



Property

- <https://www.ato.gov.au/General/Property/>
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- QC 23614

You need to consider your tax obligations, including income tax, capital gains tax (CGT) and goods and services tax (GST) when dealing in property or land, including:

- buying
- selling
- renting out
- investing
- renovating for a profit, such as property flipping
- developing.

Find out about:

- [Your home](#)
- [Residential rental properties](#)
- [Land – vacant land and subdividing](#)
- [Property development, building and renovating](#)
- [Property used in running a business](#)
- [Holiday homes](#)

See also:

- [Inherited dwellings](#)
- [GST and property](#)
- [GST and residential property](#)
- [GST and commercial property](#)
- [Selling an asset and other CGT events](#)
- [Your home and other real estate](#)
- [Rental property video series](#)

Property development, building and renovating

- <https://www.ato.gov.au/General/Property/Property-development,-building-and-renovating/>
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- QC 23643

How you go about building or renovating properties (for example, as a one-off or as a regular activity) will affect your tax obligations and entitlements.

In any case, you should consider your obligations for:

- [GST and property development](#)
- [Building and construction services reporting](#)

If you are unsure if your activities are personal or business, see [Are you in the business of renovating properties?](#)

GST and property development

You may need to register for GST if:

- the turnover from your property transactions and other taxable transactions is more than the GST registration threshold
- your activities are regarded as an enterprise.

If you are registered or required to be registered for GST, you may be liable to pay GST on your property sale. You can generally claim GST credits for your construction costs and purchases related to the sale.

Buyers of new residential premises or potential residential land must withhold GST from the contract price and pay it to us. This change, known as GST at settlement, started on 1 July 2018.

See also:

- [Property and registering for GST](#)
- [GST and property](#)
- [GST at settlement](#)
- [GST and the margin scheme](#)

Building and construction services reporting

Businesses in the building and construction industry need to report to us each year the total payments they make to each contractor for [building and construction services](#).

Find out about:

- [Renovating properties](#)
- [Building and construction – residential premises](#)
- [Property and construction industry support](#)

Renovating properties

- <https://www.ato.gov.au/General/Property/Property-development,-building-and-renovating/Renovating-properties/>
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- QC 23644

If you renovate one or more properties, how you go about it can affect your tax obligations and entitlements. It depends on whether you are:

- a [personal property investor](#)
- engaged in the [profit-making activity of property renovations](#)
- carrying on a [business of renovating properties](#).

For help working out which one applies to you, visit [Are you in the business of renovating properties?](#)

Personal property investor

If you're considered a personal property investor, your net gain or loss from the renovation is treated as a capital gain or capital loss.

A capital gain or loss is the proceeds from the sale of the property, less the purchase price and other costs associated with buying, renovating and selling.

Capital gains tax (CGT) concessions such as the CGT discount and the main residence exemption may reduce your capital gain.

For GST purposes, you are not conducting an enterprise and are not required to register for GST. But if you are registered in some other business capacity, you do not pay GST on any sale proceeds or claim GST credits for related purchases.

See also:

- [Capital gains tax: Building or renovating your home](#)

Profit-making activity of property renovations

If you're carrying out a profit-making activity of property renovations also known as 'property flipping', you:

- report your net profit or loss from the renovation in your income tax return
- are entitled to an Australian business number (ABN)
- may be required to register for GST if the renovations are substantial.

See also:

- [Property and registering for GST](#)
- To decide whether or not a property has been substantially renovated, read from paragraph 53 of [GSTR 2003/3: Goods and services tax: when is a sale](#)

of real property a sale of new residential premises?

Business of renovating properties

If you're carrying on a business of renovating properties or 'flipping' properties:

- they are regarded as trading stock (even if you live in one for a short period)
- the costs associated with buying and renovating them form part of the cost of your trading stock until they're sold
- you calculate your business's annual profit or loss in the same way as any business with trading stock.
- you're entitled to an Australian business number (ABN)
- you may be required to register for GST if the renovations are substantial.

CGT doesn't apply to assets held as trading stock, and CGT concessions (such as the CGT discount, small business concessions and main residence exemption) don't apply to any income from the sale of the properties.

