Inland Revenue
Te Tari Taake

IR 264
October 2011

Rental income

Tax rules for people who rent out residential property, or who have boarders or flatmates

Introduction

We've written this guide for people who rent out residential property, or who have boarders, flatmates or tenants. In it we explain:

- what income to include in your tax return
- the expenses you can deduct from this income for tax purposes
- the records you need to keep
- what to do if the property is owned by more than one person, and
- what happens if the property is sold.

This guide is intended for people who own one or two rental properties.

We recommend you use a tax advisor or an accountant, if you have several rental properties or are a commercial operator.

www.ird.govt.nz

Go to our website for information, services and tools.

- **Secure online services** – login to check your account information, file an employer schedule, confirm personal tax summaries and update your family details and income.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business like checking your tax code, or your filing and payment dates.
- **Forms and guides** – download our guides, and print forms to post to us.

You can also check out our newsletters and bulletins, and have your say on items for public consultation.

How to get our forms and guides

You can view copies of all our forms and guides mentioned in this guide by going to **www.ird.govt.nz** and selecting "Forms and guides". You can also request copies by calling 0800 257 773.

The information in this booklet is based on current tax laws at the time of printing.

Contents

Part 1 – General

Rental income – which income is taxable?

Generally, any income that you receive from renting out property will be liable for income tax, so you must include it in your tax return. This income could be from renting out land or buildings, or it could be income you earn by having private boarders or flatmates living with you.

You'll find more information about private boarders and flatmates in Part 3.

Rent in advance

If you receive rent in advance, it's taxable in the year in which you receive it. For example, if your tenant paid rent on 30 March 2011 which covers the next two weeks, you must still return this income in the income year 1 April 2010 to 31 March 2011 (if you have a standard 31 March balance date).

Tenancy bond

Amounts received for tenancy bond and passed on to the Tenancy Bond Centre are not income.

Amounts received from the Tenancy Bond Centre for payment of damages, rent arrears etc, should be included as income.

Expenses you can deduct from your rental income

When you own a rental property, you'll have a number of expenses in maintaining it and renting it out. The following expenses can be deducted from your rental income for tax purposes.

Rates and insurance

You can claim the rates and insurance on your rental property.

Interest

If you borrowed money to finance your rental property, you can claim the interest charged on this money. However, you can't claim all the interest as an expense if you borrowed the money for another purpose as well as buying the rental property. For example, if the loan is to finance the rental property and the house you live in, you can only claim the interest which relates directly to the rental property.

Agent's fees and commission

If you use an agent to collect the rent and/or maintain the property, you can deduct the cost of the agent's fees. Commission paid to an agent to find tenants for the property is also deductible.

Repairs and maintenance

The cost of any repairs and maintenance that you do (or pay someone else to do) on the rental property is normally deductible as an expense.

Examples of repairs and maintenance are:

- replacing a broken shower head
- plastering and painting a crack in the wall
- replacing a blown element in a hot water cylinder
- redecorating the property to return it to the state it was in when you bought it to use as a rental property.

If you carry out repairs yourself, you can't claim for your time making repairs as an expense, only for the materials you purchase.

However, there are some circumstances in which you can't deduct the cost of repairs as an expense as they are considered a capital improvement.

- If you buy a rundown property and spend considerable amounts of money on substantial improvements or alterations before renting it out, you can't claim the costs as an expense.
- If you carry out work which substantially improves the property, you can't claim the costs as an expense. For example, if you take down a badly deteriorated wall and put a conservatory in its place, you'll have to capitalise and depreciate the cost of the work.

In some situations it can be difficult to work out whether work carried out on the property is repairs and maintenance or capital improvements. If you're unsure, call us on 0800 377 774.

Motor vehicle expenses

If you use your own vehicle in the course of renting out your property (for example, travelling to carry out a property inspection or to do some repairs), you may be able to claim some vehicle running costs as an expense against your income. There are two options for claiming motor vehicle expenses:

1. You can use the Inland Revenue mileage rates. These rates are a calculated average of what it costs to run a motor vehicle. They are available at **www.ird.govt.nz** or by calling us on 0800 377 774.

   You need to record the date, distance travelled and reason for each trip related to your rental activity. You'll need to keep a vehicle logbook to record this information.

2. You can claim a percentage of the total running costs (for example, petrol, oil, repairs, registration, insurance) and depreciation. You'll need to keep records of the running costs. At the end of the year, add them all up and work out what percentage of the running costs and depreciation is related to your rental activity. To do this you'll need to keep an annual logbook that records:

   - total mileage for the year
   - total distance travelled as part of your rental activity, with a breakdown of the date, distance and reason for each trip.

   Or, you can keep a logbook for a test period of at least three months every three years that shows:

   - the odometer reading at the start of the test period
   - total distance travelled as part of your rental activity, with a breakdown of the date, distance and reason for each trip
   - the odometer reading at the end of the test period.

The test period must fairly represent your normal vehicle running conditions. Also, if at some time you believe that the proportion of rental-related travel has changed by more than 20%, you must re-run your test period or keep an annual logbook.

Example

Nicole uses her own car for her rental activity. She has decided to keep a logbook for a three-month test period.

Vehicle logbook (3-month period) 1 April 2011 to 30 June 2011						Odometer reading (at start of period) 25,236	
Date	**Journey**		**Odometer reading**				
	From	**To**	**Start**	**Finish**	**Dist (km)**	**Reason for trip**	**Driver's signature**
1.4.11	Home	Ngaio	25,236	25,275	39	Property inspection	NG
5.4.11	Home	Petone	25,430	25,477	47	Pick up new shower head	NG
6.4.11	Home	Ngaio	25,503	25,542	39	Install shower head	NG
15.5.11	Home	Ngaio	27,342	27,381	39	Show prospective tenant	NG
20.5.11	Home	Ngaio	27,645	27,684	39	Property inspection	NG
18.6.11	Home	Ngaio	28,837	28,876	39	Property inspection	NG
			Rental activity distance		242	Reading at end of period	29,241
				Total distance travelled		(29,241 – 25,236)	4,005

Total distance travelled in three months: 4,005 km

Distance travelled for rental activity: 242 km

$$\frac{242}{4,005} = 6.04\%$$

Nicole can claim 6.04% of her running costs and depreciation on the vehicle as an expense against her rental income.

As with your other records, you're required to keep your vehicle records for seven years, even if you stop renting out your property.

Fees

You can deduct as an expense any fees that you incur in:

- arranging a mortgage to finance the rental property
- drawing up a tenancy agreement
- any bank administration fee for the mortgage
- the cost of a valuation required to obtain a mortgage. (A valuation acquired for insurance purposes isn't deductible.)

For the 2009–2010 income year and beyond, legal fees in buying or selling a rental property are deductible as long as your total legal expenses for an income year are equal to or less than $10,000. Prior to the 2009–2010 income year, legal fees involved in buying or selling a property aren't deductible—see page 10.

