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Rental property expenses

How to claim expenses, keep records and avoid common mistakes if you own a residential rental property.

Top 10 tips for rental property owners

If you use a tax agent or choose to lodge your tax return yourself, avoiding these common mistakes will save you time.

Record keeping for rental properties

Find out what records you need to keep for properties you rent out, including holiday homes.

Rental interest expenses

You can claim interest paid on the amount borrowed, or a portion of it, that relates to earning assessable income.

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QC 105987

Top 10 tips for rental property owners

If you use a tax agent or choose to lodge your tax return yourself, avoiding these common mistakes will save you time.

Last updated 5 May 2025

You can visit the ATO Publication Ordering Service to download a copy of the Top 10 tips for rental property owners fact sheet.

1. Getting initial repairs right

Initial repairs include any maintenance or improvements prior to getting tenants in. They include existing damage or work required when you bought the property, even if you don't fix the issues immediately. For example, replacing a broken window pane and repairing damaged floorboards.

You may be able to claim a deduction over several years as a capital works deduction. These costs and any unclaimed initial repair costs can be used to work out your capital gain or capital loss when you sell the property.

For more information, see Rental repairs, maintenance and capital expenses.

2. Getting purchase costs right

You can't claim deductions for the costs of buying your property. These include conveyancing fees and stamp duty (for properties outside the ACT).

These costs are added to the cost base and are used when working out if you need to pay capital gains tax when you sell.

3. Claiming interest on your loan

You can claim deductions for interest paid on:

- the principal amount borrowed on your rental property loan
- loans for things like repairs, maintenance and capital expenses relating to your rental property.

You **can't** claim interest on any part of the loan used to buy personal items, such as school fees or going on a holiday.

You must separate interest paid for your rental property, so you don't claim interest relating to private use.

For more information, see Rental interest expenses.

4. Claiming borrowing expenses

If your borrowing expenses are over $100, the deduction is spread over 5 years or the term of the loan, whichever is shorter. If they are

$100 or less, you can claim the full amount in the income year you incur the expense.

Borrowing expenses:

- include loan establishment fees, title search fees and costs of preparing, stamp duty on the mortgage and filing mortgage documents.
- **don't** include stamp duty charged by your state or territory government on the property title (this stamp duty is included in the property's cost for CGT purposes).

Remember to apportion your borrowing expenses in the first year based on the number of days you own the property.

For more information and examples, see Rental borrowing expenses.

5. Getting improvements and construction costs right

You can claim certain building costs, including extensions, alterations and structural improvements as **capital works** deductions from the date construction was completed.

Generally, you can claim a capital works deduction at 2.5% of the construction cost for 40 years.

Unclaimed capital works expenses can be included when working out your capital gain or loss when you sell or dispose of the property.

For more information, see Rental repairs, maintenance and capital expenses.

6. Claiming body corporate fees

Body corporate fees can consist of amounts that are treated differently, such as expense amounts and capital amounts. The amount you pay to your body corporate **administration fund** for your rental property is deductible in full in the year you incur it.

You can't claim an immediate deduction when your body corporate raises funds applied to a **special purposes fund** to pay for major capital improvements or repairs of a capital nature.

If the funds went to the special purpose fund to pay for a capital improvement, you may be able to claim a capital works deduction for your share of the expense once the work is complete. The cost must be charged to either the special purpose fund or the general purpose sinking fund, if a special contribution has been levied.

For more information, see Rental property body corporate fees and charges.

7. Apportion correctly

You need to apportion expenses for any private use, such as, renting to family or friends below market rates or keeping it vacant for your private use. If you:

- use part of your property to earn rent, apportion based on area
- rent it out for part of the year, apportion based on days.

You need to apportion your income and expenses according to your ownership percentage of the property:

- as joint tenants your legal interest will be an equal split
- as tenants in common you may have different ownership interests.

8. Keeping the right records

You must have evidence of your rental property income and expenses to claim a deduction.

You need to consider capital gains tax (CGT) when you sell your rental property, so keep all records for the entire period you own it, and for 5 years from the date you sell it.

Records you need to keep for Records for rental properties and holiday homes.

9. Selling your property

Foreign resident capital gains withholding (FRCGW) must be withheld on all real property (property) disposals and sales unless the vendor is:

- an Australian resident for tax purposes with a clearance certificate

- a foreign resident with a variation notice specifying a reduced rate of FRCGW.

Without a clearance certificate or variation notice, the purchaser must withhold up to 15% of the sale (or market value if not sold at arm's length).

Examples of types of property are vacant land, buildings, residential (including your home) and commercial property.

For more information, see Foreign resident capital gains withholding.

10. Getting your capital gains right when selling

When you sell your rental property, you may make a capital gain or a capital loss. Generally, this is the difference between:

- what it cost you to buy and improve the property
- what you receive when you sell it.

