# How to Read the Annual Rental Statement Provided and What Goes to ITR?

**Learning Objectives:**

**A. Understanding who is Property Manager and what is Annual Rental Statement:**

**B. How to Read Annual Rental Statement with Example:**

**C. Additional notes related to Annual Rental Statement:**

**D. How to enter Rental Income & Rental Expenses per Annual Rental Statement into Individual Tax Return:**

## A. Understanding Property Manager and Annual Rental Statement

### 1. Who is Property Agent or Property Manager?

- An agent who is specialises in managing the rental properties.
- In Australia more than 80% of the Rental Properties are management by Property Agents behalf of owners, so property agents will collect rental money from tenant and incurred all expenses related to then rental property, for managing, property agent charge some agent fees balance money he will send it to Property Owner on Monthly basics.

### List of Service provided by Property Agent:

- Collect the Rent from Tenant.
- Help the property owner to set the Rent for the property.
- Help to find Good and Long-Term Tenants in case of vacancy.
- Help to compliance with specific state or Territory Property Law
- Handling Repairs and maintenance for the Rental property
- Manging and Paying Bills (Water Bill, Council Rates etc.) with the Rental income received.
- Conducting regular inspection to the rental property

### 2. What is Annual Rental Statement?

- Annual Rental Statement also known as a Rental ledger or Rental history statement,
- Annual Rental Statement is a document provided by a property agent to the property owner.
- Annual Rental Statement summarizes the financial transactions related to the rental property over a specific financial year (i.e. 01/07/2022 to 30/06/2023).

### What are key details included in an Annual Rental Statement?

- Rent received from the Tenant.
- Expenses related to the property (Repairs or Maintenance costs, Water bill, Council Rate etc)
- Agent Fees for Managing the Property
- Reimbursement received form the Tenant for water bills or for repairs etc.
- Amount transferred from property owner to property agent to incur some emergency expenses related to property.
- Net amount (rental income minus expenses) transferred from property agent to property owner to their bank account.

**Note:** Property owners rely on Annual Rental Statements to assess the financial performance of their rental properties to Track Income & Expenses and to prepare Tax Return.

## B. How to Read Annual Rental Statement?

# Receipts & Expenditure Statement

**Mr. Emil**

**Address:**
7777, Melbourne,
VIC,
3205

Manager
16

**Financial Statement for the period** **01/07/2022** **to** **30/06/2023**

RE: Melbourne, Vic, 3205

| | | Y.T.D. | July | August | September | October | November | December | January | February | March | April | May | June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | | | | | |
| 402. | Rent | $31,284.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 | $2,607.00 |
| | | **$31,284.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** | **$2,607.00** |
| **Expenses** | | | | | | | | | | | | | | |
| 527. | Electrical Repairs | -$972.27 | $0.00 | -$422.27 | -$550.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| 523.01 | Miscellaneous Repairs/Maintenance | -$1,181.82 | $0.00 | -$200.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | -$981.82 | $0.00 | $0.00 |
| 520. | Bank Charges & Statement Fee | -$42.00 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 | -$3.50 |
| 512. | G.S.T. | -$160.68 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 | -$13.39 |
| 740.08 | G.S.T. | -$215.41 | $0.00 | -$62.23 | -$55.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | -$98.18 | $0.00 | $0.00 |
| 500. | Commission on Rental | -$1,564.20 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 | -$130.35 |
| | | **-$4,136.38** | **-$147.24** | **-$831.74** | **-$752.24** | **-$147.24** | **-$147.24** | **-$147.24** | **-$147.24** | **-$147.24** | **-$147.24** | **-$1,227.24** | **-$147.24** | **-$147.24** |
| **Capital** | | | | | | | | | | | | | | |
| 102. | Distribution to Owner | -$27,147.62 | -$2,459.76 | -$1,775.26 | -$1,854.76 | -$2,459.76 | -$2,459.76 | -$2,459.76 | -$2,459.76 | -$2,459.76 | -$2,459.76 | -$1,379.76 | -$2,459.76 | -$2,459.76 |
| | | **-$27,147.62** | **-$2,459.76** | **-$1,775.26** | **-$1,854.76** | **-$2,459.76** | **-$2,459.76** | **-$2,459.76** | **-$2,459.76** | **-$2,459.76** | **-$2,459.76** | **-$1,379.76** | **-$2,459.76** | **-$2,459.76** |
| **Owner Distribution** | | | | | | | | | | | | | | |
| | | $27,147.62 | $2,459.76 | $1,775.26 | $1,854.76 | $2,459.76 | $2,459.76 | $2,459.76 | $2,459.76 | $2,459.76 | $2,459.76 | $1,379.76 | $2,459.76 | $2,459.76 |
| | | **$27,147.62** | **$2,459.76** | **$1,775.26** | **$1,854.76** | **$2,459.76** | **$2,459.76** | **$2,459.76** | **$2,459.76** | **$2,459.76** | **$2,459.76** | **$1,379.76** | **$2,459.76** | **$2,459.76** |

