Australian Government
Australian Taxation Office

Rental properties guide 2025

How to treat rental income and expenses, including how to treat many residential rental property assets and items.

This publication was current at 29 May 2025

NAT 1729-06.2025

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We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at ato.gov.au or contact us.

This publication was current at 29 May 2025.

Published by

Australian Taxation Office
Canberra
May 2025

NAT 1729-06.2025

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General guidance for rental property owners

Information to help rental property owners complete their tax return.

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[Owning and renting a property]

[Natural disasters and hardship]

[Granny flat arrangements and capital gains tax]

[Is your rental property outside Australia?]

Owning and renting a property

Our *Rental properties guide 2025* will help you, as an owner of rental property in Australia, work out what:

- rental income is assessable
- expenses are allowable deductions
- records you need to keep
- you need to know when you sell your rental property.

Many, but not all, of the expenses associated with rental properties are deductible. This guide explains:

- how to apportion your expenses, if only part of the expense is deductible
- what expenses are not deductible
- when you can claim those expenses that are deductible
  - some you can claim in the tax return for the income year in which you spent the money
  - others must be claimed over several years (including decline in value of depreciating assets and capital works expenses).

When you own a rental property, you may also need to know about:

- capital gains tax (CGT)
- general value shifting regime
- goods and services tax (GST)
- negative gearing
- pay as you go (PAYG) instalments.

Natural disasters and hardship

We have special arrangements for people affected by natural disasters such as a cyclone, flood or fire occurring during the income year. For more information on help in natural disasters or if you're experiencing financial hardship, see Support in difficult times.

If your records are lost or destroyed, we can help you to reconstruct your tax records, and make reasonable estimates where necessary.

We can also help you by:

- fast tracking refunds
- giving you extra time to pay debts, without interest charges
- giving you more time to meet activity statement, income tax and other lodgment obligations, without penalties.

Granny flat arrangements and capital gains tax

A granny flat arrangement is a written agreement that gives an eligible person the right to occupy a property for life.

A granny flat arrangement is exempt from CGT if:

- the owner or owners of the property are individuals
- one or more eligible people have an eligible granny flat interest in the property
- the owners and the people with the granny flat interest enter into a written and binding granny flat arrangement. This arrangement must not be commercial in nature.

Other CGT events that are not related to a granny flat arrangement, or sit outside the arrangement, are subject to normal CGT rules. For example, the sale of a property that was used in a granny flat arrangement, which has since terminated, is subject to the normal CGT rules.

Is your rental property outside Australia?

If your property is located outside Australia, special rules apply to the deductibility of your rental property expenses.

For more information on foreign source income, see question 20 in the individual tax return instructions. If you're unsure of your obligations, contact your recognised tax adviser or us.

What's new in the rental properties guide?

Find out what's new for the Rental properties guide 2025.

In this section

Build to rent

Foreign resident capital gains withholding

Effective life determinations

Build to rent

From 1 January 2025, owners of eligible build to rent developments may make a choice for their development to access the tax incentives. To make a choice, they must lodge the approved form with the Commissioner.

This measure is now law.

On 28 April 2023, the Australian Government announced tax incentives to increase the supply of housing, by:

- reducing the withholding tax rate for eligible fund payments from managed investment trusts (MIT) attributable to residential active build to rent developments from 30% to 15%.
  - This incentive will be open to developments irrespective of when construction commenced.
  - From 1 January 2025, foreign residents from an information exchange country are subject to a final MIT withholding tax rate of 15% for income and gains attributable to a residential property, including build to rent developments.
- increasing the capital works tax deduction depreciation rate for active new build to rent developments from 2.5% to 4% per year.
  - This incentive is open to developments where construction commenced after 7:30 pm, 9 May 2023 and will shorten the period that construction costs of eligible buildings are depreciated from 40 to 25 years.

For more information, see:

- Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024
- Capital Works (Build to Rent Misuse Tax) Act 2024
- Build to rent development tax incentives

Foreign resident capital gains withholding

From 1 January 2025 the foreign resident capital gains withholding (FRCGW) rate increased to 15% and the threshold was removed. It applies to all individual and non-individual vendors (property sellers) selling or disposing of certain taxable real property.

Australian residents selling property need a clearance certificate to avoid having an amount withheld from the sale price.

Types of property include:

- your home
- investment properties
- vacant land, buildings, residential and commercial property
- mining, quarrying or prospecting rights where they are situated in Australia
- a lease over real property in Australia
- indirect Australian real property (IARP) interests, where the holder has a right to occupy land or buildings on land.

The 15% withholding rate applies to the market value of all property contracts signed on or after 1 January 2025, unless the vendor (property seller):

- is an Australian resident for tax purposes and provides their clearance certificate to the purchaser
- is a foreign resident who is eligible to reduce the amount withheld by supplying the purchaser with a variation notice.

If you're an Australian resident and you didn't obtain a clearance certificate, you can claim the amount that was withheld in your tax return. For full instructions, see:

- myTax 2025 Capital gains or losses
- 18 Capital gains 2025 (paper tax return).

Effective life determinations

We have updated how we publish effective life determinations.

The decline in value of a depreciating asset is worked out on the basis of its effective life. You can either make your own estimate of its effective life or use the Commissioner's effective life determinations. For assistance with both, see Effective life of an asset.

Rental income

Rental and rental-related income to declare and how to divide income and expenses when you co-own the rental property.

In this section

Rental and rental-related income

Co-ownership of rental property

Rental and rental-related income

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

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

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

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

If you receive an insurance payout, there may be situations where the payout is rental income, for example, an insurance payment to compensate you for lost rent.

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

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

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

- an amount from a tenant to cover the cost of repairing damage to some part of your rental property and you can claim a deduction for the cost of the repairs, you need to include the whole amount in your income
- a government rebate for the purchase of a depreciating asset, such as a solar hot-water system, you may need to include an amount in your income.

For more information, see Taxation Determination TD 2006/31 *Income tax: is a government rebate received by a rental property owner an assessable recoupment under subsection 20-20(3) of the Income Tax Assessment Act 1997, where the owner is not carrying on a property rental business and receives the rebate for the purchase of a depreciating asset (for example, an energy saving appliance) for use in the rental property.*

You must include as rental income any assessable amounts relating to limited recourse debt arrangements involving your rental property. For more information, see Guide to depreciating assets 2025.

Co-ownership of rental property

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

Dividing income and expenses according to legal interest

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

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

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

Example 1: joint tenants

Laura and Wendall own an investment rental property as joint tenants (50% share each). In the relevant income year, Laura phones us and asks if she can claim 80% of the rental loss as:

- she earns $167,000 a year
- Wendall earns $31,000.

Therefore, it would be better if she claims most of the rental loss, as she would save more tax. Laura thought it was fair that she claim a bigger loss because she pays for most of the expenses using her wages. Under a partnership agreement drawn up by Laura and Wendall, Laura is supposed to claim 80% of any rental loss.

We advise Laura that where 2 people own a rental property as joint tenants, the net rental loss must be shared in line with their legal interest in the property. Therefore, Laura and Wendall must each include half of the total income and expenses in their tax returns.

Any agreement that Laura and Wendall might draw up to divide the income and expenses in proportions other than equal shares has no effect for income tax purposes. Therefore, even if Laura pays most of the bills for the rental property, she can't claim more of the rental property deductions than Wendall.

Example 2: tenants in common

In Example 1, if Laura and Wendall own the property as tenants in common in equal shares, Laura can still only claim 50% of the total property deductions.

However, if Laura's legal interest was 75% and Wendall's legal interest was 25%, then:

- Laura must include 75% of the income and expenses in her tax return
- Wendall must include 25% of the income and expenses in his tax return.

If, as a co-owner, you borrow money to acquire your interest in the rental property, you can claim a deduction for all of the interest expenses. You don't need to divide the interest on this amount between the co-owners.

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

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

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

Example 3: co-owners who are not carrying on a business of letting rental properties

Claudio and Judith own, as joint tenants, 2 units and a house from which they derive rental income. Claudio and Judith occasionally inspect the properties and also interview prospective tenants.

Claudio performs most repairs and maintenance on the properties himself, although he generally relies on the tenants to let him know about issues. Claudio and Judith do any cleaning or maintenance when tenants move out.

The tenants of the 2 units and the house pay the weekly rent into Claudio and Judith's account. Although Claudio and Judith devote some of their time to rental income activities, their main sources of income are their respective full-time jobs.

Claudio and Judith are not partners carrying on a business of letting rental properties. They are only co-owners of several rental properties.

As joint tenants, they must each include half of the total income and expenses for the rental properties in their tax returns, in line with their legal interest in the properties.

Partners carrying on a business of letting rental properties

Most rental activities are a form of investment and don't amount to carrying on a business. However, where you're carrying on a business of letting rental properties in partnership with others, you must divide the net rental income or loss according to the partnership agreement. You must do this even where the legal interests in the rental properties are different to the partners’ entitlements to profits and losses under the partnership agreement. If you don't have a partnership agreement, you should divide your net rental income or loss between the partners equally.

Example 4: co-owners who are carrying on a business of letting rental properties

Lazlo and Petra own several rental properties either as joint tenants or tenants in common. They own 8 houses and 3 apartment blocks (each apartment block comprising 6 residential units), a total of 26 properties.

Lazlo and Petra actively manage all these properties, devoting an average of 25 hours per week each, to these activities. They:

- do all the financial planning and decision making in relation to the properties
- interview all prospective tenants and collect all the rents
- carry out regular property inspections and attend to all the everyday maintenance and repairs themselves or organise them to be done on their behalf.

Apart from income Lazlo earns from shares, they have no other sources of income.

Lazlo and Petra are carrying on a business of letting rental properties, because of the:

- significant size and scale of the rental property activities
- number of hours they spend on the activities
- extensive personal involvement they have in the activities
- business-like manner in which they plan, organise and carry on these activities.

Lazlo and Petra have a written partnership agreement where they agree to carry on a business of letting rental properties. They have an agreement that shows:

- Lazlo is entitled to a 75% share of the partnership profits or losses
- Petra is entitled to a 25% share of the partnership profits or losses.

Because Lazlo and Petra are carrying on a business of letting rental properties, they divide the net profit or loss it generates between them according to their partnership agreement (in proportions of 75% and 25%), even if their legal interests in the rental properties are equal, that is, they each own 50%.

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

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

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

If you're carrying on a business, you may be eligible for the small business CGT concessions and simpler depreciation for small business. Small business CGT concessions don't apply to assets you use mainly to derive rent.

Contact us or your recognised tax adviser if you're unsure whether:

- your rental property activities amount to a partnership carrying on a business of letting rental properties
- you're carrying on a rental property activity as a joint tenant or a tenant in common
- you're in both categories.

Rental expenses

Rental expenses you can and can't claim as a deduction and whether you can claim immediately or over several years.

In this section

- Types of rental expenses
- Always check your supplier's ABN
- Expenses for which you can't claim deductions
- Deductions for vacant land
- Expenses for which you can claim an immediate deduction
- Expenses deductible over several income years

Types of rental expenses

You can claim a deduction for certain expenses you incur for the period you rent your property or it's genuinely available for rent. You can't claim expenses of a capital nature or private nature, however you may be able to either:

- claim a deduction for the decline in value of certain capital (depreciating) assets
- claim a deduction for the cost of constructing capital works in respect of a building or structural improvement
- include certain capital costs in the cost base of the property for CGT purposes.

There are 3 categories of rental expenses, those for which you:

- can't claim deductions
- can claim an immediate deduction in the income year you incur the expense
- can claim deductions over several income years.

Always check your supplier's ABN

If you pay a contractor for services on your rental property, you need to check that they have an Australian business number (ABN). If they don't provide you with an ABN, you may need to withhold 47% of that payment and pay it to us. For details of when to withhold, see Withholding from suppliers. You'll need to register for a withholding account, if you don't have one.

If you don't withhold from payments to a contractor where they don't provide you with an ABN, you may not be able to claim a deduction for those expenses. For more information, see Removing tax deductibility of non-compliant payments.

Example 5: withholding from suppliers

Sergio and Marcia own a rental property and need to make repairs to a wall. Sergio gets a quote from Derek's Wall Repairs, a sole trader. Derek offers to do the job for $2,500 with a tax invoice, or $1,800 for cash. Sergio and Marcia choose to pay cash and not receive a tax invoice. They don't ask for Derek's ABN and don't withhold any amount from the $1,800. This is a non-compliant payment as it doesn't comply with PAYG withholding and reporting obligations.

As Derek doesn't provide an ABN, Sergio and Marcia should withhold 47% of the $1,800 payment. That is withholding the amount of $846. They should only pay Derek $954, the remaining amount of the $1,800.

As no amount was withheld Sergio and Marcia can't claim a deduction for the repair.

Expenses for which you can't claim deductions

You can't claim deductions for expenses:

- you don't incur, such as water or electricity usage charges borne by your tenants
- where your property (including your holiday home) was not genuinely available for rent
- that don't relate to the rental of a property, for example
  - expenses you incur for your own use of a holiday home that you rent out for part of the year
  - costs of maintaining a non-income producing property used as collateral for the investment loan
- that relate to holding vacant land
- that relate to the cost of certain second-hand depreciating assets
- that relate to acquisition and disposal costs of the property
- that relate to travel expenses to inspect a property before you buy it and, in certain circumstances, when you own the property
- you incur in relocating assets between rental properties before renting
- for rental seminars about helping you find a rental property to invest in.

Travel expenses

Travel expenses include the costs of:

- travel to inspect, maintain or collect rent for the property
- meals and accommodation that relate to that travel.

You can't claim a deduction for travel expenses that relate to your residential rental property, unless you're either:

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

If your travel expenses also relate to another income producing activity, you'll need to apportion the expenses. For more information, see Apportionment of travel expenses.

Certain second-hand depreciating assets

You can't claim a deduction for a decline in value of certain second-hand depreciating assets against your residential rental property income unless you're either:

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

For more information, see Limit on deductions for decline in value of second-hand depreciating assets.

For more information, see:

- Travel and car expenses
- Rental expenses to claim
- Rental properties and travel expenses.

Acquisition and disposal costs

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

- purchase price of the property
- fees on bank guarantees in lieu of deposits
- conveyancing costs
- advertising expenses
- fees of a buyer's agent you engage to find you a suitable rental property to purchase, including where the agent recommends a property manager free of charge as an optional or supplementary service
- stamp duty on the transfer of the property (but not stamp duty on a lease of property, see Lease document expenses).

However, these costs may form part of the cost base of the property for CGT purposes.

Example 6: acquisition costs

Yusef and Marie bought a rental property as joint tenants for $170,000 in July 2024. They also paid surveyor's fees of $350 and stamp duty of $750 on the transfer of the property. Neither of these expenses are deductible against the Yusef and Marie's rental income. However, in addition to the $170,000 purchase price, they can include the incidental costs of $350 and $750 (totalling $1,100) in the cost base and reduced cost base of the property.

When Yusef and Marie dispose of the property, their cost base or reduced cost base to work out the amount of any capital gain or capital loss will be $171,100 ($170,000 + $1,100).

For more information, see Guide to capital gains tax 2025.

Deductions for vacant land

For vacant land you held both before and from 1 July 2019, deductions for expenses you incur for holding the vacant land are only available in certain circumstances.

Land is considered vacant if, at the time you incur the expense the land either:

- didn't contain a substantial and permanent structure
- contains a residential premises which isn't in use or available for use
- contains a residential premises constructed or substantially renovated while you're holding the land, and the premises are either
  - not lawfully able to be occupied
  - lawfully able to be occupied but not rented out or made available for rent.

The expenses involved in holding vacant land include:

- ongoing borrowing costs, including interest payments on money borrowed for the acquisition of the land
- land taxes
- council rates
- maintenance costs.

The expenses involved in holding vacant land don't include:

- the costs of repairing, renovating or constructing a structure on the land
- any interest or borrowing costs associated with repairs, renovation or construction of a structure on the land.

You can still deduct vacant land holding costs if:

- the land is held by an 'excluded entity', that is a
  - corporate tax entity
  - super plan (other than a self-managed super fund)
  - managed investment trust
  - public unit trust
  - unit trust or partnership of which all the members are corporate tax entities, super plans (other than self-managed super funds), managed investment trusts or public unit trusts
- the use of the land is to carry on a business by
  - you
  - your affiliate or an entity of which you're an affiliate
  - your spouse or child under 18 years old
  - an entity connected with you
- you, an affiliate (from the list above), spouse or child, or an entity connected with you, are carrying on a business of primary production and you lease, hire or licence the land to another entity
- you make the land available at arm's length to a business for use in that business
- the land had a substantial and permanent structure but due to an exceptional circumstance (such as a natural disaster, major building fire or substantial building defects) the land is vacant.

For more information, see:

- Taxation Ruling TR 2023/3 *Income tax: expenses associated with holding vacant land*.
- Deductions for vacant land

Expenses for which you can claim an immediate deduction

You may be able to claim an immediate deduction in the income year you incur the expense for:

- advertising for tenants
- bank charges
- body corporate fees and charges
- cleaning
- local council rates
- gardening and lawn mowing
- in-house audio and video service charges
- insurance
  - building
  - contents
  - public liability
  - loss of rent
- interest on loans
- land tax
- lease document expenses for
  - preparation
  - registration
  - stamp duty
- legal expenses (excluding acquisition costs and borrowing costs)
- mortgage discharge expenses
- pest control
- phone calls and rental
- property agent's fees and commissions (including before the property is available to rent)
- quantity surveyor's fees
- the costs you incur to relocate tenants into temporary accommodation if the property is unfit to occupy for a period of time
- repairs and maintenance
- cost of a defective building works report in connection to repairs and maintenance conducted
- secretarial and bookkeeping fees
- security patrol fees
- servicing costs, for example, servicing a water heater
- stationery and postage
- tax-related expenses
- travel and car expenses (to the extent that they are deductible)
- water charges.

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

Expenses before the property is genuinely available for rent

You can claim expenditure such as interest on loans, local council, water and sewerage rates, land taxes and emergency service levies you incur during renovations to a property you intend to rent out.

You can't claim deductions from the time your intention changes – for example, if you decide to use the property for private purposes. If the land is considered vacant under the vacant land provisions, you generally can't claim deductions for expenses incurred in holding land before the property can be occupied and is available for rent.

Apportionment of rental expenses

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

You'll need to apportion your expenses, if any of the following apply to you:

- your property is genuinely available for rent for only part of the year
- your property is treated as vacant land for part of the year. Expenses for holding land may need to be apportioned when the property is treated as vacant land during the year
- your property is used for private purposes for part of the year
- only part of your property is used to earn rent
- you rent your property at non-commercial rates
- your investment loan is partially used for private purposes.

Is the property genuinely available for rent?

Rental expenses are deductible to the extent that you incur them for the purpose of producing rental income.

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

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

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

Factors that may indicate a property isn't genuinely available for rent include:

- it is advertised in ways that limit its exposure to potential tenants – for example, you only advertise the property
  - at your workplace
  - by word of mouth
  - outside annual holiday periods when the likelihood of it being rented out is very low
- the location, condition of the property, or accessibility to the property, mean that it is unlikely tenants will seek to rent it
- you place unreasonable or stringent conditions on renting out the property that restrict the likelihood of the property being rented out such as
  - setting the rent above the rate of comparable properties in the area
  - placing a combination of restrictions on renting out the property – such as requiring prospective tenants to provide references for short holiday stays as well as having conditions like 'no children' and 'no pets'
- you refuse to rent out the property to interested people without adequate reasons.

Example 7: unreasonable rental conditions placed on property

Josh and Maria are retired and own a holiday home where they stay periodically. They advertise the property for short-term holiday rental through a real estate agent.

Josh and Maria instruct the agent that they must personally approve tenants before they can stay, and prospective tenants must provide references and have no children or pets.

At no time during the year do Josh and Maria agree to rent out the property even though they receive several inquiries.

The conditions Josh and Maria place on renting the property and their refusal to rent it to prospective tenants indicate their intention isn't to make income from the property, but to reserve it for their own use. Josh and Maria can't claim any deductions for the property.

Josh and Maria need to keep records of their expenses. If they make a capital gain when they sell the property, their property expenses (such as property insurance, interest on the amount they borrow to purchase the property, repair costs, maintenance costs and council rates) are taken into account in working out any capital gain.

> ***Example 8: private use by owners during key periods with little or no demand for property at other times***
>
> Daniel and Kate have 2 children (school age) and own a holiday house near the beach. The house is in an area that is popular with summer holiday makers but is only accessible by 4-wheel drive vehicle.
>
> During the year Daniel and Kate advertise the property for rent through a local real estate agent. However, Daniel and Kate advise the agent not to rent the property out during each school holiday period. They want to reserve the property for their own use.
>
> While there would be demand for the property during the summer holiday period, there is no demand outside this period because of the small number of holiday makers and the location and limited access to the property.
>
> The house isn't rented out at all during the income year.
>
> In Daniel and Kate's circumstances, they can't claim any deductions for the property. They didn't have a genuine intention to make income from the property. It was essentially for private use.
>
> If in the circumstances Daniel and Kate rent out the property for a period, they can claim a deduction for a proportion of their expenses. They would need to apportion their deduction for the period the property was actually rented out. For example, if they rent out the house for 2 weeks, they could claim a deduction for 2 of 52 weeks for their expenses.
>
> Daniel and Kate need to keep records of their expenses. If they make a capital gain when they sell the property, the proportion of expenses (such as interest, insurance, maintenance costs and council rates) they could not claim a deduction for are taken into account in working out their capital gain.

Property available for part-year rental

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

In some circumstances it may be easy to decide which expenditure is private in nature. For example, council rates paid for a full year could be apportioned according to the proportion of the year that:

- the property was rented out, and
- genuinely available for rent during the year.

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

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

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

Example 9: apportionment of expenses where property is rented for part of the year

Dave owns a property in Tasmania. He rents out his property from 1 November 2024 to 30 March 2025, a total of 150 days. He lives alone in the house for the rest of the year. The council rates are $1,000 per year. He apportions the council rates on the basis of time rented.

Rental expense × portion of year = deductible amount

He can claim a deduction against his rental income of:

$1,000 × (150 ÷ 365) = $411

If Dave makes phone calls to tradespersons to fix damage caused by a tenant or has any other expenses relating solely to the renting of his property, he works out his deduction for these by reasonably estimating the cost of each of these expenses. It's not appropriate for him to work out his deduction by claiming 150 ÷ 365 of the total expenses.

Example 10: private use of property by owner

Gail and Craig jointly own a property which was brand new when they purchased it. They rent the property out at market rates and use it as a holiday home. They advertise the property for rent during the year through a real estate agent.

Gail and Craig use the property themselves for 4 weeks as a holiday home during the year.

During the year, Gail and Craig's expenses for the property are $36,629. This includes $1,828 for the agent's commission and the costs of advertising for tenants. It also includes interest on the funds borrowed to purchase the holiday home, property insurance, maintenance costs, council rates, the decline in value of depreciating assets and capital works deductions.

Gail and Craig receive $25,650 from renting out the property during the year.

For the 4 weeks Gail and Craig used the property themselves they can't claim any deductions.

Gail and Craig can claim the full $1,828 as a deduction for the agent's commission and costs of advertising for tenants. Gail and Craig can claim a portion of their other expenses ($34,801) and they work out their deduction on the proportion of the income year they rent out the property or it was genuinely available for rent.

Income tax return

Gail and Craig's rental income and deductions for the year are as follows:

- Rent received = $25,650
- Rental deductions = $33,952
  (48 ÷ 52 weeks × $34,801) + $1,828
- Rental loss = ($8,302).

As they are joint owners, Gail and Craig claim a rental loss of $4,151 each in their tax returns.

Gail and Craig need to keep records of their expenses. If they make a capital gain when they sell the property, the proportion of the expenses they could not claim a deduction for are taken into account in working out any capital gain.

Example 11: holiday home rented out for part of the year

Akshay and Jesminda jointly own a holiday home. They rent it out between 20 December and 17 January because they can make a significant amount of money which helps offset the costs of owning the property for the year. They reserve the property for their own use for the rest of the year.

Akshay and Jesminda's expenses for the holiday home for the year were $32,300. This includes $1,100 for the agent's commission and the costs of advertising for tenants. It also includes interest on the funds borrowed to purchase the property, property insurance, repair costs, maintenance costs and council rates.

Akshay and Jesminda receive $3,000 per week from renting the property out during the 4 weeks over the Christmas – New Year period ($3,000 x 4 weeks = $12,000).

Overall, the property expenses were more than the rent they receive. Akshay and Jesminda can claim the full $1,100 as a deduction for the agent's commission and the costs of advertising for tenants. However, for their other expenses, Akshay and Jesminda can only claim deductions for the proportion of the year they rent out the property (4 weeks). They declare net rental income in their tax returns as follows:

- Rent received = $12,000
- Rental deductions = $3,500
  (4 ÷ 52 weeks × $31,200) + $1,100
- Net rental income = $8,500.

As they are joint owners, Akshay and Jesminda declare net rental income of $4,250 each in their tax returns.

Akshay and Jesminda need to keep records of their expenses. If they make a capital gain when they sell the property, the proportion of the expenses they could not claim a deduction for are taken into account in working out their capital gain.

Only part of your property is used to earn rent

If only part of your property is used to earn rent, you can claim only that part of the expenses that relates to the rental income. As a general guide, apportion according to the floor-area basis that is that part of the residence solely occupied by the tenant, together with a reasonable figure for tenant access to the general living areas, including garage and outdoor areas if applicable. You must also apportion on a time basis if you rent that part of your property for a portion of the income year.

Example 12: renting out part of a residential property

Michael's private residence includes a self-contained flat. The floor area of the flat is one-third of the area of the residence. Michael rents out the flat for 6 months in the year at $100 per week. During the rest of the year his niece, Fiona, lives in the flat rent free.

The annual mortgage interest, building insurance, rates and taxes for the whole property amounted to $9,000. Michael apportions these expenses on the basis of the floor-area, so one-third (that is $3,000) applies to the flat. However, as Michael only uses the flat to produce rental income for half of the year, he can claim a deduction for only $1,500 (half of $3,000).

Assuming there were no other expenses, Michael would calculate the income and expenses from his property as:

- Rent = $2,600
  26 weeks × $100
- Expenses = $1,500
  $9,000 × one-third × 50%
- Net rental income = $1,100.

Example 13: renting out part of a residential property

John decides to rent out one room in his residence. The floor area of the room is 20% of the area of the residence. John also shares equal access to the general areas such as the kitchen, bathroom and laundry. The floor area of these rooms is 60% of the area of the residence.

John rents out the room and access to the general areas for 12 months in the year at $250 per week.