Don't include amounts already claimed as a deduction against rental income earned from the property, including decline in value (depreciation) and capital works.

Include your capital gain or loss in your tax return in the year you sign the sale contract. Capital losses can be carried forward to reduce capital gains in later years.

For more information, see Capital gains tax on the sale of property.

This is a general summary only.

For more information:

- see Residential rental properties
- watch our short videos at Rental property video series
- download our Rental properties guide
- read our Capital gains tax guide.

QC 104432

Record keeping for rental properties

Find out what records you need to keep for properties you rent out, including holiday homes.

Published 1 May 2026

You can download a copy of the [Record keeping for rental properties (PDF, 250KB)] fact sheet.

Important tips

When you own a rental property, you'll need to keep records:

- right from the beginning (before you even sign the contract to buy)
- every year that you own it (including records of your income and expenses)
- when you sell it (keep them for at least 5 years after you sell).

Keep this checklist on hand as a reminder of the records you need to keep.

Before getting started, remember, if you:

- have more than one rental property, keep separate records for each
- co-own your rental property, the rental income and most expenses must be attributed to each co-owner according to the legal interest in the property
- have a tax agent, ask how they want you to keep and share your records with them.

Record-keeping checklist

The following examples are a guide only. There may be different records you need to keep.

- Property information
- Records of your rental income

- Records of your rental expenses
- Short-term rentals and personal use
- Selling the property
- How to keep rental records
- How long to keep your records

Property information

You need to keep records from the time you buy the property, whether you lived in it before renting it out or purchased it solely as a rental. These records will help you calculate your capital gain or loss when you sell the property.

When you buy the property

- Certificate of title (showing ownership by name and percentage)
- Mortgage papers (loan contract)
- Other loan documents, including:
  - lender's insurance certificate
  - lender's title search fees
  - stamp duty on the mortgage
- Land tax assessments
- Receipts for pest and building inspections
- Settlement statement that outlines:
  - conveyancing and legal fees
  - costs for searches
  - state and territory stamp duty.

When you first start using the property to produce income (for example, renting out the property, or a room in your home)

- Receipts and invoices for any repairs you've made to the property before renting it out

- Market valuation* (by a professional valuer, showing the value of your property at the time you start renting it)
- Records showing any periods you lived at the property* (for example, utility bills or electoral roll address confirmation).

*Only required if you start renting your main residence.

Records of your rental income

You must declare all income you receive for your rental property (including overseas properties) in your tax return. This includes:

- short-term and long-term rentals
- renting your property through a sharing platform (for example, Couchsurfing, Airbnb)
- renting part or all of your home.

For more information, see Rental income you must declare.

Rental income

- Records showing the dates you rented the property out
- Statement from your property manager or receipts given to tenants (if you don't have a property manager)
- Tenancy agreements
- Statements from sharing economy platforms
- Evidence of other payments from tenants – for example, utility costs.

Bond money retained

- Documents from government bond authorities.

Insurance payouts

- Documents from your insurance company, including any payments received.

Records of your rental expenses

To be entitled to claim a deduction, you must incur the cost. You need to work out the amount of the expense relating to your income-producing activities.

If you rent out part of your property, you need to work out your expenses on a floor-area basis, and in some circumstances, on a time-basis as well.

For more information, see Rental expenses you can claim and Common property expenses.

Interest expenses

- Bank statements
- Loan documents
- Details of any redraws (and what it was for)
- Documents of refinancing and any additional amounts added to the loan (and whether this was for your rental or private use)
- Calculations of apportioning for private use.

Expenses to rent the property

- Receipts and invoices for all expenses (with details of each expense)
- Insurance premium notices
- Contract or agreement with rental property agent or manager
- Annual statement from your property manager (alongside invoices) showing:
  - their fees and commissions
  - advertising costs
  - minor repair costs
- Evidence of your efforts to rent out the property; for example, communication between you and your agent or manager
- Tenant leases
- Land tax assessments
- Water rates and charge notices
- Council rate notices
- Bank statements with ongoing bank or finance fees

- Body corporate fee notices (showing breakdown of admin fees, sinking fees, etc)
- Solicitor invoices for legal expenses
- Invoices for accounting fees.

Repairs, maintenance and capital expenses

The more details of these expenses you have, the easier it will be to categorise when lodging your return. Keep in mind, you can only claim repairs and maintenance that you paid for. **You can't claim for your own labour.**

- Receipts and invoices
- Contracts for work done
- Depreciating assets schedule (capital allowances)
- Property manager reports
- Before and after photos
- Evidence of construction costs (capital works).

Short-term rentals and personal use

If you are renting out part of a property through the sharing economy like Airbnb or Booking.com, you need to apportion expenses based on:

- the floor-area solely occupied by the renter (user) and add to that a reasonable amount based on your guests' access to common areas
- the number of days during the year you rent out part of the property.