1
2
3
4
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**The above Rental Agent Summary I have divided into Five Sections.**

**1. The above Section highlighted in Green is a Gross Rental amount Received from Tenant by the property agent**

**Check List:**
Check **12 Month** Rent has been received or not.
**If not**
Check is the Rent Received in **Prior Month** (ex: May -2023 Rent Received along with April -2023 Month) **or Post Month** (ex: Jan -2023 Month Rent received along with Feb -2023 month)
**If not**
Raised Query number of month property available for rent and number of Month not available for rent.

**2. The Section highlighted in Yellow is the Expenses incurred by Tenant for the Rental Property**

**Check List:**
i. Check any Expenses provided in Agent Summary has been **wrongly considered twice** by us in tax return.
**Ex:** Agent Summary has Electrical Repairs of $1,069.50 (Gross), End client provided Agent Summary as well as provided invoice for Electrical Repairs of $1,069.50(Gross) for the same. In this case you must **considered expenses only from Agent Summary of $$1,069.50** and keep invoice just for supporting, but **not claim the same amount twice** i.e. Total = $2139($1,069.50+$1,069.50).

ii. Compare prior year Agent Summary Expenses with Current Year, if there is huge increase in Expenses, Highlight them in query.

iii. Check Repair & maintenance expenses if it's very high check the breakup or any invoice provided by End client, is it any Expenses capital in nature considered wrongly as Repair & maintenance.
**Ex:** Air Conditioners worth of $2,500 purchase and installed in Rental property considered as Repairs & Maintenance by property agent, so we need to remove it from Repairs and Maintenance Expenses of $2,500 and added to Depreciation Schedule as an Asset and claim deprecation per ATO Deprecation Rate.

**3. The Section highlighted in Blue is the commission charged (Agent Fees) by the Property Agent for Managing the property agent.**

**4. The Section highlighted in Orange Net Rental income (Gross Rental Income minus Gross Rental expenses) from the rental property.**

**5. The Section highlighted in Red is the amount transferred from property agent to property owner to their bank account.**

**Interpretation of Section 2 and Section 3 of above**

If you see the above Agent Summary under Expenses section, GST amount ($160.68 + $215.41= $376.09) separately provided, but not provided the breakup for which expenses the GST is, so let we find that:

| Expenses as per Agent summary | | | |
|---|---|---|---|
| **Description** | **Net** | **GST 10%** | **Gross** |
| Electrical Repairs | 972.27 | 97.23 | 1,069.50 |
| Miscellaneous Repairs/Maintenance | 1,181.82 | 118.24 | 1,300.06 |
| Bank Charges & Statement Fee | 42.00 | 4.20 | 46.20 |
| Commission on Rental | 1,564.20 | 156.42 | 1,720.62 |
| **Total** | **3,760.29** | **376.09** | **4,136.38** |

## C. Additional Notes:

i. If the Rental Property is owned by Individual or Non-GST Registered Entity. then you must Ignore GST amount and need to considered Gross Amount as Rental Income and Gross Amount as Rental Expenses.

ii. In the Agent Summary mentioned above, the rental property is owned by an individual. Consequently, the Gross Rental Income amounts to $31,284, while the Gross Rental Expenses total amount to $4,136.38. As a result, the Net Rental Income stands at $27,147.62.

