



 [Print whole section](#)

## Property and land

Find out about deductions, income and tax implications for residential rental properties, holiday homes and vacant land.

### Residential rental properties

If you own a residential rental property, find out about keeping records, declaring income and claiming expenses.

### Holiday homes

Understand the deductions and tax implications if you own a holiday home.

### Vacant land and subdividing

Find out the tax treatment and if you can claim deductions for holding, selling or subdividing vacant land.

QC 103902

## Holiday homes

Understand the deductions and tax implications if you own a holiday home.

**Last updated** 21 May 2026

## What is a holiday home?

A holiday home is a property that is used (or held for use) for either:

- your holidays or recreation,
- the holidays or recreation of your family members and friends for no rent or at a reduced rate.

For these purposes, 'holiday' means a vacation, that is, a period of time spent away from work for your or your family's recreation. 'Recreation' includes amusement, sport or similar leisure activities.

### **Example: rental property not a holiday home**

Cho owns an apartment in Geraldton, Western Australia that she markets to holidaymakers through a sharing economy platform. Cho also lives in Geraldton so she provides services for her guests which include tours of the local area.

As Cho has her own home in Geraldton, she never uses or reserves the apartment for her holidays and recreation. She also doesn't allow her family or friends to use the property for their holidays or recreation for free or reduced rates of rent.

Cho takes all reasonable steps to ensure the property is rented for as many days as possible during the income year, including:

- not placing unreasonable restrictions on the property
- keeping the rent comparable to similar properties in the area
- promptly replying to requests to rent the property.

The apartment Cho owns in Geraldton is not a holiday home. She doesn't use it or reserve it for her own holidays and recreation. Cho also doesn't allow family and friends to use the property for their holidays and recreation for free or for reduced rent.

Because Cho takes all reasonable steps to ensure the property is rented out, Cho can claim a deduction for the expenses she incurs to produce rental income from the apartment.

## Holiday home – not rented out

If you own a holiday home and don't rent out the property, you don't include anything in your tax return until you sell it.

When you sell the property, you'll need to calculate your [capital gain or loss](#).

Keep all records from the time you purchase the property until the time you sell it to be able to work out the capital gain or loss when you sell.

For more information about the records you need to keep, see [Keeping records for property](#).

## Holiday home – rented out

If your holiday home is rented out, you need to include the rental income you receive as income in your tax return.

The expenses you can claim as a deduction for your holiday home depend on whether you [used or held it for use mainly to produce rental income](#).

## Deductions for your holiday home

Holiday homes are leisure facilities, that is, buildings (or part of a building) or other structures used (or held for use) for holidays or recreation. There are special rules about the type of expenses you can and can't claim for a leisure facility.

You can claim a deduction for [ownership and use expenses](#) for your holiday home only if it is [used or held for use mainly to produce rental income](#).

## Ownership and use expenses

Ownership and use expenses are costs you incur:

- to acquire or retain ownership of your property
- to acquire or retain rights to use your property
- to use, operate, maintain, or repair your property
- in relation to any obligation associated with your ownership or your rights to use your property.

Common examples of ownership expenses for a holiday home include:

- interest money borrowed to finance the purchase of the property
- borrowing expenses
- council rates
- water rates
- body corporate fees
- land tax
- repairs and maintenance.

Ownership and use expenses don't include the booking fees, advertising fees and cleaning fees you incur when your holiday home is rented out.

## **Used or held for use mainly to produce rental income**

Using or holding your holiday home for use mainly to produce rental income means that it is chiefly, principally or for the most part used for that purpose.

The following factors need to be considered to work out whether your holiday home is used, or held for use, mainly to produce rental income for the income year:

- the way your holiday home is actually used
- how much time your holiday home was dedicated to income-producing use
- how much time you used your holiday home for your own private use or for potential private use by you or your family and friends
- how often your holiday home is available or used as a rental at times when the use of the property is desirable for holiday pursuits (such as during school holidays, public holidays or peak seasonable demand periods).

One of these factors on its own won't determine if your holiday home is used, or held for use, mainly to produce assessable income. For example, it won't be enough to compare the days your holiday home is used or blocked out for use by you or your family and friends

compared to the days it is rented or advertised for rent. Your intention about how you were going to use your holiday home also isn't relevant.

### **Example: mainly used (or held for use) for rental income**

Viraji lives in Sydney and owns an apartment on the Gold Coast, Queensland. The property is near the beach and is managed by property managers as part of the apartment complex rental pool. All rental enquiries are managed and responded to by the dedicated property manager.

Viraji's property is regularly rented on a short-stay basis and has a high occupancy rate during the income year.

