



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

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INTERPRETATION STATEMENT | PUTANGA WHAKAMĀORI

GST treatment of short-stay accommodation

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IS XX/XX

SCOPE OF THIS STATEMENT

This interpretation statement discusses the GST treatment of short-stay accommodation provided by hosts either through an electronic marketplace (such as Airbnb or Bookabach) or directly to guests. The statement approaches GST from the perspective of someone considering providing short-stay accommodation for the first time, and follows the lifecycle of a taxable activity of providing short-stay accommodation from initial registration through to de-registration.

The statement covers situations where a host offers accommodation to the guest in the host's home (and they might list a room, a sleepout or the entire property), holiday home or a property exclusively used for that purpose.

All legislative references are to the Goods and Services Tax Act 1985 unless otherwise stated.

This statement updates and withdraws:

- [IS 20/04: Goods and services tax – GST treatment of short-stay accommodation](#)
- [QB 19/09: Can I register for GST if I supply short-stay accommodation to guests in my home or holiday home?](#)

QB 19/09 forms the basis of Factsheet 1. Factsheet 1 focuses on whether a host can register for GST and the major consequences of registration.

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Summary | Whakarāpopoto

1. This statement considers the GST consequences of registered persons (hosts) providing short-stay accommodation to guests. It does not apply to property managers, agents, listing intermediaries or electronic marketplaces who may be subject to different rules.

2. This statement approaches GST from the perspective of someone considering providing short-stay accommodation for the first time. This statement discusses:
 - the requirements for, and main consequences of, GST registration;
 - the GST consequences of listing short-stay accommodation on an electronic marketplace as well as directly to guests; and
 - what happens when the property is sold or the short-stay accommodation activity ceases.
3. The provision of short-stay accommodation is a taxable supply and is not an exempt supply. To register for GST, it is necessary to have a taxable activity. Determining whether a taxable activity is being carried on is a question of fact. For most hosts, the crucial question is whether the short-stay accommodation activity is carried on continuously or regularly. Occupancy is a key (but not determining) factor, and regular paying guests suggest a taxable activity. Providing occasional or intermittent short-stay accommodation, for instance renting a room for a one-off sporting event, is not sufficient to establish a taxable activity.
4. A host making taxable supplies in the course of a taxable activity becomes liable to register for GST once their taxable supplies exceed \$60,000 in any 12-month period. Hosts making taxable supplies up to the \$60,000 threshold may voluntarily register for GST.
5. When a host is registered for GST, there are ongoing obligations such as filing GST returns and returning GST output tax on their supplies of short-stay accommodation. GST consequences will differ for a host based on whether the host uses an electronic marketplace or makes supplies directly to guests. The host can also claim input tax deductions for goods and services acquired for use in making those supplies of short-stay accommodation. These obligations can become complex particularly when the property has mixed uses, such as private use and providing short-stay accommodation to guests.
6. For example, where goods or services acquired by the host are used for making taxable supplies as well as for other purposes (such as exempt or non-taxable supplies), then any input tax must be apportioned based on use (or intended use). However, a host can apply the principal purpose method to determine whether a full input tax deduction may be claimed in some circumstances (see from [85]). Various adjustments may also need to be made over the period of the taxable activity.
7. A disposal of a property used to make taxable supplies of short-stay accommodation has GST consequences. There is limited ability to remove a property from the taxable activity of hosting short-stay accommodation and, when that property is sold, the sale is a taxable supply. This means that output tax will be payable on the sale. There

may be some instances where an additional input tax deduction can be claimed to offset some of the output tax payment due.

8. If a host stops making taxable supplies of short-stay accommodation and ceases their GST registration, or if their registration is cancelled, an adjustment will be required. This means that GST output tax will be payable on the value of the property when the taxable activity and GST registration ceases.

This statement is part of a series of updated guidance addressing the tax implications of providing short-stay accommodation, including through an electronic marketplace:

- [QB 25/01](#): Income tax – which rules apply if I rent out my home, part of my home, or a separate dwelling on my property as short-stay accommodation?
- [QB 25/02](#): Income tax – which rules apply if I have a dwelling I sometimes rent out as short-stay accommodation and also sometimes use privately?
- [QB 25/03](#): Income tax – how do the mixed-use asset rules apply if I provide short-stay accommodation?
- [QB 25/04](#): Income tax – how do the standard tax rules apply if I provide short-stay accommodation?
- [QB 25/05](#): Income tax – if property held in a trust is rented out for short-stay accommodation, who declares the income and what deductions can be claimed?
- [QB 25/16](#): Income tax – how do the income tax rules apply when a close company provides short-stay accommodation?
- [QB 25/19](#): GST listed services rules: When is a supply of listed services made through an electronic marketplace?
- [QB 25/20](#): GST listed services rules: How do the rules apply when there is a supply of listed services and other goods?
- [DET 24/02](#): GST on accommodation supplied through electronic marketplaces – opt out agreement criteria.
- [DET 19/02](#): Standard-cost household service for short-stay accommodation providers.

Introduction | Whakataki

9. This interpretation statement follows the lifecycle of a taxable activity of supplying short-stay accommodation (either through an electronic marketplace or directly to the guest). The focus of this statement is where a host offers accommodation to the

guest in the host's home (and they might list a room, a sleepout or the entire property) or holiday home. The statement also covers short-stay accommodation provided in a property exclusively used for that purpose.

10. The statement addresses the following issues:

- **Is there a supply that would be subject to GST?**
 - What is a supply of short-stay accommodation (from [12])?
 - Is the supply of short-stay accommodation an exempt supply or taxable supply (from [17])?
- **When does a person need to register for GST?**
 - What is a taxable activity (from [23])?
 - How is the registration threshold calculated (from [31])?
 - What are the consequences of registration (from [47])?
- **What happens if short-stay accommodation is provided through an electronic marketplace?**
 - How do the listed services rules apply to hosts of short-stay accommodation (from [53])?
 - What are the implications for non-GST-registered hosts (from [59])?
 - What are the implications for GST-registered hosts (from [64])?
 - What happens if short-stay accommodation is not provided through an electronic marketplace (from [68])?
- **How to determine when and how much input tax can be claimed?**
 - When are input tax deductions allowed where a property is acquired from an associated person (from [75])?
 - What is the principal purpose of making taxable supplies method (from [85])?
 - How do general apportionment and adjustment rules apply (from [96])?
- **What happens if a property is sold or GST registration is cancelled?**
 - When is there a GST output tax liability on a property used to make taxable supplies (from [137])?
 - When do the compulsory zero-rating of land rules apply (from [162])?
 - When is a host treated as disposing of their property or cancelling their GST registration (from [167])?

11. Examples throughout this statement illustrate the issues discussed.

Is there a supply that would be subject to GST?

What is a supply of short-stay accommodation?

12. This statement covers short-stay accommodation that is:
 - provided for a period of four weeks or less; and
 - not the guest's main residence during the period in question.
13. This statement does not apply to accommodation provided as residential letting, social or emergency housing, boarding services, student accommodation, respite care and care homes, as they fail one or both of the requirements set out above.
14. A host may list their property through an electronic marketplace (for example, Airbnb or Bookabach) or they may self-list their property online or by advertising themselves (for example, in a newspaper). This statement uses the terms "host" and "guest" (rather than owner, landlord, tenant, renter and so on) as these labels are more appropriate in the short-stay accommodation context. A host in this statement does not include a listing intermediary (such as a property manager or agent). Guidance for listing intermediaries is provided in [AD278](#) and [AD282](#) **Goods and services tax on listed services**.
15. The most common types of premises used to provide short-stay accommodation are:
 - the host's home (which may be the entire home when the host is not occupying it, one or more rooms in the home, or a separate self-contained unit such as a sleepout or cottage);
 - holiday homes or baches;
 - properties providing dedicated short-stay accommodation;
 - serviced apartments; or
 - farmstays or bed and breakfasts.
16. Where the accommodation is supplied through an electronic marketplace, the marketplace operator is treated as making the supply of short-stay accommodation to the guest, rather than the host. This applies whether the host is GST-registered or not. See from [50] for more detail.

Is the supply of short-stay accommodation an exempt supply or taxable supply?

17. The supply by a GST-registered person of accommodation in a “dwelling” is an exempt supply.¹ Other supplies of accommodation are taxable supplies.
18. A “dwelling” is premises that generally a person occupies as their principal place of residence.² A person’s “principal place of residence” is the place a person occupies as their main home.³
19. For there to be an exempt supply of accommodation in a dwelling to a person, the:
 - accommodation or dwelling must be premises;
 - accommodation must be occupied as the person’s principal place of residence;
 - person must have quiet enjoyment of the accommodation or dwelling; and
 - accommodation or dwelling must not be a commercial dwelling.
20. The term “short-stay accommodation” as used in this statement means accommodation provided for less than four weeks and that is not the person’s principal place of residence. This is consistent with most short-stay accommodation listed on electronic marketplaces (or directly by the host). Accordingly, by its very nature, short-stay accommodation will not be the guest’s principal place of residence. On this basis, the supply of short-stay accommodation will not be of accommodation in a “dwelling” and will be a taxable supply.
21. Example | Tauira 1 illustrates whether supplies of accommodation are exempt or taxable supplies.

Example | Tauira 1 – Whether supplies of accommodation are exempt or taxable supplies

Baz has the opportunity to buy a house in Turangi. The house currently costs \$400,000 but Baz considers it will be worth more in a few years. Baz wants to either:

- rent the property to residential tenants under an annual lease; or
- list the property exclusively for short-stay accommodation.

¹ Section 14(1)(c).

² See the Residential Tenancies Act 1986, ss 2 and 38, for definitions of “dwelling” and “quiet enjoyment”, respectively.

³ Section 2 (“principal place of residence”).

He believes the property will be popular year-round because of the proximity to the ski fields, the Tongariro Crossing and good fly-fishing spots.

Baz wants to know whether he can register for GST.

Residential tenants

If Baz rents the property to residential tenants, he cannot register for GST. If rented to residential tenants, it is likely to be a supply of accommodation in a dwelling because it is the tenants' principal place of residence, and they have quiet enjoyment under their residential tenancy. The supply of accommodation in a dwelling is not a taxable supply.

Short-stay accommodation

The provision of short-stay accommodation is a taxable supply. It will not be an exempt supply of accommodation in a dwelling because the house will not be the guests' principal place of residence and they will not have rights akin to quiet enjoyment.

Baz can register for GST provided he has a taxable activity. Based on his research, Baz believes he can rent the property year-round. He estimates 120 nights of bookings per year at an average of \$200 per night (\$24,000 pa). If he proceeds with his plan, Baz will have a taxable activity.

The value of supplies in any 12-month period will be below the \$60,000 threshold and so registration would be voluntary.

When does a person need to register for GST?

22. The Act provides for both compulsory and voluntary GST registration.⁴ Registration is compulsory for persons carrying on a taxable activity whose taxable supplies exceed \$60,000 in a 12-month period. Persons who do not exceed the threshold for registration may choose to voluntarily register if they satisfy the Commissioner that they are carrying on a taxable activity or intend to carry on a taxable activity from a specified date. Whether registration is voluntary or compulsory, there must be a taxable activity.

What is a taxable activity?

23. Comprehensive guidance on taxable activity is found in [IS 25/21 GST – taxable activity](#). In summary, GST is imposed on supplies of goods and services in the course

⁴ Section 51.

or furtherance of a taxable activity (not including exempt supplies).⁵ A taxable activity requires the following:⁶

- there must be an activity;
- the activity is carried on continuously or regularly by the person; and
- the activity involves or is intended to involve making supplies to another person for consideration.

24. A taxable activity must not be an activity making only exempt supplies.⁷ However, as noted above at [12], the provision of short-stay accommodation is not an exempt supply. In most cases, the relevant issue is whether the person is carrying on their activity continuously or regularly.
25. For an activity to be carried on “regularly”, it must be carried on at reasonably short intervals with a steadiness or uniformity of action. The activity must recur or be repeated at fairly fixed times or generally uniform intervals to be of a habitual nature and character. An activity that is intermittent or occasional does not qualify. For an activity to be carried on “continuously”, the activity must not have ceased in a permanent sense or have been interrupted in a significant way.⁸
26. A “taxable activity” must also be an activity that “involves or is intended to involve” the supply of goods and services to another person for consideration. While the actions in preparing to make supplies can be indicative of a taxable activity, the evidence also needs to show that there will be a supply made for a consideration.⁹ In the context of short-stay accommodation, there must be supplies by the host to a guest for money.¹⁰

What is a taxable activity of supplying short-stay accommodation?