See also:

- [Are you in the business of renovating properties?](#)
- [Accounting for business trading stock](#)
- [Property and registering for GST](#)
- To decide whether or not a property has been substantially renovated, read from paragraph 53 of [GSTR 2003/3: Goods and services tax: when is a sale of real property a sale of new residential premises?](#)
- [MT 2006/1: The New Tax System: the meaning of entity carrying on an enterprise for the purposes of entitlement to an Australian Business Number](#)

Building and construction – residential premises

- <https://www.ato.gov.au/General/Property/Property-development,-building-and-renovating/Building-and-construction---residential-premises/>
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- QC 23645

Residential premises include houses, units and flats that are occupied or can be occupied as residences. They are considered new when any of the following apply:

- they haven't been sold as residential premises before
- they've been created through substantial renovations
- new buildings replace demolished buildings on the same land.

If you build new residential premises for sale:

- you're liable for GST on the sale
- you can claim GST credits for construction costs and any purchases you make related to the sale (subject to normal GST credit rules).

On this page:

- [GST on building and construction](#)
- [New residential premises off-the-plan](#)

GST on building and construction

Generally, you pay the normal GST rate of one-eleventh of a property's sale price.

However, if you're eligible, you can work out your GST liability using the [margin scheme](#). Under the margin scheme you pay one-eleventh of the margin for the sale of the property, rather than one-eleventh of the total sale price.

If you sell residential premises or potential residential land:

- you may be required to notify your purchaser in writing (before settlement) whether or not they are required to withhold GST from the contract price and pay this directly to us
- you are still required to report the sale on your business activity statement.

Different rules apply for residential premises that are no longer new.

Residential premises are not considered new if they have been rented out continuously for five years or more (unless they were held for sale and rent at the same time).

If residential premises are not new, the sale of the property after being rented out is input-taxed. If you have claimed GST credits on construction costs and related purchases of non-new premises, you will have to make adjustments that reverse these credits. This is because you are not entitled to GST credits for things purchased to make input-taxed supplies.

If you rent out the new premises while you are planning to sell it, you will need to adjust part of the GST credits you claimed. You must show you intend to sell the premises. Actively marketing the premises for sale is one way of showing this.

See also:

- [GST and the margin scheme](#)
- [Registering for GST](#)
- [GST at settlement](#)
- [GST and residential property](#)
- [Change in use of your property](#)

New residential premises off-the-plan

An off-the-plan purchase occurs when the buyer enters into a contract to buy new residential premises before construction is completed. At this stage the buyer is

purchasing a contractual right to have the premises built.

On settlement, the buyer:

- generally pays a deposit and signs a contract with the developer, paying the balance of the purchase price
- is purchasing new residential premises and the purchase price includes GST.

However, if you as the 'buyer' sell the contractual right before settlement, you are not selling new residential premises. This means GST will apply if the sale is made in the course of your GST-registered business.

The sale of an off-the-plan property may be an enterprise in its own right and may form part of the seller's GST registration turnover threshold.

See also:

- [GST and property](#)
- [GSTR 2009/4](#): *Goods and services tax: new residential premises and adjustments for changes in extent of creditable purpose*
- [GSTR 2003/3](#): *Goods and services tax: when is a sale of real property a sale of new residential premises?*
- [GSTR 2000/24](#): *Goods and services tax: Division 129 – making adjustments for changes in extent of creditable purpose*

Property used in running a business

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/>
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If you own, lease or rent property used for business purposes – whether commercial premises like a shop or office, or even your own home – you:

- must include any rental income in your tax return
- can claim deductions for some property expenses
- will be liable for capital gains tax on any capital gain if you sell the property
- may have GST obligations and entitlements.

If you're dealing with property, including one-off transactions (for example, you buy, sell, lease or develop), you may be considered to be conducting an enterprise. If your turnover from these activities is more than the GST registration turnover threshold, you may be required to register for GST.

See also:

- [Working out your GST turnover](#)

Find out about:

- [Buying commercial property](#)
- [Selling commercial premises](#)
- [Leasing and renting commercial premises](#)
- [Rent or lease payment changes due to COVID-19](#)
- [Working farms](#)
- [Commercial residential premises and GST](#)
- [Retirement villages and GST](#)

Buying commercial property

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Buying-commercial-property/>
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When you buy or obtain a commercial property such as a shop, factory or office, it's important to keep records right from the start.