For more information, see Renting out all or part of your home.

Sharing economy or short-term letting of entire property through an agent or manager

- Periods the property has paying guests
- Booking confirmations
- Statements from the platform, agent or manager showing:
  - periods the property was rented

  - fees and commissions, including cancellations
  - advertising expenses
  - cleaning fees charged by the platform
- Receipts and invoices for utilities, rates, body corporate fees, insurance, repairs and maintenance, and depreciating assets
- Calculations for decline in value and capital works.

Expenses relating to the entire property that need to be apportioned according to the 'floor area' used by guests

- Plan of your property with floor area used by guests clearly marked
- Calculations of expenses you apportioned, including:
  - house, contents and landlord insurance
  - cleaning and maintenance
  - utility bills such as electricity, gas, water and internet
  - body corporate fees
  - council rates.

Personal use

- Periods of personal use by you or your family/friends (even if they paid a reduced rate)
- Periods the property is used as your main residence (home).

Selling the property

When you sell your rental, you will need to hold onto your records for at least another 5 years.

Selling your rental or investment property

- Contract of sale
- Settlement statement showing:
  - conveyancing or solicitor fees for the sale
  - settlement adjustments

- Receipts, invoices or other documents showing paid advertising expenses and real estate commission
- Details of any unclaimed capital expenses, including initial repairs
- Calculation of capital gain or loss.

How to keep rental records

Keep separate records for each rental property or holiday home.

Your records must be in:

- English, or translatable to English
- writing (they can be electronic or paper) – we recommend you keep a backup of any digital records.

How long to keep your records

You need to keep records of deductions for 5 years from the date you lodge your tax return.

The records for buying, owning and selling the property need to be kept for at least 5 years after you dispose of the property.

If you have amended a tax return, you need to keep your records long enough to cover the amendment period (usually 2 or 4 years) for assessments using information from the record.

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

This is a general summary only.

For more information:

- Worksheet – work out your net rental income or loss
- Rental property video series
- Rental properties guide.

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Rental interest expenses

You can claim interest paid on the amount borrowed, or a portion of it, that relates to earning assessable income.

Published 5 May 2025

You can visit the ATO Publication Ordering Service to download a copy of the Rental interest expenses fact sheet.

What you can claim

You can claim interest expenses you incur on the loan that you use to:

- buy a rental property
- buy a depreciating asset for the rental property (for example, a new air conditioner)
- make repairs to the rental property (for example, roof repairs due to storm damage)
- finance renovations to the rental property
- pre-pay expenses for the rental property up to 12 months in advance.

What you can’t claim

You can't claim any payments for paying off the principal of your loan.

You can't claim interest:

- for periods you use the property for private purposes, even if it’s for a short time
- on any part of the loan
  - used for private purposes on the initial loan or if you refinance
  - that you redraw for private purposes, even if you're ahead in your repayments

- used to buy a new home if you don't use it to produce income, even if you use your rental property as security for the loan
- on funds used to buy vacant land, until the time construction of your rental property is complete and available for rent.

If your loan was used to buy a rental property and something else, such as a car, you can't just repay the part relating to your personal purchase, even when you refinance. All loan repayments are apportioned across both purposes until all the loan has been repaid and you are no longer claiming interest expenses for that property.

Examples – interest expenses

Example: claiming share of interest incurred – joint borrowers and joint owners

Kosta and Jenny take out an investment loan for $350,000 to buy an apartment they hold as joint tenants.

They rent out the property for the whole year from 1 July. They incur interest of $30,000 for the year.

Kosta and Jenny can each make an interest claim of $15,000 on their respective tax returns for the first year of owning the property.

Example: claiming part of the interest incurred

Yoko takes out a loan of $400,000, with $380,000 to be used to buy a rental property and $20,000 to buy a new car.

Yoko's property is rented for the whole year from 1 July. Her total interest expense on the $400,000 loan is $35,000.

To work out how much interest she can claim as a tax deduction, Yoko must do the following calculation:

> **Total interest expenses × (rental property loan ÷ total borrowing) = deductible interest**

$$35,000 \times (\$380,000 \div \$400,000) = \$33,250$$

Yoko works out she can claim $33,250 as an allowable deduction.

Example: interest incurred on a mortgage for a new home

Zac and Lucy take out a $400,000 loan secured against their existing property to buy a new home.

Rather than sell their existing home they decide to rent it out.

They have a mortgage of $25,000 remaining on their existing home, which is added to the $400,000 loan under a facility with sub-accounts, this means the 2 loans are managed separately but are secured by the one property.

Zac and Lucy can claim an interest deduction against the $25,000 loan for their original home as it is now rented out.

They can't claim an interest deduction against the $400,000 loan used to buy their new home as it isn't being used to produce income, even though the loan is secured against their rental property.