The annual mortgage interest, building insurance, rates and taxes for the whole property amounted to $12,000. Using the floor-area basis for apportioning these expenses, 20% (that is $2,400) applies to the room.

Assuming there are no other expenses, John calculates the income from his property as:

- Rent = $13,000
  52 weeks × $250
- Room expenses = $2,400
  $12,000 × 20%
- General areas expenses = $3,600
  $12,000 × 60% × 50%
- Net rental income = $7,000.

For more information on the apportionment of expenses, see:

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

Non-commercial rental

If you let a property, or part of a property, at less than normal commercial rates, there may be a limit on the deductions you can claim. For example, your deductions may be limited to the amount of rent you receive for any period you rent your property for less than normal commercial rates.

Example 14: private use by owner and rented to relatives or friends at a discounted rate

Kelly and Dean buy a holiday home on 1 July 2024, which they own jointly. The home was 3 years old when they bought it. During holiday periods, the market rent is $840 per week. They advertise the property for rent during the year through a real estate agent.

Kelly and Dean arrange with the agent for their friend Kimarny to stay at the property for 3 weeks at a nominal rent of $200 per week. They also use the property themselves for 4 weeks during the year.

During the income year, Kelly and Dean's expenses for the property are $20,800 ($400 per week). This includes interest on the funds borrowed to purchase the holiday home, property insurance, the agent's commission, maintenance costs, council rates and capital works deductions.

Kelly and Dean receive $10,000 from renting out the property during the year. This includes the $600 they received from Kimarny.

No deductions can be claimed for the 4 weeks Kelly and Dean used the property themselves.

Kelly and Dean can claim deductions for their expenses based on the proportion of the income year it was rented out or was genuinely available for rent at the market rate: 45 ÷ 52 weeks × $20,800 = $18,000.

If Kimarny had rented the property for the market rate, Kelly and Dean would have been able to claim deductions for that 3-week period of $1,200
(3 ÷ 52 × $20,800 = $1200).

However, because the rent Kelly and Dean received from Kimarny was less than market rate and their expenses were more than the rent received during that period, they can only claim deductions equal to the amount of the rent during this period, that is, $600.

Income tax return

Kelly and Dean's rental income and deductions for the year are as follows:

- rent received = $10,000
- rental deductions = $18,600
  $18,000 + $600
- rental loss = ($8,600).

As they are joint owners, Kelly and Dean claim a rental loss of $4,300 each in their tax returns.

Kelly and Dean need to keep records of their expenses. If they make a capital gain when they sell the property, the proportion of the expenses they could not claim a deduction for are taken into account in working out their capital gain.

For more information on non-commercial rental arrangements, see Taxation Ruling IT 2167 *Income Tax: rental properties – non-economic rental, holiday home, share of residence, etc. cases, family trust cases.*

Investment loan used for private purposes

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

Example 15: investment loan used for partial private purpose

Rufus has owned his apartment for a number of years and is now looking to turn it into a rental when he upgrades to a larger residence.

Rufus still has a mortgage over the apartment and decides to refinance the mortgage into an investment loan. When the loan is refinanced, Rufus uses part of the new loan to purchase his new private residence.

Rufus must apportion his interest expenses and can only claim a deduction for interest expenses to the extent they relate to producing his rental income. He can't claim a deduction for any portion of the expenses which relate to the purchase of his private residence.

For more information, see Taxation Ruling TR 2000/2 *Income tax: deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities*.

Co-owner rents property

The rent received is assessable income if you own a property:

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

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

Asbestos remediation

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

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

For more information, see Taxation Ruling TR 2020/2 *Income tax: deductions for expenditure on environmental protection activities*.

Body corporate fees and charges

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

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

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

Regular payments you make to body corporate administration funds or **general purpose sinking funds** for ongoing administration and general maintenance are considered to be payments for the provision of services by the body corporate. You can claim a deduction for these regular payments at the time you incur them. However, if you're required by the body corporate to pay a special levy to fund a particular capital improvement, these levies are not deductible. This is the case whether that special levy is paid into a **special purpose fund** or as a special contribution to the general purpose sinking fund.

If the body corporate does raise a special levy to fund certain types of construction costs, you may be able to claim a capital works deduction. You can only claim a capital works deduction once the work is completed and the cost has been charged to either:

- the special purpose fund
- the general purpose sinking fund, if a special contribution has been levied.

You can't also claim a deduction for similar expenses if the body corporate fees and charges you incur are for things like:

- the maintenance of common gardens
- deductible repairs and building insurance.

For example, you can't claim a separate deduction for common garden maintenance if that expense is already included in body corporate fees and charges.

Common property

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

The ownership of the common property varies according to the relevant state strata title legislation. However, in all states, the income derived from the use of the common property is income of lot owners.

You can claim deductions for the common property in proportion to your lot entitlement for:

- capital works
- the decline in value of depreciating assets (in some cases).

For more information, see Deduction for decline in value of depreciating assets.

For more information on strata title body corporates, see Taxation Ruling TR 2015/3 *Income tax: matters relating to strata title bodies constituted under strata title legislation.*

Interest on loans

If you take out a loan to purchase a rental property, you can claim the interest charged on that loan, or a portion of the interest, as a deduction. However, the property must be rented, or genuinely available for rental, in the income year for which you claim a deduction. You can't claim a deduction for interest expenses you incur if either:

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

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

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

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

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

Banks and other lending institutions offer a range of financial products which can be used to acquire a rental property. Many of these products permit flexible repayment and redraw facilities. As a consequence, a loan might be obtained to purchase both a rental property and for example, a private car. In cases of this type, the interest on the loan must be apportioned into deductible and non-deductible parts according to the amounts borrowed for the rental property and for private purposes. A simple example of the necessary calculation for apportionment of interest is in example 16. If you have a loan account that has a fluctuating balance due to a variety of deposits and withdrawals, and it is used for both private purposes and rental property purposes, you must keep accurate records to enable you to calculate the interest that applies to the rental property portion of the loan; that is, you must separate the interest that relates to the rental property from any interest that relates to the private use of the funds.

For more information on how to calculate interest for these types of products, see Taxation Ruling TR 2000/2 *Income tax: deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities*.

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

Example 16: apportionment of interest

Norman and Lucinda decide to use their bank's 'Mortgage breaker' account to take out a loan of $209,000 from which $170,000 is to be used to buy a rental property as joint tenants and $39,000 is to be used to purchase a car they will only use for private purposes. They will need to work out each year how much of their interest payments are tax deductible. The following whole-year example illustrates an appropriate method that could be used to calculate the proportion of interest that is deductible. The example assumes an interest rate of 6.75% per annum on the loan and that the property is rented from 1 July:

Interest for year 1 = $209,000 × 6.75% = $14,108

Apportionment of interest payments related to rental property:

Total interest expenses × (rental property loan ÷ total borrowings) = deductible interest

$14,108 × ($170,000 ÷ $209,000) = $11,475

Norman and Lucinda can each claim 50% of $11,475 ($5,737.50) as a deduction for interest.

More complicated investment loan interest payment arrangements also exist, like 'linked' or 'split' loans which involve 2 or more loans or sub-accounts in which one is used for private purposes and the other for business purposes. Repayments are allocated to the private account and the unpaid interest on the business account is capitalised. This is designed to allow you to pay off your home loan faster while deferring payments on your rental property loan and maximises your potential interest deduction by creating interest on interest.

This can create a tax benefit because the deduction for interest actually incurred on the investment account is greater than the amount of interest that might reasonably be expected to have been allowable but for using the loan arrangement outlined above. In this case we may disallow some or all of your interest deductions. You should seek advice from your recognised tax adviser or contact us to discuss your situation.

For more information, see

- Rental expenses you can claim now
- Taxation Determination TD 2012/1 *Income tax: can Part IVA of the Income Tax Assessment Act 1936 apply to deny a deduction for some, or all, of the interest expense incurred in respect of an 'investment loan interest payment arrangement' of the type described in this Determination?.*

If you prepay interest, it may not be deductible all at once, see Prepaid expenses.

If you co-own the property, see Co-ownership of rental property for more information on how to calculate your deduction for interest expenses.

Thin capitalisation

If you're an Australian resident and you or any associate entities have certain international dealings, overseas interests or if you're a foreign resident, then thin capitalisation rules may affect you if your debt deductions, such as interest, combined with those of your associate entities for 2024–25 are more than $2,000,000.

Companies, partnerships and trusts that have international dealings will need to complete the International dealings schedule 2025.

For more information on the deductibility of interest, see:

- Taxation Ruling TR 2004/4 *Income tax: deductions for interest incurred prior to the commencement of, or following the cessation of, relevant income earning activities*
- Taxation Ruling TR 2000/2 *Income tax: deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities*
- Taxation Ruling TR 98/22 *Income tax: the taxation consequences for taxpayers entering into certain linked or split loan facilities*
- Taxation Ruling TR 95/25 *Income tax: deductions for interest under section 8-1 of the Income Tax Assessment Act 1997 following FC of T v. Roberts; FC of T v. Smith*
- Taxation Ruling TR 2019/2 *Income tax: whether penalty interest is deductible*
- Taxation Determination TD 1999/42 *Income tax: do the principles set out in Taxation Ruling TR 98/22 apply to line of credit facilities?*
- Taxation Determination TD 2012/1 *Income tax: can Part IVA of the Income Tax Assessment Act 1936 apply to deny a deduction for some, or all, of the interest expense incurred in respect of an 'investment loan interest payment arrangement' of the type described in this Determination?*
- Rental expenses you can claim now – interest expenses.

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

Land tax

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

When you receive land tax assessments in arrears, the amount of land tax isn't deductible in the income year in which you pay the arrears. The land tax amounts are deductible in the respective income years to which the liability for the land tax relates. For more information on how to claim a deduction for land tax related to a previous income year, see How to request an amendment to your tax return.

If a land owner receives a land tax assessment for a year, then later in the same income year either sells the property or starts to use it as their residence, there is no requirement to apportion the land tax deduction. We consider that the land tax liability was incurred for an income producing purpose because the liability for it was founded in the property's use for income-producing purposes.

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

Lease document expenses

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

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

Legal expenses

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

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

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

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

For more information, see Rental expenses you can claim now.

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

For more information, see Capital gains tax and Guide to capital gains tax 2025.

Example 17: deductible legal expenses

In September 2024, Ted and Rachel's tenants moved out of their jointly owned property, owing 6 weeks rent. Ted and Rachel retain the bond money and took the tenants to court to terminate the lease and recover the balance of the rent. The legal expenses they incurred doing this are fully deductible.

Ted and Rachel were seeking to recover rental income, and they wished to continue earning income from the property. Ted and Rachel must include their share of the retained bond money and the recovered rent in their rental income in the year of receipt.

Mortgage discharge expenses

Mortgage discharge expenses are the costs involved in discharging a mortgage other than payments of principal and interest. These costs are deductible in the year they are incurred to the extent that you took out the mortgage as security for the repayment of money you borrowed to use to produce your rental income.

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

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

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

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

For more information, see Taxation Ruling TR 2019/2 *Income tax: whether penalty interest is deductible.*

Property agent fees or commissions

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

You're unable to claim the cost of:

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

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

Repairs and maintenance

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

Repairs involve restoring a defective, damaged or deteriorated item to working condition and generally involve a replacement or renewal of a worn out or broken part, for example, replacing worn or damaged roof tiles or fixing an air conditioner that is no longer working. Maintenance generally involves keeping the property in a tenantable condition, for example repainting faded or damaged interior walls.

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

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

Replacing an entire structure or unit of property that is a depreciating asset, for example a stove or an air conditioner, may trigger a balancing adjustment event. You may also claim a decline in value deduction for the replacement depreciating asset. For more information, see Guide to depreciating assets 2025.

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

Expenses of a capital nature may form part of the cost base of the property for capital gains tax purposes (but not generally to the extent that capital works deductions have been or can be claimed for them).

You can't claim a deduction for repairs if your insurer pays for the work. If you receive an insurance or compensation payment for work you paid for and claimed as a deduction in an earlier year, you need to include it in your income.

For more information, see Guide to capital gains tax 2025.

Example 18: repairs prior to renting out the property

Lindsay and Bernadette needed to do some repairs to their newly acquired rental property before the first tenants moved in. They paid an interior decorator to repaint dirty walls, replace broken light fittings and repair doors on 2 bedrooms.

They also discovered white ants in some of the floorboards. This required white ant treatment and replacement of some of the boards.

These expenses were incurred to make the property suitable to be rented out and didn't arise from Lindsay and Bernadette's use of the property to generate rental income. The expenses are initial repairs and are capital in nature. Lindsay and Bernadette are not able to claim a deduction for these expenses. However, they can be included in the cost base of the property when they sell it.

Example 19: replacement of an entirety (capital works) and simultaneous repairs

Robin has owned his rental property for 10 years when a toilet is damaged along with the wall around it. The toilet needs to be replaced, and the wall repaired.

The toilet is a fixture but also an entirety because:

- it is identifiable as a separate item of capital equipment,
- it provides a useful function independent of the rest of the premises

Replacing an entirety isn't a repair. The cost of installing the new toilet is claimed as a capital works deduction.

The wall around the toilet is replastered and painted at the same time as the toilet is installed. As plastering and painting the wall restores it to its former function, Robin can claim the cost as a repair expense.

Robin should obtain an itemised invoice which separately lists the costs of replacing the toilet and wall repair so they can be claimed correctly. If the cost of the labour isn't separately identified, it should be apportioned between the 2 different jobs (replacing the toilet and replacing and repainting the wall) on a fair and reasonable basis.