For example – commercial properties are subject to capital gains tax when you sell them. Even though it's in the future, you'll need records of the date and costs of buying the property, so you can work out your capital gain or loss later on.

On this page:

- [Deductions for commercial property](#)
- [GST on commercial property](#)

Deductions for commercial property

If your property is used for business purposes you:

- can claim a deduction for expenses associated with owning it, such as interest on the loan to buy the property and maintenance expenses
- should keep records of all your expenses, so you can claim everything you're entitled to.

See also:

- [Business tax deductions](#)

GST on commercial property

If you buy commercial property, you may be eligible to claim GST credits:

- for the GST included in the purchase price
- on expenses relating to buying the property – such as the GST included in solicitors' fees and on-going running expenses.

You can't claim GST credits if:

- the seller used the margin scheme to work out the GST included in the price
- you buy property from someone who is not registered or required to be registered for GST
- you buy the property as a GST-free supply
- you're not registered for GST.

See also:

- [Margin scheme](#)
- [Commercial residential premises and GST](#)

Selling commercial premises

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Selling-commercial-premises/>
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When you sell (or otherwise cease to own) a commercial premises, you're likely to make a capital gain or capital loss. Capital gains are subject to capital gains tax (CGT). Individuals and trusts may be eligible for a discount on CGT, and small businesses have concessions.

You're also generally liable for GST on the sale price and can claim GST credits on related purchases.

On this page:

Capital gains tax and commercial premises

A capital gain or capital loss is the difference between what it cost you to obtain and improve the property (the cost base), and what you receive when you sell (or otherwise dispose) of it. If you make a net capital gain in an income year, you'll generally be liable for capital gains tax (CGT). If you make a net capital loss you can carry it forward and deduct it from your capital gains in later income years.

Amounts that you've claimed (or could have claimed) as a deduction are excluded from the property's cost base.

If you acquired the property before CGT came into effect on 20 September 1985, any capital gain or capital loss is disregarded. However, capital gains or capital

losses from capital improvements made since 20 September 1985 are subject to CGT, even if you acquired the property before that date.

See also:

- [Selling and asset and other CGT events](#)
- [Cost base](#)

Discounts and concessions

If you own the property as an individual (including as a partner in a partnership), and you've owned it for at least 12 months, you may be eligible to discount your capital gain by 50%. This discount is also available to trusts, but not to companies.

If you are a small business entity and the property you sell is your business premises, you may be able to reduce the capital gain using one of four small business concessions:

- [15-year exemption](#)
- [50% active asset reduction](#)
- [Retirement exemption](#)
- [Rollover](#)

See also:

- [The discount method of calculating your capital gain](#)
- [Small business CGT concessions](#)

GST on the sale of commercial premises

If you sell commercial premises, such as shops, factories or offices, you're generally liable for GST on the sale price. This means you:

- may be eligible to use the [margin scheme](#), where you pay GST of one-eleventh of the sale price rather than one-eleventh of the total selling price
- can claim GST credits on your purchases that relate to selling the property (subject to the normal rules on GST credits) – such as the GST included in a real estate agent's fees.

GST doesn't apply to property when you [sell it as part of a GST-free sale of a going concern](#).

If your commercial property is being leased when you sell it, you may be able to treat your sale as a [GST-free supply of a going concern](#).

Margin scheme

You may be eligible to use the margin scheme to work out the GST on the sale of commercial premises (or new residential premises). Under this scheme, your GST liability is one-eleventh of the margin on the sale of the property, rather than one-eleventh of the total selling price. You can only apply the margin scheme if the sale is taxable.

The margin is generally the difference between the sale price and either:

- the amount you paid for the property
- an appropriate property valuation.

Whether you can use the margin scheme depends on how and when you purchased the property.

If you sell the property using the margin scheme any GST charged can't be claimed by the purchaser.

