

DLK ADVISORY

WHAT EXPENSES CAN I DEDUCT FOR MY HOLIDAY HOME



Renting out your holiday home for part of the year can help to finance the costs associated with purchasing and maintaining the property. As well as providing an income stream, this will also allow you to deduct some of the expenses such as interest payments on a loan you have taken out to buy the property, repairs, cleaning services, council rates and insurance.

Your total expenses relating to the property for an income year should be apportioned between three time periods: when the property was rented out or genuinely available for rent (you may deduct a proportion of your expenses equal to this proportion of the year); when the property was used privately by you, or by family or friends free of charge (you may not deduct the proportion of expenses that relates to this private use period); and when it was rented out to family and friends below market rates (you may deduct a proportion of your expenses equal to this proportion of the year, but only up to the amount of rent actually received during this period).

If your expenses are not fully deductible today, they may be taken into account if you make a capital gain when you eventually sell the property. The proportion of expenses that you are not able to deduct now may reduce the size of the future capital gain.



You may deduct expenses for a period when the holiday home is not rented out but is “genuinely available” for rent. The ATO considers the following to be indicators that a taxpayer does not have a genuine intention to make income from their property: setting a rental rate that is above market rates; using the property for private use during high-demand periods, and only making the property available to rent when there is little or no demand for the property; failing to advertise the property to a wide audience; placing unreasonable conditions on prospective tenants, such as requiring tenants to provide references for a short holiday stay; and turning away prospective tenants without providing adequate reasons.

Given the ATO’s compliance focus in this area, it is vital that holiday home owners maintain good records and ensure they are not over-claiming deductions. Contact us to discuss your property and review your expenses. We can also check whether you have any additional deductible expenses that you might have previously overlooked.

CONTACT

If you have any queries, please feel free to contact us.

Ben Melin
ben.melin@dlkadvisory.com.au

David Lilja
david.lilja@dlkadvisory.com.au

DLK Advisory
Level 10, 99 Queen Street
Melbourne VIC 3000
T: +61 3 9923 1222

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