



myTax 2019 Rent

How to report rent when you lodge your return using myTax.

Last updated 29 August 2019

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Rental income earned and expenses incurred when you rent out your rental property located in Australia are declared at this section.

Essentials

Rental property owners should remember three simple steps when preparing their return:

1. Include all the income you receive
This includes income from short term rental arrangements (e.g., a holiday home), sharing part of your home, and other rental-related income such as insurance payouts and rental bond money you retain.
2. Get your expenses right
 - Eligibility – Claim only for expenses incurred for the period your property was rented or when you were actively trying to rent the property on commercial terms.

- Timing – Some expenses must be claimed over a number of years.
- Apportionment – Apportion your claim where your property was rented out for part of the year or only part of your property was rented out, where you used the property yourself or rented it below market rates. You must also apportion in line with your ownership interest.

3. Keep records to prove it

You should keep records of both income and expenses relating to your rental property, as well as purchase and sale records.

And remember, renting property (including all or part of your own home) will usually give rise to a capital gain or loss when you sell the property – which you will need to include in your return in that year. For more information, see [Capital gains or losses](#).

See also:

- [Top 10 tips to help rental property owners avoid common tax mistakes](#)

Key concepts – Rental income

Rental income is the full amount of money you earn when you rent out your property (including renting out a room through the sharing economy). You must include any bond money you:

- retained in place of rent, or
- kept because of damage to the property requiring repairs.

You must also include as income:

- an insurance payout for lost rent, or a reimbursement of any rental expenses, you claimed in 2018–19 or claimed in an earlier year
- fees retained from cancelled bookings.

For more information, see [Rental income](#).

Key concepts – Rental expenses

You can claim most expenses relating to your rental property but only for the period your property was rented or genuinely available for rent,

for example, advertised for rent without limiting its exposure to potential clients.

Expenses could include advertising for tenants, bank charges, body corporate fees, borrowing expenses, council rates, decline in value of depreciating assets, gardening and lawn mowing, insurance, land tax, pest control, property agent fees or commissions, repairs and maintenance, stationery, phone and water charges.

If you were renting only part of your home – for example, a single room – you can claim expenses related to renting out only that part of the house.

You cannot claim the total amount of the expenses – you need to apportion the expenses. As a general guide, you should apportion expenses on a floor-area basis based on the area solely occupied by the renter (user), and add that to a reasonable amount based on their access to common areas.

You can claim expenses only for the period the room in your home was rented to a client. You cannot claim deductions for expenses when the room is not rented.

You can claim 100% of fees or commissions charged by a sharing economy facilitator or administrator.

For more information, see [Rental expenses](#).

Residential rental property travel expenses

Travel expenses relating to your residential rental property are not deductible unless you are carrying on a **business of property investing**. They cannot be included in calculations of your capital gain or capital loss when you dispose of the property.

If your travel expenses relate to your residential rental property and another income producing activity, you will need to apportion the expenses on a fair and reasonable basis.

For more information, see [Travel and car expenses](#).

Deductions for decline in value of depreciating assets

You may be able to claim a deduction for the decline in value of certain items, known as depreciating assets, that you acquired as part of the purchase of your property or that you subsequently purchased for your property.

A depreciating asset is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used. Examples of depreciating assets are freestanding furniture, stoves, washing machines and television sets.

You can use the **Depreciation and capital allowances tool** to work out any decline in value deduction as well as any deductible balancing adjustment when you stop holding a depreciating asset.

The tool can be accessed when you add your rental property details.

The following video shows you how to use the Depreciation and capital allowances tool.

Media:Key concepts – Rental income

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiuboi7hki>

You can watch [How to use the Depreciation and capital allowance tool](#)

[🔗](#) in full screen on atoTV.

Limit on deductions for decline in value of second-hand depreciating assets

You cannot claim a deduction for the decline in value of certain second-hand depreciating assets you acquired, or contracted to acquire, after 7.30pm AEST on 9 May 2017 in your residential rental property unless you are carrying on a business of property investing.

For more information, see [Limit on deductions for decline in value of second-hand depreciating assets](#).

Renting out part or all of your home

If you rented out part, or all, of your home, the rent money you received is assessable income. This means:

- you must declare the rental income in your income tax return
- you can claim deductions for associated expenses, such as part or all of the interest on your home loan
- you may not be entitled to the full main residence exemption from capital gains tax (CGT) when you sell your home.

If you rented out part, or all, of your home at normal commercial rates, the tax treatment of income and expenses is the same as for any residential rental property.

If you rented out part, or all, of your home at less than normal commercial rates, you limit the deduction you can claim.

Payments from a family member for boarding or lodging are considered to be domestic arrangements and are not rental income. You can't claim income tax deductions.

Renting out your holiday home

If you have a holiday home that you rent out, you must include the rent money you received in your assessable income. You can also claim deductions for the associated expenses. In deducting your expenses you must ensure that you are apportioning expenses to account for any private use of the property. You can only claim expenses for periods that your holiday home was being rented or was genuinely available for rent.

Do not show at this section

Do not show the following at this section:

- A deduction for the decline in value of a low-value pool; show this at **Low-value pool deduction** in the **Deductions** section.
- Foreign source rental income, that is, rental income from properties outside Australia; show this at **Other foreign income** in the **Foreign income, assets and entities** section.
- Expenses incurred in earning rental income from properties located outside Australia; show this at **Other foreign income** in the **Foreign income, assets and entities** section.

- Income earned, or expenses incurred, from peer-to-peer sharing or your car, caravan or car parking space; show this at **Any other income** in the **Other income** section.

If you can't see these sections, use the **Personalise return** screen to select those sections that apply to you. For further help with personalising your return, see [How to personalise your return](#).

Completing this section

You must have the right records for the claims that you make. You will need details of:

- all rental income earned
- interest charged on money you borrowed for the rental property
- other expenses relating to your rental property
- if applicable, the period your property was genuinely available for rent
- any expenditure on capital works to your rental property.

We may have pre-filled your tax return with some rental property details from your last year's tax return. Check for rental properties you own, or have an interest in, that are not pre-filled and ensure you add them.

1. For each rental property that has been pre-filled in your tax return, add any rental property details not pre-filled.
2. For each rental property you own or have an interest in that has not been pre-filled in your tax return, select **Add** and enter rental property details into the corresponding fields.

Co-ownership

If your **Ownership percentage** is less than 100%, myTax will calculate your share of rental income and expenses, using your ownership percentage, and display the amount at the corresponding **Your share** field. For more information, see [Co-ownership of rental property](#).

You may alter your share of the amounts. If you do, keep a record of how you worked out your share.

3. Enter [rental income](#) in the corresponding fields.

4. Enter [rental expenses](#) in the corresponding fields.

5. Select **Save**.

6. Select **Save and continue**.

Note: If you used the Depreciation and capital allowances tool, fields containing information from the tool cannot be directly adjusted in myTax. To make any adjustments to this information, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

The following video shows you how to include rental income and expenses in myTax.

Media:Key concepts – Rental expenses

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubtjsfhw>

You can watch [How to include rental income and expenses in myTax](#)

[🔗](#) in full screen on atoTV.

More information

Where you can find more information about rental income and expenses.

Rental income

Where you can find more information about rental income.

Rental expenses



Where you can find more information about rental expenses.

Other tax considerations



Where you can find more information about other tax considerations.

Definitions



Definitions of terms related to rental properties.

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More information

Where you can find more information about rental income and expenses.

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Keeping records

Co-ownership of rental property

The way the rental income and expenses are divided between co-owners varies depending on whether the co-owners are joint tenants, tenants in common or there is a partnership carrying on a business of letting rental properties.

Dividing income and expenses according to legal interest

Co-owners who are not carrying on a business of letting rental properties must divide the income and expenses for the rental property in line with their legal interest in the property. If they own the property as:

- joint tenants, they each hold an equal interest in the property
- tenants in common, they may hold unequal interests in the property, for example, one may hold a 20% interest and the other an 80% interest.

Rental income and expenses must be attributed to each co-owner according to their legal interest in the property, despite any agreement between co-owners, either oral or in writing, stating otherwise.

Interest on money borrowed by only one of the co-owners, which is exclusively used to acquire that person's interest in the rental property, does not need to be divided between all of the co-owners.

If you don't know whether you hold your legal interest as a joint tenant or a tenant in common, read the title deed for the rental property. If you are unsure whether your activities constitute a rental property business, see [Partners carrying on a business of letting rental properties](#) below.

Co-owners of an investment property (not in business)

A person who simply co-owns an investment property or several investment properties is usually regarded as an investor who is not carrying on a business of letting rental properties, either alone or with the other co-owners. This is because of the limited scope of the rental property activities and the limited degree to which a co-owner actively participates in rental property activities.

Partners carrying on a business of letting rental properties

Most rental activities are a form of investment and do not amount to carrying on a business. However, where you are carrying on a business of letting rental properties in partnership with others, you must divide the net rental income or loss according to the partnership agreement.

You must do this whether or not the legal interests in the rental properties are different to the partners' entitlements to profits and losses under the partnership agreement. If you do not have a partnership agreement, you should divide your net rental income or loss between the partners equally.

For more information about dividing net rental income or losses between co-owners, see *Taxation Ruling TR 93/32 – Income tax: rental property – division of net income or loss between co-owners*.

For more information about determining whether a business of letting rental properties is being carried on, determining whether it is being carried on in partnership, and the distribution of partnership profits and losses, see:

- *Taxation Ruling TR 97/11 – Income tax: am I carrying on a business of primary production?*
 - Paragraph 13 of *Taxation Ruling TR 97/11* lists eight indicators to determine whether a business is being carried on. Although this ruling refers to the business of primary production, these indicators apply equally to activities of a non-primary production nature.
- *Taxation Ruling TR 94/8 – Income tax: whether a business is carried on in partnership (including 'husband and wife' partnerships)*
- *Taxation Ruling IT 2423 – Withholding tax: whether rental income constitutes proceeds of business – permanent establishment – deduction for interest*
- *Taxation Ruling IT 2316 – Income tax: distribution of partnership profits and losses*.

If you are carrying on a business, you may be eligible for the small business concessions. For more information, see **Small business entity concessions**.

CGT small business concessions do not apply to assets that are used mainly to derive rent.

Keeping records

You should keep records of both income and expenses relating to your rental property.

Records of rental expenses must be in English, or be readily translatable into English, and include the:

- name of the supplier
- amount of the expense
- nature of the goods or services
- date the expense was incurred
- date of the document.

If a document does not show the payment date you can use independent evidence, such as a bank statement, to show the date the expense was incurred.

You should keep records of your rental income and expenses for five years from 31 October or, if you lodge later, for five years from the date you lodge your tax return. If at the end of this period you are in a dispute with us that relates to your rental property, you should keep the relevant records until the dispute is resolved.

Do not send these records to the ATO. Keep them in case we ask to see them.

The following list provides some examples of records you should keep to make it easier to complete your tax return:

- loan documents
- receipts for expenses, including repairs, maintenance, insurance and purchases of depreciable assets
- land tax assessments
- credit card records
- tenant leases
- bank statements
- rent records from managing agents.

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Rental income

Where you can find more information about rental income.

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Rental and other rental-related income is the full amount of rent and associated payments that you receive, or become entitled to, when you rent out your property, whether it is paid to you or your agent. You must include your share of the full amount of rent you earn in your tax return.

Your rental income also includes rent or associated payments that you receive, or become entitled to, when renting out part or all of your home through the sharing economy or the renting of your holiday home.

Rent and associated payments may be in the form of goods and services. You will need to work out the monetary value of these. For example, if the tenant gives you property or goods as rent instead of money, you include the market value of the property or goods as rental income in your tax return.

Rental-related income

You must include rental bond money as income if you become entitled to retain it, for instance, because a tenant defaulted on the rent, or because of damage to your rental property requiring repairs or maintenance.

If you received an insurance payout, there may be situations where the payout needs to be included as income, for example, if you received an insurance payment to compensate you for lost rent.

If you received a letting or booking fee, you must include this as part of your rental income.

Associated payments include all amounts you receive, or become entitled to, as part of the normal, repetitive and recurrent activities through which you intend to generate profit from the use of your rental property.

If you received a reimbursement or recoupment for deductible expenditure, you may have to include an amount as income. For example, if you received:

- an amount from a tenant to cover the cost of repairing damage to some part of your rental property and you can claim a deduction for the cost of the repairs, you need to include the whole amount in your income
- a government rebate for the purchase of a depreciating asset, such as a solar hot-water system, you may need to include an amount in your income. For more information, see *Taxation Determination TD 2006/31 – Income tax: is a government rebate received by a rental property owner an assessable recoupment under subsection 20-20(3) of the Income Tax Assessment Act 1997, where the owner is not carrying on a property rental business and receives the rebate for the purchase of a depreciating asset (for example, an energy saving appliance) for use in the rental property.*

You must include as rental income any assessable amounts relating to limited recourse debt arrangements involving your rental property. For more information, see:

- [Limited recourse debt arrangements](#)
- Guide to depreciating assets

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Rental expenses

Where you can find more information about rental expenses.

