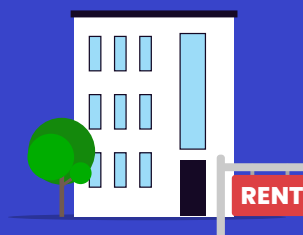




Australian Government  
Australian Taxation Office

# Rental properties

## Body corporate fees and charges



Strata title body corporates are constituted under the strata title legislation of the various states and territories. The body corporate maintains, manages and controls the common property on behalf of owners.

It decides the amounts to be paid by the owners to make sure the body corporate can operate (body corporate fees). You may be able to claim a deduction for body corporate fees and charges you incur for your rental property.

### What you can claim

- ✓ You may be able to claim a deduction for body corporate fees and charges incurred for your rental property, however not all body corporate fees are deductible in full in the financial year you incur them. If the funds are used for a capital expense the expense can be claimed over several years.

### Administrative funds

Payments you make to body corporate for administration funds.

These funds are used by the body corporate to cover day-to-day expenses to maintain and manage the building. For example, insurance premiums, maintenance of gardens and management of the body corporate itself. You can claim an immediate deduction for these fees.

### General purpose sinking fund

Payments you make to a general-purpose sinking or reserve fund that covers non-routine but anticipated expenses such as the painting, or roof repairs of common property.

If amounts for gardening, deductible repairs or building insurance costs have been charged and included as part of your body corporate fees, you can claim the sinking fund contribution. You **can't claim** a separate deduction when completing your tax return.

### What you can't claim

- ✗ Certain body corporate fees may not be deductible in the financial year you incur them, such as payments to a:
  - special purpose fund, which is established to cover a specified, generally significant expense that is not covered by ongoing contributions to a general-purpose sinking fund
  - special purpose fund to pay for a one-off unexpected major capital expense
  - special contribution to pay for major capital expenses out of the general-purpose sinking fund.

These payments cover the cost of capital improvements or repairs of a capital nature and are not immediately deductible. You may be able to claim a capital works deduction for your share of the expense once the work is completed and the cost has been charged to the fund.

### Example: Immediate deduction body corporate fees

Charlie owns a strata title interest, which is a unit in an apartment block. Charlie currently rents out the unit to Karl. Part of the strata entitlement includes a right to use or have access to strata title body common property. This consists of:

- the garden area
- the lifts, stairwells and passageways
- depreciating assets.

Charlie pays a body corporate fee of \$2,500 annually for the general up-keep of the building's common areas.

Charlie is entitled to claim \$2,500 for body corporate fees in his income tax return.

### Example: Non-deductible capital works costs

Sophia rents her unit to Steve and has been paying a body corporate fee of \$3,000 annually for the last 2 years. Her body corporate contacted each unit owner and advised of a new charge to pay an additional \$1,000 per year to a special purpose fund for future works to upgrade the building lifts.

Sophia can claim an immediate deduction for the \$3,000 body corporate fee but can't claim a deduction for the additional \$1,000. This levy is for future capital expenses and can be claimed once the work to upgrade the lifts has been completed and charged to the body corporate.

If Sophia pays \$1,000 each year over the period of 5 years to upgrade the lifts, she can claim a percentage of the \$5,000 each year based on the effective life of the asset from the date the works were completed.

### Example: Non-deductible capital works costs

Joe rents his unit to Meredith and has been paying a body corporate fee of \$2,500 annually for the last 2 years.

Unexpectedly, the council notified the body corporate that the common veranda needed to be completely replaced because it had not been maintained to compliance standards.

As a result, the body corporate issued an enforcement notice to each unit owner to pay the amount of \$10,000 into a special purpose fund to cover this emergency cost.

Joe can claim an immediate deduction for the \$2,500 body corporate fee but he can't claim a deduction for the \$10,000. This expense is for future capital works and can be claimed at 2.5% for 40 years once the work is completed.



**This is a general summary only.**

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