If Robin’s insurance company directly engages and pays a tradesperson to replace the toilet and do the wall repairs, Robin can’t claim a capital works deduction for the new toilet or a deduction for the repairs.

Example 20: restoration by replacing a part of the entirety – roof repair

Rosie has owned a rent property since 2012. The roof was old, but in good condition, when a storm dislodged and damaged many of the roof tiles. A roof tiler advises Rosie the most cost-effective solution is to replace the entire roof. The new roof tiles are of a more modern design and due to manufacturing advances, provide a minor improvement to the insulation of the house.

Replacing the roof is deductible as a repair expense. Something that is part of a building and serves no independent function, such as a roof or a wall, is simply a part of the entirety. Even though the new roof performs its function more effectively, this is only minor and incidental due to the use of modern materials.

Rosie pays for the work and claims a deduction. The following year she receives an insurance payout for the repair. Rosie includes this payout in her income in the year she receives it.

Repairs to a rental property will generally be deductible if:

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

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

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

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

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

- replacing a cracked pane in a window
- stopping a tap from leaking
- repairing an electrical appliance.

Examples of **improvements** for which you can't claim deductions are:

- landscaping
- insulating the house
- renovating a kitchen or bathroom

For more information, see:

- Capital gains tax
- Rental expenses you can claim now
- Guide to capital gains tax 2025
- Guide to depreciating assets 2025
- Taxation Ruling TR 97/23 *Income tax: deductions for repairs.*

Travel and car expenses

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

You may be entitled to claim a deduction for travel expenses you incur relating to your rental property if one of the following applies:

- you're an excluded entity
- you're using the property in carrying on a business (including a business of letting rental properties)
- the property isn't a residential rental property.

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

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

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

Example 20: travel and vehicle expenses

In 2024–25, Narinda owned a residential rental property in North Harbour and a commercial property in East Village.

Narinda visited the residential rental property a number of times after the tenants moved in to carry out inspections and maintenance work. Narinda can't claim deductions for the cost of his travel to inspect and maintain the property.

Narinda also visited the commercial property a number of times after the tenants moved in, to carry out minor repairs. He travelled 162 kilometres during the course of these visits. The property is a commercial property, so Narinda can claim the following deduction.

Distance travelled × rate per km = deductible amount

162 km × 88c per km = $143

On his way to golf each Saturday, Narinda drove past the property to 'keep an eye on things'. These motor vehicle expenses are not deductible as they are incidental to the private purpose of the journey.

For the appropriate cents per kilometre rates, see:

- Individual tax return instructions 2025
- Work-related car expenses.

Apportionment of travel expenses

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

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

You may also need to apportion your travel expenses if they relate to your commercial rental property or residential rental property used in carrying on a business of letting rental properties, and residential rental property not used in carrying on a business of letting rental properties.

For more information, see Law Companion Ruling LCR 2018/7 *Residential premises deductions: travel expenditure relating to rental investment properties*.

Example 21: apportionment of travel expenses

Chad and Jacinta own a residential rental property and a commercial rental property in a resort town on the north coast of Queensland. They spent $1,000 on airfares and $1,500 on accommodation (including meals) travelling from their home in Perth to the resort town, mainly for the purpose of holidaying, but also to inspect both properties.

They also spent $50 on taxi fares for the return trip from the hotel to the commercial rental property, and $100 on taxi fares for a return trip from the hotel to the residential rental property. Chad and Jacinta spent one day on matters relating to the commercial rental property, another day on matters relating to the residential rental property, and 8 days swimming and sightseeing.

They can't claim a deduction for:

- any part of the $1,000 airfares.
- any part of the $100 taxi fare, it is a travel expense related to the residential rental property.

However, Chad and Jacinta can claim a deduction for the $50 taxi fare which they incur in relation to the commercial rental property.

A deduction for 10% (1 day ÷ 10 days) of the accommodation (including meals) expenses (10% of $1,500 = $150) would be considered reasonable in the circumstances given Chad and Jacinta spent one full day on matters relating to their commercial property.

The total travel expenses Chad and Jacinta can claim are therefore $200 ($50 taxi fare plus $150 accommodation). Accordingly, they can each claim a deduction of $100.

For more information, see Rental properties and travel expenses.

Local government expenses

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

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

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

Expenses deductible over several income years

There are 3 types of expenses you may incur for your rental property that may be claimed over several income years:

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

We discuss each of these categories in detail below.

Borrowing expenses

Borrowing expenses are those you incur in taking out a loan for a rental property.

Amounts you can claim a deduction for include:

- loan establishment fees
- title search fees your lender charges
- costs for preparing and filing mortgage documents
- mortgage broker fees
- stamp duty you pay on the mortgage
- fees for a valuation required for loan approval
- lender's mortgage insurance the lender takes out and bills to you.

The following amounts are **not** borrowing expenses:

- the principal amount you borrow and any repayments
- insurance policy premiums that provide for your loan on the property to be paid out in the event that you die or become disabled or unemployed
- interest expenses
- stamp duty you pay on the transfer of the property
- stamp duty you incur to acquire a leasehold interest in property (such as an ACT 99-year Crown lease).

If your total borrowing expenses are more than $100, the deduction is spread over 5 years (starting from the day when the loan is taken out) or the term of the loan, whichever is less. If the total deductible borrowing expenses are $100 or less, they are fully deductible in the income year you incur them. If you repay the loan early and in less than 5 years, you can claim a deduction for the balance of the borrowing expenses in the year the loan is repaid in full.

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

You can use our Deductible borrowing expenses calculator (xlsx, 154KB) to work out your claim.

Example 22: apportionment of borrowing expenses

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

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

As their borrowing expenses are more than $100, they must apportion their deduction for borrowing expenses over 5 years because that is 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 obtained the loan on 17 July, they work out the borrowing expenses 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.

They work out their borrowing expenses deduction for each income year as shown in the table below. Year 4 is a leap year.

Borrowing expenses 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 $333.82 × ($170,000 ÷ $209,000)	$271.53
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

Deduction for decline in value of depreciating assets

You can deduct an amount equal to the decline in value in 2024–25 of a depreciating asset that you held at any time during the year. However, you reduce your deduction to the extent you use the asset for a purpose other than a taxable purpose. From 1 July 2017, reduce your deduction by the extent you installed or used the asset in your residential rental property to derive rental income and the asset was a second-hand depreciating asset (unless an exception applies).

For more information, see Limit on deductions for decline in value of second-hand depreciating assets.

When you purchase a rental property, you're generally treated for tax purposes as having bought a building, plus various separate items of 'plant'. Items of plant are depreciating assets, such as air conditioners, stoves and other items. You need to allocate the purchase price accordingly between the 'building' and various depreciating assets. For more information on 'plant', see Descriptions and examples of rental property items.

We regard some items found in a rental property as part of the setting for the rent-producing activity, therefore these items are not treated as separate assets. If your depreciating assets are not plant, and it is fixed to, or otherwise part of, a building or structural improvement, your expenditure will generally be construction expenditure for capital works. You may only claim a capital works deduction for those items.

For more information, see Capital works deductions.

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

There are different rules for the decline in value of certain second-hand depreciating assets you purchase with your residential rental property after 1 July 2017. If you use these assets to produce rental income from your residential rental property, you can't claim a deduction for their decline in value unless you're:

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

For the meaning of 'residential rental property' and 'excluded entity', see Descriptions and examples of rental property items.

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

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

These rules apply to the depreciating assets that you either:

- enter into a contract to acquire, or otherwise acquired, after 7:30 pm on 9 May 2017
- used or had installed ready for use for any private purpose in 2016–17 or earlier income years, for which you were not entitled to a deduction for a decline in value in 2016–17 (for example, depreciating assets in a property that was your home in 2016–17 that you turned into your residential rental property in 2017–18).

Regardless of when you purchase the asset, you can claim a deduction for the decline in value of:

- new depreciating assets in your residential property
- depreciating assets in your residential rental property that you install or use for a taxable purpose other than the purpose of deriving rental income.

Example 23: new and second-hand depreciating assets

On 20 August 2024, Donna acquired a 2 year old apartment that she offers for residential rental accommodation. Depreciating assets in it includes carpet installed by the previous owner in July 2022. Donna installs the following depreciating assets in the apartment before renting it out:

- new curtains that she bought from Curtains Ltd
- a second-hand television set that she bought from a friend
- a second-hand clothes dryer from her house.

Donna uses the assets to derive rental income from a residential rental property.

Donna can't claim deductions for the decline in value of the carpet, television set and clothes dryer as they are second-hand depreciating assets.

However, she can claim a decline in value deduction for the curtains as they were new when installed.

Example 24: established residential rental property purchase

Saania bought a one year old residential rental property for $500,000 on 1 July 2024 and rents it out. The property contains depreciating assets from the previous owner.

Since Saania bought the property after 9 May 2017, she can't claim deductions for the decline in value of any existing depreciating assets in the property.

Assets in new residential rental properties

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

- no one was previously entitled to a deduction for the asset
- either
  - no one resided in the property before you acquired it
  - the asset was installed for use or used at this property, and you acquired the property within 6 months of it being built or substantially renovated.

Substantial renovations of a building are renovations where you remove or replace all, or substantially all, of a building. The renovations may, but don't necessarily have to, involve the removal or replacement of foundations, external walls, interior supporting walls, floors, roof or staircases.

For more information, see Goods and services tax ruling GSTR 2003/3 *Goods and services tax: when is a sale of real property a sale of new residential premises?*

Example 25: bought new apartments – one already tenanted, one vacant

On 10 December 2024, Tim bought 2 apartments from a developer 4 months after they were built. At the time of purchase, one apartment was rented out by the developer and the other was vacant.

Both of the apartments contain depreciating assets, such as curtains and furniture. The assets were installed before Tim bought the apartments. There are also shared areas in the apartment complex. The shared areas have a range of new depreciating assets that are joint property of all the apartment owners.

No taxpayer was entitled to a deduction for decline in value of the depreciating assets in the apartments and the shared areas before Tim bought the apartments. This is because the:

- apartments and the depreciating assets are part of the developer's trading stock
- tenant doesn't hold the depreciating assets.

For the vacant apartment and its shared areas, Tim is entitled to claim deductions for decline in value of the depreciating assets.

For the tenanted apartment and its shared areas, Tim is entitled to claim deductions for decline in value of the depreciating assets (although they have been used for 4 months) because:

- no one was entitled to a deduction for a decline in value of these depreciating assets
- the apartment was supplied to Tim within 6 months of it being built.

Tim can deduct only his share of the decline in value of the depreciating assets installed in the shared areas of the apartment complex.

If Tim sells the apartments, the next owner can't claim deductions for the decline in value of the existing depreciating assets, in either the apartment or in the shared areas.

How do you work out your deduction?

You work out your deduction for the decline in value of a depreciating asset using either the diminishing value method or the prime cost method. Both methods use the effective life of the asset. You can work out your deductions using the Depreciation and capital allowances tool. You can also use this tool during the year to progressively enter amounts.

Diminishing value method

The diminishing value method assumes that the decline in value each year is a constant proportion of the remaining value and produces a progressively smaller decline over time.

For depreciating assets you start to hold on or after 10 May 2006, you generally use the following formula for working out decline in value using the diminishing value method:

Base value (see Note 1) × (days held (see Note 2) ÷ 365) × (200% ÷ asset's effective life)

Note 1: For the income year in which an asset is first used or installed ready for use for any purpose, the base value is the asset's cost. For a later income year, the base value is the asset's opening adjustable value plus any amounts included in the asset's second element of cost for that year.

Note 2: Days held can be 366 in a leap year.

This formula doesn't apply in some cases, such as if you dispose of and reacquire an asset to work out the decline in value of the asset using this formula.

For depreciating assets you start to hold before 10 May 2006, the formula for working out decline in value using the diminishing value method is:

Base value (see Note 1) × (days held (see Note 2) ÷ 365) × (150% ÷ asset's effective life)

Under the diminishing value method, the decline in value of an asset for a particular income year can't amount to more than its base value for that income year.

Prime cost method

The prime cost method assumes that the value of a depreciating asset decreases uniformly over its effective life. The formula for working out decline in value using the prime cost method is:

Asset's cost × (days held (see note 2) ÷ 365) × (100% ÷ asset's effective life)

The formula under the prime cost method may have to be adjusted if the cost, effective life or adjustable value of the asset is modified. For more information, see Guide to depreciating assets 2025.

Under the prime cost method, the general rule is that the decline in value of an asset for a particular income year can't exceed its opening adjustable value for that year and any amount included in the second element of its cost for that year. For an income year in which the asset start time occurs, the decline in value of an asset can't exceed its cost.

Elements of cost

An asset's cost has 2 elements, the:

- first element is generally, amounts you're taken to have paid to hold the asset, such as the purchase price.
- second element is generally, the amount you're taken to have paid to bring the asset to its present condition, such as the cost of capital improvements to the asset.

If more than one person holds a depreciating asset, each holder works out their deduction for the decline in value of the asset based on their interest in the asset and not on the cost of the asset itself.

The adjustable value of a depreciating asset is its cost (first and second elements) less its decline in value up to that time. Adjustable value is similar to the concept of undeducted cost used in the former depreciation provisions. The opening adjustable value of an asset for an income year is generally the same as its adjustable value at the end of the previous income year.

