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Residential rental properties

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Tax time toolkit for investors



Our resource for anyone earning money from their investments, whether you invest in property, shares or crypto assets.

QC 23626

What to consider before buying a rental property

If you're buying a rental property, it's important you get the right advice from the very beginning.

Last updated 24 March 2026

Before you buy your rental property


When you're preparing to buy a rental property, there are a few important things to think about to make sure you start off on the right track.

Get the right information

Whether you have just bought a rental, or you are thinking about buying one, it's important to get the right information before you start. Speaking with a registered tax agent, or doing your own research from a reliable source (like our website) can help you prepare and understand why you need to:

- [keep records](#) right from the start
- work out what [expenses](#) you can claim as deductions (including how and when)
- work out if you need to pay tax instalments ([PAYG Instalments](#)) throughout the year
- declare all [rental-related income](#) in your tax return
- consider the [capital gains tax \(CGT\) implications if you sell](#).

You should also check this information regularly to ensure you're relying on the most up-to-date advice.

Tax agents must be registered with the Tax Practitioners Board (TPB). You can find a registered tax agent or check if a person is registered by visiting the [TPB website](#) .

For more help see, [Residential rental properties](#).

Use our [net rental income worksheet](#) to find common rental expenses and help you estimate if a property is likely to generate a net income or loss before you buy.

Example: getting information from a reliable source

Jing decides to buy a rental property.

Jing hasn't owned a rental property before and is feeling overwhelmed by some of the information she has found online. Her friends offer to help.

Jing bases her early decisions on the information her friends give her instead of getting her information from a reliable source like a tax professional or our website. She doesn't consider how these decisions will affect her tax situation.

Learn which records you need to keep

The key to making tax time easier is keeping good records and creating a record system that works for you.

When you buy a rental property, you will need to keep records from the time you buy the property, through to 5 years after you sell it.

There are many [types of rental records](#) you will need to keep. These can be in either paper or digital format. We recommend you keep a back-up of all your digital records.

Understand your expenses before getting started

There are a number of [rental expenses](#) you may incur when preparing to buy a rental property. Not all of these expenses can be claimed in your tax return.

[Borrowing expenses](#) can be claimed as a deduction spread over 5 years, or the term of your loan – whichever is shorter. This includes things like:

- loan establishments costs
- title search fees
- lenders mortgage insurance.

[Expenses that you can't claim](#) include:

- the amount you borrow to buy the property
- stamp duty charged by your state or territory government
- legal expenses, including solicitors' and conveyancers' fees for the purchase of the property.

Instead, you may be able to include these amounts in the [cost base](#) of your property. This can help you reduce the amount of Capital gains tax (CGT) you pay when you sell your property.

Example: expenses that can't be claimed in your tax return

Jing tries to understand what her budget and potential cash flow will be.

She has a lot of costs during this period, such as:

- state government taxes
- building and pest control inspections
- council rates
- purchasing and title transfer costs.

Jing assumes that as these costs are related to purchasing the property, she can claim them in her tax return.

Jing checks the ATO website and learns that purchasing and title transfers costs **are not deductible**. Instead, these costs need to be included in her cost base which is used to work out her capital gain (or loss) when she sells the property.

When you've bought the rental, but before it's tenanted

Before you rent your property, there may be existing damage that you want to repair.

Decisions on making repairs before your property is rented

If you do any work to repair damage that existed to your property when you first purchased it, these are called 'initial repairs'. For example, scuffed walls or damaged floorboards.

These are **capital expenses**, and you can't claim them as a deduction right away.

Initial repairs are part of the acquisition cost and included in the cost base of the property for CGT purposes, unless they're:

- [capital works](#)
- [depreciating assets](#).

Example: painting the walls before the property is rented

Jing decides to have her rental property painted throughout, before seeking a tenant. Jing assumes she can claim the work as an immediate deduction.

However, Jing makes this decision before understanding how the event will be treated in her tax return. If she knew she couldn't claim it straight away, she may have decided to spend the money on painting later when she didn't have as many initial expenses.

After your property is rented

When your property is rented, you'll need to manage ongoing decisions about repairs, maintenance and improvements, and prepare for lodging your first tax return as an investor.

Know what income you will need to report

You must declare all the income you receive for your rental property in your tax return.

