

AIRBNB TAX GUIDE

INCOME AND DEDUCTIONS THAT YOU NEED TO KNOW

WHAT IS AIRBNB

Airbnb is the superstar of the new sharing economy. Enabling property owners or even those living in rental properties to provide a 'locals' living experience in tourist destinations whilst earning a reputable rental income.

WHAT EXPENSES YOU CAN CLAIM AS TAX DEDUCTIONS

Fully Tax-Deductible Expenses

- ✓ Furniture depreciation
- ✓ Commercial cleaning of the rented area
- ✓ Repairs and maintenance
- ✓ Food, such as breakfast provisions, made available to the guest
- ✓ Professional photography for the listing
- ✓ Service fees and commissions charged by Airbnb
- ✓ Property management fees

Partially Tax-Deductible Expenses

- ✓ Mortgage interest or rent
- ✓ Council rates
- ✓ Utilities
- ✓ Insurance



HOW TO KEEP EXPENSE RECORDS THAT WILL MAXIMISE YOUR TAX DEDUCTIONS

- ❖ Understand the tax considerations of being a host
- ❖ Record all rental income
- ❖ Save all expense receipts and notes of what they were for - use apps to assist
- ❖ Make sure your tax agent knows everything to make the most of those Airbnb tax deductions
- ❖ Retain all records for a minimum of 5 years

HOW TO ENSURE YOU ARE MAXIMISING YOUR DEDUCTION POTENTIAL

- ✓ Keep personal effects & storage limited
- ✓ Assign any spare living rooms, media rooms or study nooks to guest use, being sure to remove personal storage
- ✓ Renovate wisely

WHY HOME RENTAL SEASONALITY MATTERS IN OPTIMISING YOUR AIRBNB REVENUE

It is crucial you carefully select the periods and seasons in which you list your property for short term rental. Some prime peak periods of seasonality to consider are:

- ❖ January and February - school holidays and summer season make these peak months self-explanatory.
- ❖ Easter - school holidays and high travel rates over this holiday is a great time to consider listing your rental.
- ❖ Christmas - family get togethers over the festive season quite often call for a larger Airbnb rental for the family to stay in.

HOW AN AIRBNB HOME LOAN CAN INCREASE YOUR MORTGAGE DEDUCTIONS

An Airbnb home loan is one that recognises your short-term rental income as part of the home loan lending application criteria. It's inherently an investment loan, meaning you are buying a property for investment purposes and this forms part of your home loan.

Due to the nature of the loan your interest rate may be higher than an owner-occupied rate because of possible inherent risk to repay the debt on a month-to-month basis.

Interest originating from a loan not contracted for hosting purposes cannot be deducted from your property rental related activities as a tax deduction.

HOW TO ENSURE YOU COME OUT ON TOP AGAINST CGT TRIGGERED BY AIRBNB

Details you need to consider are:

- ✓ Total floor space apportioned to producing rental income
- ✓ Total time the space was used for this purpose - Starting from the date which the property was first used to generate income
- ✓ Your eligibility for the absence rule (see more on Treating a dwelling as your main residence after you move out)
- ✓ Whether it was first used to produce income after 20 August 1996.

As per the ATO guidelines about CGT you pay tax on:

- ❖ When you sell an asset for:
 - More than it cost you – you have a capital gain
 - Less than it cost you – you have a capital loss.
- ❖ Your net capital gains. This is:

Your total capital gains **less** any capital losses **less** any discount you are entitled to on your gain

