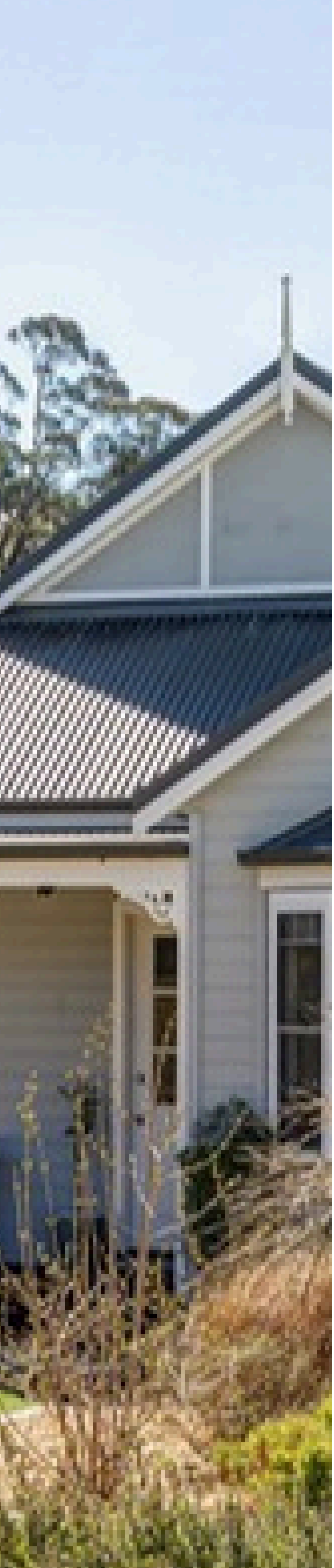
ATO Changes to Holiday Home Tax Treatment.
1 July 2026



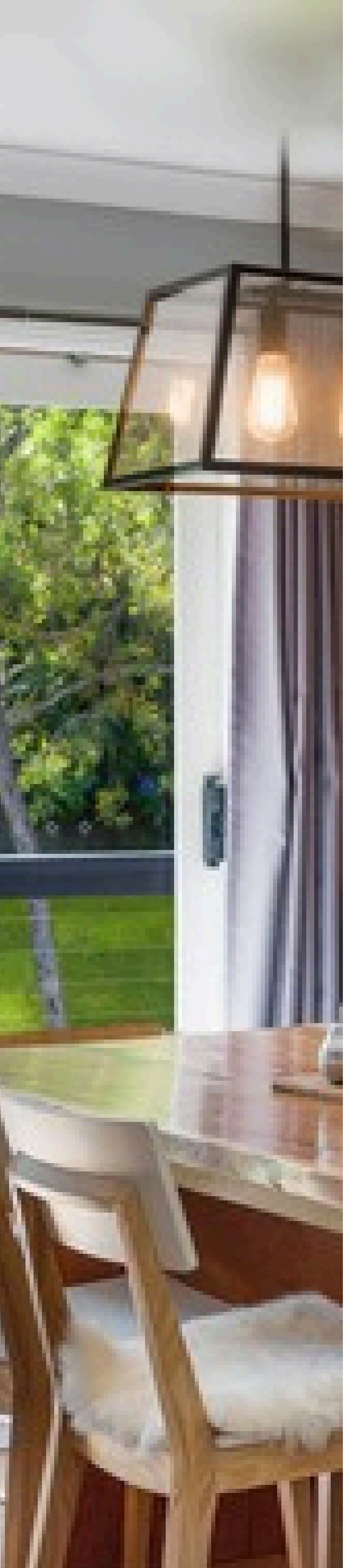
ATO Taxation Ruling TR 2026/1 represents one of the biggest changes to the tax treatment of holiday homes in decades. The ruling doesn't stop owners from renting out and occasionally using their holiday home, but it changes when ownership expenses are deductible. It particularly affects short-term holiday accommodation owners who also use the property privately.

The key principle
The ATO now asks one primary question:

Is the property mainly held to produce rental income, or is it mainly a holiday home for private enjoyment?

If it is mainly an income-producing property, deductions continue to be available (subject to apportionment for private use).