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You can claim a deduction for certain expenses you incur for the period your property is rented or is genuinely available for rent. However, you cannot claim expenses of a capital nature or private nature (although you may be able to claim decline in value deductions or capital works deductions for certain capital expenditure or include certain capital costs in the cost base of the property for CGT purposes).

Types of rental expenses

There are three categories of rental expenses, those for which you:

- [cannot claim deductions](#)
- can claim an [immediate deduction](#) in the income year you incur the expense
- can [claim deductions over a number of income years](#)

Expenses for which you cannot claim deductions



Expenses for which you can claim an immediate deduction



Expenses deductible over a number of income years



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Expenses for which you cannot claim deductions

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Expenses for which you are not able to claim deductions include:

- acquisition and disposal costs of the property
- expenses not actually incurred by you, such as water or electricity usage charges borne by your tenants
- expenses associated with periods where your property (including your holiday home) was not [genuinely available for rent](#)
- expenses that are not related to the rental of a property, such as

- expenses connected to your own use of a holiday home that you rent out for part of the year, or
 - costs of maintaining a non-income producing property used as collateral for the investment loan
-
- travel expenses to inspect a property before you buy it
 - expenses incurred in relocating assets between rental properties prior to renting
 - expenses for rental seminars about helping you find a rental property to invest in.

You are not entitled to a deduction for travel expenses relating to your residential rental property incurred since 1 July 2017, unless you are:

- using the property in carrying on a business (including a business of letting rental properties), or
- an [excluded entity](#).

Travel expenses include the costs of travel to inspect, maintain or collect rent for the property, and costs of meals and accommodation related to such travel.

If your travel expenses relating to your residential rental property also relate to another income producing activity, you will need to apportion the expenses on a fair and reasonable basis. For more information, see [Apportionment of travel expenses](#).

From 1 July 2017, you may not claim a deduction for a decline in value of certain second-hand depreciating assets against your residential rental property income unless you are using the property in carrying on a business (including a business or letting rental properties), or you are an excluded entity. For more information see [Limit on deductions for decline in value of second-hand depreciating assets](#).

See also:

- [Travel and car expenses](#)
- Expenses you can claim
- Rental properties – travel expenses

Acquisition and disposal costs

You cannot claim a deduction for the costs of acquiring or disposing of your rental property, such as:

- purchase cost of the property
- fees on bank guarantees in lieu of deposits
- conveyancing costs
- advertising expenses
- fees of a buyer's agent you engage to find you a suitable rental property to purchase, including where the agent recommends a property manager free of charge as an optional or supplementary service.
- stamp duty on the transfer of the property (but not stamp duty on a lease of property; see [Lease document expenses](#)). However, these costs may form part of the cost base of the property for CGT purposes. See also [Capital gains tax](#).

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Expenses for which you can claim an immediate deduction

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Expenses for which you may be entitled to an immediate deduction in the income year you incur the expense include:

- advertising for tenants
- bank charges
- [body corporate fees and charges](#)
- cleaning
- [council rates](#)
- electricity and gas

- annual power guarantee fees
- gardening and lawn mowing
- in-house audio and video service charges
- insurance
 - building
 - contents
 - public liability
- [interest on loans](#)
- [land tax](#)
- [lease document expenses](#)
 - preparation
 - registration
 - stamp duty
- [legal expenses](#) (excluding acquisition costs and borrowing costs)
- [mortgage discharge expenses](#)
- pest control
- [property agent fees and commissions](#) (including prior to the property being available to rent)
- quantity surveyor's fees
- costs incurred in relocating tenants into temporary accommodation if the property is unfit to occupy for a period of time
- [repairs and maintenance](#)
 - cost of a defective building works report in connection to repairs and maintenance conducted
- secretarial and bookkeeping fees
- security patrol fees

- servicing costs, for example, servicing a water heater
- stationery and postage
- telephone calls and rental
- tax-related expenses
- [travel and car expenses](#) to the extent that they are deductible
- water charges.

You can claim a deduction for these expenses only if you actually incur them and they are not paid by the tenant.

See also:

- [Changes to be aware of for payments made on or after 1 July 2019](#)
- [Expenses prior to property being genuinely available for rent](#)
- [Apportionment of rental expenses](#)
- [Property available for part-year rental](#)
- [Only part of your property is used to earn rent](#)
- [Non-commercial rent](#)
- [Co-owner rents property](#)

Changes to be aware of for payments made on or after 1 July 2019



Body corporate fees and charges



Council rates and local government expenses



Interest on loans

Land tax



Legal fees



Agent fees or commissions



Repairs and maintenance



Travel and car expenses



Other expenses



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Changes to be aware of for payments made on or after 1 July 2019

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Expenses prior to property being genuinely available for rent

Apportionment of rental expenses

Co-owner rents property

From 1 July 2019, when you make a payment to a contractor (such as a tradesperson) for services connected with your rental property, you should check that they have an Australian business number (ABN). If they don't provide you with an ABN, you may have to withhold 47% from that payment and pay it to us. See [Withholding from suppliers for details of when you are required to withhold](#).

For payments made on or after 1 July 2019, if you don't withhold when you are required to, you may not be allowed to claim the respective expenses as tax deductions.

For more information, see [Removing tax deductibility of non-compliant payments](#).

Expenses prior to property being genuinely available for rent

You can claim expenditure such as interest on loans, local council water and sewerage rates, land taxes and emergency services levies on land you have purchased to build a rental property or incurred during renovations to a property you intend to rent out. However, you cannot claim deductions from the time your intention changes, for example, if you decide to use the property for private purposes.

Apportionment of rental expenses

There may be situations where not all your expenses are deductible and you need to work out the deductible portion. To do this, you subtract any non-deductible expenses from the total amount you have for each category of expense; what remains is your deductible expense.

You will need to apportion your expenses if any of the following apply to you:

- your property is genuinely available for rent for only part of the year
- your property is used for private purposes for part of the year
- only part of your property is used to earn rent
- you rent your property at non-commercial rates

- your investment loan is partially used for private purposes.

Is the property genuinely available for rent?

Rental expenses are deductible to the extent that they are incurred for the purpose of producing rental income.

Expenses may be deductible for periods when the property is not rented out, providing the property is genuinely available for rent – that is:

- the property is advertised in ways which give it broad exposure to potential tenants, and
- having regard to all the circumstances, tenants are reasonably likely to rent it.

The absence of these factors generally indicates the owner does not have a genuine intention to make income from the property and may have other purposes, such as using it or reserving it for private use.