Each income year, Viraji blocks out 4 weeks so she can use the apartment for her own holiday. She selects a period during the income year when demand for her apartment is low. Viraji also occasionally stays at the apartment when visiting the area if it isn't already booked out or rented.

As Viraji uses the property for holidays, it is a holiday home.

Viraji is using the apartment or holding it for use mainly to produce rental income. This is because Viraji's use of the property and how she holds it for use shows that she prioritises renting the property out over her personal use.

Viraji can claim a deduction for the expenses she has incurred in earning rental income for her Gold Coast apartment.

Viraji can't claim a deduction for the expenses incurred during the periods that Viraji uses the property herself. Her expenses will need to be apportioned to take her personal use into account.

### **Example: limited personal use with high occupancy during peak periods – government**

## restrictions

Bindi and Ash live in Sydney and own a house in a regional town close to several bushwalking tracks. There are government restrictions and rules for short-term rental properties located in the regional area the property is located which limit short-term stays of less than 21 days to a maximum of 180 days per year. Where a booking is for 21 or more consecutive days, those days don't count towards the 180 day limit.

Tourist demand is highest during the warmer summer months up to the end of the Easter school holidays, allowing the property to be rented at higher market rates. To maximise occupancy and rental income, Bindi and Ash advertise the property through a local real estate agent specialising in holiday accommodation and list it on several sharing economy platforms. The property has a high occupancy rate during this period.

During periods of high rental demand, Bindi and Ash don't block out the property for their personal use for their holidays or recreation. However, they stay at the property while on holiday for one week when it isn't already booked or rented.

Outside peak periods, when demand for the property is low, Bindi and Ash block out a total of 4 weeks for personal use while on holiday. At all other times, they actively manage the property to maximise rental income.

Once the 180 day limit is reached, Bindi and Ash continue to advertise the property for rent but restrict bookings to stays of 21 or more consecutive days. To maximise the income they receive in the offseason, they vary the rental rate to attract bookings.

Because Bindi and Ash use the house for their holidays and recreation, it is a holiday home. Bindi and Ash's claim for deductions relating to their regional property wouldn't be denied because it is a holiday home that they use (or hold for use) mainly to produce income from rent. Their use of the property shows clear prioritisation of income-producing use over personal use.

Bindi and Ash will still be required to apportion deductions to account for their personal use of the property.

### **Example: property not mainly used (or held for use) for rental income**

Josh lives in Perth and owns a beach house in Busselton, Western Australia. The beach house is advertised for rent year-round through an agent and on sharing economy platforms. The beach house is highly desirable during the summer months and is rented at a higher rate during this time. The beach house is always blocked out for use by Josh and his family and friends at Christmas and Easter, and during summer school holiday periods.

Josh and his family don't always use the property for the blocked-out dates, but Josh has instructed his agent not to let the property during these times just in case they wish to use it at short notice. Josh is very selective about who can rent the property and rejects many of the booking enquiries he receives. On average, the beach house is rented out to unrelated guests for about 10 weeks during the income year.

Because Josh uses the beach house for his and his families holidays and recreation, it is a holiday home. The beach house isn't mainly being used (or held for use) by Josh to produce assessable income. Josh is prioritising his personal use of the property over any income-earning use.

Josh can't claim a deduction for his ownership and use expenses for the property.

## **Holiday home – deductions when not held or used mainly to produce rental income**

If your holiday home is not mainly used (or held for use) to produce rental income, you can't claim any deductions for [ownership or use expenses](#).

Expenses that don't relate to ownership or use of your holiday home, such as advertising costs to rent the property, booking fees or

cleaning costs after a guest stay, are deductible to the extent they are incurred in gaining or producing rental income from the property.

### **Example: not mainly used (or held for use) for rental income**

Andy is an avid golfer. He purchased a property on a golf course in the Hunter Valley, New South Wales. The property is advertised online via sharing economy platforms. Andy stays at the property approximately one or two Sundays each month to play golf.

The property has a minimum stay requirement of 4 nights but has a recurring block-out period on Sundays to allow Andy to use the property if he wants to. Andy also makes sure that prospective tenants are aware that the property has poor mobile phone reception and doesn't have any internet available for use by tenants.

The property is let 5 or 6 times during the income year for the minimum 4-night stay. Andy receives rental income of \$5,398 and incurs the following expenses:

- interest expenses on the mortgage – \$52,127
- council and water rates – \$4,712
- insurance – \$3,691
- commission to the sharing economy platform – \$1,079
- cleaning after a tenant stays – \$637.

The property is a holiday home because it is used for Andy's holidays or recreation.