27. Deciding whether a taxable activity is being carried on, including whether the activity is being carried on continuously or regularly, is always a question of fact and degree. It involves an examination of all the circumstances of the particular case.
28. Much of the short-stay accommodation offered on electronic marketplaces is based in the host’s home or a holiday home. A person’s home is inherently private in

⁵ Section 8(1).

⁶ Section 6(1)(a).

⁷ Section 6(3)(d).

⁸ For further information on these concepts see [IS 25/21](#) GST – taxable activity; *Newman v CIR* (1995) 17 NZTC 12,097 (CA); *Wakelin v CIR* (1997) 18 NZTC 13,182 (HC) at [13]; *Case N27* (1991) 13 NZTC 3,229 at [26] and [27]; *Allen Yachts Charters Ltd v CIR* (1994) 16 NZTC 11,270.

⁹ *Case N27* (1991) 13 NZTC 3,229.

¹⁰ Unless there are supplies made between associated persons from [41].

nature, and it can be difficult to distinguish what is private and what is related to the taxable activity. An examination of all the circumstances, including the private use of the premises, is required. Occupancy of guests is usually the strongest indicator of a taxable activity. For example, if a host lets out their country cottage for 30 weekends over the course of a year, they will have a taxable activity. On the other hand, if the host lets the cottage only once a year for the annual A&P show, then this would not be sufficient. The Commissioner cannot prescribe a minimum level of occupancy for there to be a taxable activity because this depends on the circumstances.

29. Factors that **may be** relevant in the short-stay accommodation context (particularly where the premises are the host's home) are:

- the level of occupancy;
- the steps the host takes to commence operating as a provider of short-stay accommodation; for example, undertaking feasibility studies, preparing business plans, advertising (nature and extent), and approaching local authorities for necessary consent;
- whether the property is listed on various websites and at an appropriate price;
- the type, size, design and layout of the home or premises;
- the location of the home or premises;
- the extent and nature of any modifications to the property to enable the host to provide short-stay accommodation;
- the time dedicated or able to be dedicated by the host to the activity;
- the availability of accommodation over a sustained period;
- the steps the host has taken that demonstrate a continuing commitment to supply short-stay accommodation; for example, advertising and ongoing marketing activities; and
- future bookings.

30. To illustrate how this guidance applies in practice the following examples cover common situations that may be encountered. These include one-off occasional rentals, purchasing a new homestay, and periods when no supplies are being made. Each example shows how the rules operate in these different contexts.

Example | Tauira 2 – One-off occasional rentals are not a taxable activity

Luke and Barry own a three-bedroom house in Lower Hutt. They were not that interested in renting out their home to strangers, and they thought the income would be only modest as demand is limited for short-stay rentals in their neighbourhood.

That changed when they heard the area was set to host the Golden Oldies Commonwealth Games and that they could rent out their house for \$1,000 a night. They listed their home on a website, and it was booked for 10 nights. They spent the time visiting their grandchildren in Australia.

Luke and Barry thought it worked so well that they plan to do something similar in two years' time during a rugby tournament. Apart from that, they have no intention of listing their property again.

One-off or occasional rentals (even though they can be lucrative) will not be a taxable activity as the activity does not satisfy the requirement of being continuous or regular. The rugby tournament is too far away for the activity to be continuous (and Luke and Barry's plans are too uncertain). Therefore, Luke and Barry do not have a taxable activity.

Example | Tauira 3 – Purchasing a new homestay that was not a taxable activity

Peggy and Paddy are looking at buying a new home and have been told by the real estate agent that they can claim some GST back from the purchase if they set up as a homestay. Peggy is intrigued as she has seen various news items about homestays and has heard that it is a growth industry and a way of meeting interesting people. Paddy, who is in full-time employment, agrees.

The couple investigate the possibility of selling their existing home and buying a bigger property. Despite the advice of their accountant to the contrary, they register for GST stating their taxable activity to be "homestay operators". They sell their present home and buy a three-bedroom home on the outskirts of Nelson. They claim an input tax deduction on part of the purchase price of the house.

Peggy did not undertake any detailed research into the local market and did not take any significant steps to ascertain the viability of the activity. She initially compared prices on the internet and decided on a rental fee higher than for the other few local properties advertised, as she considered her new house to be nicer. In the six months after registration, they had only two paying guests who each stayed for a weekend.

Peggy feels the guests she has had have been quite a lot of trouble, so she leaves the rental price at its current level even though it appears too high. This is on the basis that the guests will need to make it worth her while when they stay. Around Christmas time, Peggy has a couple of enquiries so decides to block that period out as she does not want guests ruining her summer break. For good measure, she also blocks out Easter. In the remainder of the year, she has only one more guest who stays overnight.

With the benefit of hindsight, Peggy and Paddy should not have registered for GST. While they were initially well intentioned, they undermined their stated intention by not making the property available. Considering the totality of the activity, there is not a taxable activity that was carried on continuously or regularly. The Commissioner can cancel the registration if there is no taxable activity and can backdate this to the registration date if he is satisfied they did not have a taxable activity. This effectively means Peggy and Paddy must repay the original input tax claimed plus interest as discussed from [168].

Example | Taura 4 – Periods without supplies being made can still qualify

Mai owns a small one-bedroom apartment in central Auckland. To help pay the mortgage she lets out her entire apartment and goes and stays with her family in the Waikato. To make it worth her while, she lists her apartment for \$500 a night for a minimum of two nights. Charging a premium means she generally has guests only for weekends when big events are on. She researches and targets big events like concerts, sports games and cultural events.

Over the Christmas and summer holidays, Mai's apartment is rented for eight weekends. Mai also has guests for four weekends for big concerts in February and March and a further weekend in March when the Black Caps play Australia. Over the next nine months there are periods when there are no big events and Mai has fewer bookings. She has guests for only six weekends during those remaining nine months.

Mai has a taxable activity. Although there are periods when she does not make supplies, she has not stopped the activity in a permanent sense. The activity is also carried on regularly at (mostly) short intervals. There are seasonal fluctuations depending on what events are scheduled but the rental activity recurs and is habitual in nature and character. Further, Mai dedicates a lot of time researching events coming up in Auckland and ensuring her pricing is profitable but competitive.

How is the GST-registration threshold calculated?

31. Where a host has a taxable activity, and their taxable supplies exceed \$60,000 (or where there are reasonable grounds for believing supplies will exceed \$60,000) in any 12-month period, they must register for GST.¹¹ The \$60,000 amount is the total amount the host receives (or will receive) for supplies before taking expenses into account. The total is for supplies made by the host, so where a website charges the

¹¹ Section 51(1).

guest a fee for arranging the booking on top of the supply made by the host, this is not included in the host's total supplies.

32. A person is not liable to register where they exceed the threshold only as a consequence of ending (or downsizing) their taxable activity or replacing a capital asset.¹² In other words, it is the supplies of accommodation and not the one-off sale of a property that is used to calculate the threshold. In calculating the value of supplies, hosts should be aware that the calculation includes:
- supplies from all taxable activities, not just from the supply of short-stay accommodation; and
 - supplies for no consideration that are valued at open market value; for example, where a trust owns a holiday home and allows the beneficiaries to stay there.
33. These two points are discussed in more detail from [35] and [41], respectively.
34. If the person has a taxable activity but does not exceed the registration threshold, they can still choose to register for GST.¹³ However, hosts must understand the consequences of voluntarily registering for GST. Registration brings their taxable activity of providing short-stay accommodation into the GST rules, including the obligation to pay GST output tax on supplies and, potentially, the eventual disposal of the property, as set out from [137].

Supplies from all taxable activities are included in the threshold

35. A host must register for GST if the value of all supplies in a 12-month period, in the course of carrying on **all taxable activities**, exceeds \$60,000.¹⁴ This means that as long as the supplies from all taxable activities in question collectively exceed \$60,000, the person must register for GST. It is not necessary that supplies from any particular taxable activity exceeds \$60,000, but it is necessary that each activity is a taxable activity.
36. If a host is already GST-registered for another taxable activity, the supply of short-stay accommodation (if it is sufficient to be a taxable activity) is subject to GST as the threshold is already satisfied by that person.
37. For example, this applies to a GST-registered person who, in addition to their main business they have as a sole trader, also rents out a room in their house through an electronic marketplace. If the short-stay rental activity is sufficient to be a taxable

¹² Section 51(1)(c) and (d).

¹³ Section 51(3).

¹⁴ Section 51(1)(a); see also *Case R38* (1994) 16 NZTC 6,212 .

activity, then these supplies are subject to GST because the person is already GST registered.

38. However, this is only when the different taxable activities are being undertaken by **the same person**.
39. In summary, the registration threshold applies to all taxable supplies made in the course or furtherance of **all** taxable activities carried on by a person.¹⁵ This has two impacts if a host makes taxable supplies of short-stay accommodation:
- First, if an unregistered person has multiple small scale taxable activities, the additional turnover from a taxable activity of providing short-stay accommodation may take them over the \$60,000 threshold. An example is where an unregistered person runs a small catering business and rents out their bach (both being separate taxable activities), they need to add together the supplies from both activities in calculating whether they exceed the \$60,000 threshold.
 - Secondly, if a person is already GST registered in respect of their main business (whether compulsory or voluntarily), then a taxable activity of providing short-stay accommodation is subject to GST. An example is where a farmer is GST registered for their farming business and also supplies farmstay accommodation. In this case, the supply of farmstay accommodation (assuming it is sufficient to be a taxable activity) is subject to GST.
40. Example | Tauria 5 illustrates this further.

Example | Tauria 5 – Supply of jointly owned short-stay accommodation

Leslie and Sarah jointly own a large apartment near Cuba Street in Wellington. Leslie works as a graphic designer and illustrator and is GST registered. Sarah is an employee at a local business and is not GST registered. They list a room in their apartment on a short-stay accommodation website. They have a basic partnership agreement and run the short-stay activity as a partnership.

Due to the excellent location, they have relatively high occupancy, although there is a limit on the amount they can charge for a room in a shared apartment. The partnership has a taxable activity and a turnover of \$12,000 a year. They would prefer not to have to deal with GST but are unsure what impact Leslie's GST registration has.

Leslie's GST registration in her personal capacity is irrelevant to the taxable activity undertaken by the partnership. When calculating whether they exceed the \$60,000

¹⁵ Section 51.

threshold, they count only taxable supplies made by the partnership and not supplies made by the partners in their individual capacity. They decide not to register for GST.

Supplies to associated persons are included in the threshold

41. When calculating the value of supplies for any taxable activities that are registered for GST, or for the \$60,000 threshold, it is necessary to include any supplies made to an “associated person”. Such a supply is treated as being made at the open market value of the supply (whether or not any money is paid).¹⁶ The term “associated persons” is widely defined, and includes family members, as well as the beneficiaries of a family trust. Hosts should consider whether an associated supply exists any time a supply is made for no rent, or below market value rent.¹⁷
42. In the short-stay accommodation context, this issue will arise where a property is owned by one entity that carries on a taxable activity of providing short-stay accommodation, and the property is used by an associated person who does not pay market rent. Examples of this include:
- a sole owner of a holiday home who is carrying on a taxable activity of providing short-stay accommodation and who allows relatives to stay for no or reduced rent;¹⁸ and
 - the trustees of a family trust who carry on a taxable activity of providing short-stay accommodation in a property and allow beneficiaries of the trust to stay for no or reduced rent.
43. It should be rare for these types of associated supplies to give rise to any issues in the context of the family bach or holiday home that is occasionally used for providing short-stay accommodation. It may be uncommon for such a property’s use to exceed \$60,000 in a 12-month period or for the activity to be continuous or regular enough to be a taxable activity.
44. Also, where holiday homes are used only by owners or their family and friends and are not hired out for short-stay accommodation, there is no taxable activity because of the exclusion for private recreational pursuits or hobbies.¹⁹ For instance, if a couple own the holiday home and their friends or family accompany them on holiday,

¹⁶ Sections 2 and 10(3) are the deeming provisions. Open market value of supply is defined in s 4 as being based on the consideration in money that the supply would generally fetch when supplied in the same circumstances in New Zealand. In the context of short-stay accommodation, this is easy to determine.