See also:

- [GST and the margin scheme](#)

Registering for GST

If you are dealing with property, including one-off transactions (for example, you buy, sell, lease or develop), you may be considered to be conducting an enterprise. If so, you may be required to register for GST if your turnover from these activities exceeds the GST registration turnover threshold.

See also:

- [Registering for GST](#)
- [Working out your GST turnover](#)

Selling a business as a going concern

If you sell property as part of a GST-free sale of a going concern:

- you're not liable for GST on the sale
- the seller and the purchaser may be able to claim GST on other expenses that relate to selling and buying the property – such as the GST in solicitors' fees.

A sale of a going concern is GST-free if all of the following apply:

- payment is made for the supply
- the purchaser is registered (or required to be registered) for GST
- the buyer and seller have agreed in writing that the sale is of a going concern
- the supplier supplies all things necessary for the continued operation of the business
- the supplier carries on the business until the day of supply.

Property that is part of a sale of a going concern can include:

- the premises, together with the assets and operating structure of the business
- a fully tenanted building, where the property and all leases, agreements and covenants are included in the sale
- the sale of a partially tenanted building, where both of the following apply
 - the vacant part of the building is either being actively marketed for lease or undergoing repairs or refurbishment
 - all leases, agreements and covenants are included in the sale.

See also:

- [Sale of a business as a going concern](#)

Leasing and renting commercial premises

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Leasing-and-renting-commercial-premises/>
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If you lease premises, you need to include your rental income in your tax return. You may be able to claim deductions for expenses related to the property. You may also be liable for goods and services tax (GST) and entitled to GST credits.

On this page:

- [Leasing \(as owner\)](#) – that is, the lessor or owner of the premises
- [Renting \(as tenant\)](#) – that is, the renter or tenant of the premises

Leasing (as owner)

Commercial property owners have obligations for:

- [Income and deductions](#)
- [GST on commercial premises](#).

Income and deductions

As a commercial property owner, if you choose to lease the premises to others you:

- must include the full amount of rent you earn in your income tax return
- can claim a deduction for your related expenses for the period your property is rented or available for rent
- can generally claim an immediate deduction for expenses relating to the management and maintenance of the property, including interest on loans.

Other expenses are claimed over a number of years, including depreciation costs (such as the decline in value of depreciating assets – for example, carpet, furniture and appliances) and certain construction expenditure.

You can't claim a deduction for expenses you incur for:

- acquisition and disposal costs of the property – these are usually included in the property's cost base for capital gains tax purposes

- expenses not actually paid by you, such as water or electricity charges paid by tenants
- expenses not related to the rental property.

See also:

- [Residential rental properties](#)

GST on commercial premises

If you're registered, or required to be registered for GST, you're liable for GST on the rent you charge on commercial premises.

You may be required to register for GST if you're dealing with property and your turnover from these activities exceeds the [GST registration turnover threshold](#). This includes one-off transactions like buying, selling, leasing and developing (which may constitute conducting an enterprise).

You can generally claim GST credits on purchases that relate to renting out your property, such as the GST included in the managing agent's fees.

See also:

- [When to register for GST](#)
- [Claiming GST credits](#)

Renting (as tenant)

If you rent a commercial property as your business premises, the rent is deductible.

As the renter (tenant), you may be able to claim GST credits for the GST included in the rent if you and the lessor are registered, or required to be registered, for GST.

See also:

- [When to register for GST](#)
- [Claiming GST credits](#)

Rent or lease payment changes due to COVID-19

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Rent-or-lease-payment-changes-due-to-COVID-19/>
- Last modified: 21 Jun 2021
- QC 66005

Rent is a major business expense.

There may be tax implications when you give or receive rent concessions as a result of COVID-19. It's important to understand these changes and your obligations as a landlord or tenant.

The rent concession can be:

- a waiver – the tenant no longer needs to pay the amount of rent that is waived
- a deferral – the tenant still needs to pay the amount of rent deferred but they can pay at a later stage.

This information applies to:

- tenants who receive rent concessions, such as waivers or deferrals, from their landlords
- landlords who give rent concessions, such as waivers or deferrals, to their commercial tenants.

