

**Q** *My property agent has suggested that I spend some money and renovate my apartment, is this a good idea?*

**A** If your property is in need of some work, it is always a good idea to get it done whilst it remains a rental property.

Normally this will assist your tax, as all expenses will be a tax deduction in some way.

Items that are maintenance or repairing are fully deductible. This would include painting, general handy work, gardening and landscaping.

Other items like new carpets or structural improvements, will be allowed as a deduction over a few years as depreciation.

Usually any renovation will also increase the property value and weekly rental so financially it is also a good decision. It will also make your property more attractive to potential renters so vacancy rates would also diminish.

You should consider increasing your loan to fund the property improvements rather than using cash savings as this can also improve your tax and investment benefits.

The easiest rule to help you decide if the costs are warranted, is to use the interest cost as the yardstick. If you require to spend say \$10,000 on your property and the bank interest rate is 6.0%pa, then you need to get an increased rental after renovation of at least \$600, or \$11.54 per week to justify the expense.

Your agent can give you an estimate of the potential increase as a result of your repairs, which I would be confident in being favourable. It is common to expect the value to go up by one and a half times the amount spent.

When deciding how much to spend, do not forget that it is a rental property, so you should be relatively conservative on budget and ensure that it improves the livability factor of the property from a tenants perspective.

The best time to do repairs is in between tenants, or to keep a very good tenant that will not mind the inconvenience of tradesman whilst they live in the property.



Steve Douglas is the co-founder and Managing Director of Australasian Taxation Services (ATS), established in Singapore in 1995. ATS provides specialist taxation services to people of any nationality investing in Australian property, as well as Australian expatriates living overseas. Areas of specialisation include the Australian taxation aspects of property investment, as well as expatriate and migration planning.