¹⁷ Section 2A.

¹⁸ Section 2A(6).

¹⁹ Section 6(1).

this use is for private recreational pursuits or hobbies.²⁰ This includes where the family or friends contribute to expenses.

45. If there is a taxable activity of providing short-stay accommodation, then any associated supplies need to be identified and quantified. This involves determining:
- how the property is owned, whether by a company, trust, individual, partnership, joint venture or an unincorporated body of persons, because the meaning of associated persons applies differently for different entities;²¹ and
 - whether the supply to the associated person is the same as the supply being made to third parties; if the supply is different (for example, the associated person must bring their own linen and do their own cleaning or it is a longer-term stay), then the open market value of that supply may be different to the open market value of a supply to a third party.
46. Example | Taura 6 and Example | Taura 7 illustrate these points.

Example | Taura 6 – A situation where supplies to associated persons are not included

Rahul and Aarna have owned a large holiday home at Foxton Beach for many years. Rahul and Aarna use the property regularly, sometimes alone and sometimes with Aarna's elderly mother or with some of the grandchildren. Several times a year, their daughters, Sudha and Anaya, use the property with their families. Aarna's sister also uses the property at least once a year. Rahul and Aarna do not charge family to use the property.

Over the years, Rahul and Aarna have occasionally rented the property to other people. In most cases their guests are repeat guests, acquaintances or "friends of friends". On average, they rent the house out every year for three or four weekends and the occasional mid-week stay. They charge \$150 a night, but this is lower than similar properties that charge on average \$200 a night.

Rahul and Aarna do not have a taxable activity because their use of the property is a private recreational pursuit. It is not used in a business-like way, they put no time or effort into seeking out paying guests, and the financial returns from the few guests they do have are insignificant against the cost of the property. Considered in its totality, their activity is the private recreational use of a family holiday home, and a private recreational pursuit is not a taxable activity. For the avoidance of doubt, even if they had a taxable activity, the value of supplies would be below the threshold for registration.

²⁰ Section 6(3).

²¹ Section 2A.

Example | Tauira 7 – A situation where supplies to associated persons are included

The Smith and Jones Family Trust owns a large modern holiday home in the South Island. The holiday home is advertised on a website for \$600 a night. The holiday home is rented out for most of January and is also popular in the ski season. In total, it is rented out for 80 nights a year and is a taxable activity. The total income from taxable supplies in a 12-month period is \$48,000. Based on these supplies alone, the trustees do not have to register for GST.

However, during the year, beneficiaries of the trust stay for a week at Christmas, a week in the school holidays, and on occasional weekends when there are no other bookings. In total, beneficiaries stay 28 nights a year for which they do not pay rent to the trustees.

The open market value of the supplies to associated persons is $28 \times \$600 = \$16,800$. The total value of taxable supplies is \$64,800 and the trust must register for GST and pay GST on all supplies of the use of the holiday home.

What are the consequences of GST registration?

47. While it may appear attractive to become registered for GST and be able to take input tax deductions for the expenses associated with being a host, there are ongoing consequences that must be carefully considered.
48. Once a host is registered for GST, they must file a GST return for each return period.²²
49. Further it may mean that GST is payable on disposal of the property (as discussed from [137] below). Therefore, voluntary registration for GST should be carefully considered.

What happens when short-stay accommodation is provided through an electronic marketplace?

50. This part of the statement considers what happens when a host lists short-stay accommodation on an electronic marketplace either directly or through an intermediary such as a property manager. The same outcomes apply to a host whether they list directly on the marketplace or through a listing intermediary (such

²² Section 20.

as a property manager). An “electronic marketplace” includes platforms such as Airbnb, Booking.com, Bookabach, and Bachcare.²³

51. If a host is unsure whether they are listing their property on an “electronic marketplace”, they should ask the platform if it is an “electronic marketplace” for GST purposes.
52. The GST listed services rules for the supply of short-stay accommodation are considered in this section only to the extent to which they apply to a host (referred to in the legislation as the underlying supplier of accommodation services). Generally, the listed services rules place the liability to return GST on the marketplace operator. The discussion below sets out the GST implications for hosts that list their short-stay accommodation on an electronic marketplace.

How do the listed services rules apply to hosts of short-stay accommodation?

53. The GST listed services rules apply whether or not a host is GST registered. The rules place the burden of accounting for GST on supplies of short-stay accommodation on the marketplace operator. That means it is the marketplace operator who is responsible for collecting and paying GST to Inland Revenue.²⁴

Information requirements

54. In summary, a host (whether GST-registered or not) is required to notify the marketplace:²⁵
 - their name;
 - their Inland Revenue number;
 - their GST registration status;
 - any changes to their GST registration status; and
 - in some cases, whether they choose to be liable for the payment of their own tax on the supply of listed services.²⁶

²³ Section 2.

²⁴ Some hosts may be able to opt out of the marketplace rules. For example, if they return over \$500,000 in a 12-month period, on a monthly or two-monthly taxable period for GST. The option to opt out depends on the circumstances.

²⁵ Section 60H.

²⁶ Section 60C(2BF).

55. It is important for a host to provide accurate information to the electronic marketplace because GST consequences arise.

Listed services include closely connected services

56. The listed services rules apply to supplies of listed services (such as accommodation services) supplied through an electronic marketplace. The rules also apply to closely connected services that are made available through the marketplace. Most commonly these include cleaning services.
57. Fees for closely connected services may be charged by the electronic marketplace, a listing intermediary or by the host themselves. The listed services rules only apply to the closely connected services if they are also listed on the electronic marketplace and the marketplace collects the fee from the guest on top of the consideration for the accommodation. In that situation, the marketplace is required to account for GST on the fee it has collected from the guest. The host does not also account for GST.
58. However, if the host separately collects the cleaning fee from the guest, this fee will not be a closely connected service. The host is required to account for GST on the fee if they are GST-registered.

What are the implications for non-GST-registered hosts?

59. Where a host is not GST-registered, they are still required to provide the relevant information to the marketplace operator, as set out in [54].²⁷ This is important because it impacts how the electronic marketplace interacts with the host, and their eligibility for a flat-rate credit.
60. The supply of the accommodation by a non-GST-registered host is treated as not being subject to GST. Instead, the electronic marketplace is treated as making taxable supplies of the accommodation to the guest and needs to account for GST. The marketplace operator returns the GST, and the host does not need to return any GST (because they are not GST-registered).

Flat-rate credit

61. Electronic marketplace operators must pass on a proportion of the GST collected to hosts who are not GST-registered. This is achieved by providing the host with a flat-rate credit.²⁸ In short, the flat-rate credit compensates the host for their inability to claim input tax deductions on costs associated with the supply because they are not

²⁷ Section 60H.

²⁸ Section 2 ("flat-rate credit").

GST registered. Receipt of the flat-rate credit is not counted towards the \$60,000 registration threshold.

62. The flat-rate credit is calculated at 8.5% of the supply of short-stay accommodation and any closely connected services (such as a cleaning fee relating to that supply) paid by the guest. This is illustrated in Example | Tauira 8.

Example | Tauira 8 – Basic operation of the flat-rate credit scheme

Jian provides short-stay accommodation through an electronic marketplace. Jian notifies the marketplace operator that he is not a GST-registered person.

Hine books Jian's accommodation through the electronic marketplace for \$200 plus GST.

The marketplace operator collects GST of \$30 on the supply of accommodation to Hine and deducts input tax of \$17 (being \$200 x 8.5%) from the \$30 of output tax payable to Inland Revenue. The marketplace operator pays \$13 to Inland Revenue as the net GST payable on the supply of accommodation.

Jian receives the flat-rate credit of \$17 and the \$200 for accommodation from the electronic marketplace (less any fees charged by the marketplace).

63. A non-registered host who receives a flat-rate credit is not required to do anything further for GST. The non-registered host does not have to file a GST return or otherwise account for GST on the flat rate credit. The marketplace operator accounts for the GST output tax on the supply. The non-registered host cannot deduct input tax for the online marketplace fees or for other costs (such as cleaning) incurred as a result of the supply of the short-stay accommodation. However, they still have income tax obligations to fulfil. For further information on the income tax treatment of short-stay accommodation see [**QB 25/04 Income tax – How do the standard tax rules apply if I provide short-stay accommodation?**](#).

What are the implications for GST-registered hosts ?

64. Although the listed services rules place the burden of GST on the marketplace operator, GST-registered hosts still need to file their GST returns with Inland Revenue. This means the GST-registered host needs to keep a record of supplies of short-stay accommodation made through the electronic marketplace along with those made directly to guests by the host (those being returned for GST in the usual way).
65. The treatment of short-stay accommodation supplied to guests through an electronic marketplace is as a zero-rated supply (that is, no GST is payable by the GST-registered host) and included in the host's GST return for the period as a zero-rated

supply. GST on the supply is returned by the marketplace operator.²⁹ This is illustrated in Example | Tauira 9.

Example | Tauira 9 – Supplies of short-stay accommodation by a GST-registered host

Henry is GST-registered and provides short-stay accommodation through an electronic marketplace. Henry notifies the marketplace operator that he is a GST-registered person.

Henry wants to charge \$200 a night for the accommodation plus a cleaning fee of \$35.

Josie books Henry's accommodation through the electronic marketplace for \$235 plus GST. The marketplace operator collects GST of \$35.25 (being $\$235 \times 15\%$) on the supply of accommodation and the cleaning fee (because it is a closely connected service) and returns that amount to Inland Revenue.

The marketplace operator pays the consideration of \$235 for the supply to Henry (less any fees). Henry returns the \$235 as a zero-rated supply in his GST return.

Henry can also claim GST on expenses he incurred related to the booking (including expenses he paid to cover cleaning costs).

66. Expenses incurred by the host in making the supplies of short-stay accommodation (both directly to the guest and through an online electronic marketplace) continue to be allowed for input tax deductions in the normal manner. This is illustrated in Example | Tauira 10.³⁰

Example | Tauira 10 – Accounting for sales and expenses associated with supplying short-stay accommodation by a GST-registered host

Manjula provides short-stay accommodation through an electronic marketplace. He is registered for GST because he also works as an electrician. Manjula has notified the marketplace operator that he is registered for GST.

Manjula earns \$2,500 from providing short-stay accommodation through the electronic marketplace for the month. He also earns \$5,000 that month from his activities as an electrician. Manjula includes the income from hosting as a zero-rated supply in his GST return (\$2,500) and includes the \$5,000 from other business activities in total sales and income in his GST return.

²⁹ Section 11A(1)(j).

³⁰ See s 20.

Manjula pays for goods and services that enable him to provide the short-stay accommodation such as toiletries, minibar and snacks. The total cost of these goods and services for the month is \$350 including GST. Manjula can recover the GST component of these costs as an input tax deduction by including these expenses in his GST return.

67. GST-registered hosts do not receive the flat-rate credit from the marketplace operator, and it is important that the marketplace operator is informed of the host's GST-registration status. If a GST-registered host does receive a flat-rate credit from a marketplace operator, it must be returned by the host as GST output tax in their GST return for the period in which they received the flat-rate credit.³¹

What happens if short-stay accommodation is not provided through an electronic marketplace?

68. A GST-registered host who does not use an electronic marketplace must return GST output tax for their supplies of short-stay accommodation.
69. GST is imposed on the supply of goods and services by a registered person in the course or furtherance of their taxable activity.³² GST is charged on the value of that supply. In most cases, the value of the supply is the amount of money paid for the supply.³³
70. In addition to GST-registered hosts who do not use electronic marketplaces paying GST output tax on supplies of short-stay accommodation, all GST-registered hosts face a potential GST output tax liability on the value of the property either when it is sold, or when their GST registration is cancelled if they still own the property.³⁴ The requirement that a supply is "in the course or furtherance of a taxable activity" includes the one-off sale of assets that a registered person has used in their taxable activity.³⁵ This is discussed in more detail from [137].

