

Manager
Individuals Tax Unit
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

The new rules should prevent rorting but not disadvantage landlords claiming legitimate business expenses.

Travel deductions

Under the new rules all travel expenditure relating to residential investment properties, including inspecting and maintaining residential investment properties will no longer be deductible. As it stands, this will include Landlords who are claiming only legitimate travel costs.

Limits:

Rather than a blanket ban, there could be limits eg.

- an upper limit on the annual amount that can be claimed per property, and/or
- the expenditure that be claimed (eg. for travel only - not accommodation or other costs).

Exceptions:

There are two areas where exceptions should apply:

1. Travel to attend Body Corporate/Strata Committee meetings

Strata plans cannot operate without committees and under state legislation, it is mandatory that a committee is appointed.

Committee members, especially office holders (Chair, Secretary, Treasurer), provide a lot of time attending meetings and dealing issues between meetings, and they travel to Committee meetings at their own cost.

Not being able to claim travel costs to attend Committee meetings may reduce the number of people who will provide the time, effort and cost to be on Body Corporate committees and attend meetings.

Committee members' attendance at Body Corporate *Committee* meetings should remain deductible. There could also be an limit on the amount that can be claimed each year and claims could be limited to travel costs only (eg. not accommodation etc).

2. Cleaning and preparing of short term rental properties

Short term property rental properties (eg. business and holiday accommodation) need far more on-going maintenance than long term lease arrangements, and owners incur greater costs than landlords of more standard lease arrangements.

Tenants under standard leases are responsible for cleaning their homes and most are required to maintain gardens to at least a basic standard.

Short term rental properties must be cleaned between each occupancy – this can include linen, dishes etc and could be weekly and at times twice weekly. Grounds maintenance, such as lawn mowing, also needs to be done very regularly. Successful short term renting is dependent on a high standard of presentation.

Cleaning costs around \$75 or more, with grounds maintenance a similar amount. It is far more economical for owners, if they are close enough, to clean and prepare their own properties for their next guests even if this involves some travel (eg. a day trip), than to engage cleaners and gardeners.

In many instances needing to engage cleaners and gardeners after every short term guest would make the property unviable.

Allowing Owners to claim travel costs to do this work themselves would also result in a lower tax deduction than deductions for cleaning and grounds maintenance. Again, this could be limited to actual travel costs only, not any other costs, and there could be a per trip or annual limit on the amount that is deductible.

Plant and equipment depreciation deductions

Plant and equipment depreciation deductions for investors in residential investment properties will be limited to assets not previously used.

Under the current arrangements, an asset within a property can gain a new effective life every time it changes hands (thus creating the potential for the depreciation on even the oldest of assets to never run out). Most people can probably agree this is not reasonable.

However, the proposed change is not equitable.

The existing, accepted practices for depreciation elsewhere in business should be utilised ie. the ability to depreciate to be based on the original cost and life of any asset. This would mean that when a person buys a second- hand property, they should be allowed to claim any *remaining depreciation* on any plant and equipment which has not been written down to NIL. *To deny this only for property investors is inequitable.*

Thank you for considering our submission.

Yours sincerely,

Trevor Connell
Christine Lawrey