Factors that may indicate a property is not genuinely available for rent include:

- it is advertised in ways that limit its exposure to potential tenants – for example, the property is only advertised
 - at your workplace
 - by word of mouth
 - outside annual holiday periods when the likelihood of it being rented out is very low
- the location, condition of the property, or accessibility to the property, mean that it is unlikely tenants will seek to rent it
- you place unreasonable or stringent conditions on renting out the property that restrict the likelihood of the property being rented out
 - such as
 - setting the rent above the rate of comparable properties in the area
 - placing a combination of restrictions on renting out the property
 - such as requiring prospective tenants to provide references for

short holiday stays as well as having conditions like 'no children' and 'no pets'

- you refuse to rent out the property to interested people without adequate reasons.

Property available for part-year rental

If you use your property for both private purposes and to produce rental income, you cannot claim a deduction for the portion of any expenditure that relates to your private use. Examples of properties you may use for both private and rental purposes are holiday homes and time-share units. In cases such as these, you cannot claim a deduction for any expenditure incurred for those periods when the home or unit was not genuinely available for rent – including when it was used by you, your relatives or your friends for private purposes.

In some circumstances, it may be easy to decide which expenditure is private in nature. For example, council rates paid for a full year would need to be apportioned based on the total time the property was rented out and genuinely available for rent during the year as a proportion of the total year.

It may not be appropriate to apportion all your expenses on the same basis. For example, expenses that relate solely to the renting of your property are fully deductible and you would not apportion them based on the time the property was rented out. Such costs might include:

- real estate agents commissions
- costs of advertising for tenants
- phone calls you make to a tradesperson to fix damage caused by a tenant
- the cost of removing rubbish left by tenants.

On the other hand, no part of certain expenses that relate solely to periods when the property is not rented out are deductible. This would include the cost of phone calls you make to a tradesperson to fix damage caused when you were using the property for private purposes.

Only part of your property is used to earn rent

If only part of your property is used to earn rent, you can claim only that part of the expenses that relates to the rental income. As a general guide, apportionment should be made on a floor-area basis that is, by reference to the floor area of that part of the residence solely occupied by the tenant, together with a reasonable figure for tenant access to the general living areas, including garage and outdoor areas if applicable.

For more information about the apportionment of expenses, see:

- *Taxation Ruling IT 2167 – Income tax: rental properties – non-economic rental, holiday home, share of residence, etc. cases, family trust cases and*
- *Taxation Ruling TR 97/23 – Income tax: deductions for repairs.*

Non-commercial rental

If you let a property, or part of a property, at less than normal commercial rates, this may limit the amount of deductions you can claim. For more information about non-commercial rental arrangements, see *Taxation Ruling IT 2167*.

Investment loan used for private purpose

If you take out a loan to purchase a rental property, you can claim the interest charged on that loan as a deduction. However, to the extent that the loan is used or refinanced for a private purpose, you must apportion the interest expense to account for the private use.

Co-owner rents property

If you own a property:

- as tenant in common with another person,
- you do not live in the property, and
- you let your part of a property to your co-owner at a commercial rental rate

then the rent received is assessable income. Accordingly, you may deduct any losses or outgoings incurred in gaining the rental income, provided the losses or outgoings are not of a capital, domestic or private nature.

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Body corporate fees and charges

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Strata title body corporates are constituted under the strata title legislation of the various states and territories.

You may be able to claim a deduction for body corporate fees and charges you incur for your rental property.

Body corporate fees and charges may be incurred to cover the cost of day-to-day administration and maintenance or they may be applied to a special purpose fund.

Payments you make to body corporate administration funds and general purpose sinking funds are considered to be payments for the provision of services by the body corporate and you can claim a deduction for these levies at the time you incur them. However, if the body corporate requires you to make payments to a special purpose fund to pay for particular capital expenditure, these levies are not deductible.

Similarly, if the body corporate levies a special contribution for major capital expenses to be paid out of the general purpose sinking fund, you will not be entitled to a deduction for this special contribution amount. This is because payments to cover the cost of capital improvements or repairs of a capital nature are not deductible; see [Repairs and maintenance](#) and Taxation Ruling TR 97/23. You may be able to claim a capital works deduction for the cost of capital improvements or repairs of a capital nature once the cost has been charged to either the special purpose fund or, if a special contribution has been levied, the general purpose sinking fund; see [Capital works deductions](#).

A **general purpose sinking fund** is one established to cover a variety of unspecified expenses (some of which may be capital expenses) that are likely to be incurred by the body corporate in maintaining the common property (for example, painting of the common property, repairing or replacing fixtures and fittings of the common property). A

special purpose fund is one that is established to cover a specified, generally significant, expense which is not covered by ongoing contributions to a general purpose sinking fund. Most special purpose funds are established to cover costs of capital improvement to the common property.

If the body corporate fees and charges you incur are for things like the maintenance of gardens, deductible repairs and building insurance, you cannot also claim deductions for these as part of other expenses. For example, you cannot claim a separate deduction for garden maintenance if that expense is already included in body corporate fees and charges.

Common property

Common property is that part of a strata plan not comprised in any proprietor's lot, and includes stairways, lifts, passages, common garden areas, common laundries and other facilities intended for common use.

The ownership of the common property varies according to the relevant state strata title legislation. However, in all states, the income derived from the use of the common property is income of lot owners. Accordingly, you can claim deductions for capital works and, in some cases, the decline in value of depreciating assets that form part of the common property in proportion to your lot entitlement. For more information, see [Deduction for decline in value of depreciating assets](#).

For more information about strata title body corporates, see [Taxation Ruling TR 2015/3](#).

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Council rates and local government expenses

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You can claim a deduction for local government rates and levies for the period your property is rented or is genuinely available for rent.

Where you fail to pay local government rates and charges for the property by the due dates and you become liable to pay interest charges under the relevant state law, you can claim the late interest charges as a tax deduction. It is not excluded by penalty provisions of the tax law. We consider the imposition of interest in these circumstances is not a pecuniary punishment for a breach of the Local Government Act but an administrative charge recognising the time value of money. The use of a time factor in the calculation is designed to compensate the local government for the full amount of rates not having been paid by the due date. The interest payment is accordingly deductible to the taxpayer in the year in which it is incurred.

If the local council in which your rental property is located imposes an annual emergency services levy, you can claim a deduction for that amount. An emergency service levy is a charge imposed by a local council on property owners to meet some of the costs for the provision of emergency services by the Country Fire Authority, the Metropolitan Fire Authority, the Police Force and other agencies. It is calculated based on the value of the land and charged annually. We consider it is an ongoing expense incurred in the course of earning your rental income and is therefore a deductible expense.

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Interest on loans

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If you take out a loan to purchase a rental property, you can claim the interest charged on that loan, or a portion of the interest, as a deduction. However, the property must be rented, or genuinely available for rental, in the income year for which you claim a deduction.

