Australian Government
Australian Taxation Office

Rental properties - claiming travel expenses deductions

- https://www.ato.gov.au/General/Property/In-detail/Rental-properties/Rental-properties---claiming-travel-expenses-deductions/
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Rental properties – travel expenses

Residential rental property travel expenses

From 1 July 2017, travel expenses relating to a residential investment property are not deductible.

A residential premise (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.

Under the new legislation, you are no longer able to claim any deductions for the cost of travel you incur relating to a residential rental property unless you are carrying on a business of property investing or are an excluded entity.

As with prior years, the travel expenditure cannot be included in the cost base for calculating your capital gain or capital loss when you sell the property.

See also:

- All other property travel expenses

In the business of property investing

Generally, owning one or several rental properties will not be considered being in the business of rental properties.

The receipt of income by an individual from the letting of property to a tenant, or multiple tenants, will not typically amount to the carrying on of a business as such their activities are generally considered a form of investment rather than a business.

Excluded entities

An excluded entity is a:

- corporate tax entity
- superannuation plan that is not a self-managed superannuation fund
- public unit trust
- managed investment trust
- unit trust or a partnership, all of the members of which are entities of a type listed above.

Example: An individual with residential investment property in 2017–18

Sarah rented out her residential rental property in 2017–18. She travelled to the property to repair damages caused by tenants during the year.

As the investment is a residential property, Sarah cannot claim travel expense.

Example: An excluded entity in 2017–18

Terry's Tyres incurred travel expenses in 2017–18 when the property manager was tasked with inspecting a residential property investment that is currently tenanted. Terry's Tyres is a corporate tax entity and can claim a deduction for rental travel costs.

All other property travel expenses

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You can continue to claim a deduction for the cost of travel you incurred to inspect or maintain rental properties or to collect rent if the expenses were incurred:

- in 2016–17 and earlier years for residential rental properties

- for commercial rental properties
- by excluded entities
- when carrying on a rental property business.

Travel expenses include:

- 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 out the property
- maintaining the property, such as cleaning and gardening, while it is rented or genuinely available for rent
- collecting the rent
- visiting your agent to discuss your rental property.

Travel expenses don't include:

- your personal use of the property or for purely private purposes
- carrying out general maintenance of the property while it is not genuinely available for rent
- undertaking repairs, where those repairs are not because of damage or wear and tear incurred while you rented out the property (for example, if you travel to undertake initial repairs before you rent the property for the first time, these are capital expenses and may be included as part of the cost base for capital gains tax calculation when the property is being sold later).

Where your travel expenses are partly for private purposes and partly related to the rental property, you can only claim the amount relating to the rental property.

Ownership

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.

Car travel

If you use your own car to travel to inspect your rental property or to collect rent, you can use the same method to calculate your deductions as work-related travel.

See also:

- Car expenses

Overnight travel

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 residential rental property in a resort town on the north coast of Queensland. In 2014–15, they spent $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.

Since the travel expenses were incurred in the 2014–15 year, they can claim deductions for the $100 taxi fare and a reasonable apportionment of the accommodation expenses (that is $150 of the $1,500).

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. In 2014–15, 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.

Overseas travel

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.

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 do this.

Travel before you purchase

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 these costs, for properties within Australia or overseas.

Written evidence

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 expenses 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.

Note: 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.

Example: Individual with a commercial investment property

In 2017–18, Greg purchased a shopfront and leased the property to Paul. Paul used the shopfront to operate a bakery and paid rent to Greg under a 12 month contract.

Greg travelled to the shopfront to inspect the property at the end of the tenancy agreement. As the property was used for commercial purposes, Greg can claim the travel expenses.

See also:

- [Obtaining and owning a rental property]

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