

**EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLY | HUKIHUKI HURANGA
- MŌ TE TĀKUPU ME TE MATAPAKI ANAKE**

Deadline for comment | Aukatinga mō te tākupu: **25 October 2024**

Please quote reference | Whakahuatia te tohutoro: **PUB00487c**

Send feedback to | Tukuna mai ngā whakahokinga kōrero ki
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Clause 14 of the Taxation (Annual Rates for 2024–2025, Emergency Response, and Remedial Measures) Bill contains a proposed amendment that would give non-GST registered suppliers of listed services, which includes short-stay accommodation, the option to treat any flat-rate credit received from an online marketplace operator as assessable income instead of excluded income. A non-GST registered supplier might choose to 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). This draft QWBA has been prepared on the basis that this amendment will be enacted. It will not be finalised until the Bill has been enacted.

QUESTIONS WE'VE BEEN ASKED | PĀTAI KUA UIA MAI

Income tax – How do the mixed-use asset rules apply if I provide short-stay accommodation?

Issued | Tukuna: Issue date

QB XX/07

This “question we’ve been asked” (QWBA) explains how the mixed-use asset rules apply to a dwelling you sometimes rent out as short-stay accommodation (for example, through Airbnb, Bookabach, Booking.com or Holiday Houses) and also sometimes use privately (for example, as a holiday home).

Before you use this QWBA, you need to work out if the mixed-use asset rules or the standard tax rules apply to the dwelling. QB **XX/06**: Income tax – Which rules apply if I have a dwelling I sometimes rent out as short-stay accommodation and also sometimes use privately? will help you work that out.

Key provisions | Whakaratonga tāpua

Income Tax Act 2007 – ss CC 1, **xxCH 5B**, DB 2, DG 9 and GC 5

REPLACES | WHAKAKAPIA:

- QB 19/07: How do the mixed-use asset income tax rules apply to a dwelling that I sometimes rent out as short-stay accommodation and sometimes use privately?

Question | Pātai

How do the mixed-use asset rules apply if I provide short-stay accommodation?

Answer | Whakautu

Where the mixed-use asset rules apply, rental income from the dwelling will generally be taxable. The only exceptions are:

- **Income from renting the dwelling to associated persons or to others at “mates’ rates” (less than 80% of the market value rent), which is exempt income.**
- **Any flat-rate credits you receive from an online marketplace operator, which you have opted to treat as excluded income.**

The mixed-use asset rules set out how to calculate the proportion of expenses you can deduct against your income from providing the short-stay accommodation.

Expenses that relate solely to renting out the dwelling (for example, advertising) are generally fully deductible. Expenses that relate solely to your private use of the dwelling are not deductible. Expenses that relate both to income-earning and private use are partly deductible – the deductible proportion is based on the number of rental nights relative to the total number of nights the dwelling is used during the year.

If you are not GST-registered and have opted to treat the flat-rate credit as excluded income, expenses that relate to rental income from an online marketplace are deductible on a GST-exclusive basis and expenses that relate to rental income from

other sources are deductible on a GST-inclusive basis. However, if you have opted to treat the flat-rate credit as assessable income, all your expenses that relate to rental income (from an online marketplace or otherwise) are deductible on a GST-inclusive basis.

If you are GST registered, expenses are deductible on a GST-exclusive basis.

If you make a loss from renting out the dwelling, you may not be able to deduct all your expenses that income year – some of your deductions might have to be carried forward to future income years.

Key terms | Kīanga tau tāpua

Guest means a person provided with short-stay accommodation in return for payment.

Mixed-use asset means an asset that is used both privately and to earn income, and is also unused for at least 62 days in the year. This would include many holiday homes.

Online marketplace means an electronic platform like a website, app or internet portal that sellers use to market and sell their short-stay accommodation. It does not include an online marketplace that only processes payments.

Short-stay accommodation means accommodation provided for up to four consecutive weeks in a dwelling that is not the guest's ordinary residence. It does not include accommodation provided to residential tenants, boarders or care home residents, and it does not include student or emergency accommodation.

