Inland Revenue
Te Tari Taake

Rental income

IR3R
August 2022

- **Read our booklet Rental income – IR264 to help you fill in this form.**
- **Attach this form to your income tax return and keep a copy for your records.**

Year ended 31 March

Your name

IRD number

(8 digit numbers start in the second box. 1 2 3 4 5 6 7 8)

Address of property rented

Period the property was available for renting months

Income – read Note 2 over the page.

1. Total rents — 1 $
2. Other income (specify) 2A — 2 $
3. Gain or loss on disposal (enter any loss in brackets) — 3 $
4. **Total income** — 4 $

Expenses – read Note 3 over the page.

5. Rates — 5 $
6. Insurance — 6 $

7A. Total interest on residential property 7A $

7B. Interest expense claimed 7B $

7C. Reason for interest expense claimed – read Note 4 over the page.

- [ ] A Māori exempt company or not a residential land company
- [ ] New build exemption
- [ ] Certain schedule 15 exclusions or property not in NZ
- [ ] Development or land business exemption
- [ ] Loans drawn down prior to 27 March 2021 or interest incurred before 1 October 2021
- [ ] Emergency, transitional, social or council housing

8. Agent's collection fees — 8 $

9 Repairs and maintenance – read Note 5 over the page.

	$	
	$	
	$	$

10 Other (specify)

	$	
	$	
	$	$

Depreciation – print the details below.

11. Buildings – read Note 6 over the page. 11 $

12. Assets – read Note 7 over the page. 12 $ — 13 $

14. **Total expenses** (do not include amount from box 7A in your total expenses) — 14 $

15. **Net rents** (total rents less expenses) – subtract Box 14 from Box 4 and print in Box 15. Copy this amount to your tax return, if the property is NOT residential property. For residential property, use the **Residential property deductions worksheets – IR1226** to help you complete your return. Read note 8 over the page. — 15 $

Depreciation of buildings – read Note 6 over the page.

16. Date purchased 16 Day Month Year

17. Construction materials and building description 17

	Cost of buildings (excluding cost of land)	Rate	Depreciation claimed	
Straight line method (SL)	18 $	19 %	20 $	21 $
	Opening adjusted tax value	Rate	Depreciation claimed	Closing adjusted tax value

Diminishing value method (DV)	22 $	23 %	24 $	25 $

26 Depreciation of assets – read Note 7 below.

Asset	Date purchased	Cost	Opening adjusted tax value	Rate	Method SL/DV	Depreciation claimed	Closing adjusted tax value
		$	$	%		$	$
		$	$	%		$	$
		$	$	%		$	$
		$	$	%		$	$
		$	$	%		$	$
					Total	$	

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

Note 1 General

Fill in a separate IR3R for each property rented out. Each IR3R covers the year to your balance date.

Note 2 Income

Enter the total rents received in Box 1. Enter any other income related to the rental property, such as insurance receipts or rates refunds in Box 2. If you sell or dispose of any of your assets you may be required to account for the loss or gain in Box 3.

Add up Boxes 1, 2 and 3 to calculate your total income. If Box 3 is a loss, subtract it from the sum of Boxes 1 and 2. Enter the total income in Box 4.

Note 3 Expenses

Claim ongoing expenses such as rates, insurance, interest and depreciation in proportion to the number of months the property was available for renting out, for example if the property was available for 10 months, you can claim $^{10}/_{12}$ of these expenses.

Expense for a holiday home or bach used both privately and to earn income may be subject to the mixed-use asset rules. See the **Rental income - IR264** booklet for more information.

Note 4 Interest

From 1 October 2021, interest is not deductible for residential property acquired on or after 27 March 2021 unless an exclusion or exemption applies. For properties acquired before 27 March 2021, the ability to deduct interest is being phased out between 1 October 2021 and 31 March 2025.

Enter the total interest incurred for residential property in Box 7A. Do not include this amount in total expenses at Box 14. Enter interest expenses claimed in Box 7B. Include this amount in total expenses at Box 14. If you have claimed an interest expense in Box 7B, at Box 7C tick the reason(s) for the interest expense claimed.

See the **Rental income – IR264** booklet for more information.

Note 5 Repairs, maintenance and other expenses

Please fully explain any claims for repairs, maintenance and other expenses. You may claim repairs and maintenance but not additions or improvements to property or plant. Improvements to property or plant can be depreciated. If there is not enough space, please attach a separate note.

Note 6 Depreciation on buildings

From the 2011-2012 income year, depreciation on buildings has reduced to 0% where buildings have an economic life of more than 50 years. For more information refer to **Depreciation – a guide for businesses - IR260**

Note 7 Depreciation on assets

You may depreciate each item individually or pool some or all of the assets to calculate depreciation. Assets which can be pooled are those which:

- are not used privately, and
- cost $5,000 or less, or
- have been depreciated so their adjusted tax value is $5,000 or less.

Pool depreciation is calculated on the average pool value at a single rate using the DV method. The rate you must use for the pool is the lowest rate for an asset in the pool. Once you have included an asset in a pool you can segregate it only if you use the asset for private use.

If you switch from the DV to the SL method for assets not pooled, calculate depreciation on the opening adjusted tax value instead of the original cost.

To find the correct rate of depreciation for an asset, please see our depreciation rate finder at **ird.govt.nz/tools-calculators**

Note 8 Residential rental properties

From the start of the 2019-2020 income year, deductions for residential rental properties are subject to residential property deduction rules. The new rules limit the amount of deductions you can claim if your residential rental property makes a loss in an income year. You can use the **Residential property deductions worksheets - IR1226** to help you complete your return.

Note 9 Record keeping

Keep your receipts and invoices with your records in case we request them. You must keep all your records for seven years.

Note 10 More information

Our booklets **Rental income - IR264**, **Depreciation - IR260** and **Depreciation rates - IR265** may help you. You can get these booklets and this IR3R form at **ird.govt.nz/forms-guides** or by calling 0800 257 773. If you need more help call us on 0800 377 774.

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