Mortgage repayment insurance

You can claim a deduction for the cost of any mortgage repayment insurance you have on a mortgage that meets the conditions set out in the section on interest on page 5.

Accounting fees

If you use an accountant to prepare your accounts you can deduct the cost of the fees. Any fees paid when setting up the rental property, such as investigating the viability of the rental, are not deductible.

Depreciation

Depreciation is an allowance to cover the cost of wear and tear and general ageing of assets used to derive income.

You can:

- claim a deduction for depreciation on the rental property* and any furniture or fittings that belong to you, or
- elect not to claim on your property,* but claim depreciation on the chattels, or
- elect not to claim depreciation—see page 22.

Note

When you sell or dispose of an asset (except a building) for an amount that is different from its adjusted tax value,** you're required to account for the difference—either a loss or a gain—in your income tax return.

For more information about depreciation see Part 2 of this guide.

* From the 2011–2012 income year the depreciation rate for buildings with an estimated useful life of 50 years or more reduces to 0%.

** Adjusted tax value is generally the cost price, less depreciation deducted each year.

Expenses that you can't deduct for tax purposes

Capital or private expenses can't be deducted from your rental income. Capital expenses are costs of buying or increasing the value of a capital asset. Private expenses are purchases made for your own benefit and not connected with those producing taxable income. The following are **non-deductible** expenses:

- the purchase price of a rental property
- the capital part of any mortgage repayment(s)
- interest on money you borrow for some purpose other than financing the rental property, even if you use the rental property to secure the loan
- the cost of repairing or replacing any damaged part of the property, if the repairs or replacement make improvements to the property which increase its value
- real estate agent's fees incurred as part of buying or selling the property
- the cost of making any additions or improvements to the property.

For the 2009–2010 income year and beyond, a deduction is available for legal expenses incurred in acquiring a capital asset that is used to derive taxable income, provided your total legal expenses for an income year are equal to or less than $10,000.

If the property isn't rented out for the full year

You can only claim a deduction for any expenses that you incur while your rental property is either rented out or is available to be rented out. If the property is neither occupied by tenants nor available for rent for part of the year, you won't be able to claim the full year's ongoing costs, such as rates, insurance and interest.

For example, you own a property which you lived in for the first three months of the year, then you rent it out for the rest of the year. When you work out your rental income for the year, you can only deduct the ongoing costs for the nine months that the property was rented out, that is, 9/12 of the expenses.

If a property is unoccupied and temporarily unavailable for letting for a short time, because of redecorating or other maintenance, the ongoing costs will still be deductible for that period. The redecorating or maintenance costs will also be deductible, as long as the work done doesn't amount to making capital improvements.

If the property is rented out at less than market value

Sometimes a person who owns a rental property will rent it out for less than its true rental value. This most commonly happens when a relative or friend of the property owner rents the property at "mate's rates".

If the owner makes a profit from the property, the profit is taxable as part of the owner's income. However, if the owner makes a loss in this situation (because the expenses of the property are more than the reduced rental income), the owner won't generally be able to offset the loss against their other income for tax purposes.

Calculating the net rent

Once you've worked out what your income and expenses are, transfer that information on to our *Rental income (IR 3R)* form, so you can calculate the net rent. Transfer the net rent figure (Box C) into your income tax return and attach the IR 3R. See the example of a completed IR 3R on the following page.

Record keeping

You must keep records to be able to calculate the income and expenses of your rental property and for us to confirm your accounts. These records include:

- a record of all receipts and payments
- bank statements, cheque butts and deposit books
- invoices and receipts
- working papers for all calculations, including your vehicle logbook
- a list of assets and receipts with cost price and purchase date
- a copy of the rental agreement and rent book
- a copy of any loan mortgage agreement.

It's a good idea to use a separate bank account for your rental activity.

Note

You must keep accurate records of the purchases and sales of your rental assets so we can check your depreciation deductions if we need to.

Keep all your records for seven years, even if you stop renting out the property. You don't need to send your records or working papers with your tax return, but you must keep them in case we want to see them.

Example – Rental income (IR 3R)

Inland Revenue
Te Tari Taake

Rental income

IR 3R
January 2011

- **Read our booklet *Rental income (IR 264)* to help you fill in this form.**

Year ended 31 March	2010		
Your name	Nicole Gregg	IRD number	123456789
		(8 digit numbers start in the second box. 12345678)	
Address of property rented	115 Smith Street Ngaio		
Period the property was available for renting	12 months		

Income—read Note 2 over the page.

		Box	Amount
Total rents		1	$ 12,480·00
Other income (specify)	Interest from rental bank account	2	$ 140·00
Gain or loss on disposal (enter any loss in brackets)		3	$ NIL ·
Total income		A	$ 12,620·00

Expenses—read Note 3 over the page.

Rates			$ 1,580·00	
Insurance			$ 620·00	
Interest			$ 2,205·00	
Agent's collection fees			$ 250·00	
Repairs and maintenance—read Note 4 over the page.				
Shower head	$ 60·00			
	$ ·			
	$ ·		$ 60·00	
Other (specify)				
Vehicle costs	$ 152·00			
	$ ·			
	$ ·		$ 152·00	
Depreciation—print the details below.				
Buildings—read Note 5 over the page.	$ 4500·00			
Assets—read Note 6 over the page.	$ 313·00		$ 4,813·00	
Total expenses				B $ 9,680·00

Net rents (total rents less expenses)—subtract Box B from Box A and print in Box C.
Copy this amount to your tax return. — C $ 2,940·00

Depreciation of buildings—read Note 5 over the page.

Date purchased: 01 (Day) 04 (Month) 2004 (Year)
Construction materials and building description: Wooden framed

	Cost of buildings (excluding cost of land) / Opening adjusted tax value	Rate	Depreciation claimed	Closing adjusted tax value
Straight line method (SL)	$ 150,000·00	3 %	$ 4,500·00	
Diminishing value method (DV)	$ ·	%	$ ·	$ ·

Depreciation of assets—read Note 6 over the page.

Asset	Date purchased	Cost	Opening adjusted tax value	Rate	Method SL/DV	Depreciation claimed	Closing adjusted tax value
Chattels (Pooled)	01042009	$ 3,000	$ 1,424	22 %	DV	$ 313·00	$ 1,111
		$	$	%		$ ·	$
		$	$	%		$ ·	$
		$	$	%		$ ·	$
		$	$	%		$ ·	$
					Total	$ 313·00	

Take a copy for your records and staple this page to page 3 of your return.

Note

From the 2011–2012 income year, depreciation on buildings reduces to 0% where buildings have an estimated useful life of 50 years or more. This applies regardless of when the building was acquired.

Paying income tax

As an individual property owner, or as a partner in a partnership, you need to send us an IR 3 (or IR 3NR if you're a non-resident) income tax return each year. In this return you need to include enough information to show how you worked out the amount of rental income after deducting expenses. To help you with this calculation, you can use our *Rental income (IR 3R)* form—see the example on the previous page.

If your net rent is a profit, you add this to any other income you have earned. If your net rent is a loss you deduct this from any other income you have earned.

You can then work out the tax on your total taxable income. If you have any tax credits (such as PAYE or RWT on interest or dividends) these are deducted from the tax on your total taxable income.

After deducting any tax credits you'll have a balance to pay or to be refunded.

Most people will have a tax year that ends at 31 March each year. If there is any tax to pay (known as residual income tax) for the year, it's payable either by 7 February of the following year or 7 April if you have a tax agent with an extension of time.

If you don't already send us a tax return each year, please call us on 0800 377 774 when you start renting out your property so we can send you a tax return at the end of the year.

Provisional tax

Provisional tax isn't a separate tax, but a way of paying your tax on your income as you receive it during the year. If your residual income tax is more than $2,500 you'll have to pay provisional tax for the following year. You usually pay three instalments of provisional tax throughout the year, based on what you expect your tax to be at the end of the year. For a balance date of 31 March the instalment dates are 28 August, 15 January and 7 May each year. For more information read our guide *Provisional tax (IR 289)*.

Note

If you're registered for GST and required to pay provisional tax, please read our guide, *Provisional tax (IR 289)*.

If the property is owned by more than one person

If your rental property is owned by a partnership of two or more people, the partnership will need to get an IRD number by completing an *IRD number application – non-individual (IR 596)* form. The partnership only needs to keep one set of accounts to record its income and expenses and file an IR 7 income tax return each year. This return shows the rental income calculated in your *Rental income schedule (IR 3R)* and the amount of each partner's share.

Where a couple (such as a husband and wife, civil union or de facto) own a rental property, a partnership IRD number or IR 7 return isn't needed. The owners include a copy of the accounts in each of their tax returns.

Note

Each partner's individual tax return must include their share of the rental profit or loss.

What happens if the rental property is sold or you move into the property?

If you sell or move into your rental property, you'll need to make some adjustments in your tax return.

Please read the section on depreciation on page 16 and then refer to pages 26 to 30. As the rules applying to building sales can be quite complex, you may want to consult your tax advisor.

GST (goods and services tax)

You can't charge GST on residential rent, as renting out residential property is exempt from GST. Consequently, you can't claim GST on expenses you incur for a residential property. However, when you claim income tax deductions you use the GST-inclusive cost of the expense.

If you're a property developer and you buy residential properties, you may have to pay GST—call 0800 377 776 for more information.

Working for Families Tax Credits

Treatment of rental losses for the calculation of Working for Families Tax Credits depends on the tax year in which the loss was incurred.

From 1 April 2011 onwards (2012 tax year onwards) – you can’t deduct the loss from your family income for Working for Families Tax Credits purposes.

For losses incurred prior to 1 April 2011 it will depend on what type of rental activity you have:

- Investment rental propert—the loss can be deducted from your family income for Working for Families Tax Credits purposes.
- Rental properties as a business—the loss can't be deducted from your family income for Working for Families Tax Credits purposes.

Depreciation on buildings

If you sell a rental property that you owned before 2003 and have depreciation recovered for income tax purposes, you can reduce your income for Working for Families Tax Credits by the amount of any depreciation recovered.

Part 2 – Depreciation

This is a summary of the depreciation rules relating to rental properties. For more information about depreciation go to **www.ird.govt.nz** or download our *Depreciation – a guide for businesses (IR 260)*.

Assets, such as the stove and carpets, that are part of the property or used in your rental activity, will eventually reduce in value through wear and tear or by becoming out of date. This reduction in the value of your assets is known as depreciation. Each year you calculate the depreciation amount and deduct it as an expense.

We set depreciation rates for various assets (excluding land as it's not depreciated) for tax purposes. The rates are based on each asset's cost, estimated useful life and estimated residual value. See pages 20–21 for a list of assets commonly used in rental activity and their depreciation rates.

You have to keep a schedule of all the assets you're depreciating. This should show the depreciation claimed in previous years and the adjusted tax value of each asset. The adjusted tax value is generally the cost price, less depreciation deducted each year.

You can choose, by notifying us, not to claim depreciation—see page 22.

Notes

If the property has been inherited, the cost price for depreciation is nil, because there was no cost to the current owner.

If you've claimed depreciation on the sale of a building prior to the 2011–2012 income year, you're required to account for the gain in your income tax return.

Depreciation methods

You can account for depreciation on your assets individually or as part of a group or pool of assets—see page 22.

If you choose to calculate depreciation on individual assets, you can use either the diminishing value method or the straight line method.

If you pool your assets you can only use the diminishing value method.

Diminishing value method

Using this method, the amount of depreciation is worked out on the adjusted tax value of the asset. This value is the original cost price (including GST) less any depreciation already claimed in previous years.

Example 1

Using diminishing value method
Asset: Dishwasher—purchased after 20 May 2010
Cost: $1,200
Depreciation rate: 30%

Value at	Adjusted tax value start of the year	Depreciation rate	Depreciation claimed	Adjusted tax value end of year
Year 1	$1,200.00	30%	$360.00	$840.00
Year 2	$840.00	30%	$252.00	$588.00
Year 3	$588.00	30%	$176.40	$411.60
Year 4	$411.60	30%	$123.48	$288.12
Year 5	$288.12	30%	$86.44	$201.68

Note

This table excludes the 20% loading which ceased from 20 May 2010—see page 20.

Straight line method

Each year you claim a set percentage of the asset's original cost. This percentage is set so that the depreciation you claim over an asset's expected useful life works out to its original cost at the time you acquired it.

Example 2

Using the straight line method to depreciate the dishwasher in *Example 1*.

	Original cost	Depreciation rate	Depreciation claimed	Adjusted tax value
Year 1	$1,200	21%	$252.00	$948.00
Year 2	$1,200	21%	$252.00	$696.00
Year 3	$1,200	21%	$252.00	$444.00
Year 4	$1,200	21%	$252.00	$192.00
Year 5	$1,200	21%	$192.00	$0.00

You can claim $252.00 for the first four years. However, in the fifth year the final claim is $192.00. This is because the dishwasher's adjusted tax value is less than the original calculated depreciation of $252.00. The amount of depreciation claimed can't exceed the adjusted tax value.

Note

You don't have to use the same method for all your assets, but you can't switch methods for an asset part-way through any income year.

You may change the method you choose for any asset from year to year. If you do change methods, the asset's opening value at the start of one year must be its adjusted tax value at the end of the previous year, not its original cost.

You can use our depreciation calculator to help you calculate your depreciation deductions each year. You can find it on **www.ird.govt.nz** under "Work it out".

Assets not used for the full year

If an asset isn't part of your rental activities for the whole year, you're required to reduce the amount of depreciation you claim on it, according to the number of months that you use it for rental purposes.

