How to Process a Rent Free Period for Statement Style 12 or 13

Overview

The owner may offer a tenant a rent free period as an incentive for leasing premises, commonly found in commercial leasing.

If the Owner is on statement style 12 or 13, you need to ensure that you take into consideration the brought forward balances against the tenant when reflecting the rent free period.

This document will cover:

- How to Apply Rent Free Period – Existing Tenant/Lease
- How to Apply Rent Free Period – New Lease/Tenant

How to Apply Rent Free Period – Existing Tenant/Lease

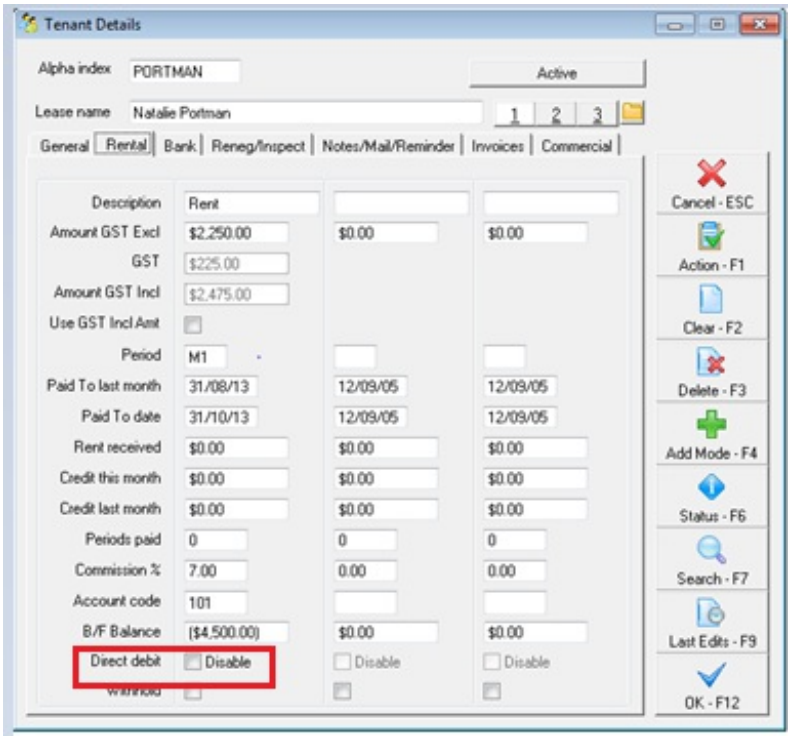
For example, you may have a tenant that pays the amount of $2250 plus GST. They are currently paid to the 31/08/13 with their existing lease. The owner has given them 2 month's rent free period.

The following changes would be made to reflect the rent free period:

1. Paid to date would be advanced by 2 months i.e. change from 31/08/13 to 31/10/13
2. The brought forward balance will reflect the 2 months base rent amount i.e. -$4500

NOTE: the amount of 4500.00 will be put in as a negative to reflect paid 2 months in advance. If they already have an amount in the BF Balance amount you will need to adjust this balance accordingly

3. Click **OK-F12**



How to Apply Rent Free Period – New Lease/Tenant

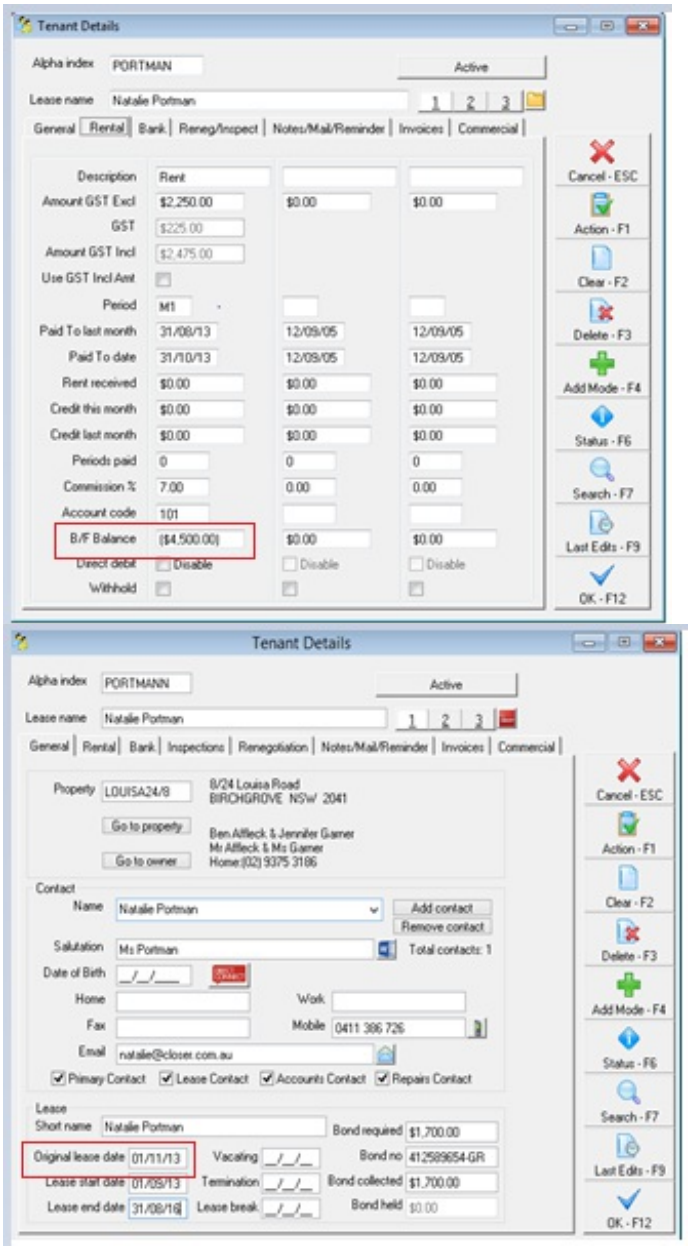
For example, you may have a tenant that pays the amount of $2250 plus GST. They will be moving into the property on the 01/09/13 with their existing lease. The Paid to date on the rental tab would therefore show as 31/08/13. The owner has given them 2 month's rent free period for the first two months this new lease.

The following changes would be made to reflect the rent free period:

1. **Original Lease Start** date must be changed to 01/11/13 but the **Lease Start** date can be left as 01/09/13.

NOTE: After the rent free period, the **Original Lease Start** date should be changed back. The reason this must be changed is being a new tenant and no prior bought forward balance has been in place (Previous month), it must look to the original lease start date and a current B/F Balance.

2. Paid to date would be advanced by 2 months i.e. 31/10/13
3. The brought forward balance will reflect the base rent x 2 months i.e. -$4500 (Negative)
4. Click **OK-F12**



Important Information:

The Brought forward balance field is used to reflect the amount of arrears or credit if any (exclusive of GST) for a tenant as at the end of the last end of month.

This is so that the commercial owner's statement shows the correct rent amount due for this month. The B/F Balance amount needs to be entered before the first statement is run for any owners who have statement style 12 or 13.

Credits are reflected as a negative amount. (i.e. -$4500). Arrears would be reflected as a positive amount (i.e. $4500). If the tenant is paid up to date, there should be no B/F Balance.

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