RETHINK® | INVESTING

SMART EOFY STRATEGIES *for* AUSTRALIAN COMMERCIAL PROPERTY INVESTORS

GETTING READY

The end of the financial year (EOFY) is fast approaching in Australia, and for commercial property investors it's more than just a paperwork deadline. It's a prime opportunity to optimise your tax position and boost your investment returns.

Whether you're new to commercial investing or a seasoned portfolio owner, taking the right steps before June 30 can save you money and set you up for a stronger new financial year. The following guide outlines smart, legal strategies that Australian commercial property investors can consider as EOFY approaches, from maximising deductions to ensuring all your financial ducks are in a row.

PRE-PAY ELIGIBLE EXPENSES IN ADVANCE

If your cash flow permits, consider pre-paying certain investment expenses before June 30.

Bringing forward next year's costs into this financial year can immediately reduce your taxable income.

In practice, this means you might pay for up to 12 months' worth of some expenses now, so you claim the deduction in this year's tax return.

Common expenses to consider pre-paying include:

- Loan Interest
- Insurance Premiums
- Strata Levies & Rates

This strategy is particularly useful if you've had higher income this year (and expect a lower income or higher tax bracket this year than next).

By accelerating deductions into the current year, you reduce your taxable profit for the year, potentially lowering the tax you owe. Ensure you have the spare cash to do this without straining your finances, and confirm with your accountant that any prepayments comply with ATO rules (generally, prepayments for services spanning no more than 12 months are deductible in the year paid). It's a simple move that can have a significant impact on your tax bill when managed prudently.

ORDER A TAX DEPRECIATION SCHEDULE

Depreciation can be a hidden goldmine for property investors. A tax depreciation schedule is essentially a report that itemises all the depreciation deductions you can claim on your property's building structure and fittings. Having a detailed depreciation schedule prepared by a qualified quantity surveyor is non-negotiable for commercial investors who want to maximise tax benefits . Depreciation is non-cash deduction – you don't have to spend money each year to claim it; it's an allowance for wear and tear on the building and assets (like air-conditioning, lighting, carpet, etc.) over time.

Many investors, especially those with older properties or those who've never obtained a schedule, overlook depreciation and miss out on substantial deductions. In fact, the potential tax savings from depreciation can be tens of thousands of dollars annually for a commercial property.

For example, if you installed a new fit-out or equipment in your property, the schedule will let you claim depreciation on those items each year. Even older buildings often have remaining depreciation value, and certain improvements or fixtures can be depreciated quicker.

If you haven't got a depreciation schedule yet, make it a priority to get one before June 30.

Engaging a certified quantity surveyor now means you can apply any eligible depreciation deductions to this year's taxable income. The report can be used year after year and updated whenever you add new assets or make significant improvements. It's one of the most effective tax planning tools in a property investor's arsenal, essentially giving you a tax deduction for the gradual aging of your property. Don't leave money on the table – unlock these 'paper' deductions to boost your cash flow.

(**Tip:** Also ask about a scrapping schedule if you've recently removed or replaced any old assets – see point 5 on writing off obsolete assets.)

BRING FORWARD REPAIRS AND MAINTENANCE

Wear and tear is inevitable in property, but when you address it can make a difference for your taxes. If you've been postponing any repairs or maintenance, consider doing them before June 30 to claim the costs in this financial year. The Australian tax rules generally allow an immediate deduction for repairs and maintenance expenses – these are costs that restore something to its original condition . By completing such necessary repairs now, you not only keep your property in good shape but also potentially reduce your taxable income for the year in one hit.

Examples of deductible repairs could include fixing a leaky roof, repainting faded walls, servicing or replacing parts of an air-conditioning system, or repairing damaged fixtures. These are considered part of maintaining your investment. Just be careful to distinguish repairs from capital improvements or upgrades. A major improvement (like adding a new extension, completely renovating an area, or upgrading to a higher standard than originally) is treated as a capital expense to be depreciated over time, rather than claimed immediately. Pure repairs and routine maintenance, however, are claimable right away.

