

SPG ACCOUNTING LTD Rental Property Checklist

Client Name: _____

Phone: _____ Fax: _____

Email: _____

Terms of Engagement

I/We hereby instruct you to prepare my/our financial statements and taxation returns for the year/period ending 31 March 2010. I/We undertake to supply all information necessary to carry out such services, and will be responsible for the accuracy and completeness of such information. Your services are not intended to, and accordingly will not result in the expression by you of an opinion on the financial statements in so far as third parties are concerned, or in the fulfilling of any statutory audit requirements. You are hereby authorised to communicate with my/our bankers, solicitors, finance companies and all government agencies to obtain such information as you require in order to carry out the above assignments.

I/We also accept that SPG Accounting Ltd has the right to charge interest on overdue accounts at the rate of 2% per month, and that all accounts are due for payment by the 7 days following invoice date. The charging of such interest will be at the discretion of SPG Accounting Ltd. I/We accept that any collection costs incurred by SPG Accounting Ltd will be fully recoverable from me/us.

Financial Statements prepared by you will carry the following disclaimers:

“A compilation is limited primarily to the collection/ classification and summarisation of financial information supplied by the client. A compilation does not involve the verification of that information. We have not audited or reviewed the financial statements and therefore neither we nor any of our employees accept any responsibility for the accuracy of the materials from which the financial statements have been prepared. Further, the financial statements have been prepared at the request of and for the purpose of the client only and neither we nor any of our employees accept any responsibility on any ground whatever, including liability in negligence/ to any other person.”

Signature

Date...../...../.....

When do you want your financial statements completed by?/...../.....

Would you like us to supply a copy to your bank? **YES/NO**

If you have any specific questions or areas of interest that you would like to discuss, please detail:

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1. How many rental properties do you own? #
Please complete the attached rental summary for each property
2. Please provide the address of all rental properties and the legal owner(s)

Property Address	Owners Name & IRD #s	Ownership Type Joint (50/50) Common - Ratio e.g. 75/25

3. Do you operate a separate bank account for your rental properties **YES/NO**
Please provide bank statements. We strongly recommend this is done to make it easier to complete the Checklist
4. Did you bank all rent received to your rental property bank account? **YES/NO**
If not, please indicate the amount received, but not banked \$.....
5. Did you purchase/sell a property between 1 April 2009 and 31 March 2010 **YES/NO**
If Yes, please provide the following
 - (a) A Solicitors Statement showing full financial details of the purchase/sale.
 - (b) Any Registered Valuation or Chattels Valuation arranged. In the case of a sale it may be possible to reduce / avoid the recovery of Depreciation on the sale of the property.**See Note 6**
 If you purchased a property do you wish to claim depreciation on the building content of the purchase? **YES/NO** **See Note 5**
6. Do you have any Bank or other loans, obtained to purchase the property? **YES/NO**
If Yes, please provide a Bank Loan Summary from the lender, showing all interest paid for the year 1 April 2009 to 31 March 2010 and the closing balance of the loan at 31 March 2010

 Note, if you increased the loan on the property during the year, but did not spend the additional funds on the property itself, the additional interest expense is generally not deductible, either in the current or future years
7. Do you have the Property managed by a Rental Agent or other? **YES/NO**
If so , please provide a copy of the Managers Report for the year, showing Gross Rental and expenses deducted
8. Did you purchase any item over \$500? **See Note 4** **YES/NO**
If yes please provide invoices for all fixed asset or chattel purchases over \$500.
9. Have you moved home, changed postal address, phone numbers or email address in the past year? If yes please provide details. **YES/NO**

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Rental Property Summary For The Year Ended 31 March 2010

Rent Received \$.....

Expenses **Please provide invoices for any item over \$500!!**

- Accounting Fees \$.....
- Advertising \$.....
- Bank Charges \$.....
- Body Corp. Fees \$.....
- Ground Rental (Leasehold Land) \$.....
- Insurance – Buildings \$.....
- Interest Paid (Attach Bank Confirmation) \$.....
- Lawns/Gardens \$.....
- Low Value Assets under \$ 500 \$.....
- Legal Fees \$..... note 1
- Bank Annual Loan Charges or Fees \$.....
- Management Fees - Rental Agent \$.....
- Rates – Council, ARC and water \$.....
- Travel and Accommodation \$..... note 2
- Vehicle Mileage (at s @ 70c km) \$..... note 2
- Repairs & Maintenance \$..... note 3
(Please provide full details below)

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Note 1 Legal Fees

Legal Fees incurred in raising or refinancing a loan are deductible .
Legal Fees in connection with the purchase or sale of the property are not deductible

Note 2 Vehicle Expenses , Travel and Accommodation

Motor Vehicle expenses and other Travel costs incurred in inspecting or maintaining the property are deductible. A vehicle mileage log-book should be kept to support all claims.