**iii. Clues to Determine the Ownership of a Rental Property:**

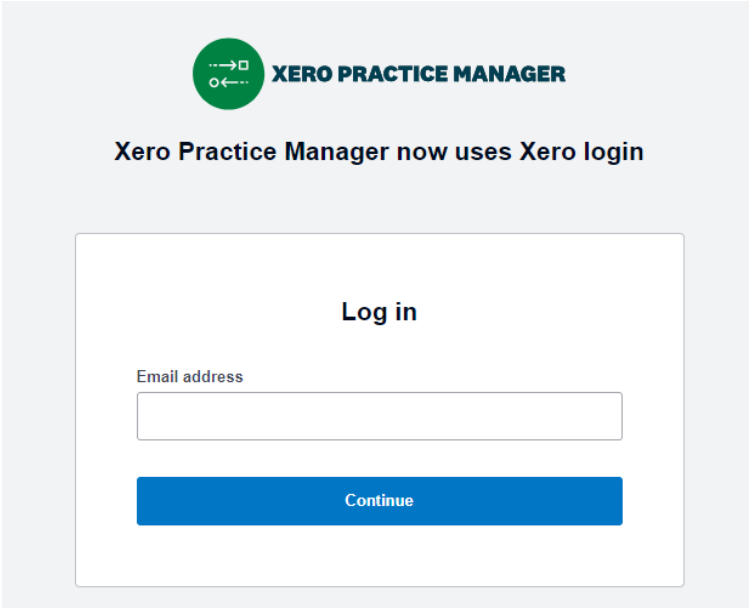
- **Single Owner Scenario:** If the annual rental statement specifies only one name generally in the address section, it indicates that the property is owned by a single individual. For Example, if the name mentioned is Mr. Emil, the property belongs to him alone.
- **Multiple Owners Scenario**: When the rental statement lists two names generally in the address section, it signifies joint ownership. For example, if the names mentioned are Mr. Raja & Mrs. Rani, the property is co-owned by both the individuals.

iv. In addition to above Agent Summary Income, if any other Income related to rental property (Ex. Reimbursement of Rental Expenses, Insurance for Loss of Rent, Received Govt Rebates) received by the owner directly, need to be consider as Other Rental income in tax Return.

