



Airbnb

Airbnb is becoming the most widely used accommodation for homeowners who are looking to earn extra money from renting out all, or a part of their property.

It offers flexibility and a higher return than having a long-term tenant, because rates are often less than the cost of a hotel.

How does Airbnb work?

As an Airbnb host you need to consider the tax issues before going ahead with setting up Airbnb.

Airbnb is treated as Residential rent, meaning that all income needs to be declared and tax paid at the end of each financial year. Airbnb is also going to incur Capital Gains Tax when you rent a part or whole of your principal place of residence and you will no longer be able to claim the full exemption on your property.

Getting a market value of the property is recommended from when you start to rent out your property or room for Capital Gains Tax issues in the future on sale of your property.

If you are only renting part of your home, for example a single room, you can only claim expenses related to renting out that part of the house. This means you cannot claim the total amount of the expenses – you need to apportion the expenses. You can only claim the expenses for when the room was available for rent. If you use the room in any capacity, for example for storage or as an office when you do not have guests staying, then you cannot claim deductions for expenses when the room is not occupied.

As a general guide, you should apportion expenses on a floor-area basis based on the area solely occupied by the renter, and add that to a reasonable amount based on their access to common areas.

Australian Taxation Office requires Gross rent that is advertised through Airbnb and expenses associating with you renting part or wholly your principle place of residences which you can use as a tax deduction. This is including as follows:

- Commission Airbnb charges
- Mortgage interest
- Council rates
- Water bills
- Electricity bills
- Insurance
- Internet and phone bills
- Repairs and Maintenance
- Depreciation on the building plus any fixtures or fittings in the room
- Other expenses relating to you providing for your guest

As an Airbnb host you will need to keep records of all income and expenses so you can claim a tax deduction within your tax return. Keep dates and receipts when your room or property was rented. Australian Taxation Office is keeping a strict watch on everyone who is in supply of accommodation via Airbnb and they can easily track all records through a new data matching program. If you are carrying on a business in which you rent a commercial residential premises or a bed and breakfast you will have different GST and income tax obligations.

For additional information on Airbnb please talk to your accountant before or when you do your financial year end tax return.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

Liability limited by a Scheme approved under the Professional Standards Act 1994 (NSW)