Some examples include:

- rental income you receive from tenants (including cash payments)
- bond money you retain (if tenants leave damage to your property)
- insurance payouts (whether for loss of rent, damage from a natural disaster, or another unexpected event).

Example: property damaged while rented out

Jing now has tenants renting her rental property.

A short time later, the roof gets damaged during a storm. There is one section of broken tiles, but the rest of the roof is still in good condition. Jing makes a claim through her landlord insurance.

She arranges for the damage to be repaired and pays the contractor.

The insurance company agrees to reimburse Jing for the repairs and pays her a lump sum.

Jing will need to report this lump sum amount as assessable income in her next tax return and claim a deduction for the cost of the repair to the roof.

Understanding repair, maintenance or improvement

You may incur some expenses to complete works on your rental property. For example, fixing a broken shower, replacing the carpet, or building a new fence.

If and how you can claim these expenses as deductions will depend on whether the work is a repair, maintenance, or improvement to your rental property.

Generally, if you:

- replace a part of something that is worn out, damaged or broken because of renting out the property, it's likely to be a repair
- do work to prevent deterioration or fix existing deterioration to keep the property in a tenantable condition, it's likely to be maintenance
- renovate, replace an entire structure that's partly damaged, or add a new structure to improve the property, it's an improvement – and likely to be capital works.

Use our [quick reference guide](#) to work out the category of your rental property expense.

Example: when both maintenance and improvements are made

Jing receives an annual statement from her property manager at the start of the new financial year.

With Jing's agreement, the property manager arranges for a gardener to cut the grass and maintain the plants on a monthly basis.

At Jing's instruction, the gardener also lays some pavers around the back door as the ground is boggy. The tenants are very happy with the improvement.

However, the gardener has invoiced the work together as a lump sum instead of separating the gardening (maintenance) and the paving (capital works improvement). Jing needs to ask the property manager to arrange for separate invoices so she can claim appropriately.

Lodging your first tax return as an investor

When you lodge your first tax return as an investor, you will need to make sure you have all your information available, including:

- all rental income you received
- dates that the property was rented
- evidence of all your expenses.

If you lodge with a tax professional, it's best you speak to them as early as possible (for example, when you first buy a rental property). They can let you know exactly what details you will need, and which records you need to keep.

Example: lodging a tax return for the first time as an investor

Jing visits her tax agent, Darsha, in July. She takes her receipts and the annual landlord statement from her property manager. Darsha is surprised to learn that Jing has purchased an investment property.

Darsha gives Jing the ATO's [Rental properties guide](#). She explains the different deductions Jing will be able to claim immediately, those that can be claimed over a period of time, and those that are included in the cost base when selling the property.

Jing is surprised to find out she can't claim an immediate deduction for the painting work. This is because the expense was incurred to make the property suitable to be rented so it is an initial repair.

Authorised by the Australian Government, Canberra.

QC 106252

Owning and renting a property or holiday home

Find out about owning and renting a property and holiday home and check what records you should keep.

Last updated 23 June 2025

Renting out your property or holiday home

If you rent out property, you need to:

- [keep records](#) right from the start
- work out what expenses you can claim as deductions
- work out if you need to pay tax instalments throughout the year
- declare all rental-related income in your tax return
- consider the capital gains tax implications if you sell.

If you have an investment property that isn't rented or available for rent, such as a [holiday home](#), then you generally can't claim deductions because it doesn't generate rental income.

If you buy a rental property or holiday home, you'll need the date of purchase and costs of buying the property as part of your records. The date you enter into the contract is the purchase date (not the settlement date) for capital gains tax purposes.

Co-owning rental property

If you co-own the property you'll need to know your ownership interest, to make sure you:

- keep the right records
- report the correct share of the rental income
- claim the correct amount for expenses you incur.

For more information, go to the rental properties guide – [Co-ownership of rental property](#).

Buying a home

If you buy a home that is your main residence, you should also keep records. You'll need these records to make sure you don't pay more tax than you need to, if you later decide to:

- make your [residential property available for rent](#)
- [rent out all or part of your home](#) through the sharing economy
- [use all or part of your home to produce income](#).

For more information, see [IT 2167](#) *Income tax: rental properties – non-economic rental, holiday home, share of residence, etc. cases, family trust cases*.

Investment or business

Most rental activities are in the form of an investment. You need to work out if your activities amount to:

- [carrying on a business](#)
- a [domestic arrangement](#)
- sharing part of your home
- normal commercial practices.