Explanation | Whakamāramatanga

1. If you have a dwelling you sometimes rent out as short-stay accommodation and also sometimes use yourself, you need to work out which income tax rules apply, so you can meet your tax obligations. The dwelling could be a holiday house, or a separate dwelling on the same property you live on (for example, a sleep-out or cottage).¹
2. Depending on your circumstances, the dwelling will either fall under:
 - the mixed-use asset rules, or

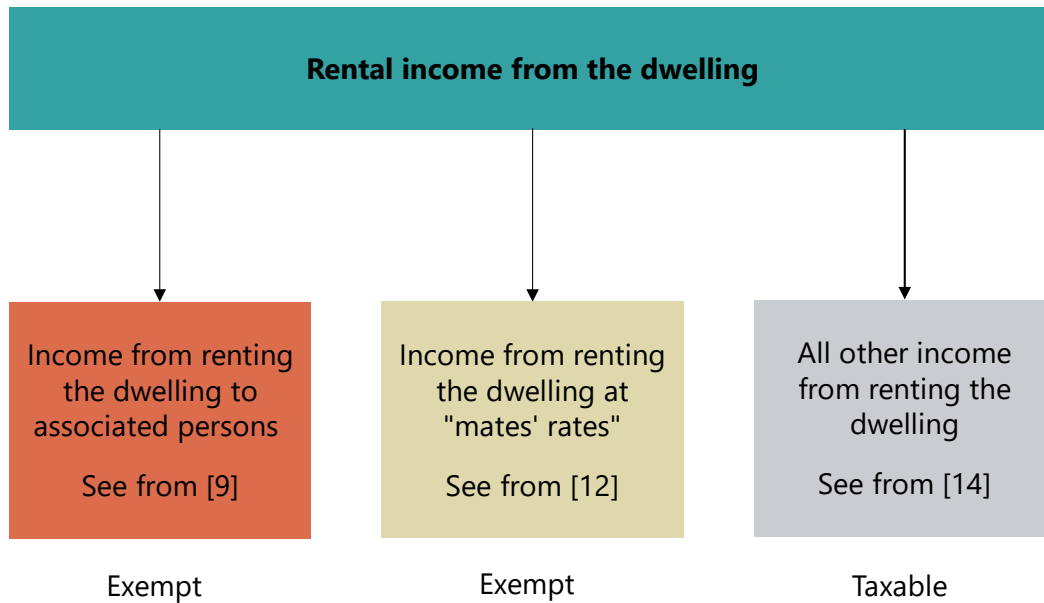
¹ There could be situations where the mixed-use asset rules apply to your home because it has been unused for more than 62 days in the income year. But generally, if you provide short-stay accommodation in your home, QB **XX/05** will be relevant.

- the standard tax rules.
3. To work out which rules apply in your situation, see QB **XX/06: Income tax – Which rules apply if I have a dwelling I sometimes rent out as short-stay accommodation and also sometimes use privately?** You need to revisit which rules apply each income year (for most people this is 1 April – 31 March).
 4. This QWBA is relevant if:
 - you have determined that for a particular income year the dwelling is a mixed-use asset, and
 - you have not opted out of the tax rules. You can only opt out in certain circumstances – see QB **XX/06**.
 5. This QWBA does not apply if the dwelling is owned by a company.

What rental income is taxable and what rental income is exempt?

6. Income you receive from renting out the dwelling is generally taxable. However, there are two situations where it will be exempt income:
 - When it is income from renting to associated persons.
 - When it is income from renting at “mates’ rates”.
7. You do not pay tax on exempt income, and you cannot deduct expenses that relate solely to days the dwelling is used to derive exempt income. Days that you derive exempt income are taken into account in the formula for calculating the proportion of partly deductible expenses you can claim (see from [28]).
8. Figure | Hoahoa 1 summarises what you need to consider when working out whether your rental income is taxable or exempt.

Figure | Hoahoa 1 – Is my rental income taxable or exempt?



Exempt income: renting out the dwelling to an associated person

9. Income you receive from renting out the dwelling is exempt where you rent the dwelling out to a natural person who is associated with you (such as close relatives like your children, grandchildren, siblings, or in-laws). This is the outcome, even if you rent it out to an associated person at market value rent.
10. If a trust or partnership owns the dwelling, income from renting out the dwelling to associated natural persons (for example, for a trust, the settlors and beneficiaries) is exempt income.
11. **A guide to associated persons definitions for income tax purposes – IR620** can help you work out if someone is associated with you.

Exempt income: renting out the dwelling at “mates’ rates”

12. Income you receive from renting out the dwelling is exempt where you rent it out for less than 80% of the market value rent. This includes income from renting the dwelling to friends at “mates’ rates” of less than 80% of the market value rent.
13. It does not include income from renting out the dwelling at a lower price because it is off-peak season, a longer-term rental, or other similar reasons. This is because in those situations the market rate is the lower price.