Depreciation on buildings

Depreciation on buildings	Diminishing value	Straight line
Buildings acquired before 1 April 1993		
Reinforced concrete throughout, steel, or reinforced concrete framed with brick walls, or permanent materials	1%	1%
Brick, stone, or concrete-walled building without steel. Also, reinforced concrete frame, stucco, steeltex or similar construction with wooden frame	2.5%	2%
Wooden-framed (other)	3%	2.5%
Buildings acquired between 1 April 1993 – 18 May 2005		
For buildings acquired after 1 April 1993 and before the end of the 1995 income year, you could choose to depreciate your building using the rates above or these rates. For buildings acquired during the 1996 income year and up to 18 May 2005 you must use these rates.	4%	3%
Buildings acquired between 19 May 2005 – 31 March 2011		
You must apply the new rates from the 2005–2006 income year, except where the buildings were: • acquired as relationship property or under a wholly owned group company transfer that the previous owner depreciated using the old building depreciation rates—in which case those rates continue to apply, or • purchased, or to be built, and the relevant contract was signed prior to 19 May 2005. In these circumstance the old building depreciation rates continue to apply.	3%	2%

Note

From the 2011–2012 income year depreciation on buildings has reduced to 0% where buildings have an estimated useful life of 50 years or more. This applies regardless of when the building was acquired.

Depreciation on contents

The following tables show the rates for some commonly used assets. These can be depreciated at the rate with the 20% loading as shown in the table. Secondhand assets are depreciated at the general rates.

If an asset was acquired before the end of your 1995 income year different rates may apply. If this is the case, or an asset being used isn't listed, please see www.ird.govt.nz for our depreciation rate finder.

Any asset purchased from 21 May 2010 onwards isn't entitled to the 20% depreciation loading. If you have entered into a binding contract to purchase an asset prior to or on 20 May 2010, then you can still depreciate this asset with the loading. Any asset being depreciated at a rate with loading before 21 May 2010 can continue to be depreciated at that rate for that asset's lifetime. However, if there is a capital improvement to an asset with the 20% loading, this improvement will need to be depreciated separately from the original asset, and will be depreciated without the loading allowance.

Table 1 – Assets acquired on or after 1 April 1995 and up to 31 March 2005

Asset	Diminishing value %		Straight line %	
	General rate	Rate plus 20%	General rate	Rate plus 20%
Appliances (small)	40	48	30	36
Bedding, linen	50	60	40	48
Blinds, drapes and curtains	22	26.4	15.5	18.6
Carpets	33	39.6	24	28.8
Crockery, cutlery, glassware	50	60	40	48
Dishwashers	26	31.2	18	21.6
Furniture (loose)	18	21.6	12.5	15
Lawnmowers	40	48	30	36
Light fittings	18	21.6	12.5	15
Microwave oven	26	31.2	18	21.6
Ovens and stoves	22	26.4	15.5	18.6
Paintings, drawings	9.5	11.4	6.5	7.8
Refrigerators and freezers	22	26.4	15.5	18.6
Televisions, videos, stereos	33	39.6	24	28.8
Utensils, pots, pans	50	60	40	48
Washing machines, dryers	26	31.2	18	21

Table 2 – Assets acquired on or after 1 April 2005

Asset	Diminishing value %		Straight line %	
	General rate	Rate plus 20%	General rate	Rate plus 20%
Appliances (small)	50	60	40	48
Bedding, linen	67	80.4	67	80.4
Blinds, drapes and curtains	25	30	17.5	21
Carpets	40	48	30	36
Crockery, cutlery, glassware	67	80.4	67	80.4
Dishwashers	30	36	21	25.2
Furniture (loose)	20	24	13.5	16.2
Lawnmowers	50	60	40	48
Light fittings	20	24	13.5	16.2
Microwave oven	30	36	21	25.2
Ovens and stoves	25	30	17.5	21
Paintings, drawings	10	12	7	8.4
Refrigerators and freezers	25	30	17.5	21
Televisions, videos, stereos	40	48	30	36
Utensils, pots, pans	67	80.4	67	80.4
Washing machines, dryers	30	36	21	25.2

Note

The 20% loading has been removed for assets purchased after 20 May 2010. The economic rate of depreciation will apply.

Assets purchased, or with binding contracts for purchase, entered into on or before 20 May 2010 can continue to use the economic rate with loading.

Fully or partly furnished properties

If a property is rented out as fully or partly furnished you can either depreciate the contents individually or, if there are many items included in the contents (for example, loose furniture, paintings), you may choose to pool the assets.

Pooling assets

If you have a number of low-value assets, you may use a pool system to depreciate them collectively as if they were a single asset. This means you don't have to work out the depreciation separately on each one. You can pool assets that individually cost up to $2,000, or have been depreciated and now have an adjusted tax value of $2,000 or less. You can apply to us to pool assets when their values are more than $2,000. You can also have more than one pool. Once an asset is included in a pool you can't isolate it from the pool later, except where the asset must be isolated because you now use it privately.

Each pool is depreciated using the diminishing value method, at the lowest depreciation rate applying to any asset in the pool. For example, a pool of chattels (purchased before 1 April 2005) consisting of carpets (39.6% depreciation rate), light fittings (21.6%), drapes (26.4%), stove (26.4%) and dishwasher (31.2%) is created. The depreciation rate to use is 21.6% being the lowest rate that applies to an asset (light fittings) in the pool. If the carpets weren't included in the pool, the rate to use for the pool would still be 21.6%, but the carpets could then be depreciated at 39.6%.

If you sell an asset in a pool for more than its cost, this capital gain is required to be included as taxable income.

Electing not to depreciate an asset

There may be instances where you don't want to claim a depreciation deduction, for example renting out your home while you're overseas.

If you decide not to claim depreciation on an asset, and you don't want to pay tax on depreciation recovered when depreciation wasn't claimed, you should elect not to treat the asset as depreciable. This is done on an asset-by-asset basis by telling us which asset(s) you are choosing not to depreciate. Tell us which asset you're making an election for by notifying us in your tax return for the income year when:

- you purchase your asset
- you change the use of your asset from non-business to business.

Once you have notified us of your election not to depreciate an asset you can't claim depreciation on this asset in future years.

If you choose not to depreciate an asset and have notified us of your choice, then it will no longer be a depreciable asset and the depreciation recovery or loss on sale provisions won't apply. **However, if you don't make an election not to depreciate an asset, even if you haven't claimed depreciation, you'll be considered to have claimed it.** The amount considered to be a claim will be included in the depreciation recovery calculation.

Note

You may backdate an election not to depreciate an asset you never claimed depreciation on. The election is made by notifying us in your return in any income year after acquiring the asset.

Example 1

Geoff is planning to rent out his house while he is overseas for a year, from June 2010.

Q Does he have to claim depreciation on the house and other chattels left in the house for the period the house is rented out?