For more information see, [Rental property as investment or business](#).

If you're investing in property you intend to rent out as affordable housing, there are registration requirements and criteria you need to meet. See, [Investing in affordable rental housing](#).

Foreign resident investors

If you're a foreign resident or a temporary resident and you plan to [invest in residential rental property](#), you'll first need to:

- apply for approval, pay the application fee and wait to be approved before you make a purchase
- keep the right records
- report the correct share of the rental income.

Rental property video series

Watch our videos to learn about your tax obligations when investing in a rental property.

Media: Rental property video series

<https://ato.vudoo.io/embed/44255332639>

For more information about rental and investment properties, see:

- [Rental properties guide](#)
- [Tax time toolkit for investors](#).

QC 23627

Rental income you must declare

Check which rental income you must declare and where you should declare it in your tax return.

Last updated 28 January 2026

What you must declare

You must declare all the income you receive for your rental property (including from overseas properties) in your tax return. These include:

- short-term rentals

- renting your property through a sharing platform
- renting part or all of your home
- formal and domestic arrangements where you rent out to family and friends at less than commercial (or market) rates.

Types of rental income

Rental income can be payments you receive in cash or in the form of goods and services. You need to work out the monetary value of any payments you receive in the form of goods and services.

Rental income is payment for rent from your tenant. These are paid to either you, your agent or a property manager.

Payments relating to your rental income may include:

- bond money you retain in place of rent or keep because of damage to the property
- letting and booking fees you retain when renters or holiday makers cancel a booking
- insurance payouts, such as
 - damage from a natural disaster (such as a bushfire, flood or cyclone)
 - damage from an unexpected event (such as a burst sewage pipe)
 - for the loss of rent
- money you receive from a relief fund in a disaster
- payments for [deductible expenses](#), such as
 - payments from a tenant to cover the cost of repairing property damage
 - government rebates for buying a depreciating asset (for example, a solar hot water system)
- lump sum payments of rental income
- any assessable amounts relating to limited recourse debt arrangements involving your rental property.

Taxation Ruling [IT 2167](#) *Income Tax: rental properties – non-economic rental, holiday home, share of residence, etc. cases, family trust cases* has been withdrawn. For more information, see:

- [TR 2025/D1](#) *Income tax: rental property income and deductions for individuals who are not in business*
- [PCG 2025/D6](#) *Apportionment of rental property deductions – ATO compliance approach*
- [PCG 2025/D7](#) *Application of section 26-50 of the Income Tax Assessment Act 1997 to holiday homes that you also rent out – ATO compliance approach.*

Domestic arrangements

Where you receive payment from family members in the form of 'board and lodging', your arrangement is of a domestic nature. This means you:

- don't declare the rent as income
- can't claim expenses.

However, if you rent out your property to relatives or friends, you need to work out whether the:

- arrangements are consistent with normal commercial practices in the area
- price is less than commercial rent.

If the arrangement is consistent with normal commercial practices, we treat you the same as any other owner in a comparable arms-length situation. If the property is rented out at less than commercial rent, other considerations arise and your claim for expenses may only be allowed up to the amount of rent you received.

For more information, see:

- [TR 2025/D1](#) *Income tax: rental property income and deductions for individuals who are not in business*
- [PCG 2025/D6](#) *Apportionment of rental property deductions – ATO compliance approach*
- [PCG 2025/D7](#) *Application of section 26-50 of the Income Tax Assessment Act 1997 to holiday homes that you also rent out – ATO*

compliance approach.

Rental income and completing your tax return

You must declare rental income and related payments in your tax return in the year your tenant pays rent. If your tenant pays rent to your agent or property manager, declare rental income in the year your tenant pays them, not when it's transferred to you.

You need to declare rental income based on your legal ownership of the property. For example, if you own 50% of a property you must declare 50% of the rental income in your tax return.

Example: reporting rental income

Stephanie and Patrick own a unit as tenants in common in equal shares (50% each). They have rented the property for the full year, via a property manager. The property manager takes care of routine maintenance and deducts the expenses and property management fees from the rental income the tenant pays. The balance is then paid into Stephanie and Patrick's bank account.

The tenant gives notice that they will be moving out and directs the property manager to use their bond to pay the final month's rent. The bond is released to the property manager on 30 June 2025. The income isn't paid into Stephanie and Patrick's account until 4 July 2025.