Find out about:

- [Tax obligations – for tenants](#)
- [Tax obligations – for landlords](#)
- [Rent concessions under the mandatory Code of Conduct](#)

Tax obligations for tenants

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Rent-or-lease-payment-changes-due-to-COVID-19/Tax-obligations-for-tenants/>
- Last modified: 21 Jun 2021
- QC 66002

If you rent a commercial property as your business premises, the rent is deductible –unless part of the premises is for private use. In this case, the portion of rent that is for private use will not be:

- deductible
- eligible for GST credits.

Your business's income tax, GST and capital gains tax (CGT) obligations may change if you have received a rent concession from your landlord due to COVID-19. This may include waiving or deferring your rent payments.

It's important to understand these changes and your obligations.

The income you must declare, deductions you can claim and your GST and CGT

obligations will depend on:

- the type of rent concession you have received from your landlord
- if an existing agreement with your landlord has changed, or a new or additional agreement is created.

On this page:

- [If you have received a rent waiver](#)
- [If you have received a rent deferral](#)

If you have received a rent waiver

Income and deductions

Past occupancy

If the waived rent is related to a past period of occupancy that you have already incurred and claimed a deduction for, you're still entitled to that deduction.

If you have already paid the incurred rent and it has been waived and refunded to you, you will need to include this amount in your assessable income when you receive it.

If you have not already paid the incurred rent and it has been waived, the rent waiver will be a debt forgiveness.

When a debt you owe is forgiven, you make a gain. The amount isn't usually included in your business's assessable income – it is offset against amounts that could otherwise reduce your business's taxable income.

If the commercial debt forgiveness rules apply, you will need to make the necessary adjustments. These rules generally apply if some or all of the interest payable on the debt would have been allowed as a deduction had interest been charged.

See also:

- [Debt forgiveness and CGT](#)

Future occupancy

If the waived rent is related to a future period of occupancy, you won't be entitled to a deduction for that amount.

You should only account for the reduced amount of rent that the business will pay. If you have already accounted for the original rent in your accounts, you'll need to make an adjustment in your accounts or tax return to ensure you don't claim this amount as a tax deduction.

GST

If you account for GST on a non-cash (accruals) basis, and have already claimed a GST credit for rent that is later waived, you need to make an increasing adjustment

to pay back the GST credit you have claimed.

Make the adjustment in your BAS in the tax period when you become aware of the adjustment.

See also:

- [When to make adjustments](#)

Capital gains tax

There are no capital gains tax (CGT) consequences if an existing agreement between a landlord and tenant is changed without payment or other consideration.

For example, when a landlord agrees to a rent concession on an existing lease and the tenant doesn't pay money or give them anything else for the reduction in the rent they have to pay under the lease.

If a new or additional agreement is created, there may be CGT consequences.

See also:

- [Capital gains tax](#)
- [Types of CGT events](#)

If you have received a rent deferral

Income and deductions

When you receive a rent deferral, you will still be entitled to a deduction for deferred rent when it is incurred. Rent is generally incurred in the period that the rent relates to or when it is paid.

GST

You may be entitled to GST credits for the accrued, but deferred rent.

If you account for GST on a cash basis, you are only entitled to GST credits after you pay the rent and have a tax invoice from your landlord for the amount you're claiming as a GST credit.

If you account for GST on a non-cash (accruals) basis and have a tax invoice from your landlord, you are entitled to a GST credit, even if you haven't paid the invoice. However, if your landlord has changed the rental agreement, including the timing or amount of the scheduled payments, then your GST credit entitlement will be based on the new agreement.

If you account for GST on a non-cash (accruals) basis and have already claimed a GST credit for rent that you have not paid your landlord – you will need to make an increasing adjustment in your BAS to pay back the GST credit you have already claimed on the outstanding debt.

Make the adjustment for the tax period when:

- you become aware your landlord is writing off the rent as a bad debt
- the rent has been overdue for 12 months or more.

See also:

- [When to make adjustments](#)

Tax obligations for landlords

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Rent-or-lease-payment-changes-due-to-COVID-19/Tax-obligations-for-landlords/>
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On this page:

- [If you have given a rent waiver](#)
- [If you have given a rent deferral](#)
- [Deductions for ongoing expenses](#)

If you lease premises, you should include rental income and deductions for expenses in your tax return.

