



Property Investors Split Income Advice Chartered Accountants Sydney NSW Are Investor and Property Acquisition Investment Specialists

Property co-owners and the income split

Property co-owners and the income split When two or more investors own a rental property together, whether it is rented out all year round or only part-time, the division of rental income is defined by the legal interest that each owner has in the property. Property acquisition and tax expert Matthew Mousa of TLK Partners explains the two different categories this legal interest fall under.

Is the legal interest as joint tenants or tenants in common? Co-owners who are Joint Tenants divide the income and expenses related to that property on an equal 50/50 basis. The interesting point to note here is that division of income and expenses in terms of legal interest overrides any verbal or written agreement that the two owners may have. "It is irrelevant if one is earning more than the other and would like to incur fewer taxes by claiming a greater proportion of the rental loss," Matthew explains. "The division must be in terms of legal interest."

Co-owners who own the rental property as Tenants in Common may have an unequal legal interest in the property, for example, a 30%/70% split. "If this is the case, you would then divide the income and expenses related to the property in terms of your legal interest, in this case, 30% and 70%, again regardless of any other agreement you might have made with the other owner."

Anyone unsure of whether they fall into the category of Joint Tenant or a Tenant in Common should reference the title deed to clear up the matter.

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When is an investor considered to be running a rental property business? Matthew explains that the tax man considers someone to be an investor who is not necessarily engaged in a rental property business, as long as the person doesn't spend an inordinate amount of time engaged in rental property activities, doesn't co-own very many properties, and doesn't derive their income exclusively from the rental property.

If someone is deemed to be in the rental property business, the agreement between the partners takes precedence over the legal interest in the properties. The income and expenses associated with the business must be divided in terms of the partnership agreement.

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"Investor's trust TLK Partners to advise them of the best legal structures to maximise their return on investment," Matthew concludes.

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