When Stephanie and Patrick are preparing their tax return, they need to ensure they:

- report the gross rent they earn, before it's reduced by property management fees and any expenses paid on their behalf by the property manager
- include the bond money retained for the final month's rent in their 2025 tax return, as that's the year it was received by the property manager
- report their income and expenses according to their legal ownership (50% each).


Where to report

In your individual tax return, include amounts that you earn:

- in Australia at 'You had Australian interest, or other Australian income or losses from investments or property'
- from overseas property at 'Other foreign income'.

You can [claim a foreign income tax offset](#) for the tax you pay on rental income you earned in another country.

There are also special rules that apply to the deductibility of rental expenses that you can claim against your [foreign rental income](#).

Media: How to include rental income and expenses in myTax
<https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubtjsfhw>  (Duration: 1:56)

QC 23632

Rental property genuinely available for rent

Your rental property must be rented out or genuinely available to rent to claim a deduction for expenses you incur.

Last updated 28 November 2025

Things that show your rental property is available

Your property is available for rent where you either have:

- a tenant renting the property
- made genuine effort to

- advertise the property in ways that give it broad exposure to possible tenants
- have conditions that are not so restrictive that tenants are likely to rent the property.

Where you rent out property or it is genuinely available for rent, you can [claim for expenses](#) you incur. There are also some [rental expenses you can't claim](#).

Things that show your rental property is not available

Things that may show a property isn't genuinely available for rent include:

- it's advertised in ways that limit its exposure to potential tenants – for example, the property is only advertised
 - at your workplace
 - by word of mouth
 - on restricted social media groups
 - outside annual holiday periods when the likelihood of it being rented out is very low
- the location, condition of the property, or accessibility of the property mean that it's 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
 - for example, requiring prospective tenants to provide references for short holiday stays and having conditions like 'no children' and 'no pets'
- you refuse to rent out the property to interested people without adequate reasons.

These things generally show you:

- don't have a genuine intention to earn rental income from the property
- may have other purposes, such as using it or reserving it for personal use.

Check our examples of factors that generally indicate the [property is not genuinely available to rent](#).

Taxation Ruling [IT 2167](#) *Income Tax: rental properties – non-economic rental, holiday home, share of residence, etc. cases, family trust cases* has been withdrawn. For more information, see:

- [TR 2025/D1](#) *Income tax: rental property income and deductions for individuals who are not in business*
- [PCG 2025/D6](#) *Apportionment of rental property deductions – ATO compliance approach*
- [PCG 2025/D7](#) *Application of section 26-50 of the Income Tax Assessment Act 1997 to holiday homes that you also rent out – ATO compliance approach.*

QC 66383

Rental property as investment or business

If you own a rental property or holiday home, work out if your rental arrangements are for investment or business.

Last updated 23 June 2025

Common rental arrangements

Common rental arrangements include where you:

- rent part of the property (rent out a room)
- rent the property for part of the year

- have a [domestic arrangement](#) with family members (meaning, you receive payment for board and lodging)
- rent the property to your family or friends
- rent your property consistent with normal commercial practices (arms-length arrangements).

Find out more about [Rental income you must declare](#).

Rental investors

Most owners are investors who are not in the business of letting rental properties, even where they own more than one investment property. This is because they:

- have minimal involvement in rental activities (such as, interviewing potential tenants or inspecting the property)
- still rely on income from other sources, like their job.

Carrying on a business of letting rental properties

Your income from the letting of property to a tenant, or multiple tenants, will not typically amount to the carrying on of a business, as such activities are generally considered a form of investment rather than a business.

As the owner of rental properties, some of the factors that show you are carrying on a business of letting rental properties are the:

- significant size and scale of the rental property activities
- significant number of hours spent on the activities
- extensive personal involvement in the activities
- business-like manner in which the activities are planned, organised and carried on.

There are 8 indicators to determine whether a business is being carried on. These are listed in paragraph 13 of [TR 97/11](#). Although the ruling refers to primary production, these are equally relevant to non-primary production activities.

Example: not carrying on a business

Saania owns 16 rental properties, 14 of which are managed by real estate agents. Saania frequently attends personally to rental property matters, such as collecting rent and arranging for repairs to be done. She also undertakes regular analysis to measure the financial performance of her rental properties.