You cannot claim a deduction for interest expenses you incur if:

- you start to use the property for private purposes, or
- you refinance an investment loan for private purposes or otherwise use the loan for a private purpose.

If the expenses were incurred partly for a private purpose, you must apportion the expense accordingly. For more information, see

Investment loan used for private purpose.

While the property is rented, or genuinely available for rent, you may also claim interest charged on loans taken out:

- to purchase depreciating assets
- for repairs
- for renovations.

Similarly, if you take out a loan to purchase land on which to build a rental property or to finance renovations to a property you intend to rent out, the interest on the loan will be deductible from the time you took the loan out. However, if your intention changes, for example, you decide to use the property for private purposes and you no longer use it to produce rent or other income, you cannot claim the interest after your intention changes.

Banks and other lending institutions offer a range of financial products which can be used to acquire a rental property. Many of these products permit flexible repayment and redraw facilities. As a consequence, a loan might be obtained to purchase both a rental property and, for example, a private car. In cases of this type, the interest on the loan must be apportioned into deductible and non-deductible parts according to the amounts borrowed for the rental property and for private purposes. If you have a loan account that has a fluctuating balance due to a variety of deposits and withdrawals, and it is used for both private purposes and rental property purposes, you must keep accurate records to enable you to calculate the interest that applies to the rental property portion of the loan; that is, you must separate the interest that relates to the rental property from any interest that relates to the private use of the funds.

Some rental property owners borrow money to buy a new home and then rent out their previous home. If there is an outstanding loan on the old home and the property is used to produce income, the interest outstanding on the loan, or part of the interest, will be deductible. However, an interest deduction cannot be claimed on the loan used to buy the new home because it is not used to produce income. This is the case whether or not the loan for the new home is secured against the former home.

More complicated investment loan interest payment arrangements also exist, such as 'linked' or 'split' loans which involve two or more loans or sub-accounts in which one is used for private purposes and the other

for business purposes. Repayments are allocated to the private account and the unpaid interest on the business account is capitalised. This is designed to allow you to pay off your home loan faster while deferring payments on your rental property loan and maximises your potential interest deduction by creating interest on interest.

This can create a tax benefit because the deduction for interest actually incurred on the investment account is greater than the amount of interest that might reasonably be expected to have been allowable but for using the loan arrangement outlined above. In this case we may disallow some or all of your interest deductions. You should seek advice from your recognised tax adviser or contact us to discuss your situation. For more information, see [Taxation Determination TD 2012/1](#).

If you prepay interest it may not be deductible all at once; see [Prepaid expenses](#).

See also:

- Interest expenses

Thin capitalisation

If you are an Australian resident and you or any associate entities have certain international dealings, overseas interests or if you are a foreign resident, thin capitalisation rules may affect you if your debt deductions, such as interest, combined with those of your associate entities for 2018–19 are more than \$2,000,000.

Companies, partnerships and trusts that have international dealings will need to complete the International Dealings Schedule (IDS). See the [International dealings schedule](#).

For more information about the deductibility of interest, see:

- *Taxation Ruling TR 2004/4 – Income tax: deductions for interest incurred prior to the commencement of, or following the cessation of, relevant income earning activities*
- *Taxation Ruling TR 2000/2 – Income tax: deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities*
- *Taxation Ruling TR 98/22 – Income tax: the taxation consequences for taxpayers entering into certain linked or split loan facilities*

- Taxation Ruling TR 95/25 – *Income tax: deductions for interest under section 8-1 of the Income Tax Assessment Act 1997 following FC of T v. Roberts, FC of T v. Smith*
- Taxation Ruling TR 93/7 – *Income tax: whether penalty interest payments are deductible*
- Taxation Determination TD 1999/42 – *Income tax: do the principles set out in Taxation Ruling TR 98/22 apply to line of credit facilities?*
- Taxation Determination TD 2012/1 – *Income tax: can Part IVA of the Income Tax Assessment Act 1936 apply to deny a deduction for some, or all, of the interest expense incurred in respect of an 'investment loan interest payment arrangement' of the type described in this Determination?*
- Expenses you can claim.

If you need help to calculate your interest deduction, seek advice from your recognised tax adviser or contact us to discuss your situation.

QC 59153

Land tax

Last updated 29 August 2019

Land tax liabilities may be deductible, depending on when the land tax liability arises. The timing of when you incur a liability to pay land tax will depend on the relevant state legislation. Your liability to pay land tax does not rely on the lodgment of a land tax return or on the taxing authority issuing a land tax assessment. In many states, the year in which the property is used for the relevant purposes determines when you are liable, even if an assessment does not issue until a later date.

When you receive land tax assessments in arrears, the amount of land tax is not deductible in the income year in which you pay the arrears. The land tax amounts are deductible in the respective income years to which the liability for the land tax relates.

If a land owner receives a land tax assessment for a year, then later in the same financial year either sells the property or starts to use it as their residence, there is no requirement to apportion the land tax

deduction. We consider that the land tax liability was incurred for an income producing purpose because the liability for it was founded in the property's use for income-producing purposes.

In the event of the property being sold and there being an adjustment of the land tax, the recovered amount should be declared as rental income by the vendor.

QC 59153

Legal fees

Last updated 29 August 2019

Some legal expenses incurred in producing your rental income are deductible. These include the costs of:

- evicting a non-paying tenant
- taking court action for loss of rental income
- defending damages claims for injuries suffered by a third party on your rental property.

Most legal expenses, however, are of a capital nature and are therefore not deductible. These include costs of:

- purchasing or selling your property
- resisting land resumption
- defending your title to the property.

For more information, see [Expenses you can claim](#).

Non-deductible legal expenses which are capital in nature may, however, form part of the cost base of your property for capital gains tax purposes.

See also:

- [Capital gains tax](#)
- [Guide to capital gains tax](#).

QC 59153

Agent fees or commissions

Last updated 29 August 2019

You can claim the cost of fees such as regular management fees or commissions you pay to a property agent or real estate agent for managing, inspecting or collecting rent for a rental property on your behalf.

You are unable to claim the cost of:

- commissions or other costs paid to a real estate agent or other person for the sale or disposal of a rental property
- buyer's agent fees paid to any entity or person you engage to find you a suitable rental property to purchase.

These costs may form part of the cost base of your property for capital gains purposes.

QC 59153

Repairs and maintenance

Last updated 29 August 2019

Expenditure for repairs you make to the property may be deductible. However, generally, the repairs must relate directly to wear and tear or other damage that occurred as a result of your renting out the property.

