Victoria, the incoming tenant will pay:

- (a) one calendar month's rent in advance, and
- (b) one calendar month's rent to the Residential Tenancies Bond Authority.

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4.6 LAND TAX (VICTORIA ONLY)

Land tax is levied by the Victoria Government on the Municipal Site value of land upon which your building is situated. The Municipal Site value is determined by the Victorian State Revenue Office. Land Tax is payable at varying rates depending on the value of the land.

There are exemptions from Land Tax in the case of resident land owners who use the property as a place of principal residence, as well as other concessions given to residents using the land for certain specified purposes eg. agriculture etc.

Land Tax will not be payable if the Municipal Site Value of the aggregate of all properties held by that person in Victoria (excluding the principal place of residence) is less than \$149,999 as at 1st January, 2004. If the Municipal Site Value exceeds this amount, annual Land Tax Returns should be lodged.

At the time of your purchase of the property, it would be advisable for you to ask your Solicitor or real estate agent to ascertain the Municipal Site value of the land upon which your property exists. This will determine whether or not you will have a liability for land tax.

4.7 FURTHER ALLOWABLE TAX DEDUCTIONS

Accountancy Fees

Fees paid to a registered tax agent in conjunction with the preparation of annual income tax returns are tax deductible.

Insurance

Insurance premiums paid to insure the property and its contents are tax deductible.

Repairs and Maintenance

Repairs and maintenance costs on the property are generally allowable tax deductions. Costs of major repairs which constitute improvements to the property are not deductible against rentals but can be added to the cost of the property for capital gains tax purposes. In some cases these costs may be eligible for depreciation. Certain repair costs incurred shortly after the purchase of the property or prior to the sale of the property may not be allowable deductions.

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Bank Charges / Fees

Any charges by banks for the cost of remitting rentals or maintaining a rental bank account are tax deductible.

Incidentals

Postage and sundry costs are usually deducted from rentals by agents and are allowable as income tax deductions. Any postage and telephone costs incurred by the owner in connection with the rental of the property will also be tax deductible.

Municipal Rates / Charges

These charges are allowable as income tax deductions.

4.8 INVESTOR'S TRAVEL TO AND FROM PROPERTY

Tax deductions are allowed for travel costs associated with the property eg. to organise major repairs, settle tenancy disputes, arrange for rental reviews etc. It will be necessary for the investor to satisfy the Australian Taxation Office of the purpose of the visit. The ATO will allow you to inspect your property two times per annum.

To satisfy the Australian Taxation Office as to deductibility, substantiation of all travel costs i.e. production of invoices, tickets, other vouchers etc. will be necessary. A daily travel diary should also be maintained. The investor will need to produce sufficient evidence to demonstrate the purpose of the visit.

Travel costs specifically associated with the initial inspection and purchase of the property will not be tax deductible. However, these costs can be added to the cost of the property for capital gains tax calculations. If the property is purchased in conjunction with a vacation or extended leisure travel in Australia, the costs will not be allowable for capital gains tax purposes.

Travel costs specifically associated with the sale of the property are not an allowable tax deduction, but the cost of travel can be deducted against the proceeds of sale for capital gains tax purposes.

To substantiate your travel, please read and record your trips in the Vehicle Log Book in the front of this binder.

INVESTMENT PROPERTY RECORD BOOK

5. PERSONAL INCOME TAX RATES

From 1st July, 2007

(not including Medicare levy)

Tax Thresholds	
Income Range	Tax Rate
\$0 - \$6,000	0%
\$6,001 - \$30,000	15%
\$30,001 - \$75,000	30%
\$75,001 - \$150,000	40%
\$150,001+	45%

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6. YOUR TAX REBATE

6.1 TAX BACK REGULARLY – 2036 form

One way to make use of your money in real time rather than lending it to the tax man for the year is through the ruling of 15-15 of the Tax Administration Act 1953. Section 15-15 of the Taxation Administration Act 1953 effectively states that if you are a PAYE tax payer, you do not have to wait to get a tax refund of your negatively geared investment property. Your fortnightly PAYE instalments may be reduced according to your financial situation.

You can apply for Variation of Tax deductions from your income under Section 15-15 of the Tax Administration Act 1953 by completing a 2036 Variation Form and lodging with the Tax Office. Contact your accountant and he will go through this with you. You will need to take with you your Property Investment Report so he can see the projected income, expenses and depreciation.

6.2 TAX BACK AT END OF FINANCIAL YEAR

The second way is to receive your tax refund at the end of each financial year. By receiving your refund early you would need to pay all of the property's expenses and mortgage throughout the year, including the tax man's share. You will then be re-imbursed this amount paid out by yourself at the end of the financial year.

This can be a great alternative, as it acts as a forced savings plan. For example, if you are expected to receive a \$4,000 tax refund it means that you pay out this \$4,000 toward your property in small amounts during the year and because you have done so, you are then re-imbursed by the Tax Office. As you have already paid for the property, this \$4,000 can be your annual holiday fund or be used for renovations, purchasing personal items or, of course, putting towards the mortgage – your choice!

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7. CAPITAL COSTS OF PROPERTY

- **Contract of Sale**
- **Statement of Adjustments (documents on settlement)**
- **Copy of 1st Loan Statement**
- **Receipts of Initial Travel**

NOTE: If it is your intention to improve the value of the property by additions or renovations, then these costs will add to the Capital Cost of the investment.

You must keep all documentation in relation to the above.

PLEASE INSERT ALL CORRESPONDENCE AND DOCUMENTS FOR YOUR PROPERTY IN THE ATTACHED ENVELOPE.

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8. INITIAL DEDUCTIONS AVAILABLE ON INVESTMENT PROPERTY

8.1 INITIAL COSTS (claimed over first 5 years of loan)

Loan Application Fees
\$.....

Mortgage Stamp Duty \$.....

Mortgage Insurance (if applicable)
\$.....

Registration on Mortgage
\$.....

Registration on Title
\$.....

Bank Valuation Charges
\$.....

Other Costs
\$.....

Total \$.....

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BANK STATEMENTS & INTEREST PAYMENTS

All interest paid on your property is a tax deduction

Any payment made off the principal of the loan is not tax deductible

Financial Year: _____

Month Paid	Bank Charges	Interest Paid
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
Total Interest Paid	\$	\$
Total Bank Fees Paid	\$	\$

Please insert all Bank Statements relating to the Investment Property Loan in the attached envelope.

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RATES & BODY CORPORATE LEVIES

Please insert all Body Corporate invoices and Rate notices in the attached envelope.

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LEGAL COSTS

Please insert all legal documents and correspondence received from your Solicitor in the attached envelope.

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10. PROPERTY INVESTMENT ANALYSIS (PIA) ESTIMATE