

Income tax – short-stay accommodation

Reference: PUB00487

Reading guide for public consultation

Why are we consulting on these items?

In 2019, the Commissioner published six questions we've been asked (QWBAs) which explain the income tax implications of providing short-stay accommodation: [QB 19/05](#), [QB 19/06](#), [QB 19/07](#), [QB 19/08](#), [QB 19/15](#), [QB 19/16](#). Since 2019, there have been a number of legislative changes. Consequently, the Commissioner has decided to update these QWBAs.

To assist readers, each draft QWBA has been given a reference that corresponds to the 2019 QWBA it updates. For example, QB XX/08 updates QB 19/08.

What changes have been made?

The main updates to the draft QWBAs are to reflect recent legislative changes. There has also been one relatively minor interpretive change of view. The changes are outlined below in more detail.

The six 2019 QWBAs have also been put into our new template format and have been updated for consistency and plain English.

[QB 19/15](#) and [QB 19/16](#) (the two QWBAs on short-stay accommodation and trusts) have been merged into a single QWBA – QB XX/1516.

The online marketplace rules (income tax implications only)

The 2019 QWBAs pre-date the online marketplace rules. These rules require online marketplace operators (like Airbnb or Bookabach) to collect GST on supplies of listed services, which includes short-stay accommodation. The marketplace operator is then required to pass on a proportion of the GST to non-GST-registered suppliers via a flat-rate credit. GST-registered suppliers do not receive the flat-rate credit as they can deduct input tax from their expenses incurred in making supplies of short-stay accommodation.

Income

The flat-rate credit is currently treated as excluded income of the non-GST registered supplier.

However, cl 14 of the Taxation (Annual Rates for 2024–2025, Emergency Response, and Remedial Measures) Bill proposes an amendment that would give a supplier the option to treat the flat-rate credit as assessable income. A supplier might do this so they can deduct all their expenses on a GST-inclusive basis, rather than having to apportion between GST-exclusive expenses (for supplies of listed services) and GST-inclusive expenses (for all other supplies).

The draft QWBAs have been written on the basis that this amendment has been enacted. We do not intend to finalise and publish the draft QWBAs until the Bill has been enacted.

Deductions

For non-registered suppliers, expenses are currently deductible as follows:

- Expenses that relate to nights the dwelling was rented through an online marketplace are deductible on a GST-exclusive basis.
- Expenses that relate to nights the dwelling was rented out other than through an online marketplace are deductible on a GST-inclusive basis.
- Where expenses relate to both marketplace nights **and** non-marketplace nights, the expenses must be apportioned.

GST-registered suppliers continue to deduct expenses on a GST-exclusive basis.

However, under the proposed amendment in cl 29 of the Taxation (Annual Rates for 2024–2025, Emergency Response, and Remedial Measures) Bill, if a supplier has opted to treat the flat-rate credit as assessable income, expenses that relate to marketplace nights are treated like all other expenses incurred by a non-registered supplier and are deductible on a GST-inclusive basis.

Draft QWBAs **QB XX/05, QB XX/07, QB XX/08** and **QB XX/1516** include commentary on how the online marketplace rules apply, and new examples have also been added:

Example 5 in QB XX/05, Example 2 in QB XX/07 and Example 3 in QB XX/08.

Other substantive changes

Other substantive changes to the draft QWBAs:

- The 2019 QWBAs pre-date the residential rental ring-fencing rules. Under the ring-fencing rules, deductions for residential properties can only be used to offset income from those properties. There are updates to the following draft QWBAs as a result: **QB XX/05, QB XX/07, QB XX/08** and **QB XX/1516**.
- The 2019 QWBAs also pre-date the interest limitation rules, which restricted deductions for interest expenses incurred on certain residential rental properties. As these rules are now being gradually phased out, they are only referred to in footnotes in **QB XX/07, QB XX/08, and QB XX/1516**. However, **QB XX/05** also clarifies that if the home you are renting out is your main home, the interest limitation rules do not apply.
- A change in the Commissioner's view regarding depreciation for mixed-use chattels. When calculating a depreciation deduction for mixed-use chattels, the formula in s EE 50(2) does not override the general permission, and therefore further apportionment is needed to account for any private use of the mixed-use chattels. This is addressed in **Example 5 of QB XX/05**.
- An increase in the low value threshold for depreciation from \$500 to \$1,000 for items acquired on or after 17 March 2021. Updates are in **QB XX/05** and **QB XX/08**.
- An increase in the residual income tax threshold for provisional tax from \$2,500 to \$5,000. Updates are in **QB XX/05, QB XX/07** and **QB XX/08**.

Let us know what you think

We are consulting on these items until 25 October 2024 and welcome all feedback.

If you are familiar with the 2019 QWBAs and would like marked-up copies that highlight the substantive changes, please contact PublicConsultation@ird.govt.nz and we can email these to you.