

ATO takes aim at landlords and vehicle expense claims

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The Australian Taxation Office is ramping up its compliance activities as June 30 approaches, with landlords and those claiming deductions for vehicle expenses the latest to feel heat from the tax man.

The ATO will write to 110,000 people who have purchased rental properties in the last 12 months as part of its continued crackdown on incorrect claims for property-related deductions, with specific focus on rental deductions for properties that are not actually rented out or are used for private purposes.

One area of particular confusion surrounds those expenses that can be claimed as an immediate deduction and the expenses which must be claimed over time, typically via depreciation.

While interest paid on loans for rental property and maintenance expenses are generally deductible immediately, many forms of repairs and capital works need to be depreciated over a longer period of time.

The ATO is also keen to ensure landlords do not claim deductions for those periods where they are using the rental property for their private purposes, which is a common mistake.

The landlord crackdown comes despite a sharp fall in the level of deductions claimed for rental expenses last year, which dropped by 24% to \$25 billion in 2008-09. More than 1.3 million people claim rental deductions each year.

Peter Bembrick from HLB Mann Judd **told SmartCompany earlier this month** that rental deductions is an area many taxpayers don't understand and there are many claims that they miss.

"One of the things that can be overlooked is building depreciations. The point being that if the building is constructed after 1982, when this depreciation rule came in, there is a 2.5% straight line deduction for things like structural improvements."

"Certainly these structural improvements would extend to things like driveways and car parks. Also keep in mind that deductions travel from owner to owner as the property is sold, so there may be a whole number of things you aren't aware of."

The ATO has also signalled it will closely monitor claims for work-related expenses, with three professionals in the spotlight: engineers, teachers and mechanics.

Over 200,000 people in these professions will receive letters outlining common "mistakes" made by taxpayers in claims for work-related expenses, with three specific areas of concern to be highlighted:

- Insufficient documentation available to support claims made for motor vehicle and travel expenses.
- Incorrectly claiming motor vehicle expenses including claiming when they travel from home to work more than once per day.
- Incorrectly claiming home office, mobile phone and internet expenses.

The ATO says about 7.3 million people claimed work-related expenses in the 2009 tax year, with the most common expenses claimed including car, travel, uniform and self-education expenses. On average, people claimed \$2,008 in work-related expenses.

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