This is a general summary only.

For more information:

- see Residential rental properties
- watch our short videos at Rental property video series
- download our Rental properties guide
- read our Capital gains tax guide.

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Rental borrowing expenses

What borrowing expenses are and how to calculate them correctly.

Published 5 May 2025

You can visit the ATO Publication Ordering Service to download a copy of the Rental borrowing expenses fact sheet.

What are borrowing expenses?

You incur borrowing expenses when you take out a loan to buy a rental property.

They include:

- loan establishment fees
- lender's mortgage insurance (insurance the lender bills to you)
- stamp duty you pay on the mortgage (**not** stamp duty to transfer the property into your name – this is used to work out your cost base for capital gains tax purposes)
- title search fees your lender charges
- costs for preparing and filing mortgage documents (including solicitors' fees)
- mortgage broker fees
- fees for a valuation required for a loan approval.

Amounts that are not borrowing expenses

Borrowing expenses for a rental property **don't** include:

- the principal amount you borrow and any repayments
- interest expenses (claim these at **interest on loans**)
- annual loan package fees (claim these at **Sundry expenses**)
- insurance policy premiums that provide for your loan to be paid out if you die, become disabled or unemployed (this is a private

expense and can't be claimed).

The following expenses are **not** borrowing expenses, however you can include them in the cost base for capital gains tax (CGT) purposes when you sell or dispose of your rental property:

- stamp duty
  - your state or territory government charges on the transfer (purchase) of the property title
  - you incur to acquire a leasehold interest in a property, such as an Australian Capital Territory 99-year crown lease (if you rent the property, you may be able to claim this as a lease document expense at **Sundry expenses**)
- legal expenses, including solicitor and conveyancer fees you incur to buy the property.

Claiming borrowing expenses

If your total borrowing expenses are:

- more than $100, spread the deduction over 5 income years or the term of the loan, whichever is shorter
- $100 or less, claim a full deduction in the income year you incur the expenses.

If you got the loan part way through the income year, apportion the deduction for the first year according to the number of days in that year.

If you repay the loan in less than 5 years, you can claim a deduction for the balance of the borrowing expenses in the final year of repayment.

Calculating borrowing expenses

To work out your borrowing expenses, you must apportion any deductions for parts of the loan used for private purposes. For example, private purposes may include to buy a car, pay for school fees, or remodel the kitchen in your home. You can't claim private expenses.

To help work out your claim, use our Deductible borrowing expenses calculator (XLS,154KB).

Example: apportionment of borrowing expenses

Fiona and Max (as joint tenants each with 50% interest) secure a 20-year loan of $209,000 to buy a rental property for $170,000 and a car for $39,000.

They pay for establishment fees, valuation fees and stamp duty on the mortgage. Their borrowing expenses on the loan total $1,670.

As their borrowing expenses are more than $100, they must apportion their deduction over 5 years because it’s less than the period of the loan (20 years).

As they use part of the loan ($39,000) for a private purpose, they can't claim a deduction for borrowing expenses on this portion of the loan.

Fiona and Max secure the loan on 17 July, so they work out the borrowing expense deduction for the first year as follows:

> Borrowing expenses × (number of relevant days in income year ÷ number of days in the 5-year period) × (amount of rental property loan ÷ total amount borrowed) = deduction for the year.

As joint tenants, they need to report their share (50%) in each of their tax returns.

They work out their borrowing expenses deduction as shown in the table below. Year 4 is a leap year.
Borrowing expense calculation

Borrowing expense calculation

Year	Calculation	Available deduction for the year
1	$1,670.00 × (349 ÷ 1,826) = $319.18 $319.18 × ($170,000 ÷ $209,000)	$259.62
2	$1,350.82 × (365 ÷ 1,477) = $333.82	$271.53

	$333.82 × ($170,000 ÷ $209,000)	
3	$1,017.00 × (365 ÷ 1,112) = $333.82 $333.82 × ($170,000 ÷ $209,000)	$271.53
4 (leap year)	$683.18 × (366 ÷ 747) = $334.73 $334.73 × ($170,000 ÷ $209,000)	$272.27
5	$348.45 × (365 ÷ 381) = 333.82 $333.82 × ($170,000 ÷ $209,000)	$271.53
6	$14.63 × (16 ÷ 16) = $14.63 $14.63 × ($170,000 ÷ $209,000)	$11.90

This is a general summary only.

For more information:

- see Residential rental properties
- watch our short videos at Rental property video series
- download our Rental properties guide
- read our Capital gains tax guide.

QC 104434

Rental repairs, maintenance and capital expenses

How to get repairs, maintenance, improvements and capital expenses right.

Published 5 May 2025

You can visit the ATO Publication Ordering Service to download a copy of the Rental repairs, maintenance and capital expenses fact sheet.