³¹ Section 20(3JD) and (4E).

³² Section 8(1).

³³ Section 10(2), unless the supply is between associated persons.

³⁴ Section 8(1).

³⁵ See *Case K55* (1988) 10 NZTC 453 (TRA), *Hibell v CIR* (1991) 13 NZTC 8,195 (HC) and *CIR v Dormer* (1997) 18 NZTC 13,446 (HC).

How to determine when and how much input tax can be claimed?

71. Input tax means tax charged on a supply of goods or services acquired by a person.³⁶ Input tax also arises on certain purchases of secondhand goods.³⁷
72. The taxable period in which input tax can be claimed depends on the host's GST accounting basis. In short, a host registered for GST on the invoice basis can claim inputs when they are issued an invoice by the supplier. A host registered for GST on the payments basis can claim inputs when payment is made to the supplier.³⁸
73. The general rule is that input tax may be deducted to the extent to which the goods or services acquired are used for, or intended to be used in, making taxable supplies.³⁹ This includes when goods are intended to be used by guests, even though there may be a delay between purchase and use (or where the goods are purchased ahead of being produced). This is as long as the goods are intended to be used in the taxable activity of providing short-stay accommodation.
74. For example, a piece of furniture intended for guest use is ordered for fabrication, and an invoice is issued at the time of ordering. The time of supply is determined by the earlier of either the invoice being issued or the payment being received by the supplier.⁴⁰ The host can claim an input tax deduction for the furniture when it is invoiced to them if they are on the invoice basis, or when the payment is made if they are on the payments basis. This input tax deduction is claimable even if the furniture is not yet manufactured and cannot be used by guests, because it is intended to be used in making supplies of short-stay accommodation.⁴¹

³⁶ Section 3A(1)(a).

³⁷ Section 3A(1)(c), (2) and (3).

³⁸ Information on which GST registration basis is available can be found on the IR website: [Which GST accounting basis and filing frequency should I use?](#)

³⁹ Section 20(3C)(a). The terms "intended" and "use" are considered in IS 15/02: Goods and services tax – GST and retirement villages *Tax Information Bulletin* Vol 27, No 11 (December 2015): 6. The Commissioner's position in that statement is that intend and use have their ordinary meanings.

⁴⁰ Section 9.

⁴¹ Section 20(3C).

When are input tax deductions allowed where a property is acquired from an associated person?

75. When a property is acquired, it is necessary to consider whether there is an associated supply to determine the amount of input tax claimable on the purchase of the property.⁴²
76. Supplies between associated persons often occur in the short-stay accommodation context where:
- an unregistered person transfers their property into an entity they control so the entity can undertake the business of supplying short-stay accommodation; or
 - a family property is transferred between family members (or a family trust).
77. Specific rules apply in the following situations:⁴³
- When a property is transferred as a non-taxable supply between associated persons, a secondhand goods input tax credit is claimable by a GST-registered purchaser.⁴⁴ The tax fraction is the lesser of the original cost of the property paid by the associated person to a non-associated person, or the open market value. If the property was last acquired from a non-associated person before the GST regime was enacted on 1 October 1986, no input tax is available.⁴⁵
 - When a property is acquired from an associate before the purchaser registered for GST, and was later used to make taxable supplies, the purchaser is treated as being GST-registered from the date of acquisition using the tax fraction applicable at that time.⁴⁶
 - If a property used to supply short-stay accommodation is transferred between registered and non-registered associated parties and back again, the secondhand goods input tax deduction is limited to the amount of output tax returned by the GST-registered associated party on the supply.
78. Further guidance on secondhand goods is found in [IS 25/22 GST – Secondhand goods input tax deduction](#). Example | Tauira 11 and Example | Tauira 12 show how a secondhand goods input tax credit can be claimed when associated persons are involved in the supply of the goods.

⁴² Section 2. The tax fraction is calculated using the following formula $a \div (100 + a)$ where a = the tax rate.

⁴³ Sections 3A(2)(ab) and 3A(3)(a) operate together to achieve these outcomes.

⁴⁴ Section 3A(3)(a) (or s 3A(3C) for goods and services acquired pre-GST registration).

⁴⁵ Section 3A(2).

⁴⁶ Section 21B(5).

Example | Tauira 11 – Secondhand goods and associated persons

Callum purchased an apartment in Auckland's Viaduct Harbour from his mother for \$2.5m. He is not GST-registered, nor is his mother, and there is no GST included in the sale price of the apartment.

He intends to rent out the apartment regularly as short-stay accommodation for major events in Auckland. Because the apartment is on the waterfront, Callum thinks that he will make close to the GST-registration threshold of \$60,000. He is considering voluntary GST registration because he would like to make a secondhand goods input tax claim on the purchase.

Callum's mother originally bought the apartment with Callum's father in 1996 from the development company that constructed the apartment. The cost was \$500,000. Callum's mother took sole ownership of the apartment in 2012 as part of a relationship property settlement, and the apartment was then valued at \$1.4m.

Callum can register for GST and claim a secondhand goods input credit based on the tax fraction (3/23) of the original cost to his mother and father ($\$500,000 \times 3 \div 23$), which would be a \$65,217 secondhand goods input credit.

Example | Tauira 12 – Secondhand goods and associated persons

Tamati is a plumber and is registered for GST for his plumbing activities. Tamati's grandmother, Marama, owns a beach house at Whitianga. Marama bought the land for the beach house in 1980 from a local farmer for \$14,000 and built the property on the land for \$20,000. The property is beachfront and worth \$2.2m today.

Marama is not GST-registered. Tamati decides to buy the beach house from Marama at market value to help her buy a new retirement home. There is no GST included in the sale price of the beach house.

Tamati would like to list the beach house for short-stay accommodation when he and his friends are not using the property. He does some research and thinks that he will make around \$30,000 per year if he makes the property available for two-thirds (2/3) of the year and during school holidays (which is a sufficient level of activity for a taxable activity of providing short-stay accommodation). Because Tamati is already GST registered for his plumbing work, he can claim input tax deductions of the expenses associated with this taxable activity of providing short-term accommodation.

However, Tamati cannot claim a secondhand goods input credit for the purchase of the beach house because the last purchase of the property from a non-associated person was made before the GST regime existed.

Calculation of input tax (based on use or intention to use)

79. A full input tax deduction is allowed for goods or services that are intended to be used only for making taxable supplies. Where a property is used only to make taxable supplies (that is, it is never used privately), then full input tax deductions will be allowed for most expenditure and, potentially, on the purchase of the property. Goods and services that may be acquired only for making taxable supplies of short-stay accommodation include:
- advertising costs;
 - commissions or fees paid to an advertising platform or transaction facilitator (assuming GST is charged);
 - linen, toiletries and other supplies used solely by guests; and
 - any additional rates or insurance premiums payable because of the rental activity.
80. On the other hand, no input tax deduction is allowed for goods or services used or intended to be used only for making non-taxable supplies (for example, any goods or services purchased for private use).
81. Where goods and services are only used for taxable or non-taxable purposes, the treatment is straightforward. However, where goods and services have both a taxable and non-taxable use, then the input tax deduction may be limited to the extent to which that good or service is used (or intended to be used) for taxable purposes. There are two approaches for a host in this situation:
- the principal purpose method; or
 - the general apportionment and adjustment provisions.
82. The principal purpose method can be used where the principal purpose of acquiring the goods and services is for making taxable supplies. Under this method, a registered host may choose to claim a full input tax deduction for goods and services at the time they acquired the goods and services. However, this only applies to goods and services valued at \$10,000 or less that are acquired for the principal purpose of making taxable supplies.
83. If a host cannot use or chooses not to use the principal purpose method, the ordinary apportionment and adjustment provisions apply. This is achieved in two steps:
- First, apportion GST input tax on acquisition based on intended use.⁴⁷

⁴⁷ Section 20(3C), (3CB) to (3CH), (3D), (3E), (3EB) and (3F) to (3JB).

- Secondly, in subsequent years (subject to certain exemptions), adjust the deduction to the extent that actual use is different to intended.⁴⁸

84. From 1 April 2024, the mixed-use asset rules were repealed. However, a potential third approach to those discussed above applies if a host was applying the mixed-use asset rules before 1 April 2024. The host can choose to continue to use this method. If the host does not want to continue using the mixed-use asset rules from 1 April 2024, they may use the ordinary adjustment rules.

What is the principal purpose method?

85. The principal purpose method can be applied only if the principal purpose of the acquisition is for making taxable supplies **and** the goods and services cost \$10,000 excluding GST or less. If these two main requirements are met, the host can fully deduct the cost on acquisition despite some intended non-taxable use of the goods and services.
86. If either of these two main requirements are not met, this method cannot be applied and a host must apply the general apportionment and adjustment rules.

Using the principal purpose method for goods that cost \$10,000 or less

87. The intent of the principal purpose method for goods that cost \$10,000 or less is to simplify compliance so that a host does not need to apportion their purchase of goods based on percentages of taxable use. A person's "principal purpose" is their main, primary or fundamental purpose. The main, primary or fundamental purpose of acquiring the goods and services must be for making taxable supplies. This is not necessarily more than 50% taxable use.⁴⁹ In this context, this means a host needs to consider what the item is going to be mainly used for, rather than an inquiry into percentages of taxable use.
88. If a host elects to use the principal purpose method, they need to apply it consistently to all goods and services they acquire for \$10,000 or less.⁵⁰ This means that when goods and services are acquired for the principal purpose of making taxable supplies and they cost \$10,000 or less, a host can claim a full input tax deduction without any apportionment and no ongoing adjustment is required. If the goods or services cost \$10,000 or less but were not acquired for the principal purpose

⁴⁸ Sections 21, 21A–21C, 21D–21F, 21FB, 21G, 21H, 21HB–21HC, and 21I.

⁴⁹ *CIR v BNZ Investment Advisory Services Ltd* (1994) 16 NZTC 11,111.

⁵⁰ See ss 20(3CB) to 20(3CH) and 21(2)(b).

of making taxable supplies, no input tax deduction is allowed where the principal purpose method has previously been used in the last 24 months.

89. If the host sells the goods and services in the course or furtherance of their taxable activity or ceases their taxable activity, they may still need to make a final adjustment to claim an additional input tax deduction to account for their non-taxable use of the goods and services.⁵¹ This is discussed below from [172].
90. The principal purpose method does not apply to goods and services acquired before GST registration.
91. It is likely that, other than the property itself, most goods and services acquired by hosts and used for short-stay accommodation would be below the \$10,000 threshold. Example | Tauira 13 and Example | Tauira 14 show the basic operation of the principal purpose method.

Example | Tauira 13 – Goods acquired for \$10,000 or less with a principal purpose of making taxable supplies

Yuni is a GST-registered host who acquired a bed for \$8,000 (plus \$1,200 GST) for the outside room on their property. Yuni hosts guests in the outside room through an electronic marketplace, and the outside room is also used by Yuni's family once or twice a year. Yuni decides that the bed is used for the principal purpose of making taxable supplies as it will primarily be used by paying guests and not family. Because the bed was acquired for \$10,000 or less (GST exclusive) and for a principal purpose of making taxable supplies, Yuni can claim a full input tax deduction for the \$1,200 GST paid on acquisition in their next GST return.

Example | Tauira 14 – Goods acquired for \$10,000 or less without the principal purpose of making taxable supplies

Dadvar is a GST-registered host who acquires a laptop for \$6,000 (plus \$900 GST). Dadvar will use the laptop mainly for his studies but he may also use it occasionally to monitor bookings when he lets out a room in his apartment to guests for short-stay accommodation.

Dadvar estimates the time he will spend on monitoring bookings to be around 5%. Dadvar tends to keep track of the bookings on an app on his phone.

Even though the laptop was acquired for \$10,000 or less (GST exclusive), it was not acquired for a principal purpose of making taxable supplies. Therefore, Dadvar is

⁵¹ Section 21F.

unable to claim an input tax deduction on acquisition of the laptop. He may be able to choose to apportion for the non-taxable use under the ordinary acquisition and apportionment rules (because Dadvar has not used the principal purpose method previously).

