

*This guide has been prepared by an independent third-party law firm.*

November 2024

## **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.

### **UPDATES**

This guide has been updated, due in particular to:

- the phasing back in of interest deductibility; and
- significant changes to the Goods and Services Tax (**GST**) rules where you supply short-term accommodation to a guest using Airbnb or another digital platform. The GST changes apply whether or not you are GST registered.

Tax can be complicated and the tax rules are often subject to change. It is important to ensure that you keep up to date with the tax rules, your tax obligations and remain tax compliant.

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. 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 (and the GST rules concerning mixed-use assets changed from 1 April 2024), you should seek advice from qualified professionals as to how these rules may

currently 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.

From 1 January 2024, New Zealand has enacted the Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy. As such, Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

## **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 interest, insurance and local authority rates, agents' and marketing fees, repairs and maintenance (not being a capital improvement) and accounting fees. The tax rules regarding the deductibility of interest have undergone considerable changes in recent years with full deductibility for interest incurred in connection with rental activity currently being phased back in (see page 4– **"Phased reinstatement of full interest deductibility"**).

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 income 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 genuinely 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 interest, 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 you are not GST registered, you should note the discussion below in the GST section (under the heading “If you are not GST registered”) concerning income tax implications of the new GST flat-rate credit.*

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 income 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. For the 2024 tax year the rate is \$61 if you are the homeowner (the rate for each tax year is generally published by Inland Revenue after the end of the relevant tax year). 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)).

### **Phased reinstatement of full interest deductibility**

Under the previous Government, interest deductibility was in the process of being phased out (and, in some situations, immediately denied in full) where the interest related to residential property that was used exclusively for rental or was rented out some of the time and used privately some of the time.

The current Government is phasing back in the deductibility of interest incurred in connection with residential property being used for rental purposes , with:

- 80% of such interest incurred in the 2025 tax year (i.e. the standard tax year 1 April 2024 to 31 March 2025) being deductible; and
- 100% of such interest incurred from 1 April 2025 being deductible.

If the mixed-use asset rules do not apply, interest incurred relating to the property will be apportioned between rental activity and any private use based on the standard deductibility rules outlined above.

### **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 2024 and 31 March 2025 has to be filed by 7 July 2025.

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 2025 to up to 31 March 2026). 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 2024 until 31 March 2025 has to be paid by 7 February 2026).

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.

## **2. GST**

As noted above, the GST rules have changed significantly where you supply short-term accommodation to a person using Airbnb or another digital platform. The GST outline in this guide focuses on the rules that now apply to your supply of short-term accommodation through Airbnb.

In summary, from 1 April 2024:

- Airbnb, and not you, is treated as supplying the accommodation (and any closely-connected service charged for, eg cleaning) to your guest. Airbnb is required to collect GST from guests at the rate of 15% on all accommodation and any closely-connected service supplied, whether or not you are GST registered;
- If you are GST registered, you will be treated as supplying the accommodation and any closely-connected service to Airbnb, and that deemed supply is GST zero-rated (ie GST is charged at zero percent);
- If you are GST registered, you will still be allowed to claim GST input tax deductions for GST you incur in supplying the accommodation etc;
- If you are not GST registered, you are entitled to a flat-rate credit equal to 8.5% of the value of the accommodation supplied, with the credit payable to you by Airbnb.

### **Supply of accommodation treated as made by Airbnb**

From 1 April 2024, the short-stay accommodation and any cleaning service (or any other closely-connected service) that you provide to a guest through Airbnb is treated, under the GST rules, as supplied by Airbnb to the guest. Airbnb is required to collect 15% GST on the accommodation and other services supplied from the guest. As Airbnb is treated as making these supplies, and Airbnb is GST registered, Airbnb must collect the GST from the guest whether or not you are GST registered.

#### **If you are GST registered**

If you are GST registered, you will be treated as supplying accommodation and other services to Airbnb, and not to the guest, and your supplies to Airbnb will be charged with GST at zero percent. Therefore in your GST return, you should include the amounts you charge for the accommodation and other services in the "Zero-rated supplies" box of the GST return.

You will still be able to claim deductions in your GST returns for GST charged on any expenses you incur in the course of carrying on the rental activity.

If you are GST registered, you are not required to provide taxable supply information to Airbnb (or to the guest) in relation to your supply of accommodation and any closely-connected services. Airbnb will provide taxable supply information to all guests.

If you are a supplier of short-term rental accommodation that is situated in New Zealand and your turnover (i.e., the rental charged) in any 12-month period exceeds, or is likely to exceed, NZ\$60,000, you will remain liable to register for GST. This is despite your deemed supplies to Airbnb being GST zero-rated – and whether you live in New Zealand or outside of New Zealand.