Taxable rental income

14. Other than the two situations mentioned at [9] and [12], any amounts you receive from renting out the dwelling are taxable. The activity does not need to be run as a business for the amounts you receive to be income.
15. You will be able to deduct expenses related to the dwelling. The discussion from [25] explains how to work out what proportion of expenses is deductible.

Treatment of any flat-rate credits received from an online marketplace operator

16. If you are not GST-registered and list your dwelling through an online marketplace like AirBnB, Bookabach, Booking.com or Holiday Homes, the marketplace operator will give you a flat-rate credit of 8.5% of the value of your supply of short-stay accommodation.
17. You have the option to treat the flat-rate credit as either:
 - excluded income (which is not subject to income tax, so is not included in your income tax return), or
 - assessable income (which is included in your income tax return).(Section **xxCH 5B**).
18. The option you choose will have implications for how you deduct expenses (see from [39]).
19. The flat-rate credit is intended to recognise the GST on your expenses that, if you were GST-registered, you would be able to deduct as input tax in your GST return on any supplies of goods and services that you bought to make supplies of short-stay accommodation.
20. If you are GST-registered and list your dwelling through an online marketplace, you will not receive a flat-rate credit. This is because you can deduct input tax from your actual expenses incurred in making supplies of short-stay accommodation.
21. You must notify your online marketplace operator of your GST registration status and any changes in that status, so they can work out whether they need to pay you the flat-rate credit.

What portion of my expenses can I claim deductions for?

22. The starting point is that you can fully deduct expenses that relate solely to your rental activity. Any expenses that relate solely to private use of the dwelling are not deductible. Private use includes use by you, by natural persons you are associated with, and by anyone for less than 80% of the market value rent. Many of your expenses will relate to both your income-earning and private use of the dwelling (for example, rates, loan interest and property insurance) – these mixed expenses are only partly deductible.
23. It is important to note that if you are not GST-registered and opt to treat the flat-rate credit as excluded income, any expenses that relate to nights when the dwelling was rented through an online marketplace must be deducted on a **GST-exclusive** basis. Expenses that relate to nights when the dwelling was rented out other than through an online marketplace are deductible on a **GST-inclusive basis**. However, if you opt to treat the flat-rate credit as assessable income, all your expenses are deducted on a **GST-inclusive basis**.
24. If you are GST-registered, you deduct your expenses on a **GST-exclusive** basis. This is discussed in more detail in Example | Taurira 2.

Expenses that may be fully deductible – relate solely to rental activity

25. You may be allowed to fully deduct some expenses. To be fully deductible, the expense (which cannot be a capital expense) must:
 - relate solely to the use of the dwelling to derive income (not including exempt income), and
 - meet either or both of the following:
 - be an expense you would not reasonably expect to receive a personal benefit from,

and / or

 - be an expense you must reasonably incur to meet a regulatory requirement to be able to use the dwelling to derive income, and you would not have incurred the expense otherwise.
26. These expenses might include:

- advertising costs, including any commissions or fees you pay to an advertising platform or transaction facilitator (this does not include any service fees the guests pay the platform – just fees you pay),
 - supplies used solely by your paying guests (for example, if you provide them with a welcome basket of breakfast food or chocolates),
 - cleaning costs for the rental periods,
 - any additional property or contents insurance premium you pay (over what you would otherwise pay) because you rent out the property, and
 - any additional rates you pay (over what the normal residential rates would be) because you rent out the property.
27. You may have some expenses that you can split between being related solely to your rental activity and being mixed rental and private expenses. For example, expenses that have a fixed component and a usage component, like power. If you can identify actual usage charges for a period where the dwelling was only rented out and not used privately at all, you do not have to apportion the usage component for that period – it may be fully deductible. The fixed charge component still needs to be apportioned, as it is necessary to maintain a power connection, which is used both privately and by paying guests.
28. You may also be allowed to fully deduct the cost of repairing damage to the property that occurred when it was being used to earn income. This does not include when the property is used to earn exempt income (the two situations mentioned at [6]). It also does not include damage that is the result of ordinary wear and tear, as that occurs during periods the dwelling is rented and periods it is used privately.
29. While the starting point is that the above expenses may be fully deductible, if you rent the dwelling through an online marketplace, your deduction may need to be claimed on a GST-exclusive basis. This is discussed from [39].

Expenses that are non-deductible – relate solely to private use

30. Expenses that relate solely to the private use of the dwelling are not deductible. Private use includes use by you, by natural persons you are associated with, and by anyone for less than 80% of the market value rent. For example, if you use the dwelling for a month over the summer and you can identify actual usage charges that are a component of some of your expenses (for example, power), you cannot deduct any of the usage component for that period as it relates solely to your private use of the dwelling. Similarly, any consumables you use at the dwelling are not deductible. However, if you have consumables you use at the dwelling that are also available for

guests to use (for example, tea, coffee, olive oil, shampoo, and soap), those consumables are partly deductible.

Expenses that are partly deductible – relate to both rental activity and private use

31. All your other deductible expenses must be apportioned between the income-earning use of the dwelling, and the private use of the dwelling. This might include expenses such as:
 - interest on your loan for the property,²
 - repairs and maintenance,³
 - property and contents insurance premiums (or what the premiums would be if you have to pay more because you rent out the property),
 - rates (or what the normal residential rates would be if you have to pay more because you rent out the property)
 - power bills (but see [27] and [30]),
 - internet, and
 - depreciation on chattels.
32. There is a formula in the mixed-use asset rules to use to apportion these expenses, so you know what proportion is deductible. Under the formula, the proportion of expenses that are deductible reflects the income-earning use of the dwelling relative to the private use. Only days the dwelling is actually used are counted, so days the dwelling is available to be rented out but is not actually rented out do not alter the proportion of expenses you can deduct.
33. For example, if the dwelling was used privately for 30 nights in a particular income year, and rented out for 25 nights, you could deduct 45.45% of your expenses (25 income-earning nights out of a total of 55 nights the dwelling was used).
34. The formula (in s DG 9 of the Income Tax Act 2007) refers to “days”, but if a different unit of measure would give a more appropriate apportionment, you use that measure

² From 1 April 2024, up to 80% of the interest can be claimed, and from 1 April 2025 up to 100% of the interest can be claimed. The actual amount claimed needs to be apportioned to account for any private use.

³ Deductible repairs and maintenance expenditure does not include expenditure on capital improvements (see **IS 12/03: Income tax – Deductibility of repairs and maintenance expenditure – general principles**).

instead. For accommodation, “nights” is the appropriate measure to use. Therefore, the formula is:

$$\text{your expenditure x } \frac{\text{income-earning nights}}{\text{income-earning nights + counted nights}}$$

35. “Income-earning nights” are:

- **Nights the dwelling is used to earn income, other than exempt income**

Nights where you rent out the dwelling to someone who is associated with you or for “mates’ rates” (less than 80% of the market value rent, discussed from [12]) are **not counted** as income-earning nights.

- **Nights you use the dwelling to repair damage caused by a guest**

This **does not include** nights you stay at the dwelling to repair damage caused by guests you get exempt income from (mentioned at [9] and [12] – associated persons and people paying “mates’ rates”). It also **does not include** nights you stay at the dwelling to repair damage that is the result of ordinary wear and tear.

Your use of the dwelling to carry out the repairs must be necessary for you to be able to count those nights as income-earning nights. Therefore, you can only count the nights you need to stay at the dwelling to complete the repairs from damage caused on an income-earning night.

- **Nights the dwelling was reserved by someone who did not end up using it**

These nights may be counted as income-earning nights if the dwelling is not available for use because the person who reserved it did not end up using it. For example, a no-show, or a cancellation close to the reserved date which means the dwelling cannot be used by someone else.

36. “Counted nights” are:

- **Nights the dwelling is used, but are not income-earning nights.**

This includes nights you use the dwelling, nights someone associated with you uses the dwelling, and nights the dwelling is rented out for less than 80% of the market value rent.

37. Table | Tūtohi 1 provides some examples of income-earning nights and counted nights.

Table | Tūtohi 1 – Examples of income-earning nights and counted nights

Income-earning nights	Counted nights
<ul style="list-style-type: none"> ▪ You rent the dwelling to a non-associated person at market rates. ▪ A non-associated guest paying market rates damages the dwelling and you stay there for two nights repairing the damage. ▪ A guest cancels the day before their 3-night booking and no one else books the dwelling for those nights. 	<ul style="list-style-type: none"> ▪ You stay at the dwelling for a holiday. ▪ You rent the dwelling to your in-laws at market rates. ▪ You rent the dwelling to your best friend for “mates’ rates” of \$50 a night rather than the usual price of \$100. ▪ Your friend who stayed at “mates’ rates” damages the dwelling and you stay there for two nights repairing the damage. ▪ The paint in the bedrooms is looking shabby, so you stay at the dwelling for a week re-painting. ▪ A non-associated guest paying market rates damages the dwelling. After staying at the property for two nights repairing the damage you decide to stay on for three more nights. The three additional nights are counted nights. ▪ A non-associated guest paying market rates damages the dwelling, but the damage is only minor and you fix it in a couple of hours on your next family holiday at the dwelling.

38. Example | Taura 1 shows how the apportionment formula works. If you do not want to do the calculations yourself, there is a [calculator](#) on the Inland Revenue website that you can use to work out how much you can deduct for the expenses that need to be apportioned (for example, the expenses listed at [31]).

Example | Taura 1 – Using the mixed-use asset apportionment formula

Matt's holiday home has a rating value of \$300,000. He bought the holiday home before the last time the rating value was reset.

Matt rented out his holiday home for 20 nights in the income year, at \$200 a night, through his own website (which is not an online marketplace). All of the rental nights were to people Matt is not associated with and were at full market rate. Matt used the holiday home for 35 nights, and his brother (an associated person) used it for 12 nights.

Matt's fully deductible expenses (which relate solely to the rental use of the holiday home) for the year were **\$230** for advertising, and a total of **\$500** for cleaning services after each guest (not including associates or friends paying "mates' rates").

Matt does not have any expenses that relate solely to his private use of the holiday home.

The expenses Matt has that relate to both the rental activity and the private use of the holiday home total \$10,000 (which includes interest on Matt's loan for the property, rates, insurance, utility bills and general maintenance). Using the apportionment formula, Matt calculates that he can deduct **\$2,985.07** of those expenses:

$$\$10,000 \times \frac{20}{67} = \$2,985.07$$

So, the total amount Matt can deduct is **\$3,715.07** (\$230 + \$500 + \$2,985.07).

His total income from renting out the holiday home was **\$4,000** (20 nights × \$200).

Therefore, Matt has a net profit of **\$284.93** for the dwelling for the income year.

Are my expenses deducted on a GST-inclusive or GST-exclusive basis?

39. If you are GST-registered, you deduct your expenses on a **GST-exclusive** basis.
40. If you are not GST-registered and have opted to treat the flat-rate credit as assessable income, you deduct your expenses on a **GST-inclusive basis** (s DB 2).
41. If you are not GST-registered and have opted to treat the flat-rate credit as excluded income:
 - Expenses that relate to nights when the dwelling was rented through an online marketplace are deducted on a **GST-exclusive** basis. This is because the flat-rate

credit you receive from the online marketplace is intended to recognise the GST on the expenses you incur when deriving this income, that you would be able to deduct as input tax in your GST return if you were GST-registered.

- Expenses that relate to nights when the dwelling was rented out other than through an online marketplace, are deducted on a **GST-inclusive** basis.

(Section DB 2).

42. If you are not GST-registered and have opted to treat the flat-rate credit as excluded income, you may need to apportion your expenses. If you have expenses that relate to both nights when the dwelling was rented out through an online marketplace and nights when the dwelling was rented out other than through an online marketplace, these expenses need to be apportioned. Example | Taura 2 explains how to do this.

Example | Taura 2 – Apportioning expenses where a person is not GST-registered, has opted to treat the flat-rate credit as excluded income, and their dwelling is rented both through an online marketplace and in some other way

The facts are the same as in Example | Taura 1, with the exceptions noted below.

For the 2025-2026 income year, Matt rented out his holiday home for 20 nights, at \$200 a night. All of the rental nights were to people Matt is not associated with, and were at full market rate.

Ten of those nights were rented through an online marketplace and 10 were rented through Matt’s own website (which is not an online marketplace).

Matt used the holiday home for 35 nights, and his brother (an associated person) used it for 12 nights.

This is summarised in the table below:

Use	Number of nights
Private use	47
Rented through online marketplace	10
Rented through website	10

Because Matt is not GST-registered and has opted to treat the flat-rate credit as excluded income, he needs to deduct his expenses that relate to the online marketplace nights on a GST-exclusive basis. His expenses that relate to non-online

marketplace nights are deducted on a GST-inclusive basis. The table below sets out Matt's expenses and how he should calculate the deductions he can claim:

Expense	Amount	Amount apportioned to income-earning	Deduction
Commission charged by online marketplace	\$60 (incl. GST)	100% = \$60 (incl. GST)	$\$60 \div 1.15^4 =$ \$52.17 (excl. GST)
Interest on loan for the property	\$20,000 (GST exempt)	29.85% (20/67) = \$5,970	\$5,970
Repairs and maintenance and other mixed expenses such as rates and property insurance	\$10,000 (incl. GST)	29.85% (20/67) = \$2,985 (incl. GST)	<p><i>Online marketplace nights:</i> 10 nights (out of 20 rental nights). $10/20 \times \\$2,985 = \\$1,492.50$ (incl. GST) $\div 1.15 =$ \$1,297.83 (excl. GST) deduction for online marketplace nights.</p> <p><i>Non-online marketplace (Matt's website) nights:</i> 10 nights (out of 20 rental nights). $10/20 \times \\$2,985 = \\$1,492.50$ \$1,492.50 (incl. GST) deduction for non-online marketplace nights.</p> <p><i>Total deduction for repairs and maintenance:</i> $\\$1,297.83 + \\$1,492.50 =$ \$2,790.33</p>

Online marketplace commission: Matt does not need to apportion the commission charged by the online marketplace as it relates only to the rental activity. But his

⁴ Dividing the amount apportioned to income-earning by 1.15 gives you the GST-exclusive amount.

deduction must be claimed on a GST-exclusive basis. The \$60 commission charged is divided by 1.15 to give a GST-exclusive deduction of **\$52.17**.

Interest on loan for the property: From the 2025-2026 income year, Matt can claim up to 100% of the interest on his property loan. However, this interest needs to be apportioned between private use and income-earning use. As discussed in this QWBA, under the mixed-use asset rules this is done based on the amount of income-earning use relative to the total use of the asset during the income year. For the income year, there are 20 income-earning nights and 67 total use nights. Therefore, Matt can deduct 29.85% (20/67) of \$20,000 which is **\$5,970.15**. GST is not applied to interest, so there is no need for any further calculations for the online marketplace nights.

Repairs and maintenance and other mixed expenses: On the same basis as for interest, 29.85% of the \$10,000 expense for repairs and maintenance and other mixed expenses is attributable to income-earning. This is \$2,985 (incl. GST).

The proportion of the expenses attributable to income-earning that relates to online marketplace nights is 50% (as 10 out of the 20 rental nights are online marketplace nights), so \$1,492.50. This amount is then divided by 1.15 to give a GST-exclusive amount of \$1,297.83.

The proportion of the expenses attributable to income-earning that relates to non-online marketplace nights (50%) is \$1,492.50 (incl. GST).

Therefore, the total amount of the repairs and maintenance deduction is **\$2,790.33** (\$1,297.83 + \$1,492.50).

Matt's total deduction in relation to the rental activity is therefore **\$8,812.65** (\$52.17 + \$5,970.15 + \$2,790.33).

If Matt had opted to treat the flat-rate credit as assessable income, he would not need to undertake any apportionment – all his expenses would be deductible on a GST-inclusive basis.

Losses and the mixed-use asset expenditure quarantine rules

43. The residential ring-fencing rules do not apply to mixed-use assets. However, there are specific rules for loss-making mixed-use assets that may apply. These rules are called the mixed-use asset expenditure quarantine rules. Under these rules, if you make a loss from renting out the dwelling (that is, the deductible expenses for the year exceeded the rental income), you might not be allowed to deduct all your expenses for that income year.

44. If the mixed-use asset expenditure quarantine rules apply, you can only deduct your expenses up to the amount of the rental income from the dwelling. Any deductions in excess of that are carried forward to future income years until they are able to be offset against any future profits from the dwelling.
45. The mixed-use asset expenditure quarantine rules apply if:
 - your income from renting out the dwelling during the income year was less than 2% of the property's value, and
 - you made a loss from renting out the dwelling (that is, the deductible expenses for the year exceeded the income).
46. In working out if your income was less than 2% of the property's value, you **do not include** exempt income. It is your taxable income from the dwelling that must meet the 2% threshold.
47. The property value you use to measure the 2% threshold against is generally the local rating value. However, if you bought the property from someone you are not associated with since the rates value was last set, you use the purchase price. This is illustrated in Example | Tauria 3.

Example | Tauria 3 – The mixed-use asset expenditure quarantine rules

The facts are the same as in Example | Tauria 1. However, Matt has deductions of **\$6,700.15** and therefore a net loss of **-\$2,700.15**.

Matt's holiday home has a rating value of \$300,000. Two percent of the property value for the holiday home is \$6,000. Because Matt's income from renting the holiday home (\$4,000) is less than that, he can only deduct expenses up to the amount of income – so \$4,000 worth. The remaining deductible expenses (\$2,700.15) are carried forward to the next income year.

48. If you would otherwise have quarantined expenditure for an income year, you may instead choose to opt out of the mixed-use asset rules. This is discussed in QB **XX/06**. If you do this, all the income from renting out the dwelling is exempt income, and you cannot claim any related expenses as deductions.

Who must declare the income?

49. The rental income belongs to the owner of the land (including leasehold land) and they must declare it to Inland Revenue. If there is more than one owner, the income needs to be split appropriately between them.

50. If the dwelling is owned in a trust, the rules about who must declare the income are more complicated. You should refer to QB [XX/1516: If property held in a trust is rented out for short-stay accommodation, who should declare the income, and what deductions can be claimed?](#) for more detailed guidance.
51. If you lease the property and use it to earn income, you should ensure you are paying an adequate rent for the property to the extent you use the property for income-earning. If you do not, in certain circumstances the Commissioner can determine an amount of adequate rent and you will be treated as deriving this amount as rental income (s GC 5). This rule ensures that property cannot be leased between (for example) relatives or different entities for low or nominal rent to shift income for a tax benefit.

What records do I need to keep?

52. Because the dwelling may or may not fall within the mixed-use asset rules (remember, you need to work out each year whether it does), you need to keep good records so you can apply the income tax rules correctly. This includes records of:
- the number of nights you rent out the dwelling at market value, and how much income you receive,
 - the number of nights you rent out the dwelling at “mates’ rates”, and how much income you receive,
 - the number of nights you, or people you are associated with, used the dwelling,
 - when the dwelling was available to be rented out (this will be relevant if the standard tax rules apply),
 - any expenses you may claim deductions for, and
 - any quarantined expenditure you have in respect of the dwelling.

Provisional tax

53. If the residual income tax you have to pay at the end of the year, after you have filed your tax return, is more than \$5,000, you will have to pay provisional tax the following year. This means you will pay your income tax in instalments during the year. The [Inland Revenue website](#) has further information about provisional tax.

Draft items produced by the Tax Counsel Office represent the preliminary, though considered, views of the Commissioner of Inland Revenue.

In draft form these items may not be relied on by taxation officers, taxpayers, or practitioners. Only finalised items represent authoritative statements by Inland Revenue of its stance on the particular issues covered.

Send feedback to | Tukuna mai ngā whakahokinga kōrero ki
public.consultation@ird.govt.nz

References | Tohutoro

Legislative references | Tohutoro whakatureture

Income Tax Act 2007 – ss CC 1, **xxCH 5B**, s DB 2, DG 9 and GC 5.

Other references | Tohutoro anō

A guide to associated persons definitions for income tax purposes – IR620 (guide, Inland Revenue, 2024)

ird.govt.nz/-/media/project/ir/home/documents/forms-and-guides/ir600---ir699/ir620/ir620-2024.pdf?modified=20240508212528&modified=20240508212528 (PDF 610KB)

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taxtechnical.ird.govt.nz/interpretation-statements/is-1203-income-tax-deductibility-of-repairs-and-maintenance-expenditure-general-principles

QB XX/06: Income tax – Which rules apply if I have a dwelling I sometimes rent out as short-stay accommodation and also sometimes use privately?

QB XX/08: Income tax – How do the standard tax rules apply if I provide short-stay accommodation?

QB XX/1516: If property held in a trust is rented out for short-stay accommodation, who should declare the income, and what deductions can be claimed?

About this document | Mō tēnei tuhinga

Questions we've been asked (QWBAs) are issued by the Tax Counsel Office. QWBAs answer specific tax questions we have been asked that may be of general interest to taxpayers. While they set out the Commissioner's considered views, QWBAs are not binding on the Commissioner. However, taxpayers can generally rely on them in determining their tax affairs. See further [Status of Commissioner's advice](#) (Commissioner's statement, Inland Revenue, December 2012). It is important to note that a general similarity between a taxpayer's circumstances and an example in a QWBA will not necessarily lead to the same tax result. Each case must be considered on its own facts.