A Geoff can elect not to depreciate the house and the other depreciable assets in the house for the period the house is rented.

Notification of this must be included in his tax return for the 2010 year. If no election is made, it's assumed that depreciation has been claimed.

Note

From the 2011–2012 income year you won't have to elect not to depreciate buildings as the depreciation rate is set at 0%.

Example 2

Nicole has been overseas for more than a year and has rented out her house. During this time depreciation has been claimed in the income year.

Q Can she elect not to depreciate the house?

A No. An election not to depreciate only applies if Nicole hasn't claimed any depreciation within the income year the house was rented out.

Working out the value of land, buildings and chattels from a single purchase price

A property sale and purchase agreement will usually list the chattels (such as carpets, curtains, stove) included with the property, but it doesn't allocate the purchase price between the land, the building(s) and the chattels. To claim depreciation for the house and each of the chattels you need to work out what their tax values are.

The purchaser may get a valuation report done by a registered valuer before buying the property. This shows the value of the land, buildings and chattels. Alternatively, the purchaser may use the rating valuation. However, the subsequent purchase price may be different from the valuation(s).

Note

You can find examples of depreciable items, eg, fixtures, fittings and chattels, in our interpretation statement *IS 10/01: Residential rental properties – depreciation of items of depreciable property*.

To work out the value of the land, buildings and chattels from the purchase price you need to do a calculation based on the purchase price and one of the valuations.

The following three steps explain how to work out the tax value on which to claim depreciation for the house, including fixtures and fittings, and each of the chattels.

1. **Work out each chattel's market value**

   If you have a registered valuation, use the total value of all the chattels and apportion this amongst them on a market value basis.

   If you don't have a registered valuation, use the market value of each chattel as its opening tax value on which to claim depreciation. You can find out these market values from secondhand dealers or from classified advertisements for similar items of the same age and condition.

2. **Work out the purchase price for the land and building(s)**

   Work out this price by deducting the market value of all the chattels from the total price you paid for the property as follows:

   Purchase price paid for property – market value of chattels = purchase price for land and building(s)

3. **Work out the cost apportioned to the building**

Work out the opening tax value for the building(s) by applying the proportion from the registered valuation or rating valuation as follows:

$$\text{Purchase price for land and building(s)} \times \frac{\text{building value from valuation}}{\text{land and building value from valuation}} = \text{opening tax value of building(s)}$$

Example

Corbyn paid $190,000 for a rental property. The chattels included in the purchase were carpets, curtains, light fittings, stove and a dishwasher. The rating valuation gave the following figures:

Value of land	$ 105,000
Value of improvements*	$ 75,000
Total capital value	$ 180,000

* House, driveway, fences etc, but not the chattels

Note

From the 2011–2012 financial year depreciation on buildings has reduced to 0% where buildings have an estimated useful life of 50 years or more. This applies regardless of when the building was acquired.

Corbyn works out the opening tax values of the house and chattels using the three steps explained on pages 24 and 25.

1. Corbyn considers the age and condition of the chattels and reviews the prices for similar items in classified advertisements. He determines and adopts these market values: carpets $1,900, curtains $1,500, light fittings $600, stove $750, dishwasher $800 (total $5,550).

2. The purchase price for the land and house is therefore:

   $190,000 – $5,550 = $184,450
   Total purchase price – value of chattels = purchase price for land and house

3. The apportioned cost of the house is therefore:

$$\$184{,}450 \times \frac{\$75{,}000}{\$180{,}000} = \$76{,}854$$

Note

This method uses the figures from the registered valuation or rating valuation to establish the proportions of the land and building costs in the total purchase price. You can't simply calculate depreciation on the building cost as shown in the valuation ($75,000 in this case).

Transferring personal assets to your rental activity

Sometimes you may transfer a personal asset into a rental asset. For example, you might buy a new stove for your own house and move your old stove into your rental property.

If one of your personal assets becomes part of your rental activity, use its market value at the time of the change as the opening book value for depreciation. Note that this rule doesn't apply to buildings—see the section below for the rules on buildings.

Renting out your own home

If you start to rent out the home in which you were living, to calculate depreciation you need to use the market value of your chattels at the time you started renting the property.

You also need to make some adjustments if you later move back into the property—see page 29.

Selling and disposing of assets

If you sell or dispose of a rental asset (except a building—see page 28) for an amount that is different from its adjusted tax value, you're required to account for the difference—either a loss or a gain. Remember that the adjusted tax value is the remaining value of your asset once all depreciation calculated has been deducted from the value of the asset.

If you sell an asset for more than its adjusted tax value, you'll have to include the difference between the sale price and the adjusted tax value in your taxable income.

If the asset is sold for more than its original cost, only include the difference between the original cost and the adjusted tax value in your taxable income.

Note

Costs incurred in selling an asset, such as commission and advertising, can be deducted from the sale price before you work out the loss or gain on sale.

Example 1 – All depreciation deductions have been claimed

Stove purchased for	$ 1,400
Less depreciation allowed as a deduction	$ 1,260
Adjusted tax value	$ 140
Less sale price of stove	$ 250
Depreciation recovered	$ 110

The $110 is depreciation recovered which the owner is required to include as taxable income in the year in which they sold the stove.

Example 2 – Not all depreciation deductions have been claimed

When selling an asset and all the depreciation hasn't been claimed, the depreciation has to be calculated as if all depreciation had been claimed, to find the adjusted tax value when accounting for the difference.

Depreciation claimed:

Income year	Depreciation claimed	Book value
		$ 1,400.00
2006	$252.00	$ 1,148.00
2007	nil	$ 1,148.00
2008	$252.00	$ 896.00
2009	$252.00	$ 644.00
2010	nil	$ 644.00

For 2007 and 2010 the depreciation that hasn't been claimed is considered to have been claimed. The total depreciation allowed as a deduction therefore is $1,260 ($252 × 5 years).

Stove purchased for	$ 1,400
Less depreciation allowed as a deduction	$ 1,260
Adjusted tax value	$ 140
Less sale price of stove	$ 250
Depreciation recovered	$ 110

The $110 is depreciation recovered which the owner is required to include as taxable income in the year in which they sold the stove.

Gain

If you sell an asset for more than its adjusted tax value, you're required to include in your taxable income the lesser of:

- the total depreciation that could have been deducted, or
- the amount by which the sale price received exceeds the adjusted tax value, or
- the amount by which the original cost exceeds the adjusted tax value.

Loss

If you sell an asset for less than its adjusted tax value, you can claim a deduction for the difference between the sale price and the adjusted tax value.

Note

If you sell an asset for a price that is substantially different from its true market value at the time, for tax purposes we can treat the sale as though you had sold the asset for its true market value. This is so people can't avoid paying tax by selling assets to their associates for artificially low prices.

If you keep an asset, but stop using it for rental purposes, you'll have to make an adjustment as if you had sold it for its market value at the start of the next tax year. For example, if you took an asset from your rental property for your own personal use or you moved into the property.