The ATO may limit or deny certain ownership deductions where a property is not genuinely held primarily to produce assessable rental income



Compliance requirements
1. The property must genuinely be available for rent

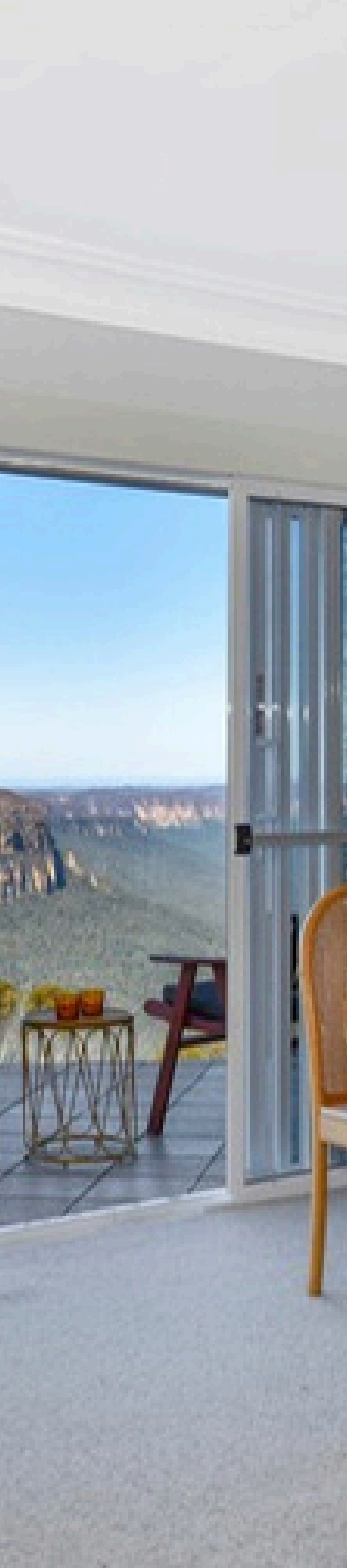
Simply placing the property on a website isn't enough.

The ATO will consider whether:

- it is advertised at market rates
- it is available during peak demand periods
- booking enquiries are generally accepted
- restrictions placed on guests are reasonable
- the property is genuinely being operated as a commercial rental.

For example:
✔️ Available all year including Christmas, Easter and school holidays.
✘ Blocked out every Christmas for owner use.

The second example suggests the property is primarily for private recreation rather than income.



2. Peak periods are extremely important

One of the biggest changes is that not all days are considered equal.

The ATO now looks at the quality of the rental availability, not simply the number of available days.

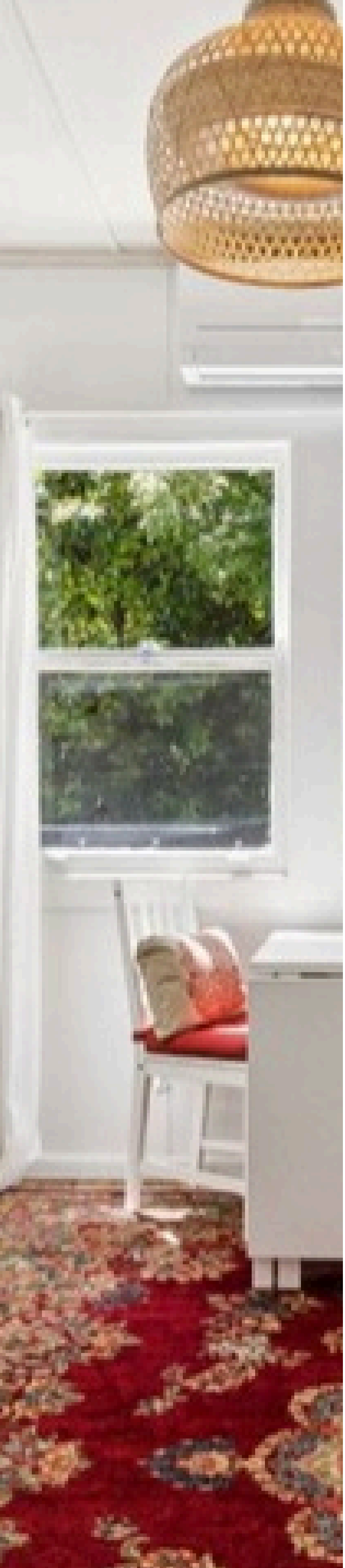
Example:
Property available:

- February
- March
- May
- June

But blocked:

- Christmas
- Easter
- School holidays
- Summer holidays

Even though it may be available for over 200 days, the ATO may conclude it is not mainly held to earn rental income because the owner reserved the highest income periods.



