

## Want a tax break? Invest in property

As we enter the new financial year, it's time to start thinking about tax savings - or strictly speaking, what deductions one can legitimately claim.



Gerhard Kotzé, MD of the RealNet

And in that regard, one of the best investments to have is a rental property, says Gerhard Kotzé, MD of the RealNet estate agency group, because it will not only increase the value of your assets but should also allow you to claim for certain expenses incurred in connection with owning and maintaining the property.

Generally, if you are a private owner (rather than a company that is in the business of owning and leasing properties) SARS will allow the following deductions against the rental income received:

- If your property is bonded, the interest portion of the monthly bond repayments;
- Municipal rates and taxes and sectional title or estate levies;
- Garden service costs;
- Property insurance premiums (HOC);

- Any agent's commission paid for finding tenants and managing the property;
- Advertising costs;
- Depreciation on any furniture and appliances, at 15% a year on the depreciated value; and
- Bank charges.

Kotzé says SARS may also allow you to deduct some renovation costs, although these are not as straightforward. "If the renovations are improvements, such as new cupboards and tiles in the kitchen, they will probably be regarded as capital in nature and not tax-deductible against rental income received. You would then need to keep a record of these costs to be taken into account against any capital gain when the property is sold.

"If, however, the renovations were 'repairs' such as repainting and the replacement of old carpets, they will most likely fall under the maintenance heading and be fully deductible against the rental income received."

However, he says, it is also very important that you honestly declare all income earned before you start listing deductions. "If SARS discovers that you have under-declared the rent received or failed to declare any other income, you will be liable for penalties that could well exceed any deductions applicable to your rental property."

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