By bringing forward repairs, you effectively reinvest in your asset and get a tax benefit for doing so. It's a win-win: the property is safer and more attractive to tenants, and you enjoy a lower tax bill now. Keep invoices for all work (materials and labor) – you'll need them for your records and to substantiate the deductions. And of course, don't do unnecessary work just for a deduction; focus on genuine maintenance your property needs sooner or later. Doing it by EOFY just times the deduction advantageously.

REVIEW YOUR LOAN AND FINANCING STRUCTURE

Financial year-end is an ideal checkpoint to review how your investment loans are structured. Commercial investors often refinance, draw equity, or make financing changes as they grow their portfolio – but they might overlook how these changes impact tax deductibility. Take a moment to examine each loan tied to your property investments:

- Separate Deductible vs. Non-Deductible Debt: Ensure you are clearly separating loans (or loansplits) used for investment purposes from those used for personal or non-deductible purposes. Interest on money borrowed for your commercial property (acquisition, renovations, etc.) is generally tax-deductible, whereas interest on personal borrowings (like using equity to buy a home or car) is not. Mixing these in one loan can lead to confusion and lost deductions. If you've accidentally mixed purposes in one facility, talk to your broker or accountant about restructuring or refinancing to split the loan correctly.

- Optimizing Interest and Cash Flow: Check if you're making the most of features like offset accounts or whether an interest-only period might suit your strategy (many investors use interestonly loans to maximise cash flow and tax deductions, especially if the property is held for growth). Ensure any offsets are reducing interest on non-deductible debt first (like your home mortgage), rather than reducing interest on investment loans (since investment interest is tax-deductible, it's often better to keep those loans higher and offset personal loans instead).

- Loan Interest Rates and Terms: EOFY is also a good time to compare interest rates or negotiate with lenders. A lower rate doesn't directly affect your tax, but it improves net cash flow. Just be mindful that if you refinance or redraw, maintain clear documentation on how funds are used (to preserve deductibility).

Investors sometimes miss these fine details of loan structuring, and it can cost dearly in the long run if ignored. An incorrectly structured loan could mean you're not claiming all the interest deductions you're entitled to, or worse, claiming something you shouldn't.

Before the year ends, clarify any ambiguities. If you've undergone significant financing changes in the past year (like tapping equity for another investment or restructuring debt), double-check everything with your accountant or a mortgage strategist. The goal is to enter the new year with a clean, optimised loan setup where every dollar of interest that should reduce your taxable income does so.

WRITE OFF OBSOLETE OR SCRAPPED ASSETS

As properties evolve, you may find certain assets or equipment are no longer in use. Maybe you upgraded to a new security system, ripped out old carpet, or your tenant replaced some specialized machinery. Don't let unused or disposed assets sit on your books depreciating slowly – write them off if you're eligible. The tax term for this is "scrapping" an asset, and it can allow you to claim a remaining deduction all at once for items that have been made obsolete.

For example, suppose your commercial property had an old air conditioning unit on the depreciation schedule with a few years of effective life left, but you replaced it this year with a more efficient model. The old unit has been removed – essentially scrapped. You may be able to claim a scrapping allowance, which is basically the leftover depreciable value of that asset as a deduction now (since it's no longer in service). Similarly, if you did an interior fit-out refresh and threw away old fittings or equipment, the undepreciated portion of those items could be written off in the year of disposal.

This is a small but valuable tactic for investors with a lot of assets in their property. Over time, these writeoffs can add up, especially across multiple properties. To take advantage of this:

- Have your quantity surveyor or accountant update your depreciation schedule to reflect items that have been removed or scrapped.

- Keep records of when and how you disposed of the asset (e.g., junked, donated, sold for scrap, etc.).

- Ensure that the asset is indeed no longer usable and was part of your depreciation schedule.

By cleaning up your asset register, you not only simplify your records but also get an immediate tax break as a reward for retiring old equipment. It's another way of squeezing extra value from your investments at EOFY. If you're unsure what can be written off, consult your accountant or depreciation specialist – but don't leave potential deductions "gathering dust" on your books.

MAXIMISE SUPERANNUATION CONTRIBUTIONS (WITHIN LIMITS)

One often-overlooked EOFY strategy, especially for high cash-flow investors, is to channel surplus cash into superannuation, reducing your taxable income while growing your retirement savings. Commercial properties are known for strong cash flow, so if you find yourself with more income than you need, consider using it to boost your retirement savings and get a tax deduction in the process. In Australia, you can make concessional (pre-tax) contributions to your super fund – these contributions (up to the annual cap) are tax-deductible, meaning they reduce your taxable income for the year..