Taxable purpose

A depreciating asset is used for a taxable purpose if it is used for the purpose of producing assessable income. For example, new carpet in a rental property which is rented, or genuinely available for rent, is used for a taxable purpose.

If you use a depreciating asset for other than a taxable purpose (for example, you use the same lawn mower at both your rental property and your private residence) you can only claim a partial deduction for the asset's decline in value, using the percentage of the asset's total use that was for a taxable purpose.

If the asset is a second-hand depreciating asset you use to derive rental income from your residential property, you may not be able to claim a deduction for its decline in value. See Limit on deductions for decline in value of second-hand depreciating assets.

Effective life

Generally, the effective life of a depreciating asset is how long it can be used to produce income:

- having regard to the wear and tear you reasonably expect from your expected circumstances of use
- assuming that it will be maintained in reasonably good order and condition
- having regard to the period within which it is likely to be scrapped, sold for no more than scrap value or abandoned.

Effective life can be expressed in whole years, or in fractions of years – for example, 5 and two-thirds. It isn't rounded to the nearest whole year.

For most depreciating assets you can choose to work out the effective life yourself or to use an effective life determined by the Commissioner of Taxation.

The information you could use to make an estimate of effective life of an asset is listed in Guide to depreciating assets 2025.

In making his determination, the Commissioner assumes the depreciating asset is new and has regard to general industry circumstances of use.

As a general rule, use the effective life that is in force at the time (the relevant time) you:

- enter into a contract to acquire the depreciating asset
- otherwise acquire it
- start to construct it.

To make your own estimate of its effective life or use the Commissioner's effective life determinations, see Effective life of depreciating assets.

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

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

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

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

If you hold an asset jointly with others and the cost of your interest in the asset is $300 or less, you can claim the immediate deduction even though the total cost of the asset was more than $300.

For more information, see Partners carrying on a business of letting rental properties.

Example 26: immediate deduction

In November 2024, Terry bought a new toaster for his rental property at a cost of $70. He can claim an immediate deduction as he uses the toaster to produce rental income, if he isn't carrying on a business of letting rental properties.

Example 27: no immediate deduction

Paula is buying a new set of 4 identical dining room chairs costing $90 each for her rental property. She can't claim an immediate deduction for any of these because they are part of a set of assets, and the total cost is more than $300.

The amount of an immediate deduction may also need to be reduced if the asset is used for purposes other than taxable purposes (see subsection 40-25(2) of the ITAA 1997). For more information, see Limit on deductions for decline in value of second-hand depreciating assets.

For more information about immediate deductions for depreciating assets costing $300 or less, see Guide to depreciating assets 2025.

Low-value pooling

You can allocate low-cost assets and low-value assets relating to your rental activity to a low-value pool.

A **low-cost asset** is a depreciating asset that costs less than $1,000 as at the end of the income year in which you start to use it, or have it installed ready for use, for a taxable purpose.

A **low-value asset** is a depreciating asset that isn't a low-cost asset but which on 1 July 2024 (or 1 July of the relevant income year) had an opening adjustable value of less than $1,000 under the diminishing value method.

If you hold an asset jointly and the cost of your interest in the asset or the opening adjustable value of your interest is less than $1,000, you can allocate your interest in the asset to your low-value pool.

Once you choose to create a low-value pool and allocate a low-cost asset to it, you must pool all other low-cost assets you start to hold from that time on. However, this does not apply to low-value assets. You can decide whether to allocate low-value assets to the pool on an asset-by-asset basis.

Once you allocate an asset to the pool, it remains in the pool.

Once you allocate an asset to a low-value pool it isn't necessary to work out its adjustable value or decline in value separately. You only require one annual calculation for the decline in value for all of the depreciating assets in the pool.

You work out the deduction for the decline in value of depreciating assets in a low-value pool using a diminishing value rate of 37.5%.

For the income year you allocate a low-cost asset to the pool, you work out its decline in value at a rate of 18.75%, or half the pool rate. Halving the rate recognises that you may allocate an asset to the pool throughout the income year and eliminates the need to make separate calculations for each asset using the date you allocate it to the pool.

When you first allocate a depreciating asset to a low-value pool, you must make a reasonable estimate of the percentage that you'll use the asset for a taxable purpose over its effective life (for a low-cost asset) or its remaining effective life (for a low-value asset). This percentage is known as the asset’s **taxable use percentage**.

From 1 July 2017, only include the taxable purpose of using the asset to produce rental income from residential rental property if you would be entitled to claim a deduction for the decline in value of that asset. See Limit on deductions for decline in value of second-hand depreciating assets. For the meaning of 'excluded entity' and 'residential rental property', see Descriptions and examples of rental property items.

It is this **taxable use percentage** of the cost or opening adjustable value that is written off through the low-value pool.

For more information on low-value pooling, and on how to treat assets you only use partly to produce assessable income, including rental income, and how to treat the disposal of assets from a low-value pool, see Guide to depreciating assets 2025.

You can work out your deductions for assets you allocate to a low-value pool using the Depreciation and capital allowances tool. You can also use this tool for each income year to calculate decline in value deduction amounts.

If you're an individual who owns or jointly owns a rental property, you claim your low-value pool deduction for rental assets as a '**Low-value pool deduction**' in your tax return. You don't take this deduction into account in the amount you show at '**Rent**' in your tax return.

What happens if you no longer hold or use a depreciating asset?

If you cease to hold or use a depreciating asset, a balancing adjustment event will occur. If there is a balancing adjustment event, you need to work out a balancing adjustment amount to include in your assessable income or to claim as a deduction.

A balancing adjustment event occurs for a depreciating asset if:

- you stop holding it – for example, if the asset is sold, lost or destroyed
- you stop using it and expect never to use it again
- you stop having it installed ready for use and you expect never to install it ready for use again
- you have not used it and decide never to use it
- a change occurs in the holding or interests in an asset which was or is to become a partnership asset.

You work out the balancing adjustment amount by comparing the asset's termination value (such as the proceeds from the sale of the asset) and its adjustable value at the time of the balancing adjustment event. If the termination value is greater than the adjustable value, you include the excess in your assessable income. If you're an individual who owns or has co-ownership of a rental property, you show the assessable amount as '**Other income'** in your tax return. You don't take it into account in the amount you show at '**Rent'**.

If the termination value is less than the adjustable value, you can deduct the difference.

For more information on balancing adjustments, see Guide to depreciating assets 2025.

If a balancing adjustment event happens to a depreciating asset that you used at some time other than for income-producing purposes (for example, privately) then a capital gain or capital loss might arise to the extent that you so used the asset.

From 1 July 2017, if a balancing adjustment event happens to a depreciating asset to which the rules about deductions for decline in value of second-hand depreciating assets in residential rental properties apply, then a capital gain or capital loss might arise.

You can work out balancing adjustments using the Depreciation and capital allowances tool.

For more information on capital gains tax and depreciating assets, see Guide to depreciating assets 2025.

Purchase and valuation of depreciating assets

Where you pay an amount for a depreciating asset and something else, only that part that is reasonably attributable to the depreciating asset is treated as being paid for.

Where you purchase a rental property from an unrelated party, one objective means of establishing your cost of depreciating assets acquired with the property is to have their value, as agreed between the contracting parties, specified in the sale agreement. The values need to be reasonable. If the sale agreement for your property doesn't specify separate values for the depreciating assets, you'll need to work out a reasonable cost for the assets to determine your claim for depreciation.

You can do this yourself or you may wish to use a qualified valuer. Any valuation methodology used to work out the cost of the depreciating assets must be able to demonstrate a reasonable basis for that value. For more information on valuing depreciating assets, see Market valuation for tax purposes.

Apportionment of values between various assets affects the cost base of the property which is subject to capital gains tax. Subtract amounts you allocate to the cost of depreciating assets on the purchase of the rental property from the purchase price, to work out the CGT cost base of the rental property.

Example 28: second-hand residential rental property purchase

On 1 October 2024, Nick and Penny bought a 2 year-old residential property for $500,000. The property was rented out before, and Nick and Penny continued to rent it out after they bought it.

Nick and Penny didn't purchase any new depreciating assets for the property. They used the existing depreciating assets in the property to derive rental income from the property. Nick and Penny didn't carry on a business of letting rental properties.

As Nick and Penny can't claim a deduction for a decline in value of any previously used depreciating assets in the property, they don't need to identify separate depreciating assets in the property.

They may need to hire a qualified professional to estimate construction costs of the property to work out if they can claim any capital works deductions. See, Estimating construction costs.

Working out your deductions for decline in value of depreciating assets

Below are 2 examples of how to work out decline in value deductions for new assets in newly built residential rental properties.

The Guide to depreciating assets 2025 has 2 worksheets:

- Worksheet 1: Depreciating assets
- Worksheet 2: Low-value pool.

Use these to work out your deductions for decline in value of depreciating assets. You can also work out your deductions using the Depreciation and capital allowances tool.

Example 29: working out decline in value deductions

Jason and his brother Rodney bought a newly built rental property on 20 July 2024 as tenants in common, with each of them owning 50%. They get a report from a professional that identifies the depreciating assets in the rental property and their cost.

Jason and Rodney use the report to work out the cost of their individual interests in the assets. They can each claim deductions for decline in value for 346 days of 2042–25. If they use the assets wholly to produce rental income, the deduction for each asset using the diminishing value method is worked out below.

Decline in value calculation using the diminishing value method

Calculation description	**Furniture**	**Carpets**	**Curtains**	Totals
Cost of the interest in the asset	$2,000	$1,200	$1,000	**$4,200**
Base value	$2,000	$1,200	$1,000	**$4,200**
Number of days held, divided by 365	346 ÷365	346 ÷ 365	346 ÷365	-
200% divided by effective life (years)	200% ÷13 and one-third	200% ÷ 8	200% ÷ 6	-
Deduction for decline in value	$284.45	$284.38	$315.98	**$884.81**
Adjustable value at end of 2024–25	$1,715.55	$915.62	$684.02	**$3,315.19**

As the adjustable values of the curtains and the carpets at the end of 2024–25 is less than $1,000, Jason and Rodney can each choose to transfer their interest in the curtains and the carpets to their low-value pool for 2025–26.

Example 30: decline in value deductions, low-value pool

In 2024–25, Leonie, who owns a rental property in Adelaide, allocated to a low-value pool some new depreciating assets she acquired in that year. The low-value pool already comprised various low-value assets. Leonie expects to use the assets solely to produce rental income.

Low-value asset decline in value calculation

Asset	Taxable use percentage of cost or opening adjustable value	Low-value pool rate	Deduction for decline in value in 2024–25
Various	$1,679	37.5%	$629.63

Low-cost asset decline in value calculation

Asset and purchase date	Taxable use percentage of cost or opening adjustable value	Low-value pool rate	Deduction for decline in value in 2024–25
Television set (11/11/2024)	$747	18.75%	$140.06
Gas heater (28/2/2025)	$303	18.75%	$56.81
Total low-cost assets	$1,050	18.75%	$196.87

Total deduction for decline in value for 2024–25

Total deduction for decline in value for 2024–25 is $826.50 ($629.63 plus $196.87).

Closing pool balance for 2024–25

Low-value assets: $1,679 minus $629.63 equals $1,049.37

Low-cost assets: $1,050 minus $196.87 equals $853.13

Closing pool balance for 2024–25 is $1,902.4 ($1,049.37 plus $853.13).

Capital works deductions

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

Deductions for construction expenditure apply to capital works such as:

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

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

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

If however, using the same example above, during an income year the building is affected by fire and the building can't be rented or made available for rent, but it is expected to be made available for rent again, then the owners can't claim a deduction for capital works for the number of days that the building isn't available for rent.

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

Amount of deduction

The amount of the deduction you can claim for eligible new build to rent development is 4%. This is a new measure which applies where construction of eligible new build to rent development started after 9 May 2023. For further information see, xxx

If it isn't an eligible new build to rent development, then the amount of deduction you can claim depends on the type of construction and the date construction started.

Table 1 below shows you the types of rental property construction that qualify. If the type of construction you own (or own jointly) doesn't appear next to the relevant 'date construction started' in the table, you can't claim a deduction. If the type of construction qualifies, Table 2 shows the rate of deduction available.

'Certain buildings' in **Table 1** are:

- apartment buildings in which you own or lease at least 10 apartments, units or flats, or
- a hotel, motel or guest house that has at least 10 bedrooms.

Table 1: Types of rental property construction that qualify for deduction

Date construction started	Type of construction for which deduction can be claimed
Before 22 August 1979	None
22 August 1979 to 19 July 1982	Certain buildings intended to be used on completion to provide short-term accommodation to travellers
20 July 1982 to 17 July 1985	Certain buildings intended to be used on completion to provide short-term accommodation to travellers Building intended to be used on completion for non-residential purposes (for example, a shop or office)
18 July 1985 to 26 February 1992	Any building intended to be used on completion for residential purposes or to produce income
27 February 1992 to 18 August 1992	Certain buildings intended to be used on completion to provide short-term accommodation to travellers Any other building intended to be used on completion for residential purposes or to produce income Structural improvements intended to be used on completion for residential purposes or to produce income
19 August 1992 to 30 June 1997	Certain buildings intended to be used on completion to provide short-term accommodation to travellers Any other building intended to be used on completion for residential purposes or to produce income Structural improvements intended to be used on completion for residential purposes or to produce income Environment protection earthworks intended to be used on completion for residential purposes or to produce income
After 30 June 1997	Any capital works used to produce income (even if, on completion, it was not intended that they be used for that purpose)

Table 2: Rate of deduction based on date construction started

Date construction started	Rate of deduction per income year
Before 22 August 1979	nil
22 August 1979 to 21 August 1984	2.5%
22 August 1984 to 15 September 1987	4%
After 15 September 1987	2.5%, except 4% for eligible new build to rent developments where construction started after 9 May 2023

Where construction of a building to provide short-term accommodation for travellers commenced after 26 February 1992, the rate of deduction was increased to 4%.