You make the adjustment in your income tax return for the year after the asset changed use or the year after you ceased renting the property.

Sale of a building

When a building is sold for more than its adjusted tax value, the depreciation recovered is taxable income. The amount of depreciation recovered is the lesser of:

- the original cost price of the building, minus the adjusted tax value, or
- the sale price, minus the adjusted tax value.

This ensures that any capital profit made on the sale of a building isn't included as taxable income.

Note

Losses made on the sale or disposal of buildings are not deductible, unless the building has been rendered useless for the purposes of deriving income—see page 31.

Example

Original purchase price (excluding land value)	$140,000
Less total depreciation claimed	$ 12,600
Adjusted tax value	$127,400
Less sale price	$160,000
Gain on sale	$ 32,600
Depreciation recovered	$ 12,600

The depreciation claimed ($12,600) is less than the gain on sale ($32,600) and is included as income.

The rules applying to building sales can be quite complex, so you may need to consult your tax advisor or call us on 0800 377 774.

Disposal costs

To determine a loss or gain on the disposal of assets a deduction is allowed for disposal costs, for example costs to dismantle, demolish and remove the asset.

Example

Machinery is damaged by a flood and a cost is incurred to remove the machinery from the business premises.

Original purchase price		$ 1,200
Less total depreciation claimed		$ 1,000
Adjusted tax value		$ 200
Proceeds from sale as scrap metal	$ 500	
Less cost of removal from premises	–$ 800	
Net disposal proceeds		–$ 300
Loss on disposal		–$ 500

Moving back into your own home

If you stop renting your own home and move back into it (or move into a property you have been renting), you should treat this situation in the same way as if you had sold the property. The value of the property is the market value as at the beginning of the next income year.

If the market value is different from the adjusted tax value of the assets, you show this difference in your income tax return the year after you moved back into the property.

Generally, depreciation claimed on a house would be recoverable because the market value of the house would usually be higher than the adjusted tax value. On the other hand, chattels would, in most circumstances, depreciate faster than a house and the market value of the chattels is likely to be close to the adjusted tax value, reducing any likely difference.

When you rent out your home with the intention of moving back in the future you may want to consider the effect of depreciating each asset. Electing not to depreciate the asset could reduce any effect of depreciation required to be recovered.

Insurance proceeds

Assets lost or destroyed

If you receive an insurance payout for an asset which is lost or destroyed, it's treated as though you had sold the asset for the amount of the insurance payout:

- If the insurance payout is more than the asset's adjusted tax value but less than its original cost, you must include the difference between the insurance payment and the adjusted tax value as taxable income.
- If the insurance payout is more than the asset's adjusted tax value and also more than the asset's original cost, you must include the difference between the cost and the adjusted tax value as taxable income. The difference between the insurance payout and the asset's cost is a capital gain and not taxable.
- If the insurance payout is less than the asset's adjusted tax value, you can claim the difference as if it was a loss on sale. Remember, if the asset was a building, any loss on sale isn't deductible.

Damaged assets

If you receive an insurance payout to repair a damaged asset, you don't include it as income and you can't claim the cost of the repairs which are covered by the insurance. However, please note the following:

- If the insurance payment is more than the cost of the repairs, you're required to deduct the excess from the asset's adjusted tax value. If this makes the adjusted tax value a negative amount, you're required to include this amount in your gross rental income.
- If the insurance payout is less than the cost of the repairs, you can deduct the extra cost of the repairs from your taxable income. Remember to keep all invoices relating to the repairs.

Loss on disposal of buildings

When an unexpected event causes damage to the building or to the neighbourhood of the building, rendering the building useless and unable to be used to derive income then a deduction for a loss on the disposal of a building is allowed. This is providing the damage has not been caused by the owner. The unexpected event could be a natural disaster such as an earthquake, flood or fire.

Damage of the neighbourhood of the building can be where:

- two buildings next door are badly damaged by fire, and your building has to be demolished to demolish the fire damaged buildings
- the building is undamaged but an earthquake has made the ground unstable so that it must be demolished.

Any disposal costs (for example demolition costs) can reduce any disposal proceeds before calculating the loss or gain on disposal.

Example

A building is damaged in an earthquake and must be demolished.

Original purchase price of building		$ 140,000
Less total depreciation claimed		$ 40,000
Adjusted tax value		$ 100,000
Insurance proceeds	$ 120,000	
Less demolition costs	–$ 25,000	
Net disposal proceeds		$ 95,000
Loss on disposal		–$ 5,000

The building is disposed of for less than its adjusted tax value resulting in a loss of $5,000 which can be claimed as a deduction.

Part 3 – Boarders, flatmates and tenants

Boarders in private homes

If you're a boarding service provider, ie, you have private boarders (including your own relatives) or homestay students living in your home, pages 32 to 41 explain your options and determine whether you're required to declare income from this source.

You can elect whether your income will be based on the standard cost for boarding services or actual cost basis. You aren't required to advise us of the method you have elected to use; however, if you don't complete a return of income by the due date for filing, we'll assume that you elected to use the standard cost option.

Note

These rules don't apply to flatmates—see page 41.

Options available

You can elect to use the standard cost method (see below) or the actual cost method (see page 41).

Standard cost method

The standard cost method consists of two calculations:

- the weekly standard cost per boarder
- the annual capital standard cost.

1. Weekly standard cost

Weekly standard cost rates are set for:

- one or two boarders—$243 a week for each boarder
- three or four boarders—$243 a week for each of the first two boarders, then $198 a week for each subsequent boarder
- five or more boarders—you **can't** use the weekly standard cost method. You're required to complete a tax return and include all payments received as income. You may claim actual allowable expenditure, but are required to keep sufficient records to support your claim.

If your income is less than the weekly standard cost allowed, you don't need to show this income in your return, keep records of related expenditure, or pay tax on the income you receive from boarders.

Note

These rates use an average cost for basics such as food, heating, telephone rental, power and transport, and are adjusted annually for the previous year. Adjusted rates are available on **www.ird.govt.nz** (keywords: determinations other).

2. Annual capital standard cost

This calculation is only required when your income from boarders exceeds the weekly standard cost. It's a formula that represents the cost of the use of a private home in providing private boarding services, and includes financing and depreciation costs.

The formula is based on the:

- actual cost to the boarding service provider of acquiring and making capital improvements to their home or the cost of renting the home in which the boarding services are provided
- proportion of boarders who reside in the home in relation to the overall average number of occupants
- proportion of the actual period during which boarding services are provided in an income year.

When doing this calculation you don't include as an occupant:

- a child under 18 who accompanies a parent or guardian, and there's no separate charge for the child's keep
- a child over five who's in a shared custody arrangement and they reside with you (as the provider) for less than six months
- a dependent child who's absent from home while attending boarding school or living elsewhere for more than half of the year.

