

Land Tax and Investment Property Guide — ACT 2026

Understand your tax obligations and maximise your returns

A complete guide for Canberra investment property owners covering ACT land tax rates, exemptions, the impact on rental yield, tax-deductible expenses, depreciation, negative gearing, and CGT considerations. Written for landlords managing property in the ACT.

Introduction

The ACT has one of the most complex property tax environments in Australia. Land tax applies to most investment properties in the territory, and understanding how it is calculated — and how to minimise your exposure legally — is essential to managing your rental property as a genuine investment.

This guide is designed to give Canberra landlords a clear overview of their tax position. It is not a substitute for advice from a qualified accountant or tax adviser, but it will ensure you ask the right questions and understand the framework.

1. ACT Land Tax — how it works

Land tax in the ACT is assessed annually by the ACT Revenue Office. It applies to properties that are not your principal place of residence. This means that if you own a property and rent it out — or leave it vacant — land tax will generally apply.

The tax is calculated on the Average Unimproved Value (AUV) of the land, which is averaged over the previous three years of unimproved land values. The AUV is determined by the ACT Valuation Office and updated periodically.

ACT Land Tax rates (2025-26)

Taxable value of land (AUV)	Land tax rate
Up to \$75,000	\$275 flat rate
\$75,001 to \$275,000	\$275 plus 0.69% of amount above \$75,000
\$275,001 to \$1,000,000	\$1,655 plus 1.15% of amount above \$275,000
Above \$1,000,000	\$9,993 plus 1.26% of amount above \$1,000,000

Example: A property in Garran with an AUV of \$500,000 would incur land tax of approximately \$1,655 + $((\$500,000 - \$275,000) \times 1.15\%) = \$1,655 + \$2,588 = \mathbf{\$4,243 \text{ per year}}$. This equates to approximately \$81 per week — a real cost that must be factored into your rental yield calculation.

2. Land tax exemptions

Several exemptions and concessions are available that may reduce or eliminate your land tax liability. It is worth reviewing these carefully — many landlords are unaware they may qualify.

- ✓ **Principal place of residence (PPR):** Your primary home is exempt. If you move out and rent your property, the exemption ceases from the date it stops being your PPR.
- ✓ **Affordable housing concession:** If you rent your property at a rent that is at least 25% below market rate (as defined by the ACT Government), you may be eligible for a land tax concession. This is a specific program and eligibility conditions apply.

- ✓ **Deceased estate:** Land forming part of a deceased estate may be exempt for a period while the estate is being administered.
- ✓ **Charitable and community organisations:** Properties owned and used by eligible organisations may be exempt.
- ✓ **Rural land:** Land used for primary production may be exempt or concessional assessed.

Important: If you believe you may qualify for an exemption, contact the ACT Revenue Office or a licensed property manager. Incorrect exemption claims can result in back-payment of land tax with interest and penalties.

3. How land tax affects your rental yield

Land tax is one of the most significant holding costs for ACT investment properties and directly reduces your net rental yield. Many landlords focus on gross yield (annual rent divided by property value) without accounting for land tax, which can reduce net yield by 0.5% to 1.5% depending on the property.

Weekly rent	Annual rent	Land tax (est.)	Net income after land tax	Effective yield (on \$700k property)
\$600/wk	\$31,200	\$3,200	\$28,000	4.0%
\$700/wk	\$36,400	\$3,800	\$32,600	4.7%
\$800/wk	\$41,600	\$4,400	\$37,200	5.3%
\$900/wk	\$46,800	\$5,000	\$41,800	6.0%

This reinforces why maximising rent — through proactive rent reviews, good presentation, and quality property management — is so important for ACT investment property owners. Every dollar of additional weekly rent is magnified significantly over a full year.

4. Tax-deductible expenses for ACT landlords

A range of expenses associated with managing a rental property are deductible against your rental income for Australian income tax purposes. The ATO allows the following deductions in the year they are incurred (subject to your tax adviser's guidance):

Expense category	Deductible?	Notes
Property management fees	Yes — 100%	Management, letting, and renewal fees
Land tax (ACT)	Yes — 100%	Deductible in year paid
ACT rates and water/sewerage	Yes — 100%	Council rates and utilities if landlord-paid
Insurance premiums	Yes — 100%	Building, landlord, and public liability
Repairs and maintenance	Yes — 100%	Must be repairs, not improvements

Loan interest	Yes — 100%	Interest component only, not principal
Depreciation — building	Yes (2.5%/yr)	For buildings constructed after 1985
Depreciation — plant and equipment	Yes	Subject to ATO depreciation schedule
Advertising and letting costs	Yes — 100%	Cost to find a new tenant
Accounting and tax agent fees	Yes — 100%	Portion relating to rental income
Capital improvements	No (immediate)	Depreciated over time — seek advice
Travel to inspect property	No (from 2017)	Disallowed since 2017 tax year

5. Depreciation — an often-overlooked deduction

Depreciation is one of the most valuable and most overlooked tax deductions available to property investors. It allows you to claim a deduction for the wear and tear of the building structure (Division 43, at 2.5% per year) and fixtures and fittings (Division 40, at various ATO-specified rates) without any actual cash outlay.

A tax depreciation schedule prepared by a qualified quantity surveyor is typically required to claim these deductions. The cost of the schedule itself (usually \$600 to \$900) is tax deductible and is typically recovered many times over in the first year of deductions alone.

Example: A Canberra apartment built in 2015 with a replacement cost of \$450,000 may generate \$8,000 to \$15,000 in depreciation deductions in the first full year — a tax saving of \$3,600 to \$6,750 at a 45% marginal tax rate. If you do not have a depreciation schedule, contact a quantity surveyor.

6. Capital Gains Tax (CGT) considerations

When you eventually sell your Canberra investment property, CGT will apply on the capital gain. Key considerations for ACT landlords:

- ✓ **50% CGT discount:** If you have held the property for more than 12 months, only 50% of the capital gain is included in your assessable income (for individuals). Note: the Federal Government proposed changes to the CGT discount in the 2026-27 Budget — consult your tax adviser for current status.
- ✓ **Cost base:** Your cost base includes your purchase price plus purchase costs (stamp duty, legal fees), capital improvement costs, and certain holding costs that were not previously deducted. Keeping good records from purchase reduces your CGT liability at sale.
- ✓ **Main residence exemption:** If the property was your home before becoming a rental, a partial CGT exemption may apply for the period it was your PPR. The six-year absence rule allows you to treat a property as your main residence for up to six years while renting it out.

- ✓ **SMSF considerations:** If the property is held in an SMSF in the accumulation phase, CGT is reduced to 10% for assets held more than 12 months. In pension phase, CGT may be nil. Consult your SMSF trustee and auditor.

Want to maximise the return from your Canberra investment property? Jaira Properties provides proactive rent reviews, full trust accounting, and connects you with our network of Canberra-based accountants and quantity surveyors. Get a free rental appraisal today. —
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