Repairs generally involve a replacement or renewal of a worn out or broken part, for example, replacing worn or damaged curtains, blinds or carpets between tenants. Maintenance generally involves keeping the property in a tenable condition, for example, repainting faded or damaged interior walls.

However, **expenses which are capital, or of a capital nature are not deductible as repairs or maintenance**. The following are examples of expenses which are capital or of a capital nature:

- replacement of an entire structure or unit of property (such as a complete fence or building, a stove, kitchen cupboards or refrigerator)
- improvements, renovations, extensions and alterations
- initial repairs, for example, in remedying defects, damage or deterioration that existed at the date you acquired the property.

You may be able to claim some construction expenses as capital works deductions where the expenses are capital or of a capital nature. For more information, see [Capital works deductions](#).

Expenses of a capital nature may form part of the cost base of the property for capital gains tax purposes (but not generally to the extent that capital works deductions have been or can be claimed for them). For more information, see [Guide to capital gains tax](#).

Repairs to a rental property will generally be deductible if:

- the property continues to be rented on an ongoing basis, or
- the property remains genuinely available for rental but there is a short period when the property is unoccupied, for example, where unseasonable weather causes cancellations of bookings or advertising is unsuccessful in attracting tenants.

Expenditure for repairs you make to the property may also be deductible where the expenditure is incurred in a year of income that the property is held for income producing purposes, even though the property has previously been held by you for private purposes, and some or all of the damage is attributable to when the property was held for private purposes.

If you no longer rent the property, the cost of repairs may still be deductible provided:

- the need for the repairs is related to the period in which the property was used by you to produce income
- the property was income-producing during the income year in which you incurred the cost of repairs.

Examples of **repairs** for which you can claim deductions are:

- replacing broken windows
- maintaining plumbing
- repairing electrical appliances.

Examples of **improvements** for which you cannot claim deductions are:

- landscaping
- insulating the house
- adding on another room.

See also:

- Repairs and maintenance
- [Capital gains tax](#)
- Expenses you can claim
- Guide to capital gains tax
- Taxation Ruling TR 97/23

Asbestos remediation

Work undertaken to an investment property in dealing with asbestos may, in some cases, be a deductible repair as described above. This depends on the nature or extent of the remediation process.

Where the expenditure is not otherwise deductible as a repair, a deduction may be available as an 'environmental protection activity'.

For more information, see [Asbestos-affected properties](#).

QC 59153

Travel and car expenses

Last updated 29 August 2019

Travel expenses relating to a residential rental property are generally not deductible.

You may be entitled to claim a deduction for travel expenses you incur relating to your rental property if:

- you are an [excluded entity](#), or
- you are using the property in carrying on a business (including a business of letting rental properties), or
- the property is not a [residential rental property](#).

Travel expenses include the costs of travel to inspect, maintain or collect rent for the property.

If you are entitled to claim a deduction for a travel expense relating to your rental property, claim as follows:

- You are allowed a full deduction where the sole purpose of the trip relates to the rental property. However, in other circumstances you may not be able to claim a deduction or you may be entitled to only a partial deduction.
- If you fly to inspect your rental property, stay overnight, and return home on the following day, all of the airfare and accommodation expenses would generally be allowed as a deduction provided the sole purpose of your trip was to inspect your rental property.

For the appropriate rates, see [Work-related car expenses](#).

Apportionment of travel expenses

Where travel related to your commercial rental property or to your residential rental property used in carrying on a business of letting rental properties is combined with a holiday or other private activities, you may need to apportion the expenses.

If you travel to inspect the property and combine this with a holiday, you need to take into account the reasons for your trip. If the main purpose of your trip is to have a holiday and the inspection of the property is incidental to that main purpose, you cannot claim a deduction for the cost of the travel. However, you may be able to claim local expenses directly related to the property inspection and a proportion of accommodation expenses.

You may also need to apportion your travel expenses if they relate to your commercial rental property or residential rental property used in carrying on a business of letting rental properties, and residential rental property not used in carrying on a business of letting rental properties. For more information, see Law Companion Ruling LCR 2018/7 – *Residential premises deductions: travel expenditure relating to rental investment properties*.

QC 59153

Other expenses

Last updated 29 August 2019

On this page

[Lease document expenses](#)

[Mortgage discharge expenses](#)

Lease document expenses

Your share of the costs of preparing and registering a lease and the cost of stamp duty on a lease are deductible to the extent that you have used, or will use, the property to produce income. This includes any such costs associated with an assignment or surrender of a lease.

For example, freehold title cannot be obtained for properties in the Australian Capital Territory (ACT). They are commonly acquired under a 99-year crown lease. Therefore, stamp duty, preparation and registration costs you incur on the lease of an ACT property are deductible to the extent that you use the property as a rental property.

Mortgage discharge expenses

Mortgage discharge expenses are the costs involved in discharging a mortgage other than payments of principal and interest. These costs are deductible in the year they are incurred to the extent that you took

out the mortgage as security for the repayment of money you borrowed to use to produce your rental income.

For example, if you used a property to produce rental income for half the time you held it and as a holiday home for the other half of the time, 50% of the costs of discharging the mortgage are deductible.

Mortgage discharge expenses may also include penalty interest payments. Penalty interest payments are amounts paid to a lender, such as a bank, to agree to accept early repayment of a loan, including a loan on a rental property. The amounts are commonly calculated by reference to the number of months that interest payments would have been made had the premature repayment not been made.

Penalty interest payments on a loan relating to a rental property are deductible if:

- the loan moneys borrowed are secured by a mortgage over the property and the payment effects the discharge of the mortgage, or
- payment is made in order to rid the taxpayer of a recurring obligation to pay interest on the loan.

QC 59153

Expenses deductible over a number of income years

Last updated 29 August 2019

There are three types of expenses you may incur for your rental property that may be claimed over a number of income years:

- [borrowing expenses](#)
- amounts for [decline in value](#) of depreciating assets (allowed only in certain circumstances)
- [capital works deductions](#).

See also:

- [Prepaid expenses](#)

Borrowing expenses



Capital allowances/deductions for decline in value of depreciating assets



Capital works deductions



Prepaid expenses



QC 59153

Borrowing expenses

Last updated 29 August 2019

These are expenses directly incurred in taking out a loan for the property. They include:

- loan establishment fees
- title search fees charged by your lender
- costs for preparing and filing mortgage documents
- mortgage broker fees
- stamp duty charged on the mortgage
- fees for a valuation required for loan approval
- lender's mortgage insurance billed to the borrower.

The following are not borrowing expenses:

- insurance policy premiums on a policy that provides for your loan on the property to be paid out in the event that you die or become disabled or unemployed
- interest expenses
- stamp duty charged on the transfer of the property
- stamp duty incurred to acquire a leasehold interest in property (such as an ACT 99-year Crown lease).