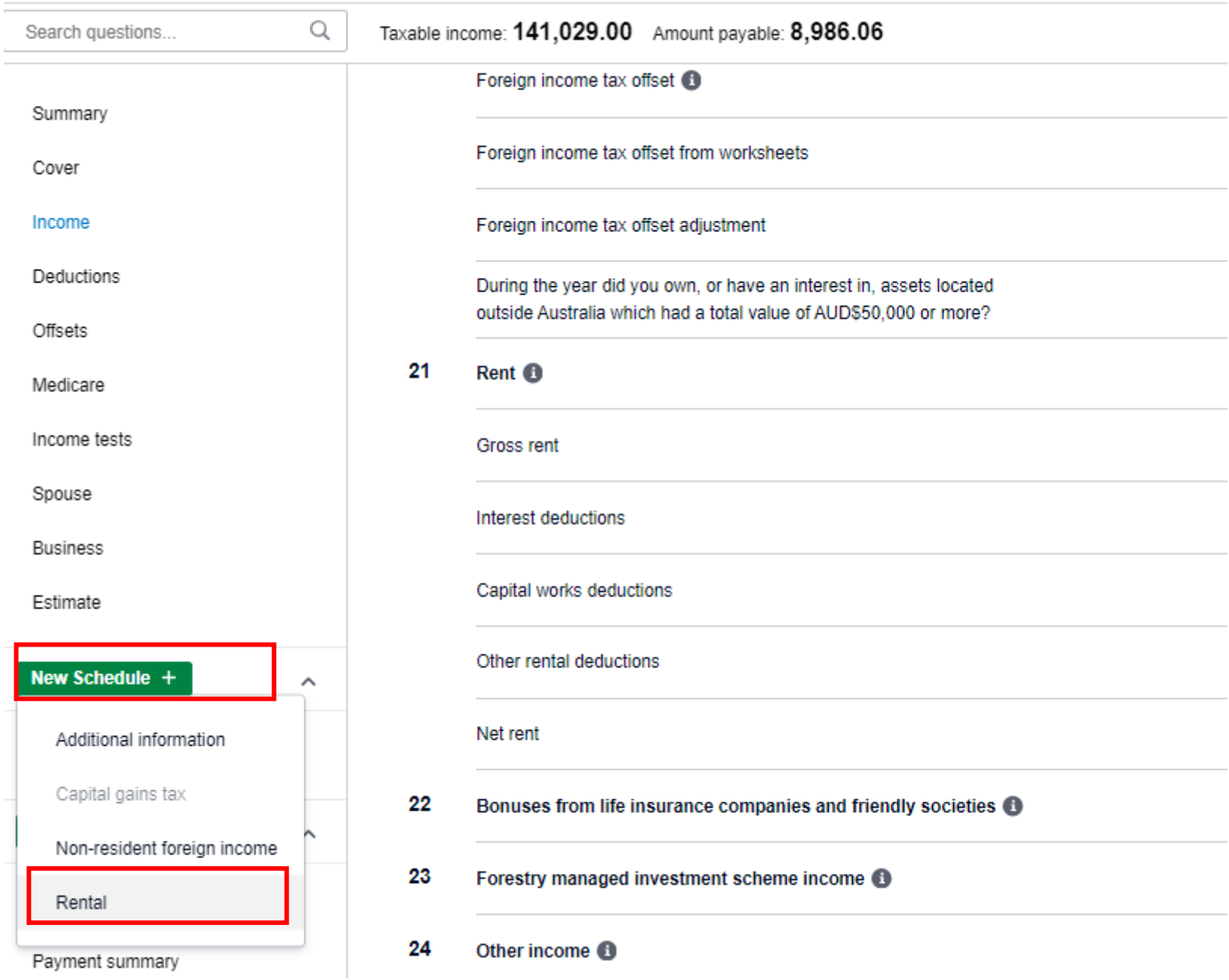
v. In addition to above Agent Summary Expenses if any Rental Expenses related to the property incurred by the owner directly, need to consider as Rental Expenses at appropriate head in tax return.