3. Private use must be minimal

The ruling does not prohibit owner use. However, owner occupation should be limited if you wish to demonstrate the property is mainly held for producing income.

Examples include:

- one weekend
- a few nights
- occasional off-season stays

Regular family holidays, especially during peak periods, significantly weaken the argument that the property is primarily income-producing.

4. Maintain excellent records

Owners should retain records of:

- booking calendars
- Airbnb/Stayz availability
- owner use dates
- maintenance closures
- cancelled bookings
- advertising history
- rental enquiries
- accepted and declined bookings
- invoices
- expense receipts
- rental agreements

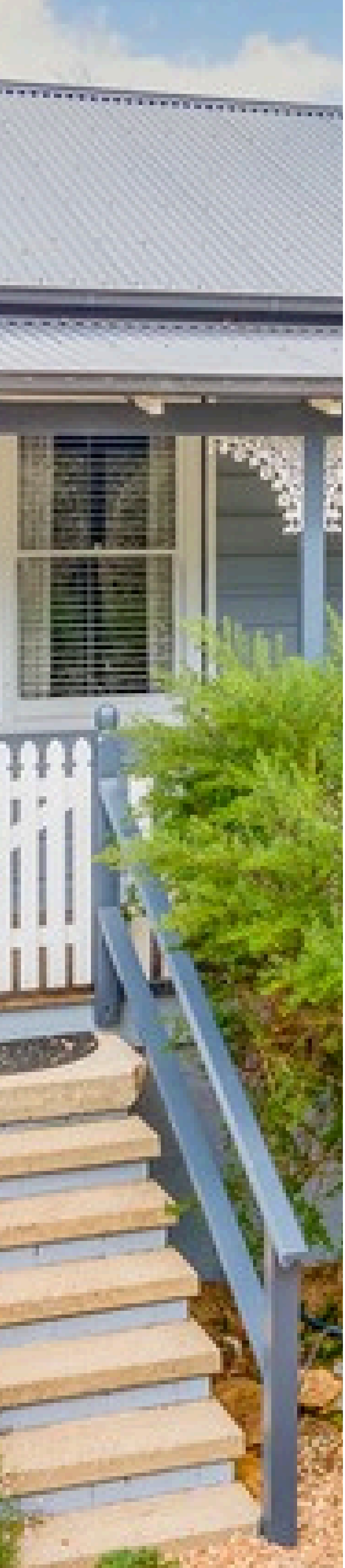
The ATO expects evidence supporting the property's income-producing purpose.

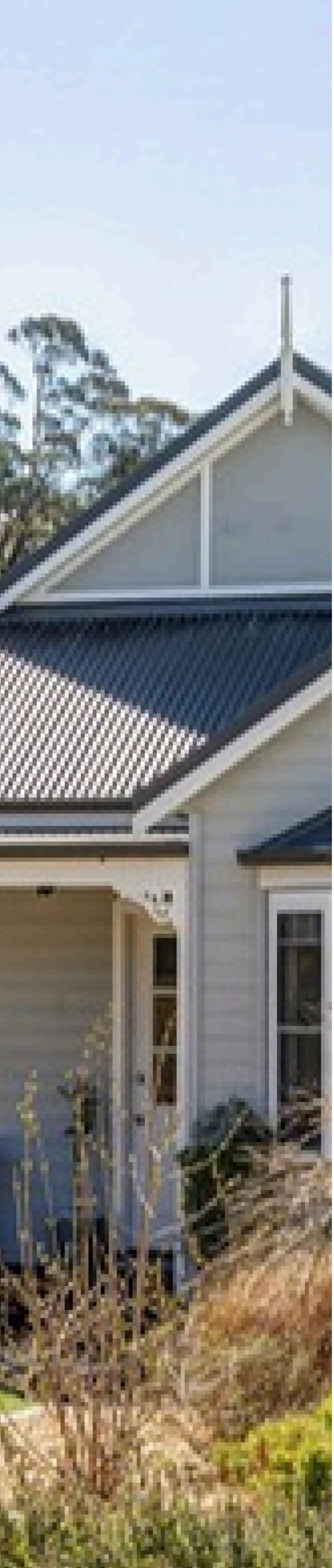
Why Professional Management Has Never Been More Important

The new ATO approach places significant emphasis on evidence.

