



## PROPERTY INVESTOR

# NEWSLETTER

MAY –  
JUN 2016

*This newsletter has been designed to keep you updated on what is happening within the industry and our real estate agency*

### LANDLORD PROTECTION INSURANCE REMINDER

Landlord Protection Insurance is designed to protect property investors from the unexpected. Tenants failing to pay rent, accidental and malicious damage as well as many other benefits.

Each insurance company has different terms and conditions so be sure that you choose a policy that provides the greatest cover.

Often Landlord Protection Insurance cover offered by banks can have limited inclusions.

### A COMMON INVESTMENT MISTAKE

Don't leave it until it is too late. A common mistake of wealth creation is putting it off. You keep thinking you have 'no time' or 'you are waiting for the market to bottom out'. Life can be very busy and hectic, but isn't taking control of your financial future important? Property prices increase, building costs increase... How much is procrastination really costing you?

## THE TENANCY AGREEMENT How binding is it?

A tenancy agreement is a written agreement between a tenant and the owner/s of a property that outlines the terms, conditions, obligations and expectations of both parties.

When a tenancy agreement is signed by all parties the agreement becomes binding. The rent is outlined, the start and end date and tenancy term are formalised.

Following the signing of a tenancy agreement many landlords feel at peace and relaxed knowing that rent will be paid for the set term of agreement.

At a point of law the agreement is binding, however there are circumstances that can result in the tenancy term being terminated before the end of the tenancy, such as:

- The tenant fails to remedy a breach of the agreement
- The property is deemed non-livable
- The tenant requests to break their agreement
- By mutual agreement of all parties
- The tenant encounters financial hardship

In addition to the above, there are five ways a tenancy agreement can be terminated

1. The tenant gives notice in accordance with legislation requirements
2. The landlord agent gives notice in accordance with the legislation requirements
3. The property is abandoned and notice is issued or a court order made
4. By mutual agreement of all parties
5. A court order is made

To minimise a tenancy being terminated before the end of the term it is important that we are thorough and strategic with our tenant selection process to ensure that they can maintain the rental payments, show stability of employment and income, have a record of secure long-term tenancies in the past and provide references. However, we can never guarantee that unexpected situations will not arise. P.T.O. >

**We are focused on maximising your rental income and optimising your capital growth**

# END OF FINANCIAL YEAR

## What can you claim?

You can generally claim an immediate deduction (that is, against your current year's income) for your expenses related to the management and maintenance of the property, including interest on loans.

If your property is negatively geared you may be able to deduct the full amount of rental expenses against your rental and other income, such as salary and wages and business income.

To claim deductions for expenses your property must include a dwelling that is rented or available for rent – for example, advertised for rent. If you're building a rental dwelling you can claim deductions for the land while you are building.

### DEDUCTIBLE EXPENSES

Expenses for which you may be entitled to claim an immediate deduction include:

Advertising for tenants, body corporate fees and charges, council rates, water charges, land tax, cleaning, gardening and lawn mowing, pest control, insurance (building, contents, public liability), interest expenses, property agent's fees and commission, repairs and maintenance, travel undertaken to inspect the property, to collect the rent or for maintenance.

The following expenses for your rental property may be deducted over a number of income years:

Borrowing expenses (not including interest, which can be deducted immediately), depreciation (decline in value of depreciating assets such as carpet, furniture and appliances) and capital works expenditure.

### SPOT THE DIFFERENCE COFFEE BREAK

Can you spot 12 differences between these pictures?



### WHAT THE ATO SAYS ABOUT Pre-Paid Expenses

Pre-paid expenses are those that provide for services extending beyond the current income year, such as payment of an insurance premium on 1 January that provides cover for the entire calendar year.

You can generally claim an immediate deduction in the current income year for:

- pre-paid expenses of less than \$1000
- expenses of \$1000 or more where the service period is 12 months or less (such as payment of an annual insurance premium partway through an income year).
- A prepayment that doesn't meet these criteria may have to be spread over two or more years.

### Properties Recently Rented!

Keeping you updated on the local rental market

#### HOUSES

##### 3 Crane St, Mittagong

3 bed, 1 bath \$430 pw

##### 4 Downes Plc, Mittagong

4 bed, 1 bath, 1 car \$440 pw

##### 6 Beresford St, Balaclava

4 bed, 2 bath, 2 car \$550 pw

##### 10 Hood St, Mittagong

4 bed, 2 bath, 2 car \$560 pw

## NEWS Updates

### Special Rate Variation approved on 17 May 2016.

The Independent Pricing and Regulatory Tribunal announced it's approval of Council's application for a cumulative rate increase of 45.3% from 2016 to 2020. Following a period of sustained community engagement, Council at its meeting of 10 February 2016 resolved to apply for an SRV to reduce infrastructure backlogs and achieve sustainability indicators set by the NSW State Government's 'Fit for the Future' Local Government Reform program. Council applied for a cumulative rate increase of 45.3% from 2016 to 2020, with the 2019-20 proposed increase to include continuation of the Environmental Levy in perpetuity. IPART approved Council's application with percentage increases to be applied as follows

2016-17	8.55%
2017-18	9.25%
2018-19	9.25%
2019-20	12.15% (includes continuation of the Environmental Levy)