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NEW ZEALAND – TAX CONSIDERATIONS ON SHORT-TERM RENTALS

The following information can help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in New Zealand. For the purpose of this guide, short-term accommodation is the renting out of the property to a person for up to 4 consecutive weeks at a time.

Tax can be complicated and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in New Zealand, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you:

1. [Income tax](#), and
2. [Goods and Services tax \(GST\)](#)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, please check this with official local sources, or seek advice from qualified professionals.

This guide does not discuss the detailed income tax and GST rules which apply if the relevant accommodation is a “mixed-use asset” (*i.e.*, used both personally and for short-term rental accommodation) but is unused/vacant for 62 days or more in total in a tax year (being available for use for short-term rental does not count when the property is vacant for 62 days or more in total). As the rules about claiming income tax and GST deductions relating to such accommodation are complex, you should seek advice from qualified professionals as to how these rules may apply to your situation.

Please note that this information is not updated in real time, so you should confirm that the laws or procedures have not changed recently.

1. INCOME TAX

Income tax consequences of short-term rental

If you provide short-term rental accommodation in New Zealand, the rent you receive will generally be taxable, reduced by the cost of tax deductible expenses relating to the rental activity.

Expenses that are tax deductible (to the extent that the property is used for rental purposes) include insurance and local authority rates, agents' and marketing fees, repairs and maintenance (not being a capital improvement) and accounting fees. Interest may also be deductible, but the tax rules regarding the deductibility of interest are intended to change with retrospective effect from 1 October 2021 (see page 3 – **“Proposed changes to interest deductibility rules”**).

Non-deductible expenses include the purchase price of the property, repayments of any loan principal, and the cost of adding to or improving the property (these are Capital Expenses).

Residential property deduction rules limit deductible expenses incurred on short-stay accommodation in a tax year to the amount of income earned from the property, if the property is not your main home or if the mixed-use asset tax rules apply to the property. Any excess deductions must be carried forward to the next tax year for deduction against subsequent rental income, and cannot be used to reduce other income (e.g., salary or wages or other business income). The discussion below about deductible expenses is subject to this limitation.

Residential property available only for short-term accommodation and not used privately

You can claim all tax-deductible expenses associated with the rental activity against the rental income.

Residential property (such as a holiday home) that is used both privately and also for short-term residential accommodation and is vacant for less than 62 days in total in the tax year

You can claim all tax-deductible expenses that are only associated with the income-earning rental activity against the rental income – and are not also or exclusively connected with the private use. Private use of the property means use by you or your family, even if 100% market rent is paid for that use, and use by persons with whom you are not associated under income tax rules (e.g., friends and other non-family members) if you charge those persons rent at less than 80% of market rates.

Expenses that are incurred both to earn income and for private use (“shared rental expenses”) are, to the extent they are not Capital Expenses, tax-deductible only to the extent relating to the rental activity. If the property is vacant for less than 62 days in the tax year, and you can provide evidence that the property was available to be used as short-term rental accommodation when vacant, those days will be counted as days relating to the rental activity in determining the level of deductible expenses.

Example: Holiday home that is used for both private and short-term rental accommodation and is vacant for less than 62 days in a year.

Holiday home is fully rented out as short-term accommodation for 300 days a year and is also available for rent for a further 35 days a year (a total of 335 days). The holiday home is used for private use for 30 days in the year.

NZ\$7,000 of expenses are related only to the rental activity (such as Airbnb and property management fees). You will be able to claim all of these expenses against the rental income.

There are also NZ\$3,000 of “shared rental expenses” (such as utility bills and local authority rates). The shared rental expenses must be apportioned between private and rental use (and availability for rental). The property was used or available for use for income-earning purposes for a total of 335 days in the year, resulting in a usage rate of 335/365 or 91.8%. The shared rental expenses must then be multiplied by the rental usage rate of 91.8% which results in a tax-deductible expense of \$2,754.

Therefore, the total amount of deductible expenses is \$9,750.40 (7,000 + 2,754), assuming the rental income is at least \$9,754.

Note that if you are GST registered, then any GST charged on the expenses is to be excluded from the income tax deduction – as you will be able to claim a deduction for the GST in your GST return (see the discussion on GST below).