92. If a host chooses not to use the principal purpose method, they must do this for a minimum period of 24 months.⁵² The 24-month period applies from the first date that the host files a tax position in a GST return where they have decided not to use the principal purpose method. Once that choice is made, the host cannot then apply the principal purpose method for other input tax deductions claimed in their GST returns for the next 24 months. Once those 24 months have passed, they can choose to start using the principal purpose method for their subsequent purchases of \$10,000 or less or they can again elect out of using it for the next 24-month period. There is no requirement to notify the Commissioner of the election to opt out of the principal purpose method however it is expected that records will be kept by the host supporting the election. This is illustrated in Example | Tauira 15.

Example | Tauira 15 – Electing not to use the principal purpose method for 24 months

Mason purchases a television, a lounge suite, curtains and bedroom furniture for his home. Each of these purchases was less than \$10,000 excluding GST.

Mason regularly makes taxable supplies of short-stay accommodation when he rents out his entire home.

Mason has calculated the percentage of taxable use of the property and has established an apportionment method for tracking the taxable use of goods he acquired. He would prefer not to change from this method to a principal purpose method.

In the next GST return filed in May 2024, Mason takes input tax deductions for his expenses (including goods and services acquired for \$10,000 or less in the taxable period since 1 April 2023) based on the general apportionment rules rather than using the principal purpose method. Mason cannot apply the principal purpose method until at least May 2026 when 24 months have elapsed since he first elected not to apply the principal purpose method.

In early 2026, Mason decides it would be simpler to begin using the principal purpose method for newly acquired goods and services purchased for \$10,000 or less and chooses to do this in his GST returns that are filed after May 2026.

⁵² Section 20(3CG).

93. Some hosts may have agreed to use an alternative apportionment method with Inland Revenue or chosen to use an Inland Revenue–published alternative method. In these cases, the host should continue to use the agreed alternative apportionment method (to the inputs that this agreement applies to) rather than apply the principal purpose method.⁵³

Treatment of goods and services that cost more than \$10,000

94. The \$10,000 (excluding GST) threshold for the principal purpose method applies to each good and service acquired by the host. This is ordinarily determined by the contractual nature of the total amount paid for the goods and services and the goods and services received for that total consideration. Packages of goods and services cannot be artificially split up, assigning a notional amount of the total consideration paid, to stay under the \$10,000 threshold.
95. For example, a host buys a lounge suite package of a couch and two armchairs for a combined contractual sum of \$15,000 excluding GST for the principal purpose of making taxable supplies of supplying short-stay accommodation. The host cannot apply the principal purpose method to the lounge suite package by splitting out the couch and armchairs as separate goods that would otherwise have cost less than \$10,000 each. Looking back to Example | Taiura 15, Mason’s purchases were each less than \$10,000 and were different types of items. Even if he purchased them from the same supplier and the total invoice was over \$10,000 excluding GST he could apply the principal purpose method to the individual items (television, curtains, lounge suite, bedroom furniture) which have their own price.
96. The general apportionment and adjustment rules apply to goods and services costing more than \$10,000 (excluding GST) when the host uses the good or service to make both taxable and non-taxable supplies.

How do the general apportionment and adjustment rules apply?

97. If a host acquires goods and services with both taxable and non-taxable uses (or intended uses) and cannot use the principal purpose method (or chooses not to use that method), the general apportionment and adjustment rules apply to those goods and services. These rules are set out below.

⁵³ Section 20(3CB) does not apply to agreed apportionment methods. Sections 20(3E) and (3EB) and 21(4) and (4B) refer to agreed methods, and the repealed mixed-use asset rules are an example of an approved method that hosts can still use.

Apportioning input tax when acquiring goods and services

98. Apportionment is required where there are both taxable and non-taxable uses of goods or services acquired (for example, where a host rents out their home or a holiday home they also use privately).
99. Where the relevant goods or services are to be used for making both taxable supplies and non-taxable supplies such as private use, a host must estimate at the time of acquisition how they intend to use the goods or services, choosing a method that provides a fair and reasonable result.
100. The Commissioner's view of the meaning of "intended use" and "fair and reasonable" is discussed in [IS 15/02: Goods and services tax – GST and retirement villages](#).⁵⁴
101. In the context of short-stay accommodation, the intended use when acquiring a property or other goods and services equates to the extent to which the property or other goods and services will be used to provide short-stay accommodation compared to other uses such as private use. This is generally determined using the same time and space approach adopted for income tax.⁵⁵
102. Once a host has identified the intended use, they can calculate the amount of input tax by multiplying the total inputs by the percentage of intended use.⁵⁶ The percentage of intended use is based on estimation at the time the goods or services were acquired.
103. The above discussion can be summarised as follows:
- A purchaser can deduct input tax on the acquisition of goods or services to the extent to which the goods or services are used for, or are intended to be used in, making taxable supplies.⁵⁷
 - In determining the extent to which goods or services are used for making taxable supplies, a person must estimate at the time of acquisition how they

⁵⁴ IS 15/02: Goods and services tax – GST and retirement villages *Tax Information Bulletin* Vol 27, No 11 (December 2015): 6.

⁵⁵ See QB 25/02: Income Tax – Which rules apply if I have a dwelling I sometimes rent out as short-stay accommodation and also sometimes use privately? *Tax Information Bulletin* Vol 37 No 4 (May 2025).

⁵⁶ Section 20(3H) and (3I).

⁵⁷ Section 20(3C).

intend to use the goods or services, choosing a method that provides a fair and reasonable result.⁵⁸

- The estimated intended taxable use of the goods or services determines the proportion of the input tax that can be deducted.⁵⁹

Application to short-stay accommodation – where a host rents out a room in their home

104. Where a host rents out a room (or rooms) in their home, it is necessary to identify the extent to which the property is used (or available for use) in making taxable supplies. This is usually done by identifying the time the property is used to make taxable supplies and the space used to make taxable supplies. The same method is used to calculate income tax deductions, and [QB 25/01](#) includes a discussion and examples of time and space calculations.⁶⁰
105. The “space” part of the calculation is generally based on the floor area of the house. It generally comprises two aspects: the areas the guest has exclusive use of and the common areas the guest is permitted to use. Both areas are expressed as a proportion of the total floor area of the house. This part of the calculation is usually straightforward. Where a host rents out the entire property, it is unnecessary to work out the space, as the guest has 100% use of the property while they are there.
106. As with space, different considerations apply for determining “time”, depending on whether the area is exclusively available for guests or a common area. In the GST context, it is necessary to consider the **extent** to which the property is **used or available for use** in making taxable supplies. Input tax deductions are available only “to the extent” the property is used or available for use in making taxable supplies. If a bedroom is wholly put to non-taxable use (for example, it is the host’s own bedroom), then, as a matter of practicality, there is no extent to which the bedroom can be used for, or available for use in, making taxable supplies.
107. The Act first addresses actual use (which is consistent with the principle of linking input tax deductions to use) and then refers to the extent to which the property is “intended to be used” in making taxable supplies.⁶¹ The intended use does not form part of the availability consideration in the time aspect of the time and space consideration. This is because “availability” is, in that respect, a different concept

⁵⁸ Section 20(3G).

⁵⁹ Section 20(3H) and (3I).

⁶⁰ See QB 25/01: Income Tax – which rules apply if I rent out my home, part of my home, or a separate dwelling on my property as short-stay accommodation? *Tax Information Bulletin* Vol 37 No 4 (May 2025).

⁶¹ Section 20(3C)(a).

from “intention” and is usually relevant only where the property (or part of the property) is unused. If the property in question is a privately owned and occupied home, there is an expectation that it is being used privately and expenditure is private expenditure if the property (or part of it) is not rented out.

108. QB 25/01 discusses when a privately owned and occupied home will be genuinely available for guests and unavailable to the host and their family. The host needs to demonstrate the space is not used:
- by the host, including for storage; and
 - as part of the host’s home.
109. For common areas in a host’s home there is always an element of private use. This means the area is not 100% available for making taxable supplies. With common areas, it is often impossible or impractical to identify actual use. Where actual use of common areas cannot be identified, Inland Revenue’s approach is to accept an apportionment of 50% between private and income-earning use for periods where there is dual use. A 50% figure will not be appropriate to every person’s circumstances, but in many cases it is a fair and reasonable starting point for calculating the use of common areas that have both taxable and non-taxable uses.
110. Where there are taxable and non-taxable uses it may be impossible to calculate the time and space use of a property’s curtilage. However, when a person claims a GST input tax deduction on a property, they do so on the full value of the property, not just the buildings and improvements. In the absence of any better alternative, a fair and reasonable starting point is to apply the percentage use of the dwelling to the whole property, including the curtilage. A separate calculation for curtilage should be considered where it has a noticeable impact on the use calculation (for example, if a significant part of the curtilage such as a swimming pool or tennis court is solely for guest use or private use).
111. In summary, the principles for calculating the percentage intended use where a host rents their home or a room in their home are as follows:
- Apportionment should be on a time and space basis or another basis that provides a fair and reasonable apportionment.
 - Space is calculated by reference to the floor area that the guest has exclusive use of as a proportion of the total floor area of the house.
 - Where a host rents out the entire property, it is unnecessary to work out the space as the guest has 100% use of the property while they are there.
 - Time should be calculated based on the extent to which the property is used or is available to be used in making taxable supplies.

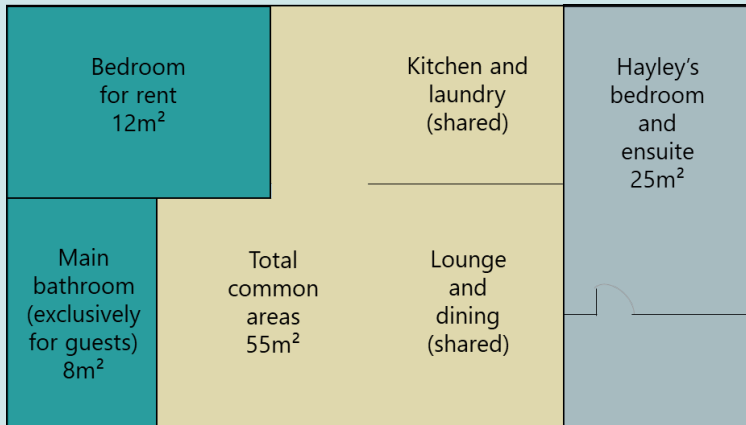
- Time should be based on use (for example, when the room is used privately by the host and when it is rented to a guest and being used to make taxable supplies).
- If the property is a privately owned and occupied home, there is an expectation that it is being used privately if the property (or part of it) is not rented out.
- When a property is unused but is intended to be used as short-stay accommodation, the availability for use should be counted as taxable use when calculating the time element.
- For common areas, the starting point is a 50% apportionment for space. Time should be calculated based on actual use. The objective is to determine an apportionment that is fair and reasonable.
- A separate calculation for curtilage should be considered where it has a noticeable impact on the use calculation; otherwise, the percentage use of the dwelling may be applied to the whole property, including the curtilage.

112. Example | Tauira 16 illustrates apportionment calculations.

Example | Tauira 16 – Apportionment calculation

Hayley is buying a two-bedroom property in Queenstown for \$600,000. She intends to rent out the second bedroom for short-stay accommodation through an electronic marketplace. She expects a high level of occupancy and will mostly use the second bedroom as a short-stay rental. This means the room will be listed online and she will not use it privately except for a month when a friend is visiting from overseas. Guests will also be able to use some common areas – the lounge, dining room, kitchen, laundry and main bathroom.

Based on her research, Hayley believes she can rent out the room for 180 nights during the year. The floor areas of the different parts of Hayley's property are shown in the diagram below.



Hayley is considering registering for GST. She wants to know what percentage of GST input tax she can claim on the purchase of the property.