Andy is prioritising his personal use of the property over any income-producing use so it isn't being used (or held for use) mainly to produce rental income.

Andy must declare the rent he receives as rental income (\$5,398). However, as the property isn't used (or held for use) mainly to produce assessable rental income, Andy can't claim a

deduction for any of the ownership and use expenses he incurs (interest, council and water rates, or insurance expenses).

Andy can claim deductions for the expenses that aren't ownership or use expenses, that is, the commission to the sharing economy platform and the cleaning expenses he incurs after a tenant has stayed in the property.

The net rent from the property is:

- rent received = \$5,398
- deductible rental expenses  $\$1,079 + \$637 = \$1,716$
- net rental income =  $\$5,398 - \$1,716 = \$3,682$ .

Andy includes net rental income of \$3,682 in his tax return.

### **Example: not used or held for use mainly for rental income**

Ashkay and Jesminda jointly own a cabin at a caravan park. They use the cabin and reserve it for their family holidays. As the cabin is used by Ashkay and Jesminda for their family vacations, the cabin is a holiday home.

Occasionally, when Ashkay and Jesminda know they won't be using the cabin for their own use, they advertise and rent it out to guests through a sharing economy platform. In total, the cabin is rented for 42 days during the income year.

During the income year, Ashkay and Jesminda receive rental income of \$4,525 and they incur the following expenses:

- interest on a loan used to purchase the cabin – \$4,263
- repairs and maintenance – \$465
- site fees – \$4,678
- insurance – \$684
- commission to the sharing economy platform – \$679.

The cabin is not used (or held for use) by Ashkay and Jesminda mainly to produce rental income during the income year, it is used and held mainly for family holidays.

Ashkay and Jesminda must include the rent they receive during the income year as assessable income in their tax return (\$4,525).

Ashkay and Jesminda can't claim any of the ownership or use expenses as a deduction. This means they can't claim a deduction for amount they incurred for interest expenses, repairs and maintenance, site fees or insurance.

The commission of \$679 paid to the sharing economy platform can be claimed as a deduction because it isn't an ownership or use expense and it relates solely to earning rental income from the property.

As Ashkay and Jesminda own the cabin jointly, they will each declare 50% of the net rent which is calculated as follows:

- rent received =  $50\% \times \$4,525 = \$2,262$
- deductible expenses – commission =  $50\% \times \$679 = \$340$
- net rental income =  $\$2,262 - \$340 = \$1,922$

For more information on when your holiday home isn't used or held for use mainly to produce assessable income, see Practical Compliance Guideline [PCG 2026/3](#) *Application of section 26-50 of the Income Tax Assessment Act 1997 to holiday homes that you also rent out – ATO compliance approach*.

## **Holiday home – deductions when used or held for use mainly to produce rental income**

For a holiday home that is [used or held for use mainly to produce rental income](#), you can claim expenses to the extent they are incurred to produce rental income.

You'll need to apportion your expenses if:

- your property is available to produce assessable income for only part of the income year
- your property is used for private purposes for part of the income year
- only part of your property is used to earn rent
- you charge less than market rent to family or friends to use the property.

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

- real estate commissions and booking fees
- 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.

There are also expenses you can't claim a deduction for at all. These are expenses that relate to:

- periods when the property isn't used or held for use to produce rental income
- periods when the property is used for a private purpose
- parts of the property that aren't rented out.

This would include the cost of cleaning your holiday home after you, your family or friends have used the property for a holiday or a repair for damage you have caused while staying there.

**Example: used or held for use mainly to produce rental income with minor private use for holidays**

Natalie owns a house in the Barossa Valley. She advertises the property year-round on a sharing economy platform. The property has a high occupancy rate during the usual 4 month peak period, and lower occupancy rate at other times during the year (the low period).

During the income year, Natalie:

- responds to all enquiries to rent the property promptly
- doesn't place unreasonable restrictions on renting the property
- keeps the rate of rent similar to comparable properties in the area during the peak period and the low period
- uses the property for a one week holiday during peak period.

Based on the above, Natalie actively manages the property to maximise rental income and her use for her holidays and recreation is incidental. The property is mainly used (or held for use) to earn assessable rental income so Natalie can claim her ownership and use expenses.

During the income year, Natalie receives rent of \$35,432 and incurs booking and commission fees for the sharing economy platform of \$3,543, cleaning expenses of \$5,485 and other expenses of \$28,641.

Natalie can claim the full amount of the commission and cleaning expenses as a deduction. However, she must apportion the other expenses to account for her private use of the property (one week).