If part of the holiday home is not available to short-term accommodation guests and is kept for private use at all times (e.g., a locked room used to store personal items), then the calculation of shared rental expenses will be more complicated, involving an apportionment of floor area as well.

Residential property (such as a holiday home, but not your main home) that is used for both private and short-term accommodation purposes and is vacant for 62 days or more in total in the tax year

The mixed-use asset tax rules will apply. This guide does not discuss these rules further and you should seek professional advice as to their application.

Main home (the place where you primarily reside) but occasionally rent out all or part of

You may calculate actual tax-deductible expenses or apply the short-stay standard-cost method.

The short-stay standard-cost method is only available to natural persons (*i.e.*, individuals, and not, for instance, companies) and then only where: (i) the main home is rented out for 100 nights or fewer over the tax year (note that if you rent out one or more bedrooms (including the whole house as applicable), each bedroom in your house is equal to 1 night – for example, if you have a three bedroom house and rent it out for 1 night, it will be counted as three nights for the purpose of this method); (ii) you are not registered for GST (discussed below); and (iii) the property is not owned by a trust, or, if it is, you personally paid all of the costs for the property for the relevant income year (*e.g.*, insurance, local authority rates, *etc.*).

Under the short-stay standard-cost method, you can claim a fixed nightly rate as a deduction against your rental income (currently \$52 if you are the homeowner). To the extent that you charge guests up to this rate, you will have no income tax to pay. You will pay income tax on any income received in excess of the fixed nightly rate, with no deductions allowed for the actual costs of items and services typically provided to short-stay accommodation guests (*e.g.*, breakfast, linen, cleaning, power, internet, advertising and host service fees (*e.g.*, Airbnb's service fee)).

Proposed changes to interest deductibility rules

The Government intends to limit the deductibility of interest relating to residential property that is used exclusively for rental or is rented out some of the time and used privately some of the time.

Broadly, under the proposed rules, with retrospective effect once the rules become law:

- if you obtained a loan in relation to the property on or after 27 March 2021, any interest on the loan will be fully non-deductible from 1 October 2021; and
- if you obtained a loan prior to 27 March 2021, your interest deductions will be phased out between 1 October 2021 and 31 March 2025.

The proposed change will not apply if the interest relates to income you earn in your main home (such as a bed and breakfast business in your home). You will still be able to deduct some interest against that income.

Tax reporting in New Zealand

If you are not a provisional taxpayer (discussed below) you will need to complete and file a rental income schedule (IR3R), along with any other required tax filings, and pay income tax on an annual basis on the rental income.

If you are required to pay more than NZ\$5,000 but less than NZ\$60,000 of income tax at the end

of the tax year (such amount being your “residual income tax” or **RIT**) due to the derivation of income that was not subject to withholding tax over the course of the year (such as rental income), you will become a provisional taxpayer from the beginning of the following tax year and, from that time, you will be required to pay provisional tax. If you pay the RIT (being less than NZ\$60,000) by the terminal tax date (being 7 February of the following tax year), no use of money interest will be charged.

However, if you start your rental business and your RIT for the first tax year of business is NZ\$60,000 or more, then you will be treated as a new provisional taxpayer for that year (and not from the beginning of the next tax year). If you expect your RIT will be at least NZ\$60,000 in your first tax year of business, you should pay provisional tax, most likely in one instalment but possibly in one to three instalments (dependent on the start date of your business) for that tax year to prevent use of money interest charges.

You must keep records to be able to calculate the income and expenses of your rental property and for Inland Revenue to confirm your accounts.

Reporting tax – filing deadline

New Zealand’s tax year runs from 1 April to 31 March (although, with Inland Revenue approval, in certain cases a person can have an income year that ends on a different date).

The income tax return filing deadline is 7 July following the end of the tax year. This means that the income tax return relating to income generated between 1 April 2021 and 31 March 2022 has to be filed by 7 July 2022.

If you have a tax agent, you may have an extension of time to file up to 31 March of the following tax year (meaning that the abovementioned deadline is extended from 7 July 2022 to up to 31 March 2023). The extension length issued to New Zealand tax agents can vary so you will need to contact your tax agent to determine the relevant filing date.

If you are non-resident during the entire tax year you will need to file an IR3NR form to report your income from New Zealand sources.

