



For more information about non-commercial rental arrangements, see *Taxation Ruling IT 2167*.

Co-owner rents property

If you own a property:

- as tenant in common with another person,
- you do not live in the property, and
- you let your part of a property to your co-owner at a commercial rental rate

then the rent received is assessable income. Accordingly, you may deduct any losses or outgoings incurred in gaining the rental income, provided the losses or outgoings are not of a capital, domestic or private nature.

Body corporates

Strata title body corporates are constituted under the strata title legislation of the various states and territories.

Body corporate fees and charges

You may be able to claim a deduction for body corporate fees and charges you incur for your rental property.

Body corporate fees and charges may be incurred to cover the cost of day-to-day administration and maintenance or they may be applied to a special purpose fund.

Payments you make to body corporate administration funds and general purpose sinking funds are considered to be payments for the provision of services by the body corporate and you can claim a deduction for these levies at the time you incur them. However, if the body corporate requires you to make payments to a special purpose fund to pay for particular capital expenditure, these levies are not deductible.

Similarly, if the body corporate levies a special contribution for major capital expenses to be paid out of the general purpose sinking fund, you will not be entitled to a deduction for this special contribution amount. This is because payments to cover the cost of capital improvements or repairs of a capital nature are not deductible; see **Repairs and Maintenance** on page 15 and *Taxation Ruling TR 97/23*. You may be able to claim a capital works deduction for the cost of capital improvements or repairs of a capital nature once the cost has been charged to either the special purpose fund or, if a special contribution has been levied, the general purpose sinking fund; see **Capital works deductions** on page 23.

A **general purpose sinking fund** is one established to cover a variety of unspecified expenses (some of which may be capital expenses) that are likely to be incurred by the body corporate in maintaining the common property (for example, painting of the common property, repairing or replacing fixtures and fittings of the common property).

A **special purpose fund** is one that is established to cover a specified, generally significant, expense which is not covered by ongoing contributions to a general purpose sinking fund. Most special purpose funds are established to cover costs of capital improvement to the common property.

If the body corporate fees and charges you incur are for things like the maintenance of gardens, deductible repairs and building insurance, you cannot also claim deductions for these as part of other expenses. For example, you cannot claim a separate deduction for garden maintenance if that expense is already included in body corporate fees and charges.

Common property

Common property is that part of a strata plan not comprised in any proprietor's lot, and includes stairways, lifts, passages, common garden areas, common laundries and other facilities intended for common use.

The ownership of the common property varies according to the relevant state strata title legislation. However, in all states, the income derived from the use of the common property is income of lot owners. Accordingly, you can claim deductions for capital works and the decline in value of depreciating assets that form part of the common property in proportion to your lot entitlement.

For more information about strata title body corporates, see *Taxation ruling TR 2015/3*.

Interest on loans

If you take out a loan to purchase a rental property, you can claim the interest charged on that loan, or a portion of the interest, as a deduction. However, the property must be rented, or available for rental, in the income year for which you claim a deduction. If you start to use the property for private purposes, you cannot claim the interest expenses you incur after you start using the property for private purposes.

While the property is rented, or available for rent, you may also claim interest charged on loans taken out:

- to purchase depreciating assets
- for repairs
- for renovations.

Similarly, if you take out a loan to purchase land on which to build a rental property or to finance renovations to a property you intend to rent out, the interest on the loan will be deductible from the time you took the loan out. However, if your intention changes, for example, you decide to use the property for private purposes and you no longer use it to produce rent or other income, you cannot claim the interest after your intention changes.