Here's how it works in practice:

- Concessional Contribution Cap: As of 2025, the general cap is $27,500 per year for most individuals. This includes the 11% superannuation guarantee from your employer and any additional salary-sacrificed or personal contributions you make. If you have unused contribution cap amounts from previous financial years and your total super balance is below $500,000, you may be able to contribute more using the carry-forward rule. This can be an excellent way to make a large one-off contribution and claim a bigger deduction in a year of high income."

- Personal Deductible Contributions: If you have spare cash, you can deposit it into your super fund as a personal contribution. You'll also need to submit a 'Notice of Intent to Claim' form to your fund and receive acknowledgment before lodging your tax return. The contribution will be taxed at 15% in the fund, but that's usually much lower than your marginal tax rate as an individual, so there can be a significant tax saving.

- Immediate Tax Reduction: Every dollar you contribute (up to the cap) could save you up to 30-45 cents in tax (depending on your income level), because it comes off your taxable income. You're essentially moving money from a high-tax environment (your pocket) to a low-tax environment (superannuation).

- Long-Term Wealth Benefit: Beyond the tax break, you're also bolstering your retirement nest egg. Investment earnings in super are taxed at only 15% (and 0% in pension phase for retirees), which is favourable compared to investing in your own name. Over time, the compounding within super can significantly grow your wealth.

Maximising your super contributions is a smart strategy, particularly after a profitable year in property, as it helps reduce your tax bill while investing for the future. Just remember:

- Do not exceed the contribution caps – penalties apply for over-contribution.

- Contributions must typically be received by your fund by 30 June to count for that year, so initiate any transfers a few days early.

- Super is a long-term vehicle – funds are generally inaccessible until retirement or another eligible condition of release, so only contribute what you can afford to lock away.

REVIEW TRUST AND OWNERSHIP STRUCTURES

Many Australian commercial property investors use entities like discretionary trusts, unit trusts, or companies to hold their investments, often for tax planning, asset protection, or estate planning reasons. If you have such a structure in place (or even if you hold property jointly with others), the lead-up to 30 June is a critical time to review how your structure is operating and make necessary arrangements for tax purposes.

For discretionary trusts: ensure you take the following EOFY actions:

- Trust Distribution Resolutions: In a discretionary trust, the trustee typically has flexibility to distribute income among beneficiaries in the most tax-effective way. However, this decision must be made and documented by 30 June each year. Failing to do so can mean the trust's income might be taxed at the highest marginal rate, which you definitely want to avoid. So, consult with your accountant or trust administrator to sign off on the trust resolution before EOFY, specifying how the year's income (including rental income and any capital gains) will be allocated to each beneficiary.

- Tax-Smart Distribution: One of the advantages of a trust is the ability to stream income to those beneficiaries who can best absorb it. For instance, you might allocate more rental income to a family member in a lower tax bracket, thereby reducing the overall tax paid on the trust's income. The beauty of a discretionary trust is that the trust itself usually doesn't pay tax (it's a flow-through entity); instead, beneficiaries pay tax on what they receive. Use this flexibility wisely – but within the boundaries of your trust deed and tax law. (If you have bucket companies or other entities as beneficiaries, ensure you understand any extra compliance required, like Division 7A for unpaid distributions, and that those companies are set up before 30 June if you plan to use them.)

- Check the Trust Deed & Streaming: Review your trust deed to see if it allows streaming of different income types (e.g. capital gains, franked dividends) to specific beneficiaries. While this is more relevant to share investments, if your trust sold a property at a gain, you might want to stream that capital gain to a beneficiary who can use the CGT discount or has capital losses to absorb it. Make sure any required steps (like recording capital gains separately) are done.

