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A GUIDE TO

Common Property Income

How is common property income taxed?

The various Australian State and Territory strata Acts differ in their description of how common property is legally owned.

Notwithstanding this fact, the Australian Taxation Office (ATO) applies a consistent approach to all strata companies by treating income derived from the leasing of common property as assessable to the owners in their own tax returns.

In short, strata companies themselves are not required to declare or pay tax on income derived from the use of common property.

The basis for this treatment can be found in TAXATION RULING 2015/3 – Body Corporate Income Tax Matters, issued by the ATO.

What are some examples?

The list of potential sources of common property income is wide and varied.

Some of the more common examples include:

- **leasing of roof space for phone towers**
- **billboard signage on walls and roof space**
- **rent of a commonly owned unit.**

Put simply, where income is obtained from a third party (ie: a non-owner), and that income has come from the use of common property, it is likely that the owners will need to declare it in their own tax returns.

In cases where owners don't take physical receipt of common property income, TAXATION RULING 2015/3 explains that the owners still receive a benefit in that the amount needed to be levied would be reduced by the income received by the strata company. Owners therefore are still required to declare this income in their own tax returns irrespective of whether they receive the funds or not.

What are our obligations?

The strata company itself is not under any obligation to lodge documents for common property income with the ATO. That being said, it is still a prudent step for strata companies that do earn such income to advise all owners of their obligations, their income and the potential deductions to which they may be entitled, in a timely manner to ensure they receive this information prior to preparing their own returns.

Strata CFM engage qualified accountants to a) perform the necessary calculations; and b) to provide a written explanation for owners for any strata companies that have earned common property income in the preceding tax year. This process is commenced in July with an aim to have summaries sent out to affected owners before 31 August.

What are the costs involved?

Click here to find out more

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