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Residential rental properties

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

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

QC 23626

Owning and renting a property or holiday home

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

Last updated 23 June 2025

Renting out your property or holiday home

If you rent out property, you need to:

- [keep records](#) right from the start
- work out what expenses you can claim as deductions

- work out if you need to pay tax instalments throughout the year
- declare all rental-related income in your tax return
- consider the capital gains tax implications if you sell.

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

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

Co-owning rental property

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

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

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

Buying a home

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

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

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

Investment or business

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

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

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

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

Foreign resident investors

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

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

Rental property video series

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

Media: Rental property video series

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

For more information about rental and investment properties, see:

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

Rental income you must declare

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

Last updated 28 January 2026

What you must declare

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

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

Types of rental income

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

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

Payments relating to your rental income may include:

- bond money you retain in place of rent or keep because of damage to the property
- letting and booking fees you retain when renters or holiday makers cancel a booking
- insurance payouts, such as
 - damage from a natural disaster (such as a bushfire, flood or cyclone)
 - damage from an unexpected event (such as a burst sewage pipe)

- for the loss of rent
- money you receive from a relief fund in a disaster
- payments for [deductible expenses](#), such as
 - payments from a tenant to cover the cost of repairing property damage
 - government rebates for buying a depreciating asset (for example, a solar hot water system)
- lump sum payments of rental income
- any assessable amounts relating to limited recourse debt arrangements involving your rental property.

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

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

Domestic arrangements

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

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

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

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

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

For more information, see:

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

Rental income and completing your tax return

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

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

Example: reporting rental income

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

The tenant gives notice that they will be moving out and directs the property manager to use their bond to pay the final month's rent. The bond is released to the property manager on 30 June

2025. The income isn't paid into Stephanie and Patrick's account until 4 July 2025.

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

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


Where to report

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

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

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

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

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

QC 23632

Rental property genuinely available for rent

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

Last updated 28 November 2025

Things that show your rental property is available

Your property is available for rent where you either have:

- a tenant renting the property
- made genuine effort to
 - advertise the property in ways that give it broad exposure to possible tenants
 - have conditions that are not so restrictive that tenants are likely to rent the property.

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

Things that show your rental property is not available

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

- it's advertised in ways that limit its exposure to potential tenants – for example, the property is only advertised
 - at your workplace
 - by word of mouth
 - on restricted social media groups
 - outside annual holiday periods when the likelihood of it being rented out is very low
- the location, condition of the property, or accessibility of the property mean that it's unlikely tenants will seek to rent it

- you place unreasonable or stringent conditions on renting out the property that restrict the likelihood of the property being rented out, such as
 - setting the rent above the rate of comparable properties in the area
 - placing a combination of restrictions on renting out the property
 - for example, requiring prospective tenants to provide references for short holiday stays and having conditions like 'no children' and 'no pets'
- you refuse to rent out the property to interested people without adequate reasons.

These things generally show you:

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

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

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

- [TR 2025/D1](#) *Income tax: rental property income and deductions for individuals who are not in business*
- [PCG 2025/D6](#) *Apportionment of rental property deductions – ATO compliance approach*
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Rental property as investment or business

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

Last updated 23 June 2025

Common rental arrangements

Common rental arrangements include where you:

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

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

Rental investors

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

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

Carrying on a business of letting rental properties

Your income from the letting of property to a tenant, or multiple tenants, will not typically amount to the carrying on of a business, as

such activities are generally considered a form of investment rather than a business.

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

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

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

Example: not carrying on a business

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

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

Example: carrying on a rental property business

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

The Smiths actively manage all of the properties. They devote a significant amount of time to these activities – an average of 25 hours per week each. They undertake all financial planning and decision-making in relation to the properties. They interview all prospective tenants and conduct all of the rent collections.

They carry out regular property inspections and attend to all of the everyday maintenance and repairs themselves or organise for them to be done.

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

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

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

QC 66425

Records for rental properties and holiday homes

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

Last updated 23 June 2025

How long to keep rental records

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

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

You will need these records to work out how much:

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

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

Format of your rental records

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

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

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

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

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

Types of rental records to keep

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

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

Rental income

Records of the payments you receive, such as:

- a statement from your property or managing agent

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

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

Rental expenses

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

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

When you buy a rental property

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

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

While you own a rental property

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

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

When you sell your rental property

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

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

Records for multiple properties

Keep separate records for each property, if you have:

- more than one property (including a block of apartments or similar)

- a duplex
- property that has been sub-divided.

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

QC 66379

Our commitment to you

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

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

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

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