Quick reference guide

A guide to where to include deductions for rental properties in your tax return.

Repair

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**. For example, replacing part of a fence damaged in a storm or getting in a plumber to fix a leaking tap. Claim repairs at **Repairs and maintenance** in the tax return in the income year the expense is incurred.

Maintenance

If you do work to prevent deterioration or fix existing deterioration to keep the property in a tenantable condition, it's likely to be **maintenance**. For example, getting faded interior walls repainted or having a deck re-oiled. Claim maintenance at **Repairs and maintenance** in the tax return in the income year the maintenance expense is incurred.

Initial repair

If you repair damage that existed when the property was bought (whether it was known about at the time of purchase or not), it's likely to be an **initial repair**. For example, fixing floorboards or repairing deteriorated window frames. Initial repairs are capital **expenses** and aren't deductible. In some circumstances, the expense may be claimed as capital works deduction (generally 2.5% **of the expense** over 40 years). Claim **these types of initial** repairs at **Capital works**.

Capital works

If you renovate, replace an entire structure that's partly damaged, or add a new structure to improve the property, it's likely to be **capital works**. For example, replacing all the fencing, not just the damaged portion, or adding a carport. This should be claimed at **Capital works**, generally 2.5% **of the expense** over 40 years. Unclaimed costs can be used to work out your capital gain or capital loss when you sell the property.

Depreciating assets

If you install a new appliance **or** window covering, it's likely to be a **depreciating asset** and its cost **must be claimed over the** asset's **effective life**. For example, buying a new dishwasher or installing new carpet. This should be claimed at **Capital allowances**.

Detailed guide

Find out about repairs, maintenance, improvements and capital expenses.

Repairs and maintenance

The cost of repairs and maintenance may be deductible in full in the year you incur them if:

- the expense directly relates to wear and tear or other damage that occurred while renting out the property
- the property either
  - continues to be rented on an ongoing basis
  - remains available for rent, but there's a short time when the property is unoccupied (for example, where unseasonable weather causes cancellations of bookings or all reasonable efforts to attract tenants were unsuccessful).

Repairs

To claim a deduction for the cost of repairs they must either:

- occur after your property was rented or made available for rent, and have been caused by the rental activity of the person making the claim (not from a previous owner), or
- caused by special circumstances beyond your control, such as a natural disaster or deliberate damage by tenants.

Generally, repairs can be claimed in full in the same year you incurred the expense.

Examples of repairs include:

- replacing broken windows
- repairing electrical appliances or machinery
- replacing part of the guttering damaged in a storm

- replacing part of a fence damaged by a falling tree branch.

Maintenance

Maintenance generally involves keeping your property in a tenantable condition. It includes work to prevent deterioration or to fix existing deterioration.

Examples of maintenance include:

- repainting faded or damaged interior walls
- oiling, brushing or cleaning something that is otherwise in good working condition (for example, oiling a deck or cleaning a swimming pool)
- maintaining plumbing.

Capital expenses to claim over several years

Find out about capital expenses you can claim over several years.

Depreciating assets (capital allowances)

Depreciating assets are items that can be described as plant, which don't form part of the premises. These items are usually:

- separately identifiable
- not likely to be permanent and expected to be replaced within a relatively short period
- not part of the structure.

When claiming a deduction for decline in value for each asset, you can choose to use either:

- the effective life determined for these types of assets
- your own reasonable estimate of its effective life.

Where you estimate an asset's effective life, you must keep records to show how you worked it out.

Examples of assets that deductions for decline in value can be applied to include:

- floating timber flooring
- carpets

- curtains
- appliances like a washing machine or fridge
- furniture.

Second-hand depreciating assets

Second-hand depreciating assets are depreciating assets that were already installed ready for use or used:

- by another entity (except as trading stock)
- in your private residence
- 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 occasional use).

You can't claim a deduction for the decline in value of a second-hand depreciating asset used in a residential rental property, unless:

- you purchased the asset before 7:30 pm on 9 May 2017
- you installed it into your rental property before 1 July 2017.

Capital works

Capital works describe certain kinds of construction expense used to produce income.

The rate of deduction for these expenses is generally 2.5% per year for 40 years following construction.

When you sell the property, any unclaimed costs can be used to work out your capital gain or capital loss.

Capital works include:

- building construction costs
- the cost of altering a building
- major renovations to a room
- adding a fence
- building extensions such as garages or patios
- adding structural improvements like a driveway or retaining wall.

In some circumstances, initial repairs will also be treated as capital works.

Improvements

An improvement can be anything that makes the property better, more valuable or more desirable, or changes the character of the item that works are being carried out on.

Improvements can be either:

- capital works – a structural improvement (for example, remodelling a bathroom or adding a pergola)
- capital allowances – the item is a depreciating asset (for example, carpet or a dishwasher).