For apartment buildings, the 4% rate applies to apartments, units or flats only if you own or lease 10 or more of them in the building.

The deduction can be claimed for:

- 25 years from the date construction was completed in the case of a 4% deduction
- 40 years from the date construction was completed in the case of a 2.5% deduction.

If the construction was completed part of the way through the income year, you can claim a pro-rata deduction for that part.

Construction expenditure that you can claim

Construction expenditure is the actual cost of constructing the building or extension. You can claim a deduction for expenditure you incur in the construction of a building if you contract a builder to construct the building on your land. This includes the component of your payments that represents the profit made by individual tradespeople, builders, and architects. If you're an owner/builder, the value of your contributions to the works – for example, your labour and expertise, and any notional profit element don't form part of the construction expenditure.

If you purchase your property from a speculative builder, you can't claim the component of your payment that represents the builder's profit margin as a capital works deduction.

Some costs that you may include in construction expenditure are:

- preliminary expenses such as architects' fees, engineering fees and the cost of foundation excavations
- payments to carpenters, bricklayers and other tradespeople for construction of the building
- payments for the construction of retaining walls, fences and in-ground swimming pools.

Construction expenditure that can't be claimed

Some costs you can't include in construction expenditure are:

- the cost of the land on which the rental property is built
- expenditure on clearing the land before construction
- earthworks that are permanent, can be economically maintained and are not integral to the installation or construction of a structure
- expenditure on landscaping.

Changes in building ownership

Where ownership of the building changes, the right to claim any undeducted construction expenditure for capital works passes to the new owner. A new owner should confirm that the building was constructed during one of the appropriate periods outlined in Table 1. To be able to claim the deduction, the new owner must continue to use the building to produce income.

If the previous owner was allowed capital works deductions, and the capital works started after 26 February 1992, they must give you, as the new owner, information that will enable you to calculate those deductions going forward. Where the property was not previously used to produce assessable income, the owner disposing of the property doesn't need to provide the purchaser with that information. In this situation the purchaser can get an estimate from a professional. For more information, see Estimating construction costs.

For more information on providing a notice or certificate, see Subsection 262A(4AJA) of *Income Tax Assessment Act 1936* (ITAA 1936).

Estimating construction costs

Where a new owner is unable to precisely determine the construction expenditure associated with a building, an estimate provided by an appropriately qualified person may be used. Appropriately qualified people include:

- a clerk of works, such as a project organiser for major building projects
- a supervising architect who approves payments at stages of projects
- a builder who is experienced in estimating construction costs of similar building projects
- a quantity surveyor.

Unless they are otherwise qualified, valuers, real estate agents, accountants and solicitors generally have neither the relevant qualifications nor the experience to make such an estimate.

Example 31: estimating capital works deductions

A property acquired by Greg and Suzie (as joint tenants and not carrying on a business of letting rental properties) on 20 July 2024 was constructed in August 1991. At the time they acquired the property, it also contained the following structural improvements.

Structural improvements

Item	Construction date
Retaining wall	September 1991
Concrete driveway	January 1992
In-ground swimming pool	July 1992
Protective fencing around the pool	August 1992
Timber decking around the pool	September 1992

In a letter to Greg and Suzie, a supervising architect estimated the construction cost of the rental property for capital works deduction purposes at $115,800. This includes the cost of the house, the in-ground swimming pool, the protective fencing and the timber decking. Although the retaining wall and the concrete driveway are structural improvements, they were constructed before 27 February 1992. In Table 1, structural improvements qualified for deduction from 27 February 1992. Therefore, they don't form part of the construction cost for the purposes of the capital works deduction and were not included in the $115,800 estimate.

Greg and Suzie can claim a capital works deduction of 2.5% of the construction costs per year. As they acquired the property on 20 July 2024, they can claim the deduction for the 346 days from 20 July 2024 to 30 June 2025. Work out the maximum deduction for 2024–25 as follows:

Construction cost × rate × portion of year = deductible amount

$115,800 × 2.5% × (346 ÷ 365) = $2,744

The denominator is 365 days, irrespective of a leap year. The numerator can be 366 days in a leap year.

The cost of getting an appropriately qualified person's estimate of construction costs of a rental property is deductible in the income year you incur the expense. You make your claim for the expense, or your share of the expense if you incur it jointly, at D10 Cost of managing tax affairs 2025 in your tax return.

For more information on construction expenditure and capital works deductions, see:

- Taxation Ruling TR 97/25 *Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements*
- Work out your capital works deductions.

Cost base adjustments for capital works deductions

In working out a capital gain or capital loss from a rental property, you may need to reduce the cost base and reduced cost base to the extent that it includes construction expenditure for which you have claimed or can claim a capital works deduction.

Cost base

You must exclude from the cost base of a CGT asset the amount of capital works deductions you claimed or can claim in respect of the asset if you either:

- acquire the asset after 7:30 pm AEST on 13 May 1997
- acquire the asset before that time and the expenditure that gave rise to the capital works deductions was incurred after 30 June 1999.

A CGT asset includes a building, structure or other capital improvement to land that is treated as a separate asset for CGT purposes.

For information on when a building, structure or other capital improvement to land is treated as a CGT asset separate from the land, see **Major capital improvements to a dwelling acquired before 20 September 1985** in Guide to capital gains tax 2025.

Reduced cost base

Exclude the amount of the capital works deductions you have claimed or can claim for expenditure you incur in respect of an asset from the reduced cost base.

For more information on whether you can claim certain capital works deductions, see:

- Taxation Determination TD 2005/47 *Income tax: what do the words 'can deduct' mean in the context of those provisions in Division 110 of the Income Tax Assessment Act 1997 which reduce the cost base or reduced cost base of a CGT asset by amounts you 'have deducted or can deduct', and is there a fixed point in time when this must be determined?*
- Practice Statement Law Administration PS LA 2006/1 (GA) *Calculating cost base of a CGT asset where there is insufficient information to determine any capital works deduction under Division 43 of the ITAA 1997*.

Example 32: capital works deduction

Zoran bought a rental property on 1 July 1998 for $200,000. Before disposing of the property on 30 June 2025, he had claimed $10,000 in capital works deductions.

At the time of disposal, the cost base of the property was $210,250. Zoran must reduce the cost base of the property by $10,000 to $200,250.

Limited recourse debt arrangements

You must include excessive deductions for the capital allowances as assessable income, if expenditure on a depreciating asset (which includes construction expenditure) is financed or refinanced wholly or partly by limited recourse debt. This includes a notional loan under certain hire purchase or instalment sale agreements of goods.

This will occur where the limited recourse debt arrangement terminates but has not been paid in full by the debtor. Because the debt has not been paid in full, the capital allowance deductions, including capital works deductions for the expenditure exceed the deductions that would be allowable if the unpaid amount of the debt was not counted as capital expenditure of the debtor. Special rules apply for working out whether the debt has been paid in full.

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

Prepaid expenses

If you prepay a rental property expense, such as insurance or interest on money you borrow, you can claim an immediate deduction if:

- that covers a period of 12 months or less, and
- the period ends on or before 30 June 2026.

A prepayment that doesn't meet these criteria **and** is $1,000 or more may have to be spread over 2 or more years. This is also the case if you can but choose not to deduct certain prepaid business expenses immediately.

For more information, see Deductions for prepaid expenses 2025.

Keeping rental property records

Records you need to keep for your rental property income and expenses and how long to keep them.

In this section

[Rental income records](#)
[Rental expenses records](#)
[Format of your records](#)

Rental income records

Records of the rent and rent-related income relating to your rental property, include:

- a statement or rental records 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
  - tenant leases
  - bond money you retain in place of rent.

Rental expenses records

Records of rental expenses relating to your rental property must include the:

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

If a document doesn't show the payment date, use independent evidence, such as a bank statement, to show the date you incur the expense.

Format of your records

Your rental income and expenses records must be in English or be readily translatable into English. Keep records of your rental income and expenses for 5 years from 31 October or, if you lodge later, for 5 years from the date you lodge your tax return. If at the end of this period you're in a dispute with us that relates to your rental property, keep the relevant records until the dispute is resolved. Don't send these records in with your tax return. Keep them in case we ask to see them.

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

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

Worksheet – work out your net rental income or loss

Worksheet example and copy for you to work out your net rental income or loss.

In this section

[Example rental property worksheet]

[Rental property worksheet]

Example rental property worksheet

The following worksheet is a complete example of how to work out your net rental income or loss. Some of the figures are from the examples in this publication, others are for illustrative purposes.

We also provide a blank worksheet for you to work out your own net rental income or loss.

Example 33: rental property worksheet completed

Income

Item	Amount
Rental income	$8,500
Other rental related income	$800
Gross rent	**$9,300**

Expenses

Item	**Amount**
Advertising for tenants	$48
Body corporate fees and charges	$500
Borrowing expenses	$259
Cleaning	$100
Council rates	$700
Deductions for decline in value (see Note 1)	$796

Gardening/lawn mowing	$350
Insurance	$495
Interest on loans	$11,475
Land tax	$200
Legal expenses	$150
Pest control	$50
Property agent fees/commission	$800
Repairs and maintenance	$1,000
Capital works deductions	$2,745
Stationery, telephone and postage	$80
Travel expenses (see Note 2)	$436
Water charges	$350
Sundry rental expenses	$95
Total expenses	**$20,629**
Net rental income or loss ($9,300 minus $20,629)	**–$11,329**

You can't claim for items if the expenditure (for example, building insurance or lawn mowing) is already included in body corporate fees and charges.

Note 1: You may not be able to claim a deduction for a decline in value of certain second-hand depreciating assets in your residential rental property. If you use these assets to produce rental income from your residential rental property, deductions are available only if an exception applies. See Limit on deductions for decline in value of second-hand depreciating assets.

Note 2: Deductions for travel expenses relating to residential rental properties are allowable only if an exception applies. See Expenses for which you can't claim deductions.

Rental property worksheet

Use the blank worksheet below to work out your net rental income or loss.

Rental property worksheet (blank)

Income

Item	Amount
Rental income	$
Other rental related income	$
Gross rent	$

Expenses

Item	Amount
Advertising for tenants	$
Body corporate fees and charges	$
Borrowing expenses	$
Cleaning	$
Council rates	$
Deductions for decline in value (see Note 1	$
Gardening/lawn mowing	$
Insurance	$
Interest on loans	$
Land tax	$
Legal expenses	$
Pest control	$
Property agent fees and commission	$
Repairs and maintenance	$

Capital works deductions	$
Stationery, telephone and postage	$
Travel expenses (see Note 2)	$
Water charges	$
Sundry rental expenses	$
Total expenses	$
Net rental income or loss (Gross rent subtract total expenses)	$

You can't claim for items if the expenditure is already included in body corporate fees and charges.

Note 1: You may not be able to claim a deduction for a decline in value of certain second-hand depreciating assets in your residential rental property. If you use these assets to produce rental income from your residential rental property, deductions are available only if an exception applies. See Limit on deductions for decline in value of second-hand depreciating assets.

Note 2: Deductions for travel expenses relating to residential rental properties are allowable only if an exception applies. See Expenses for which you can't claim deductions.

Other tax considerations

Tax issues to consider for rentals, such as capital gains tax, goods and service tax and pay as you go instalments.

In this section

Capital gains tax (CGT)

General value shifting regime

Goods and services tax (GST)

Negative gearing

Pay as you go (PAYG) instalments

Capital gains tax (CGT)

You may make a capital gain or capital loss when you sell (or otherwise cease to own) a rental property that you acquired after 19 September 1985.

In the case of the sale or other disposal of real estate, the time of the event is normally when you enter into the contract (generally the date on the contract), not when you settle. The fact that a contract may be subject to a condition such as finance approval, generally doesn't affect this date. If there is no contract, the event takes place when the change of ownership occurs.

You can also make a capital gain or capital loss from certain capital improvements made after 19 September 1985 when you sell or otherwise cease to own a property you acquired before that date.

You'll make a **capital gain** from the sale of your rental property to the extent that the capital proceeds you receive are more than the cost base of the property.

You'll make a **capital loss** to the extent that the property's reduced cost base exceeds those capital proceeds.

If you're a co-owner of an investment property, you'll make a capital gain or capital loss in accordance with your interest in the property. For more information, see Co-ownership of rental property.

The cost base and reduced cost base of a property includes the amount you pay for it together with certain incidental costs you pay to acquire, hold and dispose of it (for example, legal fees, stamp duty and real estate agent's commissions). Certain amounts that you have deducted or which you can deduct are excluded from the property's cost base or reduced cost base. For more information, see Cost base adjustments for capital works deductions. Travel expenses you incur relating to your residential rental property are also excluded from the property's cost base or reduced cost base.

Your capital gain or capital loss may be disregarded if a rollover applies, for example, if your property was destroyed or compulsorily acquired or you transferred it to your former spouse under a court order following the breakdown of your marriage.

