Rental properties

Travel expenses you can claim and how to claim them

WHAT ARE TRAVEL EXPENSES DEDUCTIONS?

Generally, the cost of travel you incur to inspect or maintain rental properties or to collect rent is an allowable deduction.

WHAT CAN YOU CLAIM?

You can claim travel expenses for:

- preparing the property for new tenants (except for the first tenants)
- inspecting the property during or at the end of tenancy
- undertaking repairs, where those repairs are because of damage or wear and tear incurred while you rented the property out
- maintaining the property, such as cleaning and gardening, while it is rented or available for rent
- collecting the rent
- visiting your agent to discuss your rental property.

> For more information about repairs and maintenance expenses, visit our website at **www.ato.gov.au** and search for *Rental properties – claiming repairs and maintenance expenses* (NAT 72841).

WHAT YOU ARE UNABLE TO CLAIM

You cannot claim travel:

- for your personal use of the property – if the travel is for private purposes only, no part of the expense is deductible
- to carry out general maintenance of the property while it is not genuinely available for rent
- to undertake repairs, where those repairs are not because of damage or wear and tear incurred while you rented out the property (for example, initial repairs before you rent the property for the first time).

> You can claim a full deduction where the sole purpose of a trip relates to the rental property. However, where your travel expenses are partly for private purposes, you can only claim the amount relating to the rental property.

WHAT CAR TRAVEL EXPENSES CAN YOU CLAIM?

If you use your own car to travel to inspect or maintain your rental property or to collect rent, you can claim an allowable travel expense deduction.

You cannot claim motor vehicle expenses for travel that is incidental to the main purpose of the trip. For example, you cannot claim travel expenses because you drive past the property to 'keep an eye on things' on your way to or from work.

> If we select your travel expense claim for review or audit, you must be able to show your reason for visiting the rental property.

EXAMPLE: Claimable car expenses

Claire decides to inspect her rental property three months after the tenants move in. During the income year, she also makes a number of visits to the property to carry out minor repairs.

Claire travels 162 kilometres during the course of these visits in her 2.6 litre car.

Claire works out her car expenses using the cents per kilometre method and claims the following deduction:

Distance travelled	×	rate per kilometre	=	deductible amount
162 km	×	74 cents per kilometre	=	$119.88

Claire can only claim this deduction for travel expenses associated with her rental property – she cannot also claim the expense at the work-related car expenses label (**D1**) on her tax return.

If she wants to make a separate work-related car expenses claim, the total distance she travelled on income producing activities (including rental property travel expenses) cannot exceed 5,000 kilometres when using the cents per kilometre method.

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Australian Government
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For more information about the methods for working out car expenses, visit **www.ato.gov.au** and search for 'work-related car expenses'.

WHAT OVERNIGHT STAY EXPENSES CAN YOU CLAIM?

You can claim a deduction for travel expenses for travelling to your rental property if:

- you own a rental property that is far away from where you live
- it would be unreasonable to expect you not to stay near the rental property overnight when making an inspection
- your main purpose in travelling was to inspect and maintain the rental property.

Where you stay overnight, you can claim meals and accommodation.

Where your trip is mainly for private purposes (for example, having a holiday) and inspecting the property is incidental to that main purpose, you cannot claim the costs of getting there or the return trip. You can only claim local expenses directly related to the property inspection such as taxi fares to the rental property and a proportion of accommodation expenses.

EXAMPLE: Apportionment

Bill and Marli King are joint owners of a rental property in a resort town on the north coast of Queensland. They spend $1,800 on airfares and $1,500 on accommodation when they travel from their home in Melbourne, mainly for the purpose of holidaying in the resort town, but also to inspect the property. They also spend $100 on taxi fares from the hotel to the rental property and back. The Kings spent:

- one day (10% of their total time in Queensland) on matters relating to the rental property
- nine days (90% of their total time in Queensland) swimming and sightseeing.

They cannot claim a deduction for any part of the $1,800 airfares because the main purpose of the trip is a holiday and the property inspection is incidental.

If the trip included a significant amount of time devoted to the rental property, they could apportion some of the airfares.

They can claim deductions for the $100 taxi fare and a reasonable apportionment of the accommodation expenses (that is, $150 of the $1,500).

Their total claim is $250.

As the Kings jointly own the rental property, they can claim $125 each.

EXAMPLE: Accommodation

Jabari is the sole owner of a rental property on the Gold Coast. He travels from Sydney to the Gold Coast to undertake deductible repairs on his rental property but takes his spouse, Kym, with him for company and to share the driving. Jabari and Kym stay in a hotel where the cost of a:

- single room is $55
- double room is $70.