Improvements include work that:

- provides something new – for example, adding a gazebo or carport
- improves the income-producing ability or expected life of the property
- goes beyond restoring the efficient functioning of the property.

It's important to correctly categorise each expense incurred to ensure its treated correctly for tax purposes.

Initial repairs

Initial repairs are costs you incur to remedy defects, damage or deterioration that existed at the time you acquired the property to make it suitable to rent out. They are not immediately deductible. It doesn’t matter if you were unaware of the need to make repairs to the property at the time you purchased it.

Similarly, initial repairs to a depreciating asset when you purchased the property that aren’t from your tenant's use of the property, aren’t deductible.

Where an initial repair relates to capital items associated with the building structure, like kitchen cabinets, you can claim the cost as a capital works deduction. Generally, this deduction will be at 2.5% per year for 40 years.

Before renting the property out, if you replace an old depreciating asset with a new one, such as a new dishwasher, you can claim a decline in value deduction for this asset over its effective life.

The cost of remedying initial repairs that existed at the time of purchase form part of the CGT cost base when you sell the property. You must reduce the CGT cost base by amounts claimed (or that you were entitled to claim) as capital works for the initial repairs.

Example: initial repairs not deductible (existing damage)

Lisa buys a property with the intention of renting it out. At the time of purchase Lisa knew that she would need to repair the roof (replace all roof tiles) and part of the ceiling as they were in a poor condition.

When carrying out the works, Lisa discovered there was extra structural damage that required her immediate attention. The repair to the ceiling costs her $2,000, the replacement of roof tiles cost her $9,000 and the structural work cost her a total of $15,000. This is a total of $26,000.

The 'initial' repair of the ceiling of $2,000 isn't deductible as a repair but as with the replacement of the entire roof and the structural work, they are capital works expenses and the expense can be claimed over 40 years. When the property is sold, Lisa can include the $26,000 for the work to rectify the existing damage in her CGT cost base reduced by the amount by the capital works deductions she has already claimed (or was entitled to claim).

Example: repair cost (special circumstances beyond your control)

Dimitri buys a property with the intention to rent it out. Unexpectedly, 10 weeks after the property was rented, a heavy storm damaged sections of the roof and minor parts of the ceiling.

As the property was rented before the storm, the repairs were done to restore the property to its original condition. Dimitri can claim the cost of repairs to the roof and ceiling as an immediate deduction in the income year he incurred the expense.

Example: replacement asset isn't an initial repair

Rebecca buys a unit as an investment with the intention to rent it out. On inspection, she notices the dishwasher is broken. After settlement occurs, Rebecca replaces the broken dishwasher with a new one, which cost $999, before the new tenants move in.

Rebecca can't claim an immediate deduction for the replacement of the dishwasher because she is replacing a depreciating asset, not repairing it.

Rebecca can claim a decline in value deduction for the new dishwasher over its effective life.

This is a general summary only.

For more information:

- see Residential rental properties
- watch our short videos at Rental property video series
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QC 104435

Damaged or destroyed rental properties

What to do in the event your rental property is damaged or destroyed.

Published 5 May 2025

You can visit the ATO Publication Ordering Service to download a copy of the Damaged or destroyed rental properties fact sheet.

Types of 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.

Insurance payouts

Insurance payouts for loss of rental income and repairs need to be included in your income.

Disaster assistance payments

Many one-off assistance payments you receive from the government, charities or community groups are tax-free. You need to check the types of payments and how they affect your tax.

Replacing depreciating assets

If the insurance payout you receive for your depreciating asset is more than its written down value, you need to include the balance as income. If the payout is less, you can claim a deduction for the difference.

Expenses

If you use an assistance payment or money from a relief fund to buy items for your rental property, the normal conditions for deductibility apply. This means you can claim a deduction if you satisfy the deductibility rules.

Capital works

If you replace an entire structure that was fully or partially damaged or destroyed, it's likely to be classed as **capital works**. For example, replacing **all** the fence, not just the damaged portion. This may result in a capital gain or loss, see Involuntary disposal of a CGT asset. New capital works are generally deductible at 2.5% over 40 years.

Repairs

If you fix something that's damaged or broken, it's a **repair**. For example, fixing a leaking tap, or **part** of the fence damaged in the storm. Amounts for **repairs and maintenance** are claimed fully in the year the expense is paid.

Depreciating asset

If you install a brand new appliance or floor or window coverings, these are **depreciating assets**. For example, buying a new dishwasher or installing new carpet. You claim a deduction over the effective life of the replacement asset (decline in value).

If you claimed a **capital allowance** for the original asset, claim a deduction for the remaining balance less any compensation received for the total loss of the asset.

For more information, see Rental repairs, maintenance and capital expenses.