In claiming input tax, Hayley should apportion her use on the following basis:

20m ²	Used exclusively by guests – 100% deductible for days the room is rented out
55m ²	Common areas – 50% deductible for days someone is renting the bedroom
25m ²	Private area – 0% deductible

The areas exclusively used or available to use by guests are 20m² out of the total 100m² floor area of the property, and are 100% deductible for the 335 days out of 365 days in the year that the room will be used or available for use by guests:

$$\frac{20}{100} \times \frac{335}{365} \times 100 = 18.36\%$$

The common areas, used by Hayley and guests, are 55m² out of the total 100m² floor area, and are 50% deductible for the 180 out of 365 days in the year that the room is rented out:

$$\frac{55}{100} \times \frac{180}{365} \times 50 = 13.56\%$$

Adding these figures (18.36% and 13.56%) together, Hayley calculates her percentage intended use as 31.92%. The full GST input tax deduction is:

$$(3/23) \times \$600,000 = \$78,260.87$$

The GST input tax claimable on the purchase is:

$$\$78,260.87 \times 31.92\% = \$24,980.87$$

Since Hayley uses an electronic marketplace to rent out rooms, the income she returns in her GST return is a zero-rated supply.

Example | Taura 17 – Apportionment calculation

Len is a short-stay accommodation entrepreneur. He owns properties in the Coromandel and an apartment in Auckland that he rents on electronic marketplaces. Len is GST registered.

Len wants to buy a five-bedroom home in the Coromandel for \$800,000. He is considering using the property in his short-stay business as it is the type of property that could make a lot of money during the peak Christmas and January summer period. Len wants to know what GST input tax he could claim if he were to use his new home to make taxable supplies of short-stay accommodation.

Len intends to rent his house out for 40 days. During this time, he will stay in one of his other properties or visit family. Len wants to know what percentage of GST input tax he can claim.

Len intends that over a year he will have 40 days of rental and 325 days of private use. This equates to 10.96% of taxable use (that is $(40 \div 365) \times 100 = 10.96\%$). The full GST input tax deduction is:

$$(3/23) \times \$800,000 = \$104,347.83$$

The GST input tax claimable on the purchase is:

$$\$104,347.83 \times 10.96\% = \$11,436.52$$

If Len decides to use the property in his taxable activity, he must file GST returns with the supplies of accommodation being returned as zero-rated supplies. For the property, he needs to undertake an annual calculation to work out whether he needs to make an adjustment. If the actual use is different to intended use, Len must make an adjustment (assuming it amounts to more than \$1,000). If Len stops using the property to provide short-stay accommodation or if he sells the property, he must account for GST output tax on the property (as discussed from [148] below).

Historical special rules for mixed-use assets (s 20G) (applicable if applied before 1 April 2024)

- 113. Special rules for apportioning input tax deductions for mixed-use assets were repealed from 1 April 2024. These rules applied to both the initial acquisition and subsequent adjustments.⁶²
- 114. Mixed-use assets no longer have their own regime in the Act for calculating GST input tax deductions. Adjustments are now calculated under the general apportionment provisions (discussed from [98]) or the principal purpose method, if applicable. Effectively, the mixed-use asset rules ignored the days when the property was unused.
- 115. If a registered host was applying these rules before 1 April 2024, they can choose to continue to use this method as a published acceptable method of adjustment.
- 116. If a registered host does not want to continue using the rules from 1 April 2024, they may use the ordinary adjustment rules.⁶³

Making annual change of use adjustments

- 117. Apportionments and adjustments work in tandem. In effect, apportionment is required on acquisition of goods and services, and ongoing adjustments ensure the initially apportioned input claim (based on intended use) corresponds with the actual use of those goods and services. Where a property was acquired before 1 April 2011 the old apportionment rules may apply instead (see [136]).
- 118. A GST-registered person must ascertain at the end of an adjustment period whether an adjustment is required for any difference between the intended use and actual use of the goods and services acquired.⁶⁴ The registered person may choose whether the first adjustment is the first or second balance date following acquisition. The calculation is repeated annually on the subsequent balance dates.
- 119. The number of adjustment periods is limited, except where there is a supply of land.⁶⁵ Where a host claims initial GST input tax on a property, they must perform an adjustment every year until they cease using the property in their taxable activity or sell the property.
- 120. An adjustment is made at the end of an adjustment period by:

⁶² These rules were in repealed ss 20(3)(hb) and (3JB) and 20G.

⁶³ The general adjustment rules are in ss 21 and 21A.

⁶⁴ Section 21G(2).

⁶⁵ Section 21G(5).

- identifying the percentage actual use of the goods or services in making taxable supplies in the period;
- comparing the percentage actual use with percentage intended use or previous actual use, as applicable; and
- making an adjustment for any percentage difference for the adjustment period.⁶⁶

121. Essentially, where the percentage of actual use is less than the percentage of intended use, the amount must be treated as output tax and returned.

122. Adjustments are not required or permitted where:

- section 21FB applies (discussed from [131]) unless a further change in use occurs;⁶⁷
- goods or services have a value of \$10,000 or less (excluding GST);⁶⁸
- a registered person has elected that the supply is not part of their taxable activity under s 6(3)(e) (see from [149]).⁶⁹

123. Example | Tauira 18 illustrates a standard change of use adjustment.

Example | Tauira 18 – standard change of use adjustments

Hayley (from Example | Tauira 16) registered for GST but her first year was not as successful as she expected. She had intended to rent a room for 180 nights of the year, but only achieved 90 nights. In addition, her friend from overseas stayed with her for two months, meaning that in total the room was available for only 305 nights during the year.

The actual use of areas dedicated to the rental activity is:

$$\frac{20}{100} \times \frac{305}{365} \times 100 = 16.71\%$$

And for the common areas:

$$\frac{55}{100} \times \frac{90}{365} \times 50 = 6.78\%$$

Hayley's actual use was 23.49%. Her intended use was 33.56%. Because the difference is more than 10 percentage points (and more than \$1,000), Hayley must make an adjustment. The calculation based on actual use is:

⁶⁶ Sections 21A, 21D and 21G.

⁶⁷ Section 21(2)(ac) and 21FB.

⁶⁸ Section 21(2)(b).

⁶⁹ Section 21(2)(e).

$$\$78,260.87 \times 23.49\% = \$18,383.48$$

Hayley previously claimed \$26,264.34 on the purchase price of the property based on the intended use. Therefore, Hayley needs to return an additional \$7,880.86 as GST output tax.

124. Example | Tauira 18 demonstrates a standard change of use adjustment. However, specific adjustment provisions may apply depending on the circumstances.⁷⁰
125. The next part of this statement discusses the following adjustment provisions in more detail:
- Section 21B allows adjustments for goods purchased before the person became GST registered. Where a person, before registration, owns their property that they subsequently use to make taxable supplies of short-stay accommodation, then, subject to meeting the criteria in the section, they may claim a portion of GST input tax corresponding to their use.
 - Section 21FB is a wash-up calculation where a property is used privately and to make supplies of short-stay accommodation and there is a permanent change to the amount of taxable or non-taxable use.
 - Section 21E allows registered persons to make adjustments where there is a concurrent use of the property. This provision rarely applies in the context of short-stay accommodation.

Section 21B – adjustments for goods or services purchased before registration

126. It is possible to make an adjustment for goods or services purchased before a host became GST registered. Where an unregistered person purchases goods and services that they subsequently use to make taxable supplies, they can claim some of the original GST input tax when they become registered. Most relevantly, this applies to:
- goods where GST was charged but no input tax was claimed at the time of purchase; for example, a host purchased their home from a builder or developer and GST was included but no input tax deduction was claimed by the host at the time (either because they had not commenced a taxable activity or had not yet registered for GST); and
 - “secondhand goods” where goods were supplied but it was not a taxable supply; for example, a sale of a domestic dwelling between two unregistered

⁷⁰ Sections 21, 21A–21C, 21CB, 21D–21F, 21FB, 21G, 21H, 21HB, 21HC, 21I.

parties (which is the focus of the following analysis as most supplies of residential properties are not taxable supplies).

- 127. In the context of short-stay accommodation, the second scenario above is more common because hosts often use their private home or their holiday home for supplying short-stay accommodation. In many instances, these properties will have been purchased from an unregistered vendor and owned for many years before GST registration. If the host subsequently registers for GST then some input tax from the original purchase is deductible (provided they meet requirements).
- 128. A registered host can deduct input tax paid on the supply of secondhand goods at the time a payment has been made for the supply in the taxable period.⁷¹ Where the supplier is associated, see from [75] above for rules that may apply.⁷²
- 129. The amount of input tax that can be claimed is limited to the extent the goods are used or available for use in making taxable supplies. In identifying the percentage actual use of the goods for the first adjustment period, the person must use a method that provides a fair and reasonable result.
- 130. In relation to a supply of secondhand goods, the tax fraction applying to the supply is the tax fraction that applied at the time the goods were purchased by the person (that is, the GST rate applicable at the time). If the secondhand goods are acquired from an associated person, the application of s 3A(3) must be considered and the person is treated as being registered at the time of acquisition (see [75]).

Section 21FB – change of use and wash-up calculation

- 131. Section 21FB allows a host to perform a wash-up calculation where the use of goods or services to make taxable supplies changes permanently. The full adjustment is made immediately at the end of the adjustment period in which the change in use occurred and there is no need to make future adjustments. As well as applying to assets that change in use while registered, this section can also apply to assets acquired pre-registration when the use changes permanently from non-taxable to taxable.
- 132. If the goods or services were acquired by a host before or after 1 April 2023 and the use has permanently changed, the wash-up calculation under s 21FB can be applied in an adjustment period starting on or after 1 April 2023 as follows:

⁷¹ Section 20(3).

⁷² Section 3A(3)(a)(i).

- if the wash-up calculation results in a positive amount the host is entitled to an additional input tax deduction in the adjustment period that the change in use occurred;⁷³ or
- if the wash-up calculation results in a negative amount, the host must return the amount as output tax and attribute it to a taxable period.⁷⁴

133. The change of use must be permanent for s 21FB to apply. If a host makes a permanent change in use of the property, s 21FB applies to allow a complete deduction in the adjustment period that the use changed, without the need to make further adjustments. This is set out in Example | Tauira 19.

Example | Tauira 19 – Permanent change in use

Aroha is a registered person who acquires a block of four units in Queenstown for \$6.9m from an unregistered person in May 2023. Aroha will use three units to make exempt supplies of residential rental accommodation in a dwelling and the other unit to make taxable supplies of short-stay accommodation using an electronic marketplace.

Aroha claims a deduction for 25% of the \$900,000 input tax ($\$6.9\text{m} \times (3/23)$) on acquisition (\$225,000).

After 24 months, Aroha has had trouble keeping long-term tenants in the units used as residential rentals and decides to use an additional two units for short-stay accommodation. This results in a permanent change to a total of 75% of the units being used by Aroha for making taxable supplies for the foreseeable future.

The new permanent percentage use is 75% and the actual use in the previous adjustment period was 25%, a difference of 50% additional taxable use. Under s 21FB, Aroha can make an adjustment at the end of her adjustment period (on her next annual balance date) to deduct \$450,000, which is equal to 50% of the \$900,000 input tax on acquisition. Aroha would include this adjustment in the first GST return filed after the end of her adjustment period.

134. If an asset was purchased by a host before registering for GST, the wash-up calculation under s 21FB can be used, if there is a permanent change of use, to claim an input tax deduction for the portion of the purchase price applicable to the supply of short-stay accommodation in an adjustment period starting on or after 1 April 2023. It may be that a host purchases a property then later decides to register for

⁷³ Section 20(3)(e).

⁷⁴ Section 20(4).

GST and make taxable supplies by the supply of short-stay accommodation in the property. Example | Tauira 20 sets out this type of scenario.

Example | Tauira 20 – Adjustment for asset acquired before registering for GST

In March 2023, Sunita buys a self-contained one-bedroom sleepout for \$74,750 (including GST of \$9,750) to start hosting guests using an electronic marketplace on an occasional basis. Sunita lives close to Cromwell and her property has stunning views over the Clutha River. Sunita wants to see how the hosting progresses, and when the sleepout is not booked she uses it as a personal art space.

Sunita's property is very popular, and she finds that it is being booked almost every day. She decides to register for GST in November 2023 before the holiday season.

Since registering for GST, Sunita uses the sleepout exclusively for making taxable supplies and expects this 100% taxable use to continue for the foreseeable future. Sunita applies the wash-up calculation in s 21FB to claim an input tax adjustment for \$9,750 at the end of her adjustment period that included acquisition of the property, which is the adjustment period ending on 31 March 2024. She claims this adjustment in her GST return for the period ending 31 March 2024.

