

To: New Zealand Chamber of Commerce Hong Kong
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New Zealand Rental Income

The New Zealand tax office is currently focussing on first – time landlords in Christchurch. However it is time to remind overseas owners of New Zealand rental properties of their obligations.

Remember you must report rental income no matter how minor; or where such rental income is insufficient to cover costs. There remains an obligation to lodge a taxation return. If a loss is incurred, that is available to carry forward against future income (without time limit).

Borrowing costs (including legal fees and raising finance) is fully deductible against rental income. Likewise repairs and maintenance is fully deductible **unless** such costs are considered to be of a capital nature (e.g. alterations to the structure of the building). Statements by the Commissioner of Inland Revenue and legal cases show there is often a very fine line between what is truly repairs (fully deductible) and what is a reconstruction, replacement or renewal (generally capital).

Travelling to New Zealand to view a rental property (as part of a visit back home or holiday) would generally be denied as a deduction. However, where the primary purpose of such a visit is to check on the state of the property, meet with property managers and/or arrange for repairs ought to sustain a deduction against rental income.

Often deductibility is influenced by documentation and pre-trip correspondence.

Disclaimer:

This update is provided by Des Trigg CA Tax Consultant of Auckland. The content is for information only and should not be acted upon without specific and proper professional advice. Neither the author nor any staff member accepts any liability to any other party.

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