Saania is not carrying on a business of property investing because the activities are no more than letting properties.

Example: carrying on a rental property business

Mr and Mrs Smith own several rental properties either as joint tenants or equal tenants in common. They own 8 houses and 3 apartment blocks. Each block comprises 6 residential units. So, they own a total of 26 rental properties.

The Smiths actively manage all of the properties. They devote a significant amount of time to these activities – an average of 25 hours per week each. They undertake all financial planning and decision-making in relation to the properties. They interview all prospective tenants and conduct all of the rent collections. They carry out regular property inspections and attend to all of the everyday maintenance and repairs themselves or organise for them to be done.

The Smiths are carrying on a rental property business. This is indicated by the following factors:

- the significant size and scale of the rental property activities
- the number of hours they spend on the activities
- their extensive personal involvement in the activities
- the business-like manner in which the activities are planned, organised and carried on.

For more information, see [Property used in running a business](#).

QC 66425

Records for rental properties and holiday homes

Find out about what records to keep and for how long for rental properties and holiday homes.

Last updated 23 June 2025

How long to keep rental records

You need to keep records for **5** years. Depending on your situation, that is 5 years from the date:

- you lodge your tax return
- of your last claim for the decline in value of an asset
- it is certain that no capital gains tax event can occur after you acquire, sell or otherwise dispose of property
- you resolve any disputes you have with us.

You will need these records to work out how much:

- rental income you need to declare
- you can claim as a deduction for your expenses
- capital gain or loss you make when you dispose of your rental property.

In some circumstances, you may need to provide these records as proof that you were the one to incur the expense.

Format of your rental records

Rental records must be in English or be readily translatable into English.

You can keep your records in either paper or digital format. If you make copies, they must be a true and clear copy of the original.

We recommend you keep a back-up of all your digital records.

You can use the [myDeductions tool](#) in the ATO app to keep track of your records digitally. When you are ready to complete your tax return, you can:

- email your data to yourself or to your tax agent
- upload your data to pre-fill your tax return.

Types of rental records to keep

You should keep a record of the following for your rental property or holiday home:

- [Rental income](#)
- [Rental expenses](#)
- [When you buy a rental](#)
- [While you own a rental](#)
- [When you sell a rental](#)

Rental income

Records of the payments you receive, such as:

- a statement from your property or managing agent
- a rent book or bank statements that shows the rental payments going into your account
- documents that show a record of any bond money you retain in place of rent.

For more information on rental income, see [Rental income you must declare](#).

Rental expenses

Records for [expenses](#) you incur, such as:

- bank statements showing the interest charged on money you borrowed for the rental property
- loan documents

- land tax assessments
- documents or receipts that show amounts you pay for
 - advertising (including efforts to rent out the property)
 - bank charges
 - council rates
 - gardening
 - property agent fees
 - repairs or maintenance
- documents showing details of expenses related to
 - the decline in value of depreciating assets
 - any capital work expenses, such as structural improvements
- before and after photos for any capital works
- travel expense documents, if you are eligible to claim [travel and car expenses](#) such as
 - travel diary or similar that shows nature of the activities, dates, places, times and duration of your activities and travel (you must have this if you travel away from home for 6 nights or more)
 - receipts for flights, fuel, accommodation, meals and other expenses while travelling.

When you buy a rental property

Records when you buy (invest) in a rental property, such as:

- contract of purchase
- conveyancing documents
- loan documents
- costs to buy the property
- borrowing expenses.

While you own a rental property

Records for while you own a rental property, such as:

- documents that show periods of personal use by you or your friends
- document that show periods the property is used as your main residence
- loan documents if you refinance your property
- documents, receipts and before and after photos for capital improvements
- tenant leases
- documents for [rental expenses](#).

When you sell your rental property

Records for when you sell or otherwise dispose of your rental property, such as:

- contract of sale
- conveyancing documents
- sale of property fees
- calculation of capital gain or loss.

Records for multiple properties

Keep separate records for each property, if you have:

- more than one property (including a block of apartments or similar)
- a duplex
- property that has been sub-divided.

This will ensure that you declare the correct [rental income](#) and claim the correct [rental expenses](#) for each property. It will also ensure that if you later sell or otherwise dispose of one or part of a property, you will have records to work out your capital gain or loss.

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.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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