Income you're required to declare

The amount of income you're required to declare depends on the number of boarders you have at any one time in a year and whether the income from them exceeds the weekly standard rate cost. To help you work out how much, if any, income you're required to declare in your return, you can use the "Standard cost home-based boarding services calculator" in the "Work it out" section at **www.ird.govt.nz**

Example 1 – Geoff

Geoff has one boarder who pays $180 a week.

Geoff isn't required to declare this income, or able to deduct any loss, as the income he receives is under the $243 weekly standard cost amount for one boarder.

Example 2 – Sarah

Sarah has three boarders, each paying $180 a week.

The weekly standard cost for three boarders equals $684 ($243 each for the first and second boarders and $198 for the third boarder).

Sarah's income from boarders equals $540 ($180 × 3).

Sarah isn't required to declare this income, or able to deduct any loss, as the income she receives is under the cumulative total for three boarders, based on the weekly standard cost.

Example 3 – Richard

Richard has two boarders, each paying $280 a week.

The weekly standard cost for two boarders is $486.

Richard's income from boarders equals $560.

Richard may need to file a return and pay tax as the income he receives exceeds the total of the weekly standard cost for two boarders. To determine the amount of income, if any, Richard is required to declare, he needs to calculate the annual capital standard cost component, then deduct this amount from the weekly standard cost amount to establish if any income should be declared.

How to calculate annual capital standard cost

The calculation varies depending on whether you own or rent the home in which you provide the boarding service. When using this formula an adjustment is required if you receive any accommodation supplement.

Note

Weekly standard costs are changed annually. Those shown in our examples are for the tax year to 31 March 2011. For other years go to **www.ird.govt.nz** (keywords: determinations other).

Calculation when you **own** the home

$$[(a \times 5\%) - b] \times c \times d$$

where:

a is the purchase price of the home plus the cost of all capital additions

5% represents the typical expenditure incurred in owning a domestic property, including outgoings such as rates, insurance, mortgage interest cost, repairs and maintenance

b is the annual amount of accommodation supplement received (weekly amount received multiplied by 52 weeks)

c is the average percentage of boarders in relation to the overall average number of occupants living in the home during the income year

d is the number of full weeks during which private boarding services were provided in an income year, divided by 52.

Note

Remember not to include children under five as occupants (when calculating the annual capital standard cost) or as boarders (when calculating the standard cost) where they accompany a parent or a guardian in a boarding arrangement. Similarly, any child under five of the boarding service provider shouldn't be counted.

Example 1 – Jackie

Jackie owns her home, which she bought for $200,000.
She receives an accommodation supplement of $10 a week.
Jackie has one boarder who pays $250 a week for a full year.
There are four occupants (including the boarder) in the home.
Jackie's annual capital standard cost is calculated as follows:
[($200,000 × 5%) – ($10 × 52)] × 25% × (52/52) = **$2,370**

Example 2 – Connor

Connor owns a home that he bought five years ago for $120,000.

He doesn't receive an accommodation supplement.

He has two boarders who each pay $280 a week for six months (26 weeks) during the year.

There are four occupants (including the two boarders) in the home.

Connor's annual capital standard cost is calculated as follows:

[($120,000 × 5%) – $0] × 50% × (26/52) = **$1,500**

Example 3 – John

John and his partner bought their home five years ago for $150,000.

They don't receive an accommodation supplement.

John provides boarding services to Joan and her four-year-old son for $240 a week for a full year.

John's partner and their two children both under five also occupy the home.

As the three children are under five years, they aren't counted as occupants, so there are three occupants (including the boarder) in the home.

John's annual capital standard cost is calculated as follows:

[($150,000 × 5%) – $0] × 33% × (52/52) = **$2,475**

Example 4 – Rose

Rose bought her home for $400,000.

She doesn't receive an accommodation supplement.

Rose had two groups of four students boarding with her between January to June (23 weeks), and July to December (23 weeks). Each boarder was charged $300 weekly during their stay.

There are five occupants (including the boarders) in the home.

Rose's annual capital standard cost is calculated as follows:

[($400,000 × 5%) – $0] × 80% × (46/52) = **$14,154**

Calculation when you **rent** the home

$$(a - b) \times c \times d$$

where:

a is the annual rental paid (weekly rent paid × 52)

b is the annual amount of accommodation supplement received (weekly amount received × 52)

c is the average percentage of boarders in relation to the overall average number of occupants living in the home during the income year

d is the number of full weeks during which private boarding services were provided in an income year, divided by 52.

Example 5 – Scott

Scott rents a home for $200 a week.
He receives an accommodation supplement of $20 a week.
Scott has one boarder for a full year for $250 a week.
There are four occupants (including the boarder) in the home.
Scott's annual capital standard cost is calculated as follows:
[($200 × 52) – ($20 × 52)] × 25% × (52/52) = **$2,340**

Income to be included in your return

To work out how much, if any, income to show in your return, you can use the "Standard cost home-based boarding services calculator" in the "Work it out" section at **www.ird.govt.nz** If you choose not to use the calculator, you need to add up the amount you received from your boarders, then deduct both the weekly standard cost and your annual capital cost. Any excess is to be declared as income; however, any loss isn't deductible.

Using the previous five examples, the following calculations need to be made to determine how much income to show in their return.

Example 1 – Jackie

Jackie's income to be shown in her return is calculated as follows:

Income from boarder	
($250 × 52)	$ 13,000
Less weekly standard cost	
($243 × 52)	$ 12,636
Subtotal	$ 364
Less annual capital standard cost	
[($200,000 × 5%) – ($10 × 52)] × 25% × (52/52)	$ 2,370
Balance	($2,006)
Income to be returned	**Nil***

Example 2 – Connor

Connor's income to be shown in his return is calculated as follows:

Income from boarders	
($280 × 26 × 2)	$ 14,560
Less weekly standard cost	
($243 × 26 × 2)	$ 12,636
Subtotal	$ 1,924
Less annual capital standard cost	
[($120,000 × 5%) – $0] × 50% × (26/52)	$ 1,500
Income to be returned	**$ 424**

Example 3 – John

John's income to be shown in his return is calculated as follows:

Income from boarder	
($240 × 52)	$ 12,480
Less weekly standard cost	
($243 × 52)	$ 12,636
Subtotal	($156)
Less annual capital standard cost	
[($150,000 × 5%) – $0] × 33% × (52/52)	$ 2,475
Balance	($2,631)
Income to be returned	**Nil***

* The tax loss based on this calculation isn't deductible against other income or able to be carried forward to future years.

