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Document Checklist

Commercial Property - Related Party Lease

The following list is a summary of the audit check points for a lease agreement between related parties. The terms of the lease agreement must be at arm's length.

- [ ] 1. The full name, address and ABN of the lessor
- [ ] 2. The full name, address and ABN of the lessee
- [ ] 3. The details of the lease period and renewal option
- [ ] 4. The rent amount and frequency. Annual rent must be paid in advance, not in arrears. Rent received must align with the amount and frequency in the agreement.
- [ ] 5. Rent review details:
    - Rent review date
    - CPI, or market rate
    - If it is at a fixed percentage, the percentage has to be supported by evidence.
    - If it is silent, the lease agreement is not at arm's length. The agreement needs to be amended.
- [ ] 6. Outgoing arrangement:
    - The responsible entity for the outgoing expenses
    - The percentage of outgoings
    - The definition of outgoings
- [ ] 7. The responsible entity for the insurance
- [ ] 8. Rental appraisal from an independent party based on objective and supportive data. If there are any incentives, the rental appraisal should incorporate the incentives.
- [ ] 9. The lease agreement is signed and dated
- [ ] 10. The property is used wholly and exclusively in one or more businesses

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