Natalie's rental income and deductions for the year are:

- rent received = \$35,432
- rental expenses =  
[\$3,543 + \$5,485 + (\$28,641 × 51 weeks + 52 weeks)] = \$37,118
- net rental loss = \$35,432 - \$37,118 = (\$1,686).

For information on how to apportion expenses, see Practical Compliance Guideline [PCG 2026/2](#) Apportionment of rental property deductions – ATO compliance approach and [Claim the right amount of expenses](#) - methods of apportionment.

If you have a rental property that is an apartment in a commercial residential property, see [Holiday apartments in commercial residential properties](#).

## Holiday home – clear change of main use

Your main use of your holiday home can change part-way through your ownership period or an income year. A change in main use will not occur because of:

- a one-off use that is different from what is otherwise your main use
- the regular seasonal pattern of use of your holiday home, for example, there won't be a clear change of the main use of your holiday home located near the ski fields after the snow season has ended.

There must be a definite and sustained change in the pattern of how your holiday home is used (or held for use).

### Example: clear change of main use

Carla, who lives with her family in Sydney, owns a beach house in the Whitsundays. The beach house is rented out through an agent and is advertised year-round. However, each income year Carla has owned the property it has been blocked out for use by her and her family and unavailable for rent during Easter, the Christmas and New Year period and school holidays.

Although Carla's family haven't always used the property during the blocked out periods, the property isn't made available for paying guests. In addition, Carla rejects most applicants who attempt to rent the beach house and has, in the past, cancelled a couple of bookings so she could use it herself.

On 1 January, Carla and her family move overseas. From that date onwards:

- all the restrictions on the use of Carla's holiday home are removed
- no dates are blocked out for personal use
- Carla's agent actively markets her holiday home
- the beach house is almost always occupied by paying guests.

During the period from 1 July to 31 December, the beach house is a holiday home which is mainly used (or held for use) by Carla and her family, and the property isn't used (or held for use) mainly to produce assessable income from rent. Carla must include any rent derived from the beach house as income but she can't claim a deduction for any ownership or use expenses in relation to the beach house.

From 1 January, there is a clear change in use and from that date, it is used or held for use mainly to produce assessable income. Carla won't be prevented from claiming a deduction for her rental expenses from that date onwards however she may still need to apportion her expenses to exclude any non-income producing use or private use.

For more information, see:

- [Renting out all or part of your home](#)
- [Sharing economy and tax](#)
- [TR 2026/1](#) *Income tax: rental property income and deductions for individuals who are not in business*
- [PCG 2026/3](#) *Apportionment of rental property deductions – ATO compliance approach*
- [PCG 2026/3](#) *Application of section 26-50 of the Income Tax Assessment Act 1997 to holiday homes that you also rent out – ATO compliance approach.*

## Holiday apartments in commercial residential properties



An apartment that is part of commercial residential premises is treated like other residential rental properties.

QC 45076

## Holiday apartments in commercial residential properties

An apartment that is part of commercial residential premises is treated like other residential rental properties.

**Last updated** 21 May 2026

## Holiday apartments and GST

Commercial residential premises are generally subject to GST. However, an individual holiday apartment doesn't have the characteristics of commercial residential premises. If you lease or sell your holiday apartment, you may not have to pay GST.

## Leasing

If you lease your apartment to either a guest or a management company (to use as part of commercial residential premises), you make an input taxed supply of residential premises. This means you:

- aren't liable for GST on the income
- can't claim GST credits for anything you purchase or import to lease the premises.

As with any rental property, you must declare the income you receive in your tax return, and you can claim tax deductions for many of the associated expenses. If the apartment is your [holiday home](#) and it is not mainly used (or held for use) to produce rental income you won't be able to claim ownership and use expenses.

## Example: leasing out your apartment to a management company

Aiko owns a strata-titled apartment. When she leases her apartment to Mink Management Services (MMS) the supply is input taxed.

MMS will group Aiko's apartment with other apartments in a complex and let them out as serviced apartments.

Even though Aiko's apartment is located within commercial residential premises, her apartment doesn't, by itself, have the characteristics of commercial residential premises – it is residential.

This means Aiko:

- isn't liable for GST on the income
- can't claim GST credits for anything she purchases or imports to lease the premises.

## Selling

If you sell your apartment it's considered residential premises and is input taxed, regardless of whether it's located within [commercial residential premises](#). This means you:

- aren't liable for GST on the income
- can't claim GST credits for anything you purchase or import to make the sale.

If you make a capital gain when you sell your apartment, you may need to pay capital gains tax, just as you would when selling any rental property.

QC 23638

**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.

## **Copyright notice**

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).