Your income tax, GST and capital gains tax (CGT) obligations may change if you have provided a rent concession to your tenant (or tenants) due to COVID-19. This may include waiving or deferring their rent payments.

It's important to understand these changes and your obligations.

The income you must declare, deductions you can claim and your GST and CGT obligations will depend on:

- the type of rent concession you have provided your tenant
- if an existing agreement with your tenant has changed, or a new or additional agreement has been created
- your accounting method, which will be either
 - the cash method of accounting, which recognises income when it's received
 - the accrual method of accounting, which recognises income when earned, instead of when payment is received.

See also:

- [Accounting methods for business income](#)
- [Choosing an accounting method for GST](#)

If you have given a rent waiver

Cash accounting

When you agree to give a rent waiver to a tenant, you don't pay income tax on the rent that is waived because you never collect that amount.

If you account for GST on a cash basis and agree to waive rent, you don't need to collect or pay the GST that would normally be payable, as you haven't collected the rent.

Accruals accounting

Generally, you account for accrued rental income for occupancy up to the date of any change to rent you will receive and include it in your assessable income.

Past occupancy

If accrued rent for past periods of occupancy has already been included in your assessable income and you later waive that rent, you may be entitled to a deduction.

Future occupancy

If you have agreed to change the rent you will receive for future periods of occupancy, your assessable income should only include the reduced rent you have agreed to receive and you should not claim a deduction for the waived rent (which would relate to the future period of occupancy).

GST

If you account for GST on a non-cash (accruals) basis and have already paid GST in the tax period in which the lease payment was due under the rental schedule or invoice (if issued separately), you may be eligible to make a decreasing adjustment to claim back any overpaid GST. You will have overpaid GST on rent where you adjusted the rental agreement by reducing the amount payable.

You should account for the decreasing adjustment in your BAS in the tax period when you become aware of the adjustment, and you should issue an adjustment note notifying the tenant of a possible corresponding increasing adjustment that they must make, if they have already claimed GST paid as a GST credit in a previous BAS.

If you have not already accounted for GST for the lease period subject to the agreed waiver, there are no GST implications.

See also:

- [When to make adjustments](#)
- [Adjustment notes](#)

Capital gains tax

There are no capital gains tax (CGT) consequences if an existing agreement between a landlord and tenant is changed without payment or other consideration.

For example, when a landlord agrees to a rent concession on an existing lease and the tenant doesn't pay money or give them anything else for the reduction in the rent they have to pay under the lease.

If a new or additional agreement is created, there may be CGT consequences.

See also:

- [Capital gains tax](#)
- [Types of CGT events](#)

If you have given a rent deferral

Cash accounting

When you agree to give a rent deferral, the rent will only become taxable at the point it is ultimately received from your tenants.

If you account for GST on a cash basis when you agree to give a rent deferral, GST will not apply to the rent that is deferred until you receive it.

Accruals accounting

You need to pay income tax on the accrued but deferred rent even if there's a change to the pattern of receiving the payments. If you have included deferred rent in your assessable income but don't eventually receive it from your tenant, you may be entitled to a deduction.

If you account for GST on a non-cash (accruals) basis, you will need to pay GST on the entire amount payable for each lease period identified in the lease agreement, even if you haven't received the deferred amount yet. For example, a two-year lease agreement may have a payment schedule showing 24 payments of \$660 each, covering a one-month lease period. If in a month, part of the \$660 monthly lease payment is deferred, the GST payable is still 1/11th of the \$660.

If you subsequently write off the deferred rent or the deferred rent has been overdue for 12 months or more, you may claim a GST decreasing adjustment, provided you account for GST on an accruals basis and have already paid GST on the rent written off as bad or outstanding for over 12 months. You are not required to give an adjustment note to the tenant where your decreasing adjustment results from a bad debt adjustment.

Find out about:

- [Deductions for ongoing expenses](#)
- [Progressive or periodic sales and purchases](#)

Future rent increases

There is a difference between a rent deferral and a future rent increase:

- Under a rent deferral, the total amount of rent over the period of the tenancy does not change.
- Under a future rent increase, the total amount of rent to be paid for the period of the tenancy does change.