A reasonable basis for apportionment of accommodation expenses in this instance is to claim the single room rate of $55 (rather than half the double room rate), as Jabari would have stayed in the single room if Kym had not travelled with him.

WHAT OVERSEAS TRAVEL EXPENSES CAN YOU CLAIM?

If you are an Australian resident and own a rental property overseas, you may travel overseas on holiday and inspect your rental property at the same time.

If the main purpose of the trip is a holiday, you cannot claim the cost of getting there – you can only claim local expenses directly related to inspecting the property, such as taxi fares and part of your accommodation expenses.

If we select your travel expense claim for review or audit, you must be able to show your reason for visiting the rental property.

The records you keep, such as invoices for your accommodation or airline tickets, will help you to do this.
If you spend six or more nights away from where you live, you must keep a travel diary or similar document that shows the nature of the activities, dates, places, times and duration of your activities and travel.

CAN YOU CLAIM TRAVEL EXPENSES WITHOUT AN OWNERSHIP INTEREST?

If you do not have an ownership interest in the rental property, you cannot claim travel expenses, even if you travel for the purposes of maintenance or inspections.

EXAMPLE: Ownership interest

Kei is the sole owner of a rental property. Her husband, Bert, occasionally drives to the rental property in his own car to undertake maintenance. As he has no ownership interest in the property, Bert cannot claim travel expenses. Similarly, since Kei did not travel to the property to undertake the maintenance, she cannot claim a deduction.

If Kei and Bert co-owned the property, Bert could share his travel expenses with Kei in line with their legal interest in the property.

CAN YOU CLAIM FOR TRAVEL BEFORE YOU PURCHASE THE PROPERTY?

You cannot claim for travel to inspect a property before you buy it.

You cannot claim for travel to (or other costs for) rental seminars about helping you find a rental property to invest in.

Seminars are only tax deductible if they relate to producing income from the property. So, when a seminar teaches you how to locate a suitable rental property to buy, you cannot claim a deduction against rental income for the cost of the seminar.

Some promoters have incorrectly told taxpayers that they can claim the cost of their travel to and from a property they may purchase. You cannot claim for these costs, for properties within Australia or overseas.

WHAT WRITTEN EVIDENCE DO YOU NEED?

If you travel over a considerable distance to inspect a rental property (for example, interstate), you need written evidence to show that you travelled and what expense you incurred. Written records can include:

- a travel diary
- receipts for
  - airline tickets
  - fuel
  - accommodation
  - other purchases while travelling
  - items you used for repairs and maintenance that you purchased when you travelled to or stayed near the rental property.

If you spend six or more nights away from where you live, you must keep a travel diary or similar document that shows the nature of the activities, dates, places, times and duration of your activities and travel.

HOW DO YOU WORK OUT CAR EXPENSES?

If you use your own car, you may choose from the following four methods to work out your car expenses:

- cents per kilometre method – you can use this method where your travel is no more than 5,000km
- 12% of original value method – you must
  - own or lease the car
  - travel more than 5,000km (subject to the luxury car tax limit)
- one-third of actual expenses method – you must
  - own or lease the car or cars
  - travel more than 5,000km
- logbook method – your claim is based on the business use percentage of each car expense.

Each method has its own calculation formula and record keeping requirements.

For more information, visit our website at **www.ato.gov.au** and search for 'work-related car expenses'.

WHAT RECORDS DO YOU NEED TO KEEP?

You need to keep proper records to make a claim, regardless of whether you use a tax agent to prepare your tax return or you do it yourself. You must keep records of:

- **the rental income you receive and the deductible expenses you pay** – keep these records for five years from 31 October or, if you lodge later, for five years from the date your tax return is lodged
- **your ownership of the property and all the costs of purchasing/acquiring it and selling/disposing of it** – keep these records for five years from the date you sell/dispose of your rental property.

As capital gains tax may apply if you sell your rental property, we recommend you keep records of every transaction over the period of ownership of the property. This would include contracts of purchase and sale, and conveyance and loan documentation.

Keeping these records will help you work out your capital gain or loss correctly and ensure you do not pay more tax than you need to.

For information about easy ways to keep your records, visit **www.ato.gov.au** and search for *Guide to capital gains tax* and refer to 'Asset registers' in 'Keeping records' within part A of the guide.

MORE INFORMATION

For more information about rental property expenses you can claim, visit **www.ato.gov.au/rental**

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