

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

Deadline for comment | Aukatinga mō te tākupu: **29 May 2026**

Please quote reference | Whakahuatia te tohutoro: **PUB00511**

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

FACT SHEET | PUKA MEKA

Goods and services tax – when reduced GST rate applies to accommodation in a commercial dwelling

Issued | Tukuna: Issue Date

IS ##/## FS #

This fact sheet accompanies IS xx/xx: Goods and services tax – reduced value rule in s 10(6) for supplies of domestic goods and services in commercial dwellings. IS xx/xx considers the requirements of s 10(6) in detail. This fact sheet summarises the requirements for the reduced rate to apply.

Key provisions | Whakaratonga tāpua

Section 10(6) of the Goods and Services Tax Act 1985

Key terms | Kīanga tau tāpua

| | |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accommodation | The right to occupy all or part of a commercial dwelling. It includes ancillary goods or services supplied as part of the accommodation (for example, cleaning, electricity and WiFi). It does not include personal laundry services, meals, toll calls and so on. |
| Commercial dwelling | Commercially operated premises in which accommodation is provided, such as hotels, motels, hostels, boarding houses, bed and breakfast establishments, most serviced apartments, rest homes, and similar premises. |
| Residential establishment | A commercial dwelling in which at least 70% of residents are staying or are expected to stay for at least 4 weeks. |

When the reduced GST rate applies

1. Accommodation in commercial dwellings is generally subject to GST at the normal rate of 15%. However, if the accommodation is provided for more than 4 weeks, the supply of accommodation is treated as having an effective GST rate of 9%.
2. The reduced GST rate of 9% generally applies after 4 consecutive weeks' accommodation (ie, it kicks in from the 5th week).
3. However, for residential establishments, the reduced rate of 9% applies from the start of the accommodation if there is upfront agreement between the supplier and recipient that the accommodation will be for more than 4 weeks in total. The 4-week timeframe in this case does not need to be a consecutive period; it may be a series of stays that together will exceed 4 weeks in total.
4. The reduced rate applies only to the supply of accommodation (including ancillary goods or services supplied as part of the accommodation). If other goods and services are supplied (for example, personal laundry services), the normal GST rate of 15% applies to those supplies.
5. The reduced rate does not affect the amount of input tax that can be claimed.
6. The accommodation must be provided to an individual (that is, a natural person rather than, say, an organisation, company or other entity). The reduced rate does not apply to the lease of a commercial dwelling to an organisation or provider who then sub-leases it to an individual for accommodation.

7. The reduced rate does not apply if accommodation is supplied through an electronic marketplace (for example, Airbnb or another similar platform that does more than just process payments).

Examples | Taurira

Example | Taurira 1 – Reduced rate applies from the fifth week

Matilda is staying in a motel while she looks for a property to buy. She originally booked in for 3 weeks and ends up staying for a total of 8 weeks.

The GST-exclusive rate for the motel Matilda is staying in is \$500 a week.

The motel is not a residential establishment as only about 5% of guests stay for more than 4 weeks.

The reduced GST rate of 9% applies to the supply of accommodation to Matilda from the fifth week of her stay.

The GST and total charge to Matