



A SIMPLE GUIDE TO AIRBNB TAX



AIRBNB ACCOUNTING & YOU

Thank you for getting in touch with us about your Airbnb accounting.

Airbnb is an excellent way to earn additional income by utilising spare space in your home. It can also be used to rent a whole property as a fully-fledged income generating business which can be very profitable and have many tax benefits.

At Property Tax Returns, we understand the complex taxation rules that apply to Airbnb properties. While Airbnb's popularity in NZ has skyrocketed over the last few years, the understanding of how they are taxed is often misunderstood.

While this guide should help you grasp the different tax obligations your Airbnb income will be subject to, you may have some questions specific to your property and how it is used.

We would encourage you to contact us with any questions you have or to discuss your specific situation in more detail to ensure you are meeting your obligations.

Wishing you all the best in your property endeavours.

Kind regards

The Property Tax Returns Team



IS MY AIRBNB INCOME TAXABLE?

Income earned from providing short-term accommodation is taxable in New Zealand. This means that you will be required to file Income Tax returns to account for the Airbnb income earned.

Generally, you will be allowed a deduction for the costs of providing the accommodation, such as interest on mortgages, rates, insurance and the like.

The calculation for deductible expenses will vary depending on the use of the property.

- + If the property is used for both private purposes (your own accommodation) and business purposes (Airbnb) then the Mixed Use Asset (MUA) rules may apply to apportion the costs.
- + The MUA rules apply to properties owned by individuals, partnerships, look-through companies, trusts and other close companies and therefore capture the most common investment or asset protection vehicles used in New Zealand.
- + In addition, where properties are held in family trusts, companies or partner ships and are used for both short term accommodation and private use, there may be requirements to charge a deemed market rental for the private use.



SHOULD I REGISTER MY AIRBNB FOR GST?

While it is not immediately obvious, providing short-term accommodation can be a taxable supply for GST purposes.

This is because the supply of accommodation in a commercial dwelling is not an exempt supply.

The definition of a commercial dwelling in the GST Act includes a hotel, motel, homestay, farmstay, bed and breakfast establishment, inn, hostel, boardinghouse, managed apartment or anything similar to the above.

An Airbnb will usually encompass one or more attributes similar to dwellings listed above. For instance, the short-stay aspect, managed by a third party and the charging of other supplies, such as a cleaning fee all indicate that the dwelling would be commercial in nature.

WE NOTE THAT GST REGISTRATION WOULD ONLY BE REQUIRED IF...

- + You breach the threshold of \$60,000 in rental income. This threshold is determined based on gross rental (before other costs such as commission fees are paid).
- + If the rental income received is less than \$60,000, you can voluntarily register for GST. There are many situations where this may be a suitable option, such as when you expect to breach the threshold within the next year or two and you wish to make a GST claim on the full purchase price of the property, rather than making a change of use adjustment later which is less attractive.



MIXED USE HOME

John and Kerry have a two bedroom apartment. They live in one room and exclusively rent out the second room. The apartment is 100m² in size, with each bedroom 25m² in size. Guests can use the joint area (50m²) at all times.

The spare bedroom is rented for 100 nights a year at \$150 per night.

How do John and Kerry work out their tax obligations?

ANSWER

MUA rules do not apply

Evaluate floor area and use:

Room	Floor Area	Buisness Use
Guest Room	25m ²	100%
Private Room	25m ²	0%
Living Area	50m ²	50%*

* LIVING AREA

Should it be 50% on basis available all year round to guests, or based on occupancy?

APPROACH ONE

Guest Room: $25m^2/100m^2 \times 100\%$
 Private Room: $25m^2/100m^2 \times 0\%$
 Living Room: $50m^2/100m^2 \times 50\%$

Total Apportionment of costs = 50%

APPROACH TWO

Guest Room: $25m^2/100m^2 \times 100\%$
 Private Room: $25m^2/100m^2 \times 0\%$
 Living Room: $50m^2/100m^2 \times 27\%$
 (100 nights/365)

Total Apportionment of costs = 38.5%



MIXED USE HOLIDAY HOME

Ben and Sarah have a beach house which they Airbnb when they are not using it. They stay in the house in January each year and another 19 days over the remainder of the year. The property is rented for 100 days each year to third party guests at \$400 per night.

What can Ben and Sarah claim in their Tax Return?

ANSWER

MUA rules apply

Apportionment:

- + Private days 50
- + Income earning days 100
- + Non-use days 215

Private use is 50/150 (33%). As a result only 67% of mixed use costs can be claimed.

Under general apportionment rules availability would mean claim based on $315/365 \text{ days} = 86.3\%$

GOODS & SERVICES TAX

Ben and Sarah typically use their beach house in January each year. However, in 2017 they decide to make the house available to third party guests. They rent it on Airbnb for 31 days at \$1,000 a night.

Do Ben and Sarah have any GST obligations?

ANSWER

They have already received gross rent of \$40,000 (100 nights x \$400 per night) from other guests.

With the additional Airbnb income of \$31,000 in January, they are now over the \$60,000 threshold.

As a result they are required to register for GST.





If you have additional questions, or would like to get in touch please contact:

E: info@propertytaxreturns.co.nz

D: 09 320 4948

or visit us at:

www.propertytaxreturns.co.nz