OTHER STRUCTURES

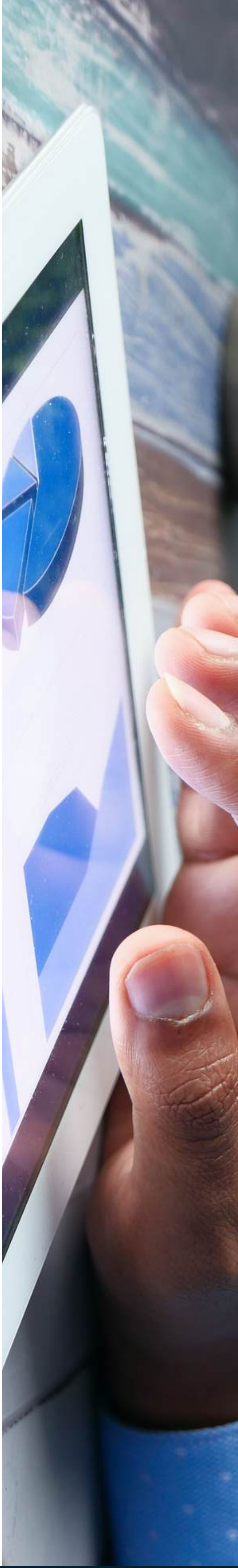
For other structures (companies, unit trusts, SMSFs): verify that you are meeting any EOFY requirements specific to those:

- Companies: If your property is in a company, there's less flexibility (the company will pay tax on profits at the company rate). But you might consider paying out a dividend or declaring one if appropriate, or utilising franking credits. Also ensure any related-party loans are compliant (Division 7A rules) if you've taken profits out as loans.

- Unit trusts: Ensure income is distributed according to unit holdings. There's typically less last-minute decision-making here since unit holders are entitled to income in proportion, but do ensure any interest or expenses owed to unit holders or related parties are recorded if needed.

- Self-Managed Super Funds (SMSFs): If your SMSF holds a commercial property, remember the fund's income (rent) is taxed at 15%. Ensure your contributions to the fund (see previous section) are in before EOFY and that the fund has paid any expenses or made any required minimum pension payments if in pension phase. Also consider valuations – the ATO expects assets to be valued at market value each year for SMSFs, so have your property valuation updated if needed for the fund's accounts.

The key point is to treat your property portfolio like a business, which means staying on top of how it's owned and managed legally and financially. The wrong structure (or not using a structure properly) can cost you in extra tax or headaches, whereas the right structure, used well, safeguards your investment and optimises your tax outcomes. If you're unsure whether your current ownership structure is ideal, EOFY is a great time to book a consultation with a property-savvy accountant or an adviser (Rethink Investing's team can also guide you or refer you to trusted experts). They can help you adjust course for the new year if needed – sometimes even a small tweak in how you operate (or a plan to restructure in the future) can yield significant benefits. Note: Changing ownership structure of an existing property can trigger costs like stamp duty or capital gains tax, so these decisions need careful professional advice. The goal at EOFY is to review and plan rather than hasty changes, ensuring you head into the new year with the best strategy in place.



ENSURE ACCURATE RECORDKEEPING AND COMPLIANCE

Good recordkeeping is the backbone of every successful tax strategy. All the deductions and clever moves in the world won't help if you can't substantiate your claims or if you forget to include something. The ATO has made it clear that it is focusing on rental property income, deductions and record-keeping as key compliance areas . To avoid any trouble and to make your life (and your accountant's job) easier, take the time now to get your books in order:

- Gather All Receipts and Invoices: Make sure you have receipts for every property-related expense during the year – insurance, repairs, maintenance, cleaning, property management fees, council rates, water bills, travel costs for property inspections, etc. Keep them organised (digitally or in a folder). If you haven't been diligent through the year, now's the time to do a thorough sweep of your emails and files for any missing invoices.

- Loan and Bank Statements: Obtain or download statements showing interest paid on your property loans for the year. Also have statements for any dedicated accounts where rent was deposited or expenses paid, so you can tally up income and major expenses.

- Rental Income Records: If you use a managing agent, they typically provide an end-of-financial-year summary of all rent collected and fees/expenses they paid on your behalf. Ensure you have this statement, and that it matches your own records. If you self-manage, you should have a ledger of rents received – double-check you've accounted for every week's payment, including any late payments or partial periods. Don't forget to include other income like insurance payouts for damages or retained bond money, if those occurred.