## D. How to Enter above Rental Income & Rental Expenses in Individual Tax Return

### Step 1: Login into XPM> Select Client > and the Select the relevant ITR.



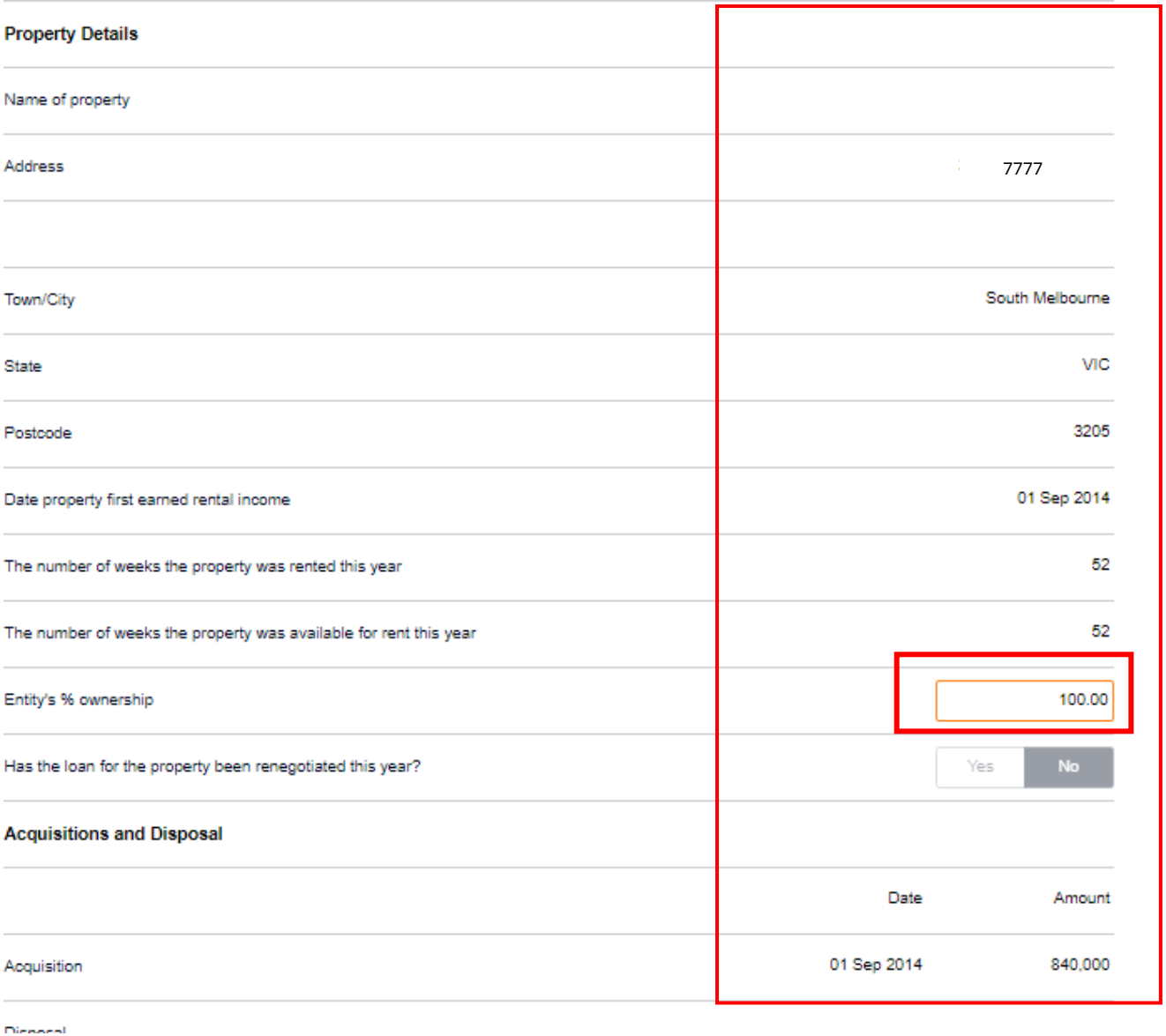
**Step 2: Select New Schedule and then select Rent, now Rental Schedule has been created.**



## Step 3: Now fill the Rental Property Detail

Note: Above Property owned by Single Person hence Entity % of Ownership is = 100%

If the above Property jointly owned by Two Individuals Ex. (Wife & Husband), generally then Entity % of Ownership is = 50%