Rental property can't be lived in

If your property is unable to be lived in and is no longer earning rental income, you can claim a deduction for costs incurred while doing repairs or renovations. For example, council rates or interest charged on your mortgage. **You can't claim a deduction for your own labour**.

To be entitled to claim expenses while making repairs or renovations, the work needs to be completed in a reasonable timeframe and the property must have been rented or made available for rent immediately before it was damaged or destroyed.

If the property is demolished and you're holding vacant land because of the damage, you can claim a deduction for holding costs (for example, land taxes and council rates) if the exceptional circumstances exemption applies.

There is a limit of 3 years from the date of the exceptional circumstances to continue to claim deductions using this exemption.

Capital gains tax (CGT) implications for damaged or destroyed assets

If you receive an insurance payout, it needs to be considered when calculating your capital gain or loss. A capital gain arises if the insurance payout is more than the asset's cost base. If the insurance payout is less than the reduced cost base you have a capital loss.

The cost base of a CGT asset is generally the cost of acquiring, holding and disposing of the asset. The reduced cost base is similar, but doesn’t include the costs of holding the asset.

You choose to rebuild or replace your rental property

You may be entitled to roll over any capital gain you make and delay paying the gain until later. To defer the gain, you must incur expenditure within one year after the end of the income year the property was destroyed. For more information, see Involuntary disposal of a CGT asset.

You choose not to rebuild your rental property

You need to calculate your capital gain or loss.

Any insurance payout you receive must be counted as capital proceeds when calculating your gain or loss.

If you don’t receive an insurance payout there are no capital gains tax consequences until the property is sold.

Main residence exemption

If the damaged or destroyed property was previously your main residence, you can treat it as your main residence for up to 6 years after you move out. Your main residence is exempt from CGT.

Generally, you only have one main residence at a time and can't treat any other property as your main residence for the same period.

Important things to remember

Important things to remember for damaged or destroyed rental property.

Timing of a CGT event

If your CGT asset is lost or destroyed, a CGT event happens on the date you receive compensation for the loss or destruction.

If you don’t receive any compensation, the CGT event happens when the loss is discovered or the destruction occurred.

Get record keeping right

Keep records of every transaction including insurance payout documents, receipts for any new purchases or repairs. If you borrow, keep all loan documents and statements.

Before and after photos of destroyed assets may be helpful but they aren't sufficient records on their own.

Example: deduction for repairs while property was unoccupied

Ben's rental property was tenanted when it was severely damaged by a cyclone. Due to the damage, the tenants had to move out. Ben carried out repairs in a reasonable time and then advertised the property for rent.

Even though the property wasn't available for rent while being repaired, he is able to claim for the repairs because it was rented immediately before the damage occurred.

Example: deduction for replacement of depreciable items

Josh's rental property was covered in smoke and ash from bushfires. He had the home thoroughly cleaned and had to replace all carpets and curtains. Josh can claim a deduction for the:

- cleaning
- remaining value of the pre-existing carpet and curtains
- decline in value of the new carpet and curtains.

If Josh decided to repair the damaged carpet and curtains instead of replacing them, he would claim the immediate deduction as a repair.

Example: no capital works deduction

Zahli owns a rental property that was damaged in a severe hailstorm. Because of this, her insurance company replaced the entire roof.

Zahli can't claim a capital works deduction for the new roof that was replaced by the insurer.

This is a general summary only.

For more information:

- see Residential rental properties
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Rental property body corporate fees and charges

Information you need if your rental property is part of a body corporate.

Published 5 May 2025

You can visit the ATO Publication Ordering Service to download a copy of the Rental property body corporate fees and charges fact sheet.

About body corporates

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

The body corporate maintains, manages and controls the common property on behalf of owners. It decides the amounts to be paid by the owners to make sure the body corporate can operate (body corporate fees).

What you can claim

You may be able to claim a deduction for body corporate fees and charges you pay. Not all body corporate fees are deductible in full in the income year you incur them.

Deductions depend on if you incur these fees to cover the cost of day-to-day administration and maintenance or for a special purpose.

If the funds are used for a capital expense the expense must be claimed over several years.

Administrative funds

These are payments you make to your body corporate administration fund.

These funds are used by the body corporate to cover day-to-day expenses to maintain and manage common property of the body corporate. For example, insurance premiums, maintenance of gardens and management of the body corporate itself.

You can claim an immediate deduction in the year you incur these fees.

General purpose sinking fund

The payments you make to a general-purpose sinking or reserve fund generally covers non-routine but anticipated expenses in the year the levy is raised, such as roof repairs or the painting of common property.

You can claim the sinking fund contribution in your tax return. However, you can’t also claim a separate deduction for the items the funds were used for, like gardening, deductible repairs or building insurance costs.