Example 4 – Rose

Rose's income to be shown in her return is calculated as follows:

Income from boarders	
($300 × 23 × 4 × 2)	$ 55,200
Less weekly standard cost	
($243 × 23 × 2 × 2) = $22,356	
($198 × 23 × 2 × 2) = $18,216	
	$ 40,572
Subtotal	$ 14,628
Less annual capital standard cost	
[($400,000 × 5%) – $0] × 80% × (46/52)	$ 14,154
Income to be returned	**$ 474**

Example 5 – Scott

Scott's income to be shown in his return is calculated as follows:

Income from boarders	
($250 × 52)	$ 13,000
Less weekly standard cost	
($243 × 52)	$ 12,636
Subtotal	$ 364
Less annual capital standard cost	
[($200 × 52) – ($20 × 52)] × 25% × (52/52)	$ 2,340
Balance	($1,976)
Income to be returned	**Nil***

* The tax loss based on this calculation isn't deductible against other income or able to be carried forward to future years.

Note

Weekly standard costs are changed annually. Those shown in these examples are for the tax year to 31 March 2011. For other years go to **www.ird.govt.nz** (keywords: determinations other).

Who should declare the income?

Where there is more that one host providing boarding services, the person most directly involved on a day-to-day basis should declare the income.

Losses

If you use the standard cost method you're not able to claim any loss incurred. Losses can only be claimed where you use the actual cost method and file a full return of income (showing all payments received) and claim actual expenses with sufficient records available to support your loss claim.

Rental property owned by a family trust

Where a home is in a family trust occupied by the beneficiaries who provide boarding services, they may only calculate the standard cost for the annual capital component based on any rent paid. Any rent claimed will be proportional to the period of boarding services provided and further limited to the proportion of boarders compared to the average number of household occupants.

The rent claim will be calculated as follows:

$$\text{Rent claimable} = \frac{\text{annual rent paid}}{1} \times \frac{\text{service period}}{\text{52 weeks}} \times \frac{\text{number of boarders}}{\text{average household number}}$$

Example

Josh, Mel and Andrew rent a home from their family trust for $350 a week.
They have one boarder for a full year.
There are four occupants (including one boarder) in the home.
The rent claimable is calculated as follows:

$$\frac{(\$350 \times 52)}{1} \times \frac{52}{52} \times \frac{1}{4} = \mathbf{\$4{,}550}$$

The $4,550 is the amount deducted as the capital standard cost. If the boarder paid $270 a week the calculation to determine what, if any, income was taxable would be:

Income from boarders ($270 × 52)	$ 14,040
Less weekly standard cost ($243 × 52)	$ 12,636
Subtotal	$ 1,404
Less annual capital standard cost (as per calculation above)	$ 4,550
Balance	($3,146)
Income to be returned	**Nil***

* The tax loss based on this calculation isn't deductible against other income or able to be carried forward to future years.

Note

Weekly standard costs are changed annually. Those shown in our examples are for the tax year to 31 March 2011. For other years go to **www.ird.govt.nz** (keywords: determinations other).

Actual cost method

If you use this method you're required to keep full records of your income and expenses for the year. You'll also need to complete a tax return to declare any profit or claim any loss.

More information

For full details on the tax treatment of boarders, please see our *Tax Information Bulletin* Vol 17, No 10 (December 2005). This can be found at **www.ird.govt.nz** under "Newsletters and bulletins".

Flatmates and tenants

You may live in a property and also have other tenants in the same property. This can happen if you have flatmates living with you, or if you live in one part of a multi-flat building and rent out the rest. In either of these situations you must declare your rental income.

You can use either of the following methods to work out which expenses you can claim against your rental income.

1. Keep a record of the expenses that relate to the part of the property you're renting out, and claim these expenses against your rental income.
2. Keep a record of your total expenses for the property, and apportion these according to the area of the rented-out part. For example, if you rent out a flat that takes up one-quarter of the area of your house, you could claim 25% of the house expenses.

Part 4 – Services you may need

0800 self-service numbers

This service is available seven days a week (any time, except between 5 am and 6 am) for a range of self-service options. Remember to have your IRD number with you when you call.

For personal information, such as account balances, you'll also need a personal identification number (PIN). You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

Order publications and taxpacks	0800 257 773
Request a summary of earnings	0800 257 778
Request a personal tax summary	0800 257 444
Confirm a personal tax summary	0800 257 771
All other services	0800 257 777

Need to talk to us?

You can call us on these numbers:

General tax, tax credits and refunds	0800 227 774
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're here to take your call between 8 am and 8 pm Monday to Friday, and Saturday between 9 am and 1 pm. Remember to have your IRD number with you when you call.

For more information go to **www.ird.govt.nz** (keywords: contact us).

Online services save you time

We've introduced a number of new online services, making it quicker and easier to manage your tax and entitlements online.

Now you don't have to print out forms, send paperwork through the post or pick up the phone.

All your key information is in one place, making it simple to find balances, due dates and money you could be entitled to.

Register for a secure online services account today and:

- check if you're due a refund
- request and confirm personal tax summaries
- file an IR 3 tax return
- instantly update your bank accounts, phone numbers, addresses and email details
- view payments to or from Inland Revenue (including child support)
- apply for/manage your Working for Families Tax Credits.

All these services are available 24 hours a day, seven days a week. Go to **www.ird.govt.nz** to register and find out more.

Tax Information Bulletin (TIB)

The TIB is our monthly publication containing detailed technical information about all tax changes. You can find it on **www.ird.govt.nz** under "Newsletters and bulletins" and subscribe to receive an email when each issue is published on our website.

Customer service quality monitoring

As part of our commitment to providing you with a quality service, we record all phone calls to and from our contact centres. Find out more about this policy or how to access your recorded information at **www.ird.govt.nz**

Privacy

Meeting your tax obligations means giving us accurate information so we can assess your liabilities or your entitlements under the Acts we administer. We may charge penalties if you don't.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them
- Statistics New Zealand (for statistical purposes only).

If you ask to see the personal information we hold about you, we'll show you and correct any errors, unless we have a lawful reason not to. Call us on 0800 377 774 for more information. For full details of our privacy policy go to **www.ird.govt.nz** (keyword: privacy).

If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it. You can call the staff member you've been dealing with or, if you're not satisfied, ask to speak with their team leader/manager. If your complaint is still unresolved you can contact our Complaints Management Service. For more information go to **www.ird.govt.nz** or call us on 0800 274 138 between 8 am and 5 pm weekdays.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process. For more information, read our factsheet, *If you disagree with an assessment (IR 778)*.

Publications

These publications contain information that may be useful.

Buying and selling residential property (IR 313)

This guide will help you to understand whether you should be paying tax when you sell a property and tells you about your responsibilities.

GST – do you need to register? (IR 365)

This is an introduction to goods and services tax (GST). It helps you work out if you have to register for GST.

GST guide (IR 375)

An indepth guide about goods and services tax (GST) for all individuals, businesses and organisations that have to charge GST.

Provisional tax guide (IR 289)

Tells you what provisional tax is and how and when it must be paid.

Taxpayer obligations, interest and penalties (IR 240)

A guide to help business people, and people with business interests meet their legal obligations as taxpayers.