If you were a resident of Norfolk Island on 23 October 2015, you can disregard any capital gain or capital loss made on a rental property on Norfolk Island that you held at that time. CGT may however apply to rental properties on the Australian mainland or elsewhere in the world. CGT may also apply to any rental properties you purchase on or after 24 October 2015.

For more information, see Guide to capital gains tax 2025.

Record keeping

Keeping adequate records of all expenditure will help you correctly work out the amount of capital gain or capital loss you have made when a CGT event happens. You must keep records relating to your ownership and all the costs of acquiring and disposing of property. It will also help to make sure you don't pay more CGT than is necessary.

You must keep records of everything that affects your capital gains and capital losses. Penalties can apply if you don't keep the records for at least 5 years after the relevant CGT event. If you use the information from those records in a later tax return, you may have to keep records for longer. If you have applied a net capital loss, you should generally keep your records of the CGT event that resulted in the loss until the end of any period of review for the income year in which the capital loss is fully applied.

For more information, see Taxation Determination TD 2007/2 *Income tax: should a taxpayer who has incurred a tax loss or made a net capital loss for an income year retain records relevant to the ascertainment of that loss only for the record retention period prescribed under income tax law?*

You must keep records in English (or be readily accessible or translatable into English) that include:

- the date you acquire the asset
- the date you dispose of the asset
- the date you receive anything in exchange for the asset
- the parties involved
- any amount that would form part of the cost base of the asset
- whether you have claimed a tax deduction for an item of expenditure.

For more information about cost base and record-keeping requirements for CGT purposes, see Guide to capital gains tax 2025.

Depreciating assets

If the sale of your rental property includes depreciating assets, a balancing adjustment event will happen to those assets. See, What happens if you no longer hold or use a depreciating asset?

You should apportion your capital proceeds between the property and the depreciating assets to determine the separate tax concessions for them.

You can make a capital loss (or in some circumstances, capital gain) when you dispose of a depreciating asset to which the rules about deductions for decline in value of second-hand depreciating assets apply.

For more information, see:

- Limit on deductions for decline in value of second-hand depreciating assets
- What happens if you no longer hold or use a depreciating asset.

General value shifting regime

A loss you make on the sale of a rental property may be reduced under the value shifting rules if, at the time of sale, a continuing right to use the property was held by an associate of yours. For example, a 10-year lease granted to your associate immediately before you enter into a contract of sale. The rules can only apply if the right was originally created on non-commercial terms such that at that time, the market value of the right was greater than what you received for creating it by more than $50,000.

For more information, see Guide to the general value shifting regime.

Goods and services tax (GST)

If you're registered for GST and it was payable in relation to your rental income, don't include it in the amounts you show as income in your tax return.

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

Negative gearing

Negative gearing occurs when you buy a rental property with the assistance of borrowed funds and the rental income is less than the deductible expenses (including interest on the borrowings).

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

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

If you believe your circumstances warrant a reduction to your rate or amount of withholding, you can apply to us for a PAYG withholding variation.

Pay as you go (PAYG) instalments

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

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

If you need to pay PAYG instalments we'll notify you. You'll usually need to pay the instalments at the end of each quarter. There are usually 2 options if you pay quarterly instalments, either:

- Pay using an instalment amount or an instalment rate we calculate (we'll show this on your activity statement)
- pay an instalment amount or use an instalment rate you work out yourself.

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

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

Residential rental property assets

Rental property assets and items, definitions, and the treatment of items as depreciating assets or capital works.

In this section

Common rental property items

Descriptions and examples of rental property items

Residential rental property items

Common rental property items

Common rental property items and principles to provide certainty about the tax treatment of these items.

Items that are commonly found in residential rental properties are in:

- Table 3: Assets – general
- Table 4: Machinery
- Table 5: Air conditioning assets
- Table 6: Evaporative coolers

The tables are based on the principles in Taxation Ruling TR 2004/16 *Income tax: plant in residential rental properties.* This ruling sets out whether an item may be eligible for a capital works deduction or a deduction for decline in value. For the latter, the tables include the Commissioner's determination of effective life (provided such deduction isn't denied under the new rules for second-hand depreciating assets in residential rental properties, or otherwise denied).

For more information, see:

- Working out the effective life yourself
- Limit on deductions for decline in value of second-hand depreciating assets.

We provide these tables to give clarity and certainty about the tax treatment of items in residential rental properties. You can use them to assist you to work out which type of deduction you may be able to claim for your items.

If you have an item for your residential rental property that isn't in the tables, the principles set out below may help you determine the type of deduction that may be available for it. These principles are discussed in Taxation Ruling TR 2004/16 *Income tax: plant in residential rental properties*.

If you're unable to determine the type of deduction available for an item, or you consider that your circumstances are sufficiently different to warrant a different treatment, you may ask us for a private ruling.

Descriptions and examples of rental property items

Descriptions and examples to help describe if items are attached to the rental property.

In this section

[Terms used to describe if items are attached]

[Plant]

[Examples]

[Articles]

[Machinery]

[Identify the unit]

[Is the unit machinery?]

[Excluded entity]

[Residential rental property]

[Working out the effective life yourself]

[Can I change an effective life I am using if the Commissioner has determined a new effective life?]

Terms used to describe if items are attached

We use the following common terms to describe how or whether items are attached to premises in:

- Table 3: Assets – general
- Table 4: Machinery
- Table 5: Air conditioning assets
- Table 6: Evaporative coolers.

Fixed items are annexed or attached by any means, for example screws, nails, bolts, glue, adhesive, grout or cement, but not merely for temporary stability.

Freestanding items are designed to be portable or movable. Any attachment to the premises is only for the item's temporary stability.

Other than freestanding items are fixed to the premises that are not designed to be portable or movable. The test isn't whether the item is removable, even if the attachment is slight, but whether the inherent design and function of the item is such that it is intended to remain in place for a substantial period of time.

Plant

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

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

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

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

Examples

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

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

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

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

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

Articles

Plant includes items that are articles within the ordinary meaning of that word. A curtain, a desk and a bookcase would all be considered articles. A structure attached to land, such as a clothes hoist or pergola, would not be considered an article.

If an item forms part of the premises according to the descriptions above, it isn't an article. Therefore, items such as false ceiling panels and insulation batts are not articles while they are in place. However, a painting hung on a wall retains its character as an article.

Machinery

Plant also includes items that are machinery, whether or not they form part of the premises. In deciding whether something is machinery you must:

- identify the relevant unit or units based on functionality
- decide whether that unit comes within the ordinary meaning of machinery.

Identify the unit

Taxation ruling TR 94/11 *Income tax: general investment allowance – what is a unit of property?* provides guidelines to help you identify what is a unit. You need to consider whether a particular item is a unit, part of a larger unit, or whether its components are separate units. A unit will generally be an entity entire in itself; something that has an identifiable, separate function. However, it need not be self-contained or used in isolation and it may vary the performance of another unit. An item isn't a unit simply because it is described as a system.

An item may be made up of several components. To determine what the relevant unit is, you need to consider the function of each component and of the larger composite item. A door handle, for example, is part of the door and not a separate unit. Similarly, a freestanding spa pool that is made up of the shell, skirt, heater, pump, filter and piping is one unit.

In other cases separate units may work in conjunction with each other to achieve a common objective. For example, a fire safety system may consist of several components such as hydrants, piping, alarms, smoke detectors and sprinklers. All these components function together to form the system. However, each component also performs its own discrete function independent of the others. In this example, each component is a separate unit.

Is the unit machinery?

Once you have identified a unit you must decide if it is machinery. The ordinary meanings of machinery and machine don't include anything that is only a reservoir or conduit, even if it is connected to something which is without doubt a machine. Devices that use minute amounts of energy in the form of electrical impulses in various processes, such as microprocessors and computers, come within the ordinary meaning of machine. Appliances for heating, such as stoves, cook tops, ovens and hot-water systems, are also included.

The components of a system that are separate units and also machinery will be plant, but any ducting, piping or wiring that may be connected to the machine or machines is generally not machinery. However, where the cost of wiring is negligible, such as in small domestic-size systems, the cost may be included in the cost of installation rather than being treated separately. The cost of wiring to connect a typical home security system, for example, may be treated as negligible.

Excluded entity

An entity is an excluded entity if, at any time during the income year, the entity is:

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

Residential rental property

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

Residential premises (property) is land or a building that is:

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

For example, a house or a unit used as residential accommodation for the purpose of producing rental income is residential rental property.

A caravan or a houseboat is generally not residential rental property.

Working out the effective life yourself

Generally, the effective life of a depreciating asset is how long it can be used for the purpose of producing income:

- having regard to the wear and tear you reasonably expect from your expected circumstances of use
- assuming that it will be maintained in reasonably good order and condition, and
- having regard to the period within which it is likely to be scrapped, sold for no more than scrap value or abandoned.

Effective life can be expressed in whole years, or in fractions of years, for example 5 and two-thirds. It isn't rounded to the nearest whole year.

The sort of information you could use to make an estimate of effective life of an asset includes:

- the physical life of the asset
- engineering information
- the manufacturer's specifications
- your own experience with similar assets
- the experience of other users of similar assets
- the level of repairs and maintenance commonly adopted by users of the asset
- retention periods
- scrapping or abandonment practices.

If the asset you want to depreciate isn't listed in Table 3 below, see Effective life of an asset to make your own estimate of its effective life or use the Commissioner's effective life determinations.

You work out the effective life of a depreciating asset from the asset's start time, not from the time you first start claiming deductions.

Can I change an effective life I am using if the Commissioner has determined a new effective life?

No. You can choose to recalculate a depreciating asset's effective life only if the effective life you have been using is no longer accurate because of changed circumstances relating to the nature of the asset's use. A new determination of effective life by the Commissioner does not in itself change the nature of an asset's use and does not allow you to recalculate an asset's effective life.

Residential rental property items

Tables of rental property assets and items and the treatment of them as depreciating assets or capital works.

Treatment as depreciating assets or capital works

'Own estimate' refers to the fact that there was no Commissioner's determination in effect in:

- Table 3: Assets – general
- Table 4: Machinery
- Table 5: Air conditioning assets
- Table 6: Evaporative coolers

Consequently, you make your own estimate of the effective life in accordance with the principles set out in Working out the effective life yourself.

You may not be able to claim a deduction for a decline in value of certain second-hand depreciating assets in your residential rental property. If you use these assets to produce rental income from your residential rental property, deductions are available only if an exception applies. See Limit on deductions for decline in value of second-hand depreciating assets.

Table 3: Assets – general

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Air conditioning assets	see table 5	see table 5	see table 5	-
Cable trays	-	-	-	Yes
Ceiling fans	own estimate	5	5	-
Clocks, electric	13 and one-third	10	10	-
Cupboards, other than freestanding	-	-	-	Yes
DVD players	own estimate	5	5	-
Door closers	own estimate	10	10	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Door locks and latches (excluding electronic code pads)	-	-	-	Yes
Door stops, fixed	-	-	-	Yes
Door stops, freestanding	own estimate	10	10	-
Electrical assets (including conduits, distribution boards, power points, safety switches, switchboards, switches and wiring)	-	-	-	Yes
Escalators (machinery and moving parts)	see table 4	see table 4	see table 4	-
Evaporative coolers	see table 6	see table 6	see table 6	-
Facade, fixed	-	-	-	Yes
Floor coverings, fixed (including cork, linoleum, parquetry, tiles and vinyl)	-	-	-	Yes
Floor coverings (removable without damage): carpet	10	10	8	-
Floor coverings (removable without damage): floating timber	own estimate	15	15	-
Floor coverings (removable without damage): linoleum	10	10	10	-
Floor coverings (removable without damage): vinyl	10	10	10	-
Furniture, freestanding	13 and one-third	13 and one-third	13 and one-third	-
Garbage bins	6 and two-thirds	10	10	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Garbage chutes	-	-	-	Yes
Garbage compacting systems (excluding chutes)	6 and two-thirds	6 and two-thirds	6 and two-thirds	-
Generators	20	20	20	-
Grease traps	-	-	-	Yes
Gym assets: cardiovascular	own estimate	5	5	-
Gym assets: resistance	own estimate	10	10	-
Hand dryers, electrical	10	10	10	-
Hand rails	-	-	-	Yes
Heaters – fixed: ducts, pipes, vents and wiring	-	-	-	Yes
Heaters – fixed: electric	10	15	15	-
Heaters – fixed: fire places (including wood heaters)	-	-	-	Yes
Heaters – gas: ducted central heating unit	own estimate	20	20	-
Heaters – gas: other	own estimate	15	15	-
Heaters – freestanding	10	15	15	-
Home automation control assets	own estimate	own estimate	10	-
Hooks, robe	-	-	-	Yes
Hot-water systems (excluding piping): electric	20	12	12	-
Hot-water systems (excluding piping): gas	20	12	12	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Hot-water systems (excluding piping): solar	20	15	15	-
Hot-water system piping	-	-	-	Yes
Hydronic assets – controls	own estimate	own estimate	10	-
Hydronic assets – water heaters	own estimate	own estimate	15	-
Insulation	-	-	-	Yes
Intercom system assets	own estimate	10	10	-
Lift wells	-	-	-	Yes
Lifts (including hydraulic and traction lifts)	see table 4	see table 4	see table 4	-
Lights: fittings (excluding hardwired)	20	5	5	-
Lights: fittings, hardwired	-	-	-	Yes
Lights: freestanding	own estimate	5	5	-
Lights: shades, removable	own estimate	5	5	-
Linen	own estimate	5	5	-
Master antenna television (MATV) assets: amplifiers	own estimate	10	10	-
Master antenna television (MATV) assets: modulators	own estimate	10	10	-
Master antenna television (MATV) assets: power sources	own estimate	10	10	-
Master antenna television (MATV) assets (excluding	-	-	-	Yes