Professional management provides:
✔️ Historical availability calendars.
✔️ Rental pricing history.
✔️ Booking records.
✔️ Owner usage records.
✔️ Evidence of peak period availability.
✔️ Enquiry and booking records.
✔️ Maintenance closures.
✔️ Annual income statements.
✔️ Documentation supporting your property's commercial rental purpose.

These records may become critical if the ATO reviews your claims.





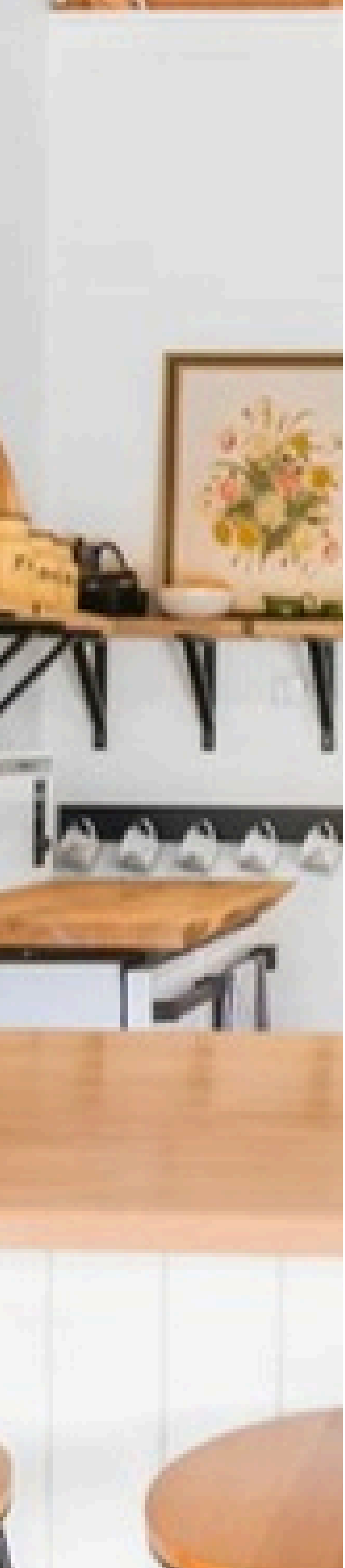
Which expenses are affected?

If the property qualifies as mainly income-producing:

Generally deductible (subject to apportionment):

- Mortgage interest
- Council rates
- Water rates
- Land tax
- Insurance
- Repairs
- Maintenance
- Body corporate fees
- Property management fees
- Advertising
- Cleaning
- Booking platform commissions

Private use must still be excluded through a fair and reasonable apportionment.



If the property is mainly a holiday home

The ATO may deny deductions for ownership costs including:

- Interest
- Rates
- Land tax
- Repairs
- Maintenance

However, expenses directly related to earning rental income—such as advertising, booking platform fees and agent commissions—are generally still deductible.