Section 21E – concurrent uses of land

135. Section 21E is a specific provision dealing with concurrent uses of land. This is where an area of land is simultaneously used for making concurrent taxable and non-taxable supplies. An example is where a property developer lets out properties on residential tenancies while trying to sell them.
136. Section 21E will rarely (if ever) apply to a short-stay property because the full extent of the property will not be used simultaneously and concurrently for making both taxable supplies and non-taxable supplies. Instead, the property will be partly used for taxable supplies and partly used for non-taxable supplies. The appropriate approach is to apportion based on use, as discussed above.

What happens when a property is sold or GST registration is cancelled?

137. For goods and services used in making taxable supplies, there are GST implications on acquisition, a change of use and on disposal. For hosts, the most relevant goods or services would be the property used for making supplies of short-stay accommodation. There is a disposal of a property when:

- they sell the property they had used to supply short-stay accommodation; or
- their GST registration is cancelled, which is most likely to happen when a registered host ceases their taxable activity of supplying short-stay accommodation.

When is there a GST output tax liability on property used to make taxable supplies?

138. The disposal of a property used to make taxable supplies of short-stay accommodation is a taxable supply and is subject to GST. It is necessary to consider what happens:

- when a property is sold;
- when a host is treated as having sold their property, such as when they stop supplying short-stay accommodation and cancel their GST registration; and
- when a host can treat the supply as a non-taxable supply.

What are the GST consequences when a property is sold?

139. GST output tax is charged on the sale of a property used by a GST-registered host to make supplies of short-stay accommodation. GST is claimed on the purchase price and paid on the sale price and properties generally appreciate in value. Therefore, the output tax on a sale of a property is usually more than the initial input tax deduction claimed on the purchase of the property.

140. The amount of output tax payable is not apportioned for any private use of the property, so output tax is paid on the full value of the supply. This is the case even where the host did not receive a full input tax deduction on acquisition because the amount of input tax was apportioned based on the percentage of expected taxable use.

141. However, where the full amount of input tax has not been claimed for the purchase of a property, a final adjustment is available for the unclaimed portion of input tax.⁷⁵ Example | Tauira 21 illustrates a final adjustment on the disposal of a property.

Example | Tauira 21 – Final adjustment on the disposal of a property

Xin purchased a holiday home for \$690,000 which was used to supply short-stay accommodation. Because the expected revenue from this activity exceeded \$60,000

⁷⁵ Section 21F.

per annum, Xin registered for GST and charged GST on the supplies of short-term accommodation.

Xin stayed in the holiday home for long periods over the winter months. His private (non-taxable) use of the holiday home was 20%.

Because the taxable use of the holiday home was 80%, Xin had claimed an input tax deduction of \$72,000 during the period of ownership (\$72,000 is 80% of the tax fraction (3/23) of the \$690,000 purchase price of the home).

After many years, Xin sold the holiday home for \$1.15m (including GST). As Xin is GST registered and disposed of a property that was used in the course or furtherance of his taxable activity of supplying short-term accommodation, he is required to return \$150,000 of GST output tax.

As Xin has not claimed a full input tax deduction on the property he applies the formula in s 21F(4):

$$\begin{aligned} & \text{tax fraction} \times \text{consideration} \times (1 - \text{previous use}) \\ &= 3/23 \times \$1.15\text{m} \times (1 - 0.8) = \$30,000 \end{aligned}$$

Xin claims an additional input tax deduction of \$30,000 in his GST return.

Xin's net GST liability is \$120,000. This reflects 80% of the output tax charged on the sale of the holiday home, which is consistent with the fact that 80% of the holiday home was used to make taxable supplies.

When is a person treated as having disposed of their property?

142. In some situations, when a GST-registered person supplies a principal place of residence along with other land, or has elected to treat the supply of property as not being part of their taxable activity,⁷⁶ the supply of the property (or dwelling) is treated as a separate supply and is not subject to GST.⁷⁷ This might be the case in the short-stay accommodation context when a GST-registered host supplies a cottage or sleepout on their property for short-stay accommodation that is separate from their dwelling.
143. However, in most situations, the person is treated as making a taxable supply of a property in the course or furtherance of a taxable activity when they:⁷⁸

⁷⁶ Section 6(3)(e).

⁷⁷ Section 5(15).

⁷⁸ Section 5(16) and (16C).

- dispose of the property or cease GST registration and are not using the property in a taxable activity at the time;
- had either claimed input tax on the purchase of the property (excluding non-integral deductions⁷⁹) or the property was zero-rated when it was acquired; and
- have not returned output tax on the property that is greater than any input tax claimed (or the nominal GST if the property was acquired as a zero-rated supply).

144. The person is also treated as making a taxable supply of the property if they disposed of the property or ceased GST registration and the Commissioner considers they increased their non-taxable use of the property and applied the wash-up calculation in contemplation of disposing of their property.⁸⁰ This prevents a GST-registered host minimising the output tax liability on the sale of the property by applying the wash-up calculation.
145. The person is not treated as making a taxable supply of their property if they already returned output tax equal to or greater than the input tax deductions claimed, or the nominal GST portion if the property was acquired as a zero-rated supply.⁸¹ For example, output tax may have previously been returned when the host deregistered for GST and returned output tax on the market value of the property (which was higher than the acquisition cost).⁸²
146. The above provisions treat the person as having sold their property when GST registration is ceased. The person is treated as having disposed of all the goods, including a property, that were used in the taxable activity. This is treated as occurring at market value.⁸³
147. Hosts should be aware that, a deregistered person becomes liable to register again if they make supplies exceeding \$60,000 in a 12-month period. That could occur if they cease registration and then sell the property that had been used in making supplies of short-stay accommodation where they previously claimed taxable use of the property.⁸⁴
148. A host may have made a prior taxable use claim by:
- claiming an input tax deduction for taxable use;⁸⁵

⁷⁹ Section 5(16)(a).

⁸⁰ Section 5(16B) and 5(16C) applying s 21FB wash-up calculation.

⁸¹ See s 20(3J).

⁸² Section 5(3).

⁸³ Section 10(7A).

⁸⁴ See [IS 25/21 GST – taxable activity](#).

⁸⁵ Section 20(3).

- acquiring the property as a zero-rated supply;⁸⁶ or
- acquiring the property as a zero-rated going concern.⁸⁷

When can a host elect to treat a supply as a non-taxable supply?

149. A host can elect to treat the supply of certain goods as a non-taxable supply if the goods were not acquired for the principal purpose of making taxable supplies.⁸⁸ This could apply in the short-stay accommodation context to hosts who acquired a property that they use mainly for private purposes, such as their holiday home, but use it for a small amount of time to make taxable supplies of short-stay accommodation. These hosts may never have considered the property was part of a taxable activity, so have not taken a tax position on the acquisition, use or disposal of the property.⁸⁹
150. If the host does not have a taxable activity and is not GST-registered, there is no need to make this election. However, an election can be made if the host is GST-registered, whether for the taxable activity of providing short-stay accommodation or for another taxable activity, for example, a GST-registered plumber who also provides short-stay accommodation where the level of activity means the short-stay accommodation is also a taxable activity.
151. This applies to taxable supplies made on or after 1 April 2011. The person makes an election by treating the sale of the property as not being part of the taxable activity in their GST return. To make an election the host must **not** have:
- previously claimed an input tax deduction before the sale of the property, excluding non-integral deductions;⁹⁰
 - acquired or used the property for the principal purpose of making taxable supplies; and
 - acquired the property as a zero-rated supply (unless the host made an output tax adjustment for the GST component).⁹¹
152. Each of the requirements is considered in turn below.

⁸⁶ Section 11(1)(mb).

⁸⁷ Section 11(1)(m).

⁸⁸ Section 6(3)(e).

⁸⁹ Note this section does not apply to services.

⁹⁰ Under s 20(3).

⁹¹ See ss 11(1)(m) and (mb) and 20(3J)(a)(iv).

No prior input tax deductions claimed

153. The host must not have claimed input tax deductions for the property under s 20(3). This includes input tax:
- on acquisition;
 - as a result of applying the adjustment rules; or
 - for other goods and services that became an integral part of the goods being sold.
154. The rule that no input tax can previously be claimed excludes any input tax claimed on non-integral deductions under s 20(3). Non-integral deductions are deductions for goods or services that did not:
- make a substantial improvement to the main goods; or
 - become an integral part of the main goods, being goods or services without which the main goods would be incomplete or unable to function.
155. This means that non-integral deductions such as rates, insurance and other costs associated with the property such as repairs and maintenance that did not make a substantial improvement to the property will not prevent the election being made.

Not acquired or used for the principal purpose of making taxable supplies

156. The principal purpose of **acquiring** the goods must not be for making taxable supplies.⁹² The person's principal purpose is determined by looking at what they wanted to achieve when the goods were purchased, and then how the goods were actually used. If the goods were acquired for private use and later used occasionally to make taxable supplies, the principal purpose would not be to make taxable supplies. Principal purpose is not necessarily equivalent to more than 50% use in a certain manner.
157. During the time the host owned the goods, they also cannot have been **used** by them for the principal purpose of making taxable supplies.⁹³ This means the primary use of the goods, from the time the person acquired them until their disposal, must be a non-taxable use (private or exempt use).
158. For a GST-registered host using their own home to supply short-stay accommodation, it is unlikely that the home would be purchased or used for the principal purpose of making taxable supplies. For hosts who use their holiday homes, these may also have a principally private purpose if they are mainly used for the

⁹² Section 6(3)(e)(ii).

⁹³ Section 6(3)(e)(iii).

host's private recreation, and only occasionally rented out in a way that is not enough to be a taxable activity. However, a host might purchase a property that they intend to use only or mainly for the supply of short-stay accommodation, which would mean the principal purpose test is for making taxable supplies. In that scenario, the disposal of the property would be subject to GST if the host is GST-registered.

Not acquired as a zero-rated supply, unless the host has made an output adjustment for the nominal GST component

159. Certain properties may have been acquired by a host as a zero-rated supply.⁹⁴ These properties satisfy the election requirements only if the host has:
- made an output tax adjustment equal to the nominal GST component;
 - this adjustment was made after 1 April 2023; and
 - this adjustment was made before the goods were sold or disposed of.
160. For the acquisition of a property to be zero-rated, the host must acquire it for use in making taxable supplies and it must not be their residence. The most likely scenario for a short-stay accommodation host is a holiday home that will be used partly privately and partly for short-stay accommodation. The situation could arise where the taxable use of the property is sufficient for the supply to qualify as a zero-rated supply, but may still be secondary to their non-taxable (exempt or private) use of the goods as a holiday home. To account for these types of cases, the host can return an amount of output tax equal to the nominal GST amount.⁹⁵ If this happens, the property can be treated as a non-taxable supply if the other requirements are satisfied.
161. The following examples illustrate when the election requirements may be satisfied to treat the disposal of property as not being part of a host's taxable activity.

Example | Tauira 22 – Property with minor use in registered person's taxable activity

Ranea is GST-registered with a taxable activity of horse breeding and agistment. Ranea acquired a property as her primary residence that was not a zero-rated supply when it was acquired. Ranea did not claim deductions under s 20(3) for the cost of acquiring the property or any subsequent capital improvements. Ranea also provides short-stay accommodation in the property.

Although part of the property is used to run Ranea's taxable activities of horse breeding and agistment, and providing some short-stay accommodation, the principal

⁹⁴ Section 11(1)(mb).

⁹⁵ Calculated under ss 20(3J)(a)(i) and (iv).

purpose of the house is as private residence. Ranea claimed input tax deductions for certain overheads and operating costs, such as insurance, utilities and local authority rates, based on the percentage that these services were used to make taxable supplies. Ranea returns GST output tax on the income she makes from short-stay accommodation along with the income from horse breeding and agistment.

When Ranea sells the dwelling, she can elect to treat the sale as a supply that is not in the course or furtherance of her taxable activity (not subject to GST on sale).