If you increase rent in the future as part of your negotiations with your tenant, make sure you carefully document the future use of the property in your agreement (for example, that the property will continue to be used for the running of their business, and the rent will increase as per the agreement). The documentation would need to ensure that it is not a rent deferral – that is, a deferred payment for the previous period – which would be assessable sooner.

Deductions for ongoing expenses

You can still claim deductions for normal expenses you incur in holding and maintaining your property in your tax return if:

- your tenants can't pay their rent under the lease agreement because their income has been affected by COVID-19, and
- you receive less rental income as a result.

You can also claim deductions for those expenses if you reduced your tenants' rent to allow them to stay in the property due to COVID-19 for commercial, arm's-length reasons.

Loan interest deductions

Even if the bank defers the repayments, you can claim a deduction for interest on your loan if it continues to accumulate because it is an expense you have incurred.

Deduction for bad debts

You may be able to claim a bad debt deduction for accrued rent that's included in assessable income but not collected. For example, if you give a tenant a deferral of rent that is related to past period of occupancy and have used accruals accounting to already include the deferred rent amount in your assessable income.

To claim a deduction, you need to write off the unpaid amount as a bad debt. If you receive payment after you write off the debt, the amount you receive is included in your assessable income when you receive it.

Writing off a debt as bad is not the same as waiving or forgiving a debt for unpaid rent. There are different income tax consequences, particularly for a debt forgiveness.

Find out about:

- [Deductions for unrecoverable income \(bad debts\)](#) – for steps you need to

follow to write off a bad debt

Rent concessions under the mandatory code of conduct

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Rent-or-lease-payment-changes-due-to-COVID-19/Rent-concessions-under-the-mandatory-code-of-conduct/>
- Last modified: 21 Jun 2021
- QC 66004

To help small and medium businesses, the Federal Government announced a code of conduct for commercial leasing as part of the COVID-19 stimulus package.

The code applied:

- through relevant state and territory legislation or regulation as appropriate
- for the duration of the JobKeeper program – which was from 3 April 2020, depending on the state or territory, and ended on 28 March 2021.

The code contained 14 principles that applied to negotiating amendments to leasing arrangements for eligible tenants who suffered financial stress due to COVID-19.

Under the code, landlords and tenants were expected to negotiate temporary leasing arrangements in good faith to support business continuity.

Principle 3 of the code specified that landlords must offer tenants a proportionate reduction in rent payable, of up to 100%, of the amount the business would normally pay. The amount of this rent concession was based on the reduction in the tenant's trade during the COVID-19 period. A reasonable recovery period should also have been included.

The rent concession may have been:

- a waiver – the tenant no longer needed to pay the amount of rent that was waived. Under the code, the waived amount must have been at least 50% of the reduced rent, unless otherwise agreed
- a deferral – the tenant still needed to pay the amount of rent deferred but they could pay later. Under the code, deferred rent should have been proportionately added to future rent payments over the remaining lease term or 24 months, whichever duration was greater, unless otherwise agreed.

When rent concessions were formalised in an agreement between the landlord and tenant, it changed the previous rental agreement.

Landlord and tenant relationships are governed by state law. The code's principles

were implemented by each state and territory's COVID-19 tenancy laws.

See also:

- National Cabinet Mandatory Code of Conduct

Working farms

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Working-farms/>
- Last modified: 03 Jul 2020
- QC 23655

A capital gain on the sale of a working farm is subject to capital gains tax (CGT), while selling, leasing or subdividing a working farm is GST-free in some circumstances.

On this page:

- [Capital gains tax \(CGT\)](#)
- [Goods and services tax \(GST\)](#)

Capital gains tax (CGT)

If you sell all or part of your farmland for a profit, you may be liable for CGT.

Some discounts and concessions apply for individuals, trusts, and small businesses.

If your home is part of the working farm, you may also be eligible for a partial main residence exemption.

See also:

- [Selling commercial premises: Capital gains](#)
- [Subdividing land](#)
- [Your main residence](#)

Goods and services tax (GST)

Different rules apply depending on whether you're dealing with farmland or subdivided farmland.