What you can't claim

Certain body corporate fees may not be deductible in the income year you incur them, such as payments to a:

- special purpose fund, which is established to cover a specified, generally significant expense that is not covered by ongoing contributions to a general-purpose sinking fund
- special purpose fund to pay for a one-off unexpected major capital expense
- special contribution to pay for major capital expenses out of the general-purpose sinking fund.

These payments cover the cost of capital improvements or repairs of a capital nature and are not immediately deductible.

You may be able to claim a capital works deduction for your share of the expense once the work is completed and the cost has been charged to the fund.

Example: immediate deduction body corporate fees

Charlie owns a strata title interest, which is a unit in an apartment block. Charlie rents out the unit to Karl.

The strata entitlement includes a right to use or have access to strata title body common property. This consists of:

- the garden area
- the lifts, stairwells and passageways
- depreciating assets such as public couches in the foyer.

Charlie pays a body corporate fee of $2,500 annually for the general up-keep of the building's common areas.

Charlie is entitled to claim $2,500 for body corporate fees in his tax return.

Example: non-deductible capital works costs

Sophia rents her unit to Steve and has been paying a body corporate fee of $3,000 annually for the last 2 years.

Her body corporate contacted each unit owner and advised of a new charge to pay an additional $1,000 per year to a special purpose fund for future works to upgrade the building lifts.

Sophia can claim an immediate deduction for the $3,000 body corporate fee but can't claim a deduction for the additional $1,000. This levy is for future capital expenses and can be claimed once the work to upgrade the lifts has been completed and charged to the body corporate.

If Sophia pays $1,000 each year over the period of 5 years to upgrade the lifts, she can claim a percentage of the $5,000 each year based on the effective life of the depreciating asset from the date the works were completed.

Example: non-deductible capital works costs

Joe rents his unit to Meredith and pays a body corporate fee of $2,500 annually for the last 2 years.

Unexpectedly, the council notified the body corporate that the common veranda needed to be completely replaced because it had not been maintained to compliance standards.

As a result, the body corporate issued an enforcement notice to each unit owner to pay the amount of $10,000 into a special purpose fund to cover this emergency cost.

Joe can claim an immediate deduction for the $2,500 body corporate fee.

He can't claim a deduction for the $10,000. This expense is for future capital works and can be claimed at 2.5% for 40 years once the work is completed.

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QC 104437

Renting a room or part of your main residence

What you may be able to claim when renting out all or part of your home.

Published 5 May 2025

You can visit the ATO Publication Ordering Service to download a copy of the Renting out a room or part of your main residence fact sheet.

How to work out the expenses you can claim

If you rent out all or part of your home that you live in as your main residence (home), including through the sharing economy, for tax purposes you need to:

- keep records of all rental income earned and declare it in your tax return
- keep records of expenses you can claim as deductions
- calculate your capital gain or loss when you sell the property.

Income you need to declare

Income you need to declare includes:

- all income **before** fees and commissions

- insurance payouts – for example, compensation for damage caused by renting
- bonds or security deposits you become entitled to retain
- letting and booking fees you charge, including cancellation fees.

Expenses you may claim

Expenses you may be able to claim includes:

- council rates
- interest on a loan for the property
- electricity and gas
- property insurance
- cleaning and maintenance costs
- fees or commission charged by the platform
- other expenses that directly relate to the earning of your rental income.

How much of the expense you can claim depends on:

- the number of days the room or whole property is rented during the year
- the portion of the property you have rented out – for example, a room or the whole property.

Working out the deductions you can claim

What you need to consider when working out the deductions you can claim.

- How big is the property?
- How big is the rented room?
- How big are the shared or common areas?
- How many days was the room rented out?

How to work it out

Rented room (claim 100% for days rented):

> (Rented rooms size ÷ Total size of house or unit) × (Number of days rented ÷ Total days in the year) × 100 = Percent of expenses claimable

Common areas (claim 50% for days rented):

> (Total common areas ÷ Total size of house or unit) × (Number of days rented ÷ Total days in the year) × 50% × 100 = Percent of expenses claimable

Example: how to work out deductions you can claim

(80m^2 unit, 10m^2 room rented for 150 days)

Floor plan showing spare room for rent of 10 metres squared, own bedroom and bathroom of 20 metres squared and total shared common areas (including second bathroom, balcony, kitchen and lounge of 50 metres squared.

Rented room

> (10 ÷ 80) × (150 ÷ 365) × 100 = 5.13%

Common areas

> (50 ÷ 80) × (150 ÷ 365) × 50% × 100 = 12.84%

Total percentage of expenses you can claim = 17.97%

Capital gains tax when you sell

When you earn income for your home, you need to consider capital gains tax (CGT) when you sell.

When working out your eligibility for a full or partial CGT main residence exemption, you need to factor in both:

- floor-area of the residence you rent
- the number of days the property was used to generate income.

You will need to keep records, such as:

- statements from platforms that show your income
- receipts of any expenses you want to claim as a deduction.

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