Example | Tauira 23 – Property where deductions are claimed for taxable use

Vincenzo is GST-registered with a taxable activity of providing short-stay accommodation in several properties. He acquired another property for \$920,000 from an unregistered person. Vincenzo intends to use most of the property as long term residential rental accommodation, and 20% of the property (a basement apartment) to make taxable supplies for his short-stay accommodation activity.

Vincenzo claims an input tax deduction of \$24,000, which is 20% of the GST fraction of the purchase price of the property. He later spends \$23,000 (including GST) on substantial renovations (building a new internal wall, replacing electrical wiring and upgrading to double-glazed windows) to improve the basement apartment. Vincenzo claims a deduction for the \$3,000 of input tax paid for the renovations.

The property would not meet the requirements of s 6(3)(e) because relevant input tax deductions were taken under s 20(3). A deduction was claimed on acquisition, and deductions were also claimed for substantial improvements that became an integral part of the dwelling that is eventually sold.

Because the property is partly used to make taxable supplies, it will be a taxable supply when sold. Vincenzo can claim an additional deduction under s 21F for the non-taxable percentage use of the consideration he receives when he sells the property.

When do compulsory zero-rating of land rules apply?

162. Where a GST-registered host is selling a property to another registered person, they should consider whether the compulsory zero-rating provisions apply.
163. The compulsory zero-rating of land (CZR) rules treat certain supplies involving land between registered persons as zero-rated supplies. Under the CZR rules a supply must be zero-rated if:
 - the supply wholly or partly consists of land;

- the vendor is GST registered (or will be GST-registered or will be treated as GST registered) at the time of settlement;
- the supply is being made by the vendor in the course or furtherance of their taxable activity;
- the purchaser is a GST-registered purchaser (or will be GST registered or treated as GST registered) at the time of settlement;
- the purchaser acquires the goods (including the land) with the intention of using them (in whole or part) for making taxable supplies; and
- none of the land included in the supply is intended to be used as the purchaser's principal place of residence or the principal place of residence of a relative of the purchaser.

164. The CZR rules are likely to be most relevant to dedicated short-stay rental properties in popular tourist destinations. For the rules to apply:

- both the seller and purchaser must be GST registered;
- there must be an intention to make taxable supplies; and
- the property must not be intended to be a person's principal place of residence.

165. If a transaction is subject to the CZR rules, refer to [IS 17/08](#).⁹⁶ Even if a transaction is zero-rated, it may still be necessary for a purchaser to subsequently perform ongoing adjustments to reflect any change in use (see above from [97] for adjustments).

166. Example | Tauira 24 illustrates the application of the CZR rules.

Example | Tauira 24 – Application of the CZR rules

Len (from Example | Tauira 17) is a GST-registered short-stay accommodation entrepreneur who owns properties in Coromandel and Auckland. He has heard the short-stay accommodation market in Rotorua is lucrative because of the town's year-round popularity with tourists. He is looking to expand his portfolio and buy a property in Rotorua. He has identified a suitable property being sold there. Further enquiries reveal the seller is GST registered and has been using the property as a dedicated short-stay rental. Len wants to know whether the transaction will be zero-rated.

⁹⁶ See IS 17/08: Goods and services tax – compulsory zero-rating of land rules Tax Information Bulletin Vol 29, No 10 (November 2017).

The CZR rules apply. The buyer and seller are both GST registered, and Len will be using the property to make taxable supplies.

The answer would be different if Len was going to live in the property as his principal residence and merely rent out rooms for short-stay accommodation on an electronic marketplace. In that case, he would be using the property as a principal place of residence, so the CZR rules would not apply and GST would apply at the standard rate.

When is a host treated as disposing of their property on cancelling their GST registration?

167. Where a host's GST registration is cancelled, they are liable for GST output tax on the open market value of their property and other goods used in the taxable activity.
168. The Commissioner may cancel a person's GST registration when:
- the person requests the Commissioner to cancel their registration as the value of their taxable supplies is below the registration threshold;⁹⁷
 - the person has ceased all taxable activities and notifies the Commissioner within 21 days;⁹⁸ or
 - the Commissioner is satisfied that the registered person is not carrying on a taxable activity.⁹⁹
169. For supplies of short-stay accommodation, there are two possible scenarios:
- the registered person asks the Commissioner to cancel their registration because they are no longer making supplies in excess of the registration threshold; or
 - the registered person ceases carrying on their taxable activity of providing short-stay accommodation. Whether a taxable activity is still being carried on in any particular situation is a question of fact. However, if a registered person files nil returns and does not continuously or regularly make taxable supplies, then it points to having ceased their taxable activity.

⁹⁷ Section 52(1) and (2).

⁹⁸ Section 52(3). In such circumstances, the Commissioner must cancel the person's GST registration. However, there is a proviso to s 52(3) if there are reasonable grounds for believing that the person will carry on a taxable activity at any time within the next 12 months.

⁹⁹ Section 52(5).

170. The Commissioner's view is that a s 21FB adjustment is not available where a person's taxable activity has ceased entirely. In this case, the most appropriate course is for the person to cancel their GST registration.
171. When a person ceases to be GST registered, the assets used in the taxable activity are treated as being supplied by the person.¹⁰⁰ The time of that supply is immediately before the person ceases to be registered. While the property will be the most significant asset that forms part of the assets of the taxable activity of supplying short-stay accommodation, other assets may also be deemed to be supplied on cessation.
172. Where the property has been owned since before 1986 (when GST was introduced), the value of the supply is the lower of the cost of the property or its market value.¹⁰¹ In most cases, the value of the supply is treated as being the open market value of the assets.¹⁰² There is no apportionment for non-taxable use, but s 21F allows a credit for any unclaimed input tax where the person has not claimed a full input tax deduction.
173. Despite s 21F, the consequences of cancellation of registration are often financially significant for hosts because they are likely to have a net GST liability due to appreciation in value of the property. In other words, the registered person will pay GST on the increase in the property's value since acquisition. Because this is only a deemed disposal, the host will not have sale proceeds that they can pay their GST liability from.
174. Example | Taura 25 illustrates the impact of a registration cancellation.

Example | Taura 25 – Cessation of a taxable activity

David and Jenny decide to make a lifestyle change. They are selling their Christchurch home and will move permanently into their Nelson holiday home, which they were using to make taxable supplies of short-stay accommodation.

They purchased the Nelson property on 1 April 2020 from an unregistered vendor for \$1m and used it for their sole personal use until 30 September 2020. They started making taxable supplies on 1 October 2022 and registered for GST from this date. The total GST claim on the Nelson property was:

$$(3/23) \times \$1\text{m} = \$130,435$$

¹⁰⁰ Section 5(3).

¹⁰¹ Section 10(8).

¹⁰² Section 10(7A).

David and Jenny will cease their taxable activity on 31 March 2025 and move into the Nelson property on 1 April 2025. They want to know how this will affect their GST obligations.

Cessation of a taxable activity requires their GST registration to be cancelled. There is a deemed supply of the assets forming part of the taxable activity (s 5(3)). This means a deemed supply of the property that will be subject to GST.

The value of housing in Nelson has grown considerably in the intervening years and David and Jenny's property is now worth \$1.5m. Therefore, the tax fraction on the deemed supply is:

$$(3/23) \times \$1.5\text{m} = \$195,652$$

An input tax deduction of \$25,924 has already been claimed for the taxable use of the property before cessation, so the full deduction available on the original purchase is:

$$\$130,435 - \$25,924 = \$104,511$$

This is the limit of the adjustment. Therefore, on cessation:

- output – GST on deemed supply ($\$1.5\text{m} \times 3/23$) = \$195,652
- input – adjustment = (\$104,511)
- GST payable = \$91,141.

175. Example | Tauira 26 illustrates GST issues to consider when purchasing a property to use as short-stay accommodation.

Example | Tauira 26 – GST considerations when purchasing a property

Tama and Ngaire want to buy a property in one of New Zealand's tourist hotspots. They intend to buy a large property that they will use to make supplies of short-stay accommodation. They intend to live off the short-stay accommodation income.

Tama and Ngaire are looking at two properties.

One property is a large section near Lake Wanaka that includes a main house and separate holiday cottage. The house is used solely as the owners' private residence and the cottage is a dedicated short-stay rental property. The holiday cottage is a top-end property in a prime location that is advertised on various websites. It is used year-round by skiers, trampers and overseas holiday makers. The holiday cottage's current turnover is \$80,000 a year. The property is advertised for sale at \$1.8m. The documentation provided by the seller includes a registered valuer's report valuing the

main house at \$1m and the holiday cottage at \$800,000. The seller is GST registered and the properties are on one land title.

The other property is a large apartment on the hill in Queenstown for sale for \$1.1m. It is a four-bedroom property split over three floors and is used as a private holiday home. Tama and Ngaire would run it as a homestay and rent out the rooms individually on a website at \$100 a night. Their research indicates an occupancy rate of around 40% for such rooms, which equates to \$44,000 a year.

Tama and Ngaire are unfamiliar with their GST obligations and ask an accountant whether there are any GST implications for either property.

Lake Wanaka property

If Tama and Ngaire intend to continue renting out the holiday cottage (and living in the main home), they need to register for GST because the turnover is likely to exceed the \$60,000 threshold.

The Act treats the supply of a principal place of residence and other property as separate supplies. In other words, the sale of the main house and holiday cottage are treated separately for GST purposes.

As the holiday cottage is used in the current owner's taxable activity, the sale of the property is subject to GST. However, the compulsory zero-rating rules apply where both the seller and buyer are registered persons, the buyers intend to carry on using the holiday cottage to make taxable supplies and it is not intended to be a person's principal place of residence.

Tama and Ngaire will have to charge GST output tax on the supplies of short-stay accommodation, but they will be able to claim GST input tax on their expenses for the holiday cottage. Where expenses relate to the whole section rather than just the holiday cottage, the expenses should be apportioned on a fair and reasonable basis.

The main house is used solely as the owner's private residence, so is not subject to GST. There will be GST implications if Tama and Ngaire decide to use the main house to make supplies of accommodation in the future.

Queenstown property

The sellers of this property are not GST registered, so the sale is not subject to GST. Because supplies of accommodation in the homestay would be below the \$60,000 threshold, Tama and Ngaire do not have to register for GST. Tama and Ngaire's accountant suggests they might benefit from remaining unregistered. They won't have to charge GST output tax on the supplies of short-stay accommodation, and they won't have to file returns and undertake adjustments. They also would not have to return GST output tax on the property when they come to sell it. Registering for GST would

likely leave them worse off because property values in Queenstown are expected to rise, so the GST output tax on sale will be more than the GST input tax on purchase.

If Tama and Ngaire decide to register for GST, they can claim GST input tax on expenses that relate solely to providing short-stay accommodation (for example, guest toiletries) and a portion of GST on expenses relating to both taxable and non-taxable supplies (for example, utility bills). They can also claim GST input tax on the purchase. To give an indication the accountant calculates that the:

- bottom floor has a bedroom (with ensuite) and inbuilt garage that will be used exclusively by Tama and Ngaire – 50m² with 100% private use;
- second level will be exclusively for guests and contains three dedicated guest bedrooms and a guest bathroom – 50m² with 100% taxable use; and
- top level contains the common areas (an open plan lounge and kitchen–dining room) –50m² with 50% taxable use.

The second level floor area used (or available for use) exclusively by guests is calculated as:

$$\frac{50}{150} \times \frac{365}{365} \times 100 = 33.33\%$$

The common areas on the top floor are 50% deductible but only for the days that one of the rooms is rented out. Tama and Ngaire estimate that at least one of the rooms will be rented out for 200 days a year:

$$\frac{50}{150} \times \frac{200}{365} \times 50 = 9.13\%$$

Adding these figures together (33.33% and 9.13%) they could expect to deduct 42.46% of GST input tax. The full amount of the GST input tax deduction would be:

$$3/23 \times \$1.1\text{m} = \$143,478.26$$

The proportion claimable would be:

$$\$143,478.26 \times 42.46\% = \$60,920.87$$

Tama and Ngaire need to weigh up the other pros and cons of registration. If they did register, they would need to charge GST on the supplies of accommodation they make and the property would be subject to GST when they sell it or cease supplying short-stay accommodation.

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

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