### **If you are not GST registered**

If your turnover in any 12-month period is no more than NZ\$60,000, you are not liable to be GST registered – although you can voluntarily register.

If you are not GST registered, you will still be treated as supplying the accommodation and any closely-connected service to Airbnb, and Airbnb will collect 15% GST from the guest.

You will be entitled to a flat-rate credit equal to 8.5% of the value of the accommodation and closely-connected services that are supplied to the guest. This amount is intended to approximate the amount of GST that a GST-registered supplier may claim as a deduction (excluding any deduction it may claim in relation to a capital asset). Under current law, the amount of the flat-rate credit paid to you is excluded income and is not taxable for income tax purposes. One implication of this is that if you are not GST registered, your income tax deductions for expenses incurred that are attributable to income from sales through the platform have to be determined on a GST-exclusive basis, while deductible expenses attributable to income from other sales (for which there is no flat-rate credit) are determined on a GST-inclusive basis. A tax Bill has been introduced which proposes to allow a non-GST registered person to include the flat-rate credit as assessable income, so that all expenses can be deducted for income tax expenses on a GST-inclusive basis, without the need to apportion expenses between the two kinds of sales.

Airbnb will pay you the 8.5% flat-rate credit from the 15% GST it collects and will pay the remaining 6.5% to Inland Revenue.

If you prefer, you may voluntarily register for GST and claim back the actual amount of GST you incur, rather than receive the flat-rate credit. If you do register for GST, you will need to inform Airbnb of your changed GST status. Professional advice should be sought before voluntarily registering for GST as it can result in some net GST being payable on a later sale of the property or other cessation of the rental activity, if the property was, while owned, primarily used to make taxable supplies.

### **Listing Intermediary**



A listing intermediary is a person who lists accommodation on an electronic platform such as Airbnb on behalf of hosts and who has an agreement in the intermediary's own name with the platform operator to list hosts' accommodation.

Where the listing intermediary lists accommodation with Airbnb on behalf of a host who is not GST registered, it is the listing intermediary (and not Airbnb) that is required under the GST rules to claim and pass the flat-rate credit to the host. This is because it is the listing intermediary who will have the necessary information regarding the host's GST status, their name and bank account details.

If the listing intermediary does not have an agreement in its own name with Airbnb, then it will need to provide the information about the host to Airbnb so that Airbnb can administer the flat-rate credit.

Where Airbnb deals only with the listing intermediary and not the hosts, the host's supply of accommodation is generally treated as three separate supplies, namely:

- From host to listing intermediary (zero-rated if the host is GST registered);
- From listing intermediary to Airbnb (a zero-rated supply); and
- From Airbnb to guest.

15% GST is only charged on Airbnb's supply to the guest.

However, a listing intermediary is able to agree (with Airbnb) that the listing intermediary accounts for GST on the host's supply of accommodation, instead of Airbnb, if the listing intermediary:

- Is New Zealand tax resident;
- Lists the accommodation provided by the host on not just one, but multiple electronic platforms; and
- Enables or facilitates the supply of the accommodation using an electronic system that can facilitate and manage guests' bookings automatically.

### **Opting out of the GST rules**

Certain larger suppliers may be able to opt out of the new GST rules (i.e., so as to remain liable for GST on their supplies of accommodation), including:

- a supplier who lists (or reasonably expects to list) more than 2,000 nights of accommodation on a single electronic platform in a 12-month period; and
- a non-individual who makes taxable supplies of more than NZ\$500,000 in a 12-month period.

The opt-out provisions are not outlined in this guide.

## Filing your GST returns

If you are a GST-registered supplier, you are liable to file GST returns which must include any zero-rated supplies of accommodation deemed to be made to Airbnb (as discussed above).

A GST input tax deduction can be claimed for GST charged on any expenses incurred in the course of carrying on the rental activity.

If input tax exceeds output tax, which will be the case if all your supplies are zero-rated supplies to Airbnb, a net GST refund can be claimed.

How the property is used for short-term renting will determine what GST expenses you can claim:

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. If you wish to claim GST, 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. If you claim any GST deduction relating to the capital cost of that part of the property that is rented out, this can result in some GST being payable on a later sale of the property or if you cease to rent any part of the property.
All of the property is rented out some of the time and all of the property is used privately	You can claim GST on all expenses incurred in providing the short-term rental

for some time, but is vacant for less than 62 days in the tax year	accommodation but, as noted above, claiming GST deductions can result in some GST being payable on a later sale of the property or if you cease to rent part of the property, if the property is primarily used to make taxable supplies. 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	This guide does not discuss the GST rules that apply to mixed-use assets 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 28<sup>th</sup> 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.