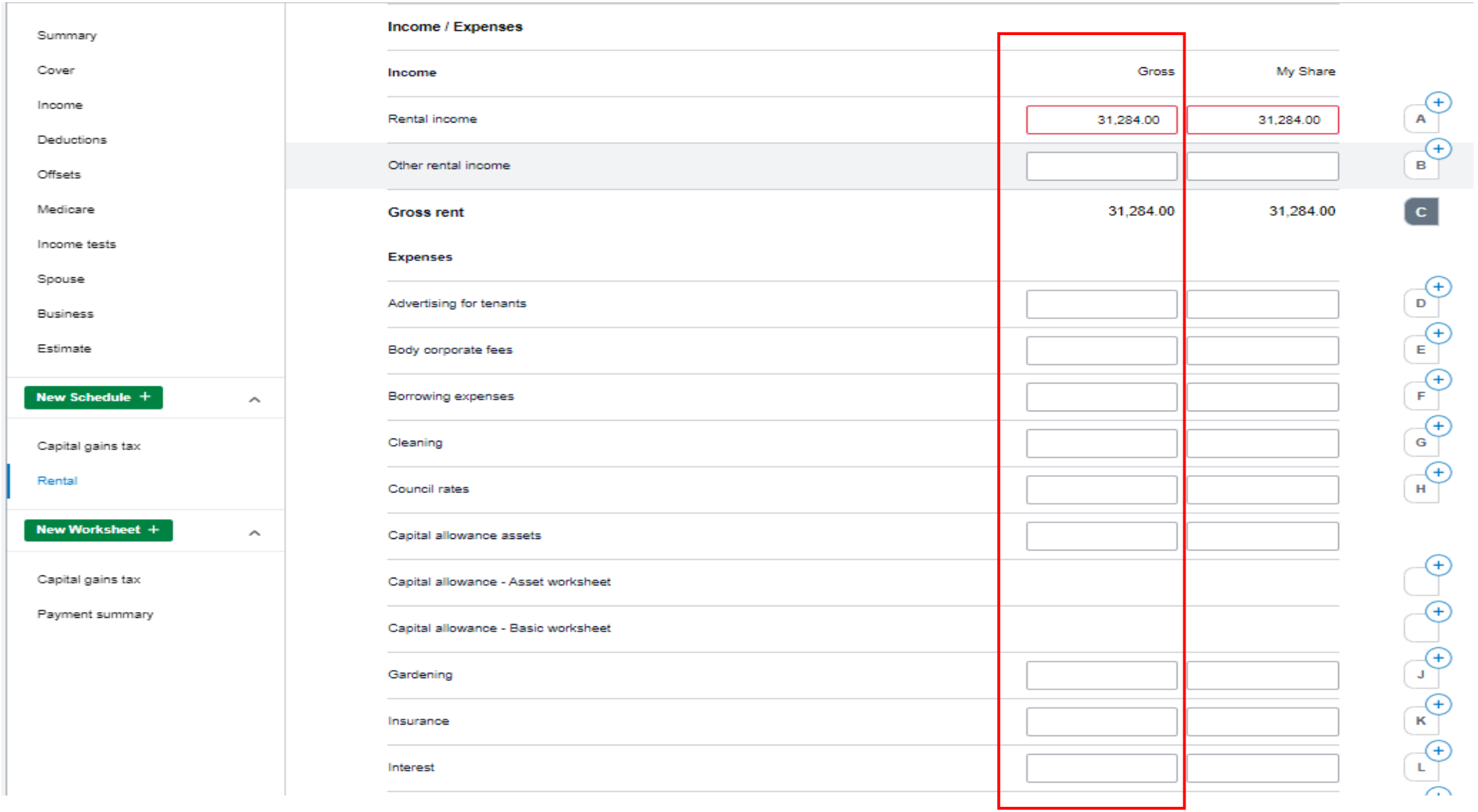
| Property Details | | |
|---|---|---|
| Name of property | | |
| Address | 7777 | |
| | | |
| Town/City | South Melbourne | |
| State | VIC | |
| Postcode | 3205 | |
| Date property first earned rental income | 01 Sep 2014 | |
| The number of weeks the property was rented this year | 52 | |
| The number of weeks the property was available for rent this year | 52 | |
| Entity's % ownership | 100.00 | |
| Has the loan for the property been renegotiated this year? | Yes / No | |
| **Acquisitions and Disposal** | | |
| | Date | Amount |
| Acquisition | 01 Sep 2014 | 840,000 |
| Disposal | | |