- Depreciation and Capital Purchases: Have your depreciation schedule and any addendum for new assets ready, along with invoices for any capital items you bought (like a new appliance or piece of equipment). While the depreciation schedule handles the claims, your accountant might want to know the date and cost of asset purchases to maximise prorated claims for this year.

- Logbooks or Diary Entries: Though less common in commercial property, if you claimed any car expenses for inspections or used part of your home as an office to manage the property, ensure you have the required logbook or diary evidence as the ATO would expect.

- Evidence of Why Something Wasn't Rented: If your property had a vacancy or you didn't charge market rent for a period (perhaps to a friend or a pandemic-related situation), document the reason. The ATO sometimes questions deductions if a property wasn't genuinely available for rent. Keep copies of listings or agent communications to show you were trying to rent it out if that's the case.

CONSULT YOUR ACCOUNTANT EARLY

With all the tips and strategies in the world, nothing replaces personalised advice from a qualified professional. In fact, the worst time to talk to your accountant is after June 30, when the financial year has already closed. By then, your opportunities to influence the outcome for that year are limited. That's why it's wise to schedule a short meeting or call with your accountant before EOFY hits.

How can an accountant help at year-end? They can review your numbers and the strategies you're considering, and ensure everything is done correctly and to your maximum benefit. A good accountant will:

- Identify any missed deductions or opportunities specific to your situation (they might ask questions that reveal, say, you forgot to claim a certain expense or could qualify for a concession).
- Ensure your planned moves (prepayments, contributions, asset write-offs, etc.) are executed properly and logged in the right year.
- Advise on tricky situations like partial-year ownership, new purchases, or sales of property and how to handle them for tax.
- Help with trust distribution minutes or company resolutions as needed (as discussed in the trust section).
- Work with you to project your tax position – so you know whether you're likely to owe money or get a refund, and adjust any quarterly PAYG instalments if necessary to manage cash flow.

Seeing your accountant is part of treating your property investments as a serious business. It gives you confidence that you've dotted all i's and crossed all t's. You'll enter the new financial year knowing that you've made the most of the last one and have a plan for what's next. Plus, if any new tax laws or rulings have come up (tax rules do change frequently), your adviser can alert you to anything that affects your strategy.

If you don't already have a savvy property accountant, consider finding one. And if you need referrals, firms like us (through our network) can often point you in the right direction. Don't leave it until the last minute – accountants get extremely busy in June, and you want enough time to implement any advice given. Even a quick consultation in May or early June can make a world of difference. It's an essential move for finishing the year strong and starting the next one with peace of mind.

CONCLUISION

The end of financial year is a pivotal moment for commercial property investors. By being proactive and implementing these strategies, you can potentially sharpen your financial position and unlock serious value through smart tax planning. Small actions like a phone call to your quantity surveyor for a depreciation schedule, or a last-minute top-up to your super, or simply organising your receipts, can translate into real dollars saved. More importantly, you'll be running your investments like a business – and reaping the rewards of that disciplined approach.

That said, always remember that any strategy should be considered in light of your personal circumstances. Tax law is complex and everyone's situation is different. This guide is general information only and not a substitute for professional accounting or legal advice. Before you jump in to prepay expenses or overhaul your loan setup, have a chat with your accountant or financial adviser to ensure it's the right move for you. Australian tax rules (and their interpretation) can change, and professionals will have the latest insights.

In the fast-paced world of commercial property, staying informed and prepared is half the battle. We encourage you to use this guide as a starting point for your EOFY game plan. If you're feeling overwhelmed or just want expert support, reach out for help – for instance, the team at Rethink Investing deals with these very issues daily and can assist or connect you with trusted tax professionals. By seeking the right advice and taking timely action, you'll not only minimise your tax stress but also set your portfolio up for stronger growth in the new year.

Here's to a successful EOFY! Remember, a bit of planning now can pay dividends (sometimes literally) for years to come.

Good luck, and happy investing.

DISCLAIMER

This guide provides general information for educational purposes. It is not financial, tax, or legal advice. You should seek advice from a registered tax agent or qualified professional for guidance tailored to your individual situation.

RETHINK®

INVESTING

GET IN TOUCH WITH US

PHONE

1300 965 551

EMAIL

info@rethinkinvesting.com.au

WEBSITE

www.rethinkinvesting.com.au