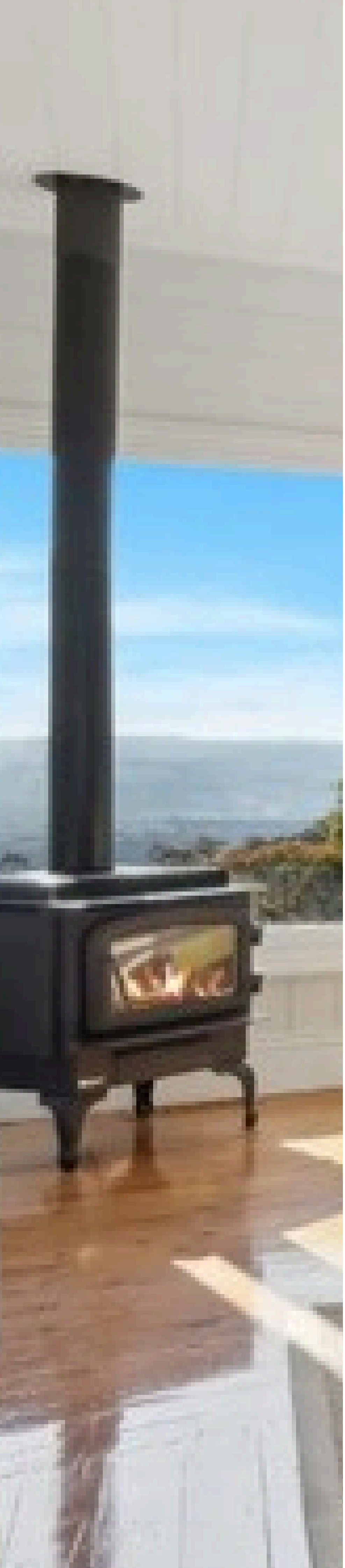
Apportionment

Where there is mixed private and rental use, expenses must be apportioned on a fair and reasonable basis.

Examples include:

- number of private days
- number of rental days
- days genuinely available for rent
- floor area (where only part of the property is rented)

The ATO has also released practical guidance on acceptable apportionment methods.



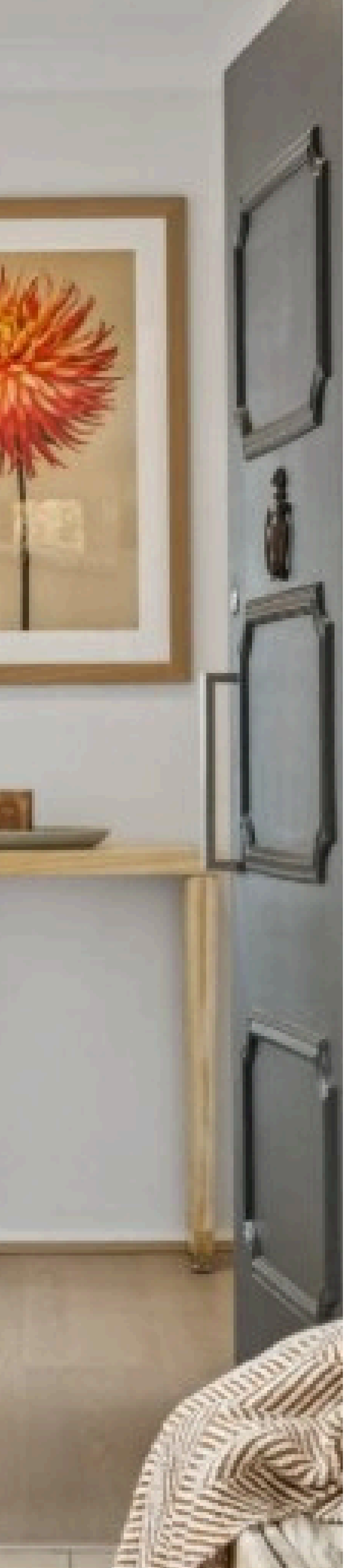
Red flags the ATO may focus on

The following may indicate the property is primarily a private holiday home:
❌ Blocking out Christmas every year.
❌ Only advertising in off-peak or the low season (Spring or Autumn) when demand is low.
❌ Rejecting most bookings.
❌ Advertising at unrealistic prices.
❌ Family using the property every school holidays.
❌ Offering discounted stays to relatives.
❌ Listing the property but rarely making it available.

Best practices for compliance

To strengthen the position that the property is mainly income-producing:

- Make the property available year-round where practical.
- Include peak holiday periods in availability.
- Charge market rent.
- Minimise owner and family use.
- Accept genuine booking requests unless there is a valid reason not to.
- Keep detailed evidence of availability and bookings.
- Maintain comprehensive financial records.
- Document any periods when the property is unavailable (for example, repairs or maintenance).



Transition period

From 1 July 2026, owners should expect the new approach to be applied.

The ATO is increasingly focused on whether holiday homes are genuinely operated as income-producing investments. Owners who make their properties available at market rates, including during peak periods, minimise private use and maintain good records are likely to be in the strongest position to support their claims. Professional management and accurate documentation have never been more important.

This information is general in nature and should not be relied upon as personal taxation advice. Owners should seek advice from their accountant or tax adviser regarding their individual circumstances.

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