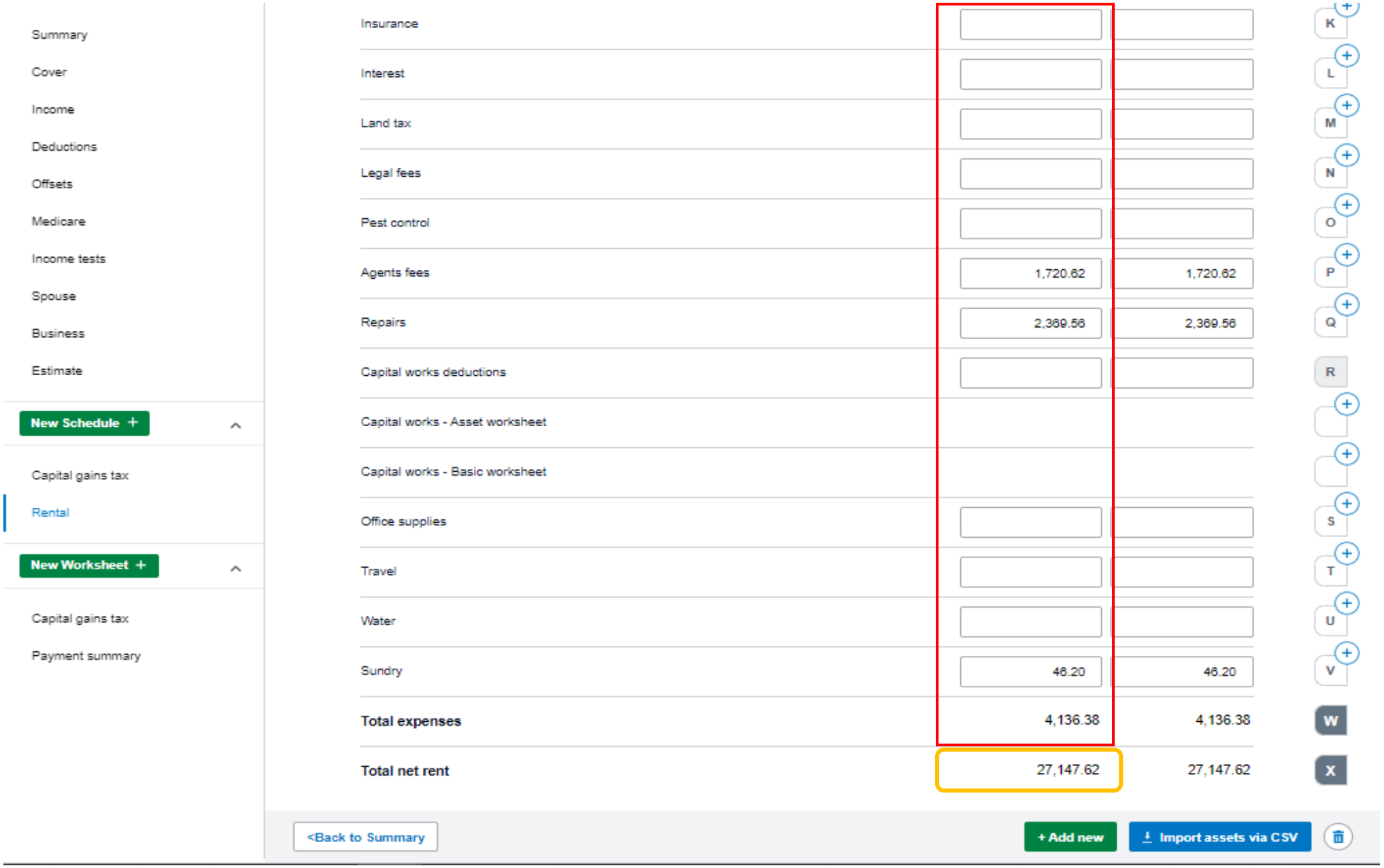
## Step 4: Now fill the Rental Property Income and Expenses details in the Gross field.

**If the property is owned by a single person (100%), then both the Gross Field and the My Share Field will be the same.**

**However, if the property is jointly owned by two individuals (e.g., Wife & Husband), the following applies:**

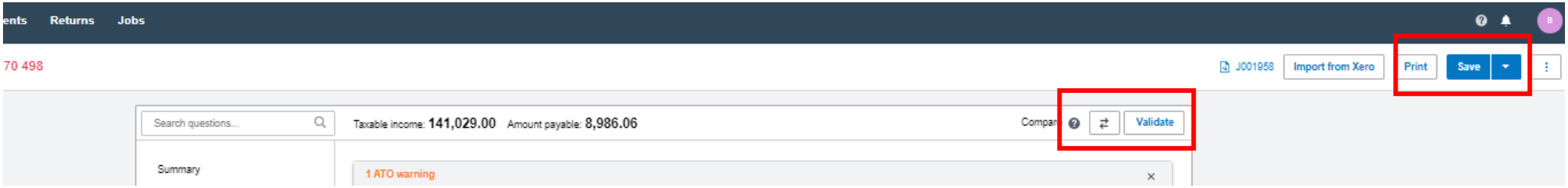
- The Gross Field will show 100%.
- The My Share Field will automatically display 50%, provided if the Step 3 has been correctly followed.






**Note: In the example mentioned above, I have considered no other rental income or rental expenses apart from those provided in the Agent Summary. Consequently, the net rental income of $27,147.62 per tax return will match the Agent Summary.**

**Step 5: Once Rental Property Income and Expenses are updated in XPM, in Top Right corner > Click Save and the Click > Validate to check is there is any Error.**




**That's all, Thank You**