Australian Government
Australian Taxation Office

Tax-smart tips for your investment property journey

Being tax-smart when investing in property means more than making the right property choices. If you use your property to earn income at any time, you will have tax obligations and entitlements.

Here are some tips to help you get it right at each stage of the journey.

Getting record keeping right makes tax time easy

Whether you use a tax agent to prepare your tax return or do it yourself, you need to keep proper records over the period you own the property.

Keep the right records for each stage of your journey to ensure you're able to claim everything you're entitled to.

Buying

- Contract of purchase
- Conveyancing documents
- Loan documents
- Costs to buy the property
- Borrowing expenses
- Title Deed

Owning

- Proof of earned rental income
- All your expenses
- Periods of private use by you or your friends
- Periods the property is used as your main residence
- Loan documents if you refinance your property
- Efforts to rent the property out

Selling

- Contract of sale
- Conveyancing documents
- Capital improvements
- Sale of property fees
- Calculation of capital gain/loss

Buying a property

- Set up an easy-to-use record-keeping system as your first priority. This can be as simple as a spreadsheet or you can use professional software.
- Keep records of every transaction over the period you own the property. This includes contracts of purchase and sale and conveyancing and loan documentation.
- Also keep records of the costs of buying the property such as legal fees, stamp duty on the transfer and initial repairs. You can't claim an immediate tax deduction for these but they will reduce the tax you pay when you sell the property.

Owning a property

- Include all your rental income in your tax return.
- You can claim immediate tax deductions for things such as:
  - loan interest
  - rates and taxes, including council and water rates and land tax
  - property management fees
  - insurance
  - body corporate fees
  - cleaning and gardening
  - repairs and maintenance relating to when your tenants were living in the property.
- You can claim tax deductions over several years for things such as:
  - capital works, otherwise known as building costs
  - borrowing costs.
- When lodging your tax return make sure you:
  - include all your rental income
  - only claim deductions for periods that your property is rented out or genuinely available for rent
  - don't claim deductions for periods that you use the property yourself.
- Scan copies of your receipts to make it easier to store and access them.

Remember: keeping proof of all your income, expenses and efforts to rent out your property means you can claim everything you are entitled to.

Selling a property

If you sell an investment property or your main residence that you have rented out, remember:

- you may have to pay capital gains tax, even if you transfer the property into someone else's name
- capital gains tax is the difference between your cost base (costs of ownership) and your capital proceeds (what you receive when you sell the property or the market value when you transfer the property)
- if you have claimed a capital works deduction in any income year your cost base should not include these amounts
- if you own the property for more than 12 months, you will be entitled to a 50% discount on tax on the capital gain.

More information

Go to **ato.gov.au/rental**
Watch our short videos at **ato.gov.au/rentalvideos**
Download our free Rental properties guide at **ato.gov.au/rentalpropertyguide**
Read our Guide to capital gains tax at **ato.gov.au/cgtguide**

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