Note 3 Repairs and Maintenance

Expenditure incurred to maintain an asset in the condition it was in, when acquired, is deductible. When an asset is improved in value, or replaced, it is capital expenditure, and therefore not deductible as an expense (subject to the rules regarding low value assets - See Note 4). It is not advisable to undertake major repair work immediately after a property's acquisition, but before rental income has been received. This will generally be considered capital expenditure, by the IRD. Similarly, major items of maintenance completed after a tenancy has finished, in order, for example, to prepare the property for sale, will not be deductible. **To be deductible, the expenditure must be incurred while the property is tenanted, or available to be rented.**

Examples

- New shower and vanity installed at a cost of \$3500 immediately after purchase. Expenditure is capital.
- Lounge is repainted between Tenancies. Expenditure is deductible.
- Exterior of house is painted, at end of Tenancy, at a cost of \$ 5,500 in readiness for the property being sold. Expenditure is not deductible.
- Rotten portion of existing timber deck is replaced at a cost of \$550. Expenditure is deductible.
- Existing wooden paling fence is demolished and replaced with new one, of similar construction, at a cost of \$1,250. Expenditure is deductible, as there has been no material improvement to the value of the property.
- Standard hot water cylinder fails and is replaced, at a cost of \$1,350. Cost is deductible, if the asset replaced, isn't separately identified in the Asset Register.
- Where an existing asset has been replaced, and was separately identified in the Accounts, the expenditure is Capital, but the Net Book Value of the replaced asset can be written off as an expense.
- Standard hot water cylinder is replaced with mains - pressure cylinder at a cost of \$3,350. A new asset has been created, and the expenditure is capital. The NBV of the existing asset can be written off, if separately identified in the Asset Register.

If you are unsure about the deductibility of any expenditure, please call us, **BEFORE** you undertake the work.

Note 4 Capital Expenditure

The overriding, or determining factor of whether expenditure is Capital, is based around whether the cost incurred, **adds value** to the property, or is considered an **improvement**. The amount of expenditure is not the central issue. It is whether the property has been improved in value, or a new asset has been created within or on the property.

Capital Expenditure is therefore the purchase of chattels, and improvements to the property, unless the expenditure can be considered repairs and maintenance (see note 3 above), or qualifies as a low value asset.

Chattels - Generally, items of furniture and equipment that are not fixed or attached permanently to the property i.e. They can be removed from the property relatively easily. Examples: Appliances, carpets, loose furniture, light fittings, curtains and blinds, motor mower.

Improvements - Items of expenditure that become part of the structure of the property, cannot be easily removed, and add value to the property. Examples: decks and fences, driveway, parking

area, additional rooms, new kitchen and/or bathroom, that represent a significant and substantial improvement to the existing facilities .

Low Value Assets Under \$ 500 - The \$500 threshold applying to "Low Value Assets" is for expenditure on assets that remain physically separate from other property, and do not become part of another asset. E.g. lawn mowers, household appliances, loose furniture.

In addition, the item cannot be purchased from the same supplier at the same time as other assets

Example: The purchase of a set of table and chairs from the same supplier at the same time.

6 Chairs at \$ 150 each 1 Table at \$ 400 each. The cost of each individual item is less than \$ 500, but the overall cost of the "Asset" is \$1,300 and is therefore considered capital expenditure.

Note 5 Depreciation

The election to claim, or not to claim, depreciation on the building, in the year of purchase, cannot be changed in subsequent years. For example, if you decide not to claim depreciation in the year of purchase, you can't claim it in subsequent years. Also note, that depreciation claimed on the building, will usually be recovered, when the property is sold. The amount of depreciation recovered will be added to income for the year in which the property is sold .

Note 6 Depreciation Recovered

Depreciation claimed on Buildings or Improvements in previous years , will generally be recovered on the sale of the property .

It can be advisable , however , where the property has been owned for a short time , say 5 years or less , to have a Registered Valuer split the actual Sale Price obtained , into its various components . ie The value of Land , Improvements , and Chattels . This can mean that , even though the sale price is higher than Book Value , the amount attributed to the Building or Improvements may not be higher than the NBV of the Improvements , and therefore Depreciation Recovered may not be applicable .