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
amplifiers, modulators and power sources)				
Mirrors, fixed	-	-	-	Yes
Mirrors, freestanding	own estimate	15	15	-
Radios	10	10	10	-
Ramps	-	-	-	Yes
Rugs	own estimate	7	7	-
Safes, fixed	-	-	-	Yes
Sanitary fixtures, fixed (including soap dispensers)	-	-	-	Yes
Satellite dishes	-	-	-	Yes
Screens	-	-	-	Yes
Shelving, other than freestanding	-	-	-	Yes
Shutters	-	-	-	Yes
Signs, fixed	-	-	-	Yes
Skylights	-	-	-	Yes
Skylights – controls	own estimate	own estimate	10	-
Skylights – motors	own estimate	own estimate	10	-
Solar-powered generating systems (incorporating batteries, inverters, solar panels, regulators)	own estimate	20	20	-
Stereo systems (incorporating amplifiers, cassette players, compact	own estimate	7	7	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
disc players, radios and speakers)				
Surround sound systems (incorporating audio-video receivers and speakers)	own estimate	10	10	-
Telecommunications assets: cordless phones	own estimate	4	4	-
Telecommunications assets: distribution frames	-	-	-	Yes
Telecommunications assets: PABX computerised assets	20	10	7	-
Telecommunications assets: telephone hand sets	own estimate	10	6	-
Television antennas, fixed	-	-	-	Yes
Television antennas, freestanding	own estimate	5	5	-
Television sets	10	10	8	-
Vacuum cleaners – ducted: hoses	own estimate	10	10	-
Vacuum cleaners – ducted: motors	own estimate	10	10	-
Vacuum cleaners – ducted: wands	own estimate	10	10	-
Vacuum cleaners – portable	10	10	10	-
Vacuum cleaners, ducted (excluding hoses, motors and wands)	-	-	-	Yes

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Ventilation ducting and vents	-	-	-	Yes
Ventilation fans	own estimate	20	20	-
Video cassette recorder systems (VCR)	own estimate	5	5	-
Water pumps – multi-story	20	20	20	-
Water pumps – rainwater tanks	20	20	5	-
Water pumps – single residence pressure pumps	20	20	8	-
Water tanks	-	-	-	Yes
Window awnings, insect screens, louvres, pelmets and tracks	-	-	-	Yes
Window blinds, internal	20	10	10	-
Window curtains	6 and two-thirds	6	6	-
Window shutters, automatic: controls	own estimate	10	10	-
Window shutters, automatic: motors	own estimate	10	10	-
Window shutters, automatic (excluding controls and motors)	-	-	-	Yes

Table: Bathroom assets

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Accessories, fixed (including mirrors, rails, soap holders and toilet roll holders)	-	-	-	Yes
Accessories, freestanding (including shower caddies, soap holders, toilet brushes)	own estimate	5	3	-
Exhaust fans (including light/heating)	own estimate	10	10	-
Fixtures (including baths, bidets, tapware, toilets, vanity units and wash basins)	-	-	-	Yes
Heated towel rails, electric	own estimate	10	10	-
Shower assets (including doors, rods, screens and trays)	-	-	-	Yes
Shower curtains (excluding curtain rods and screens)	own estimate	2	2	-
Spa baths (excluding pumps)	-	-	-	Yes
Spa bath pumps	20	20	10	-

Table: Bedroom assets

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004	Capital works deduction
Wardrobes, other than freestanding (incorporating doors, fixed fittings and mirrors)	-	-	Yes

Table: Fire control assets

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004	Capital works deduction
Alarms: heat	20	6	-
Alarms: smoke	20	6	-
Detection and alarm systems: alarm bells	20	12	-
Detection and alarm systems: cabling and reticulation	-	-	Yes
Detection and alarm systems: detectors (including addressable manual call points, heat, multi-type and smoke)	own estimate	20	-
Detection and alarm systems: fire indicator panels	20	12	-
Detection and alarm systems: manual call points (non-addressable)	-	-	Yes
Doors, fire and separation	-	-	Yes
Emergency warning and intercommunication systems (EWIS): master emergency control panels	20	12	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004	Capital works deduction
Emergency warning and intercommunication systems (EWIS): speakers	20	12	-
Emergency warning and intercommunication systems (EWIS): strobe lights	20	12	-
Emergency warning and intercommunication systems (EWIS): warden intercom phone	20	12	-
Extinguishers	13 and one-third	15	-
Hose cabinet and reels (excluding hoses and nozzles)	-	-	Yes
Hoses and nozzles	20	10	-
Hydrant boosters (excluding pumps)	-	-	Yes
Hydrants	-	-	Yes
Lights, exit and emergency	-	-	Yes
Pumps (including diesel and electric)	20	25	-
Sprinkler systems (excluding pumps)	-	-	Yes
Stair pressurisation assets: AC variable speed drives	own estimate	10	-
Stair pressurisation assets: pressurisation and extraction fans	own estimate	25	-
Stair pressurisation assets: sensors	own estimate	10	-
Water piping	-	-	Yes
Water tanks	-	-	Yes

Table: Kitchen assets

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Cook tops	own estimate	12	12	-
Crockery	own estimate	5	5	-
Cutlery	own estimate	5	5	-
Dishwashers	own estimate	10	8	-
Fixtures (including bench tops, cupboards, sinks, tapware and tiles)	-	-	-	Yes
Freezers	13 and one-third	12	12	-
Garbage disposal units	6 and two-thirds	10	10	-
Microwave ovens	6 and two-thirds	10	8	-
Ovens	own estimate	12	12	-
Range hoods	own estimate	12	12	-
Refrigerators	13 and one-third	12	12	-
Stoves	20	12	12	-
Water filters, electrical	own estimate	15	15	-
Water filters, fixed (attached to plumbing)	-	-	-	Yes

Table: Laundry assets

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Clothes dryers	own estimate	10	7	-
Fixtures (including tapware, tiles and tubs)	-	-	-	Yes
Ironing boards, freestanding	own estimate	7	5	-
Ironing boards, other than freestanding	-	-	-	Yes
Irons	own estimate	5	5	-
Washing machines	6 and two-thirds	10	8	-

Table: Outdoor assets

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Automatic garage doors: controls	own estimate	5	5	-
Automatic garage doors: motors	own estimate	10	10	-
Automatic garage doors (excluding controls and motors)	-	-	-	Yes
Barbecues – fixed	-	-	-	Yes
Barbecues – fixed: sliding trays and cookers	own estimate	10	10	-
Barbecues - freestanding	own estimate	5	5	-
Boat sheds	-	-	-	Yes
Bollards, fixed	-	-	-	Yes
Car parks, sealed	-	-	-	Yes
Carports	-	-	-	Yes
Clotheslines	-	-	-	Yes
Driveways, sealed	-	-	-	Yes
Fencing	-	-	-	Yes
Floor carpet (including artificial grass and matting)	own estimate	5	5	-
Folding arm awnings – controls	own estimate	own estimate	10	-
Folding arm awnings – motors	own estimate	own estimate	10	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Furniture, freestanding	13 and one-third	5	5	-
Furniture, other than freestanding	-	-	-	Yes
Garage doors (excluding motors and controls)	-	-	-	Yes
Garden awnings and shade structures, fixed	-	-	-	Yes
Gardening watering installations: control panels	own estimate	5	5	-
Gardening watering installations: pumps	20	5	5	-
Gardening watering installations: timing devices	own estimate	5	5	-
Gardening watering installations (excluding control panels, pumps and timing devices)	-	-	-	Yes
Garden lights, fixed	-	-	-	Yes
Garden lights, solar	own estimate	8	5	-
Garden sheds, freestanding	own estimate	15	15	-
Garden sheds, other than freestanding	-	-	-	Yes
Gates, electrical: controls	own estimate	5	5	-
Gates, electrical: motors	own estimate	10	10	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Gates (excluding electrical controls and motors)	-	-	-	Yes
Jetties (including boat sheds and pontoons)	-	-	-	Yes
Letterboxes	-	-	-	Yes
Operable pergola louvres: controls	own estimate	15	15	-
Operable pergola louvres: motors	own estimate	15	15	-
Operable pergola louvres (excluding controls and motors)	-	-	-	Yes
Paths	-	-	-	Yes
Rainwater tanks – galvanised steel	own estimate	own estimate	25	-
Rainwater tanks – polyethylene	own estimate	own estimate	15	-
Roller blinds – controls	own estimate	own estimate	10	-
Roller blinds – motors	own estimate	own estimate	10	-
Retaining walls	-	-	-	Yes
Saunas (excluding heating assets)	-	-	-	Yes
Sauna heating assets	13 and one-third	15	15	-
Screens, fixed (including glass screens)	-	-	-	Yes
Septic tanks	-	-	-	Yes

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Sewage treatment assets: controls	own estimate	8	8	-
Sewage treatment assets: motors	own estimate	8	8	-
Sewage treatment assets (excluding controls and motors)	-	-	-	Yes
Spas – fixed	-	-	-	Yes
Spas – fixed: chlorinators	13 and one-third	12	10	-
Spas – fixed: filtration (including pumps)	13 and one-third	12	10	-
Spas – fixed: heaters (electric or gas)	13 and one-third	15	15	-
Spas freestanding (incorporating blowers, controls, filters, heaters and pumps)	20	17	17	-
Swimming pool assets: chlorinators	13 and one-third	12	10	-
Swimming pool assets – cleaning	13 and one-third	7	7	-
Swimming pool assets – covers (including blankets)	own estimate	own estimate	8	-
Swimming pool assets – filtration (including pumps)	13 and one-third	12	10	-
Swimming pool assets – electric heaters	13 and one-third	15	15	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Swimming pool assets – gas heaters	13 and one-third	15	15	-
Swimming pool assets – solar heaters	13 and one-third	20	20	-
Swimming pools	-	-	-	Yes
Tennis court assets – cleaners	own estimate	3	3	-
Tennis court assets – drag brooms	own estimate	3	3	-
Tennis court assets – nets	own estimate	5	5	-
Tennis court assets – rollers	own estimate	3	3	-
Tennis court assets – umpire chairs	own estimate	15	15	-
Tennis court assets, fixed (including fences, lights, posts and surfaces)	-	-	-	Yes

Table: Security and monitoring assets

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004	Capital works deduction
Access control systems: code pads	own estimate	5	-
Access control systems: door controllers	own estimate	5	-
Access control systems – proximity readers	own estimate	7	-
Access control systems – swipe card readers	own estimate	3	-
Closed circuit television systems – cameras	6 and two-thirds	4	-
Closed circuit television systems – monitors	6 and two-thirds	4	-
Closed circuit television systems – digital recorders	own estimate	4	-
Closed circuit television systems – time lapse recorders	own estimate	2	-
Switching units (including multiplexes)	own estimate	5	-
Doors and screens	-	-	Yes
Security systems – code pads	6 and two-thirds	5	-
Security systems – control panels	6 and two-thirds	5	-
Detectors (including glass, passive infrared, and vibration)	6 and two-thirds	5	-
Detectors – global system for mobiles (GSM) units (including glass, passive infrared, and vibration)	6 and two-thirds	5	-
Detector noise makers (including bells and sirens)	6 and two-thirds	5	-

Table 4: Machinery

Asset	Deduction for decline in value (effective life in years) for assets acquired after 1 January 2001 and before 1 July 2003	Deduction for decline in value (effective life in years) for assets acquired from 1 January 2003	Capital works deduction
Escalators (machinery and moving parts)	16 and two-thirds	20	-
Lifts – electric	16 and two-thirds	30	-
Lifts – hydraulic	20	30	-

Table 5: Air conditioning assets (excluding ducting, pipes and vents)

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2003	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2003	Capital works deduction
Air handling units	-	20	-
Chillers – absorption	-	25	-
Chillers – centrifugal	-	20	-
Chillers – volumetrics air-cooled (including reciprocating, rotary, screw, scroll)	-	15	-
Chillers – volumetrics water-cooled (including reciprocating, rotary, screw, scroll)	-	20	-
Condensing sets	-	15	-
Cooling towers	-	15	-
Damper motors (including variable air volume box controller)	-	10	-
Fan coil units (connected to condensing set)	-	15	-
Mini split systems up to 20kW (including ceiling, floor and high wall split system)	-	10	-

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2003	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2003	Capital works deduction
Packaged air conditioning units	-	15	-
Pumps	-	20	-
Room units	-	10	-
Air conditioning ducts, pipes and vents	-	-	Yes

Table: Air conditioning plant

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004	Capital works deduction
Central type (including ducting and vents)	13 and one-third	-	-
Structural alterations and additions associated with the installation of this plant which forms an integral part of it	100	-	-
Room units	10	-	-
Solar-energy powered	13 and one-third	-	-

Table 6: Evaporative coolers

Asset	Deduction for decline in value (effective life in years) for assets acquired before 1 July 2004	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2004 or 1 July 2005* and before 1 July 2019	Deduction for decline in value (effective life in years) for assets acquired from 1 July 2019	Capital works deduction
Fixed (excluding ducting and vents)	own estimate	20	15	-
Portable	own estimate	10*	10	-
Ducting and vents	-	-	-	Yes

*Effective life of a 'portable evaporative cooler' is 10 years if it's acquired on or after 1 July 2005.