If your total borrowing expenses are more than \$100, the deduction is spread over five years or the term of the loan, whichever is less.

If the total deductible borrowing expenses are \$100 or less, they are fully deductible in the income year they are incurred.

If you repay the loan early and in less than five years, you can claim a deduction for the balance of the borrowing expenses in the year the loan is repaid in full.

If you obtained the loan part way through the income year, the deduction for the first year will be apportioned according to the number of days in the year that you had the loan.

See also:

- Borrowing expenses

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Capital allowances/deductions for decline in value of depreciating assets

Last updated 29 August 2019

On this page

Limit on deductions for decline in value of second-hand depreciating assets

Assets in new residential rental properties

When you purchase a rental property, you are ordinarily treated for tax purposes as having bought a building, plus various separate items of [Plant](#). Items of plant are depreciating assets, such as air conditioners, stoves and other items. The purchase price accordingly needs to be allocated between the 'building' and various depreciating assets.

You can deduct an amount equal to the decline in value for an income year of a depreciating asset that you held at any time during the year. However, your deduction is reduced by the extent you use the asset for a purpose other than a taxable purpose. From 1 July 2017, your deduction is also reduced by the extent you installed or used the asset in your residential rental property to derive rental income and the asset was a second-hand depreciating asset (unless an exception applies). For more information, see [Limit on deduction for decline in value of second-hand depreciating assets](#).

Some items found in a rental property are regarded as part of the setting for the rent-producing activity and are not treated as separate assets in their own right. If your depreciating asset is not plant, and it is fixed to, or otherwise part of, a building or structural improvement, your expenditure will generally be construction expenditure for capital works and only a capital works deduction may be available for those items. For more information, see [Capital works deductions](#).

See also:

- [Capital expenditure](#)

You can work out your deductions using the Depreciation and capital allowances tool or see [Rental properties](#).

Limit on deductions for decline in value of second-hand depreciating assets

From 1 July 2017, there are new rules for deductions for decline in value of certain second-hand depreciating assets in your residential rental property. If you use these assets to produce rental income from your [residential rental property](#), you cannot claim a deduction for their decline in value unless you are using the property in carrying on a business (including a business of letting rental properties), or you are an [excluded entity](#).

Second-hand depreciating assets are depreciating assets previously installed ready for use or used:

- by another entity (except as trading stock)
- in your private residence, or
- for a non-taxable purpose, unless that use was occasional (for example, staying at the property for one evening while carrying out maintenance activities would be considered an occasional use).

This change generally applies to the depreciating assets that you:

- entered into a contract to acquire or otherwise acquired at or after 7.30 pm on 9 May 2017, or
- used or had installed ready for use for any private purpose in 2016-17 or earlier income years, for which you were not entitled to a deduction for a decline in value in 2016-17 (for example, depreciating assets in a property that was your home in 2016-17 that you turned into your residential rental property in 2017-18).

There are no changes to the rules about deductions for decline in value of new depreciating assets in your residential rental property. Similarly, there are no changes to the rules about deductions for decline in value of depreciating assets in your residential rental property that you installed or used for a taxable purpose other than the purpose of deriving rental income.

Note: If you previously used the Depreciation and capital allowances tool and you purchased a residential rental property on or after 7.30pm on 9 May 2017, you must review and adjust any assets impacted by this law change in the tool. To review this information in the tool, select the 'Use the depreciation and capital allowances tool' link.

Assets in new residential rental properties

If you acquire a newly built residential property from a developer, or buy a residential property that has been [substantially renovated](#), you can claim a deduction for a decline in value of a depreciating asset in the property (or its common area) if:

- no one was previously entitled to a deduction for the asset, and:
- either
 - no one resided in the property before you acquired it, or

- the asset was installed for use or used at this property and you acquired the property within six months of it being built or substantially renovated.

Substantial renovations of a building are renovations in which all, or substantially all, of a building is removed or is replaced. The renovations may, but do not necessarily have to, involve the removal or replacement of foundations, external walls, interior supporting walls, floors, roof or staircases. For more information, see **Goods and Services Tax Ruling: GSTR 2003/3 - Goods and services tax: when is a sale of real property a sale of new residential premises?**

Immediate deduction for certain non-business depreciating assets costing \$300 or less

The decline in value of certain depreciating assets costing \$300 or less is their cost. This means you get an immediate deduction for the cost of the asset to the extent that you use it to produce assessable income, including rental income, during the income year in which the deduction is available.

The immediate deduction is available if all of the following tests are met in relation to the asset:

- it cost \$300 or less
- you used it mainly for the purpose of producing assessable income that was not income from carrying on a business (for example, rental income where your rental activities did not amount to the carrying on of a business of letting rental properties)
- it was not part of a set of assets costing more than \$300 that you started to hold in the income year
- it was not one of a number of identical, or substantially identical, assets that you started to hold in the income year that together cost more than \$300.

If you hold an asset jointly with others and the cost of your interest in the asset is \$300 or less, you can claim the immediate deduction even though the total cost of the asset was more than \$300; see [Partners carrying on a business of letting rental properties](#).

The amount of the immediate deduction may need to be reduced if the changes which limit deductions for decline in value of certain second-hand depreciating assets in residential rental properties apply to the asset. See [Limit on deduction for decline in value of second-hand depreciating assets](#).

For more information about immediate deductions for depreciating assets costing \$300 or less, see [Guide to depreciating assets](#).

QC 59153

Capital works deductions

Last updated 29 August 2019

You can deduct certain kinds of construction expenditure. In the case of residential rental properties, the deductions would generally be spread over a period of 25 or 40 years. These are referred to as capital works deductions. Your total capital works deductions cannot exceed the construction expenditure. No deduction is available until the construction is complete.

Deductions based on construction expenditure apply to capital works such as:

- a building or an extension, for example, adding a room, garage, patio or pergola
- alterations, such as removing or adding an internal wall
- structural improvements to the property, for example, adding a gazebo, carport, sealed driveway, retaining wall or fence.

You can only claim deductions for the period during the year that the property is rented or is genuinely available for rent.

Where the rental property is destroyed, for example by fire, and results in a total loss of the asset, you can deduct an amount in the income year in which the capital works are destroyed for all of your construction expenditure that has not yet been deducted. However, you must reduce this deduction by any insurance and salvage receipts.

If however, using the same example above, during an income year the building is affected by fire and the building cannot be rented or made

available for rent but it is expected to be made available for rent again, then the owners cannot claim a deduction for capital works for the number of days that the building is not available for rent.