Farmland you sell, or you transfer by assigning a lease with an Australian government agency or by assigning a long-term lease, is GST-free if both of the following apply:

- the land was used for a farming business for at least five years immediately before the sale
- the buyer intends to use it for a farming business.

Subdivided farmland you sell, or transfer by assigning a lease with an Australian government agency or by assigning a long-term lease, is GST-free if all of the following apply:

- the land could potentially be used for residential purposes (but does not contain any residential buildings)
- the land is subdivided from land that has been used as a farming business for at least five years immediately before the sale
- the supply is made to an associate of the supplier (such as a relative or a closely connected company or trust) for less than market value.

Note: A long-term lease means a lease that is for at least 50 years if:

- at the time of the lease or the renewal or extension of the lease, it was reasonable to expect that the lease would continue for at least 50 years
- the terms of the lease or the renewal or extension of the lease, as they apply to the recipient, are substantially the same as those terms under which the supplier held the premises (unless the supplier is an Australian government agency).

See also:

- [Selling a business as a going concern](#)
- [Subdividing land](#)
- [GST and commercial property: Farmland](#)

Commercial residential premises and GST

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Commercial-residential-premises-and-GST/>
- Last modified: 01 Jul 2021
- QC 23656

The sale and lease of commercial residential premises is subject to goods and services tax (GST).

Commercial residential premises include:

- hotels, motels, inns
- hostels, boarding houses
- caravan parks, camping grounds
- other establishments that provide similar services to the above.

For GST purposes, [retirement villages](#) are not commercial residential premises.

On this page

- [Buying and selling commercial residential premises](#)
- [Leasing commercial residential premises](#)

Buying and selling commercial residential premises

If you buy commercial residential premises, you can claim a credit for the GST included in the purchase price if you are registered for GST and if either:

- the seller did not use the margin scheme to work out the GST
- the sale was not a GST-free sale of a going concern and the seller was registered, or required to be registered, for GST.

A going concern is a business that is operating and making a profit.

You may also be able to claim a GST credit on other expenses, such as solicitor's fees, that relate to buying the property.

If you sell commercial residential premises, you're generally liable for GST on the sale price. This means you:

- pay GST equal to one-eleventh of the sale price (unless you use the margin scheme to work out the GST)
- can claim GST credits on purchases that relate to selling the property (subject to the normal rules on GST credits) – for example, the GST included in a real estate agent's fees.

See also:

- [Margin scheme](#)
- [Selling a business as a going concern](#)
- [Commercial residential property](#)

Leasing commercial residential premises

If you're registered (or required to be registered) for GST, your GST liability depends on what you provide:

- short-term accommodation – when a guest stays for less than 28 continuous days, you're liable for GST
- long-term accommodation – when a guest stays for 28 or more continuous days, concessionary GST treatment applies
- primarily long-term accommodation – if at least 70% of your guests stay for 28 or more continuous days, concessionary GST treatment applies.

See also

- [GSTR 2012/7](#) *Goods and services tax: long-term accommodation in commercial residential premises* for more information about concessionary

- treatment
- [GST and commercial property](#)
- [Holiday apartments in commercial residential properties](#)

Retirement villages and GST

- <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Retirement-villages-and-GST/>
- Last modified: 14 Sep 2016
- QC 23659

If you provide accommodation in a GST retirement village you're generally making an input taxed supply and you don't charge GST.

A GST retirement village is residential premises in which:

- the accommodation is intended for people at least 55 or older
- there are communal facilities for the residents to use.

A GST retirement village is not considered to be commercial residential premises for GST purposes.

Under certain conditions, the supply of accommodation in a serviced apartment in a village is GST-free when the resident of the apartment is also provided with certain care services.

Where the village is operated by an endorsed charity, the provision of accommodation in the entire village is GST-free.

See also:

- [Retirement villages](#)
- [GSTR 2012/3 Goods and services tax: GST treatment of care services and accommodation in retirement villages and privately funded nursing homes and hostels](#)
- [GSTR 2004/09 Goods and services tax: GST consequences of the assumption of vendor liabilities by the purchaser of an enterprise – Addendum](#)
- [GSTR 2011/1 Goods and services tax: development, lease and disposal of a retirement village tenanted under a 'loan-lease' arrangement](#)

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