Reporting tax – payment deadline

Payment due dates are provided on the return forms or in your myIR account. You can make payments up to and on the due date.

If you are not a provisional taxpayer, your income tax payment will be due by 7 February following the end of the tax year (e.g., the income tax liability for the tax year running from 1 April 2021 until 31 March 2022 has to be paid by 7 February 2023).

If you are a provisional taxpayer using the standard option with a standard balance date, you will generally pay your three instalments on 28 August, 15 January and 7 May. However, if you file GST returns on a two-monthly basis (or one-monthly), then you may qualify to use the ratio option and pay provisional tax instalments with your GST return based on your level of taxable supplies in the relevant GST return period.

If you have a tax agent, you may have an extension of time to pay your tax bill. The extension length issued to New Zealand tax agents varies so you will need to contact your tax agent to determine the relevant payment date.

GST

GST at 15% is charged on the supply of short-term rental accommodation that is situated in New Zealand, if the supplier is or is liable to be registered for GST. Note that the supply of long-term rental accommodation is not charged with GST. As noted at the beginning of this Guide, short-term accommodation is the renting out of the property to a person for up to 4 consecutive weeks at a time.

Do I need to register for GST?

If you are a supplier of short-term rental accommodation in New Zealand and the turnover (i.e., the rental charged) in any 12-month period exceeds, or is likely to exceed, NZ\$60,000, you will be liable to register for GST if – whether the supplier of the accommodation lives in New Zealand or outside of New Zealand. If your turnover is no more than NZ\$60,000, you can voluntarily register for GST. Refer to Inland Revenue's [website](#) for information on how to register for GST.

I am registered for GST. How do I collect GST from guests?

If GST applies on the accommodation services you supply, e.g. if you are short-term rental accommodation in New Zealand and registered for GST, you may set a 15% GST-inclusive accommodation fee and account for GST on the GST-inclusive accommodation fee.

Filing your GST returns

If you are a GST-registered supplier and you are required to charge GST on your accommodation supply, you are liable to file GST returns and account for GST output tax on the rental charged. A supplier may charge a GST-inclusive accommodation price, i.e. increase the rent to include the GST output cost.

A GST input tax deduction can be claimed for GST charged on any expenses incurred in the

course of carrying on the rental activity.

The GST output tax, net of the input tax, is payable to the New Zealand Inland Revenue. If input tax exceeds output tax, a net GST refund can be claimed.

The ability to claim GST on expenses you incur on purchasing goods and services for use in connection with the rental of the property, can be a reason for voluntarily registering for GST – although it does mean that GST output tax will have to be accounted for. Advice should be sought before voluntarily registering for GST as it can result in GST output tax being payable on a later sale of the property or other cessation of the rental activity (with GST charged on the then market value of the property).

How the property is used for short-term renting will determine what GST expenses you can claim (subject to the interest discussion above):

How the property was used	GST you can claim
All the property is rented out and there is no private use	You can claim GST for all your short-term rental expenses.
A room or part of the property is rented out and the rest of the property is only for private use	You can claim GST on all expenses incurred in providing the short-term rental accommodation. You must split shared rental expenses based on the days the property was used for short-term rental and claim GST on that basis. You cannot claim GST on private use expenses.
All the property is rented out some of the time and all of the property is used privately for some time, but is vacant for less than 62 days in the tax year	You can claim GST on all expenses incurred in providing the short-term rental accommodation. You must split shared rental expenses based on the days the property was used for short-term rental and claim GST on that basis. You cannot claim GST on private use expenses.
All the property is rented out some of the time and all of the property is used privately for some time, but is vacant for 62 days or more in the tax year	The mixed-use asset tax rules will apply. This guide does not discuss these rules further and you should seek professional advice as to their application.

Your GST filing obligations will depend on whether you are registered for a 1-month, 2-month or 6-month taxable period (most likely 2 or 6 months). However, your GST return will generally be

due on the 28th of the month following the end of that taxable period (e.g., for a 2-month period April – May, your GST return must be filed by 28 June).

As with all taxes, you should consult with a tax advisor regarding your potential GST obligations.

New Zealand Inland Revenue Department contact details

Refer to the New Zealand Inland Revenue's [website](#) for contact details.