If you claimed capital works deductions based on construction expenditure, you cannot take that expenditure into account in working out any other types of deductions you claim, such as deductions for decline in value of depreciating assets.

See also:

- [Capital expenditure](#)

You can work out your deductions using the Depreciation and capital allowances tool or see [Rental properties](#) for more information.

Limited recourse debt arrangements

If expenditure on a depreciating asset (which includes construction expenditure) is financed or refinanced wholly or partly by limited recourse debt (including a notional loan under certain hire purchase or instalment sale agreements of goods), you must include excessive deductions for the capital allowances as assessable income. This will occur where the limited recourse debt arrangement terminates but has not been paid in full by the debtor. Because the debt has not been paid in full, the capital allowance deductions, including capital works deductions, allowed for the expenditure exceed the deductions that would be allowable if the unpaid amount of the debt was not counted as capital expenditure of the debtor. Special rules apply for working out whether the debt has been fully paid.

If you are not sure what constitutes a limited recourse debt or how to work out your adjustment to assessable income, contact your recognised tax adviser.

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Prepaid expenses

Last updated 29 August 2019

If you prepay a rental property expense, such as insurance or interest on money borrowed, that covers a period of 12 months or less and the period ends on or before 30 June 2020, you can claim an immediate deduction. If the expense covers a period that extends beyond 30 June 2020, your deduction might have to be spread over two or more years under the prepayment rules if the expense is \$1,000 or more.

For more information, see [Deductions for prepaid expenses](#).

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Other tax considerations

Where you can find more information about other tax considerations.

Last updated 29 August 2019

On this page

[Capital gains tax](#)

[Goods and services tax \(GST\)](#)

[Negative gearing](#)

[Pay as you go \(PAYG\) instalments](#)

Capital gains tax

If you disposed of your property (for example, by selling it, gifting it or transferring it to someone else) in 2018–19, capital gains tax might apply and you must see [Rental properties](#) and the [Guide to capital gains tax](#). You may need to show any capital gains or losses at the [Capital gains or losses](#) section.

Goods and services tax (GST)

If you are registered for GST and it was payable in relation to your rental income, do not include it in the amounts you show as income in your tax return.

Similarly, if you are registered for GST and entitled to claim input tax credits for rental expenses, you do not include the input tax credits in the amounts of expenses you claim. If you are not registered for GST, or the rental income was from residential premises, you include any GST in the amounts of rental expenses you claim.

For more information, phone **13 28 66**.

Negative gearing

A rental property is negatively geared if it is purchased with the assistance of borrowed funds and the net rental income, after deducting other expenses, is less than the interest on the borrowings.

The overall taxation result of a negatively geared property is that a net rental loss arises. In this case, you may be able to claim a deduction for the full amount of rental expenses against your rental and other income (such as salary, wages or business income) when you complete your tax return for the relevant income year. Where the other income is not sufficient to absorb the loss it is carried forward to the next tax year.

If by negatively gearing a rental property, the rental expenses you claim in your tax return would result in a tax refund, you may reduce your rate of withholding to better match your year-end tax liability.

If you believe your circumstances warrant a reduction to your rate or amount of withholding, you can apply to us for a variation using the PAYG income tax withholding variation (ITWV) application.

Pay as you go (PAYG) instalments

If you make a profit from renting your property, you will need to know about the PAYG instalments system.

This is a system for paying instalments towards your expected tax liability for an income year. You will generally be required to pay PAYG instalments if you earn \$4,000 or more of business or investment income, such as rental income, and the debt on your income tax assessment is more than \$1,000.

If you are required to pay PAYG instalments we will notify you. You will usually be required to pay the instalments at the end of each quarter. There are usually two options if you pay quarterly instalments:

- pay using an instalment amount or an instalment rate calculated by us (as shown on your activity statement), or
- pay an instalment amount or using an instalment rate you work out yourself.

Depending upon your circumstances, you may be eligible to pay your instalments annually. We will notify you if you are eligible to pay an annual PAYG instalment.

For more information, see [PAYG instalments](#).

If you receive payments that are subject to withholding (for example, salary or wages) you can contribute towards your expected tax liability for an income year by increasing your rate or amount of withholding. That way you can avoid having a tax bill on assessment, which means that you may not be required to pay PAYG instalments. To do this, you will need to arrange an upwards variation by entering into an agreement with your payer to increase the rate or amount of withholding. You and your payer will need to complete a PAYG withholding variation application (e-variation).

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Definitions

Definitions of terms related to rental properties.

Last updated 29 August 2019

On this page

Excluded entity

Residential rental property

Plant

Excluded entity

An entity is an excluded entity if, at any time during the income year in which the travel expense is incurred, the entity is:

- a corporate tax entity
- a superannuation plan that is not a self-managed superannuation fund
- a public unit trust
- a managed investment trust, or
- a unit trust or a partnership, if each of its members are entities of a type listed above at that time during the income year.

Residential rental property

Residential rental property is a residential premises used to provide residential accommodation for the purpose of producing assessable income.

A residential premise (property) is land or a building that is:

- occupied as a residence or for residential accommodation
- intended to be occupied, and is capable of being occupied, as a residence or for residential accommodation.

For example, a house or a unit used as residential accommodation for the purpose of producing rental income is residential rental property. A caravan or a house-boat is generally not residential rental property

Plant

The ordinary meaning of plant does not include the **setting** for income-earning activities. Residential rental properties will invariably be the setting for income-producing activities and so do not fall within the ordinary meaning of plant. Items that form part of the premises are also part of the setting, and therefore not eligible for deductions for their decline in value.

You should consider the following factors when determining whether an item is part of the premises or setting:

- whether the item appears visually to retain a separate identity

- the degree of permanence with which it is attached to the premises
- the incompleteness of the structure without it
- the extent to which it was intended to be permanent or whether it was likely to be replaced within a relatively short period.

None of these factors alone is determinative and they must all be considered together.

Examples

Wall and floor tiles are generally fixed to the premises, not freestanding, and intended to remain in place for a substantial period of time. They will generally form part of the premises. Expenditure on these items falls under capital works.

On the other hand, a freestanding item such as a bookcase may be attached to the structure only for temporary stability. It therefore does not form part of the premises and may qualify for a deduction for decline in value.

Kitchens are fixed to the premises, are intended to remain in place indefinitely and are necessary to complete the premises. Any separate visual identity they have is outweighed by the other factors. They are therefore part of the premises. Clothes hoists are also part of the premises for similar reasons.

Insulation batts, although generally not fixed, are intended to remain in place indefinitely, do not have a separate visual identity and add to the completeness of the structure. They are also part of the premises.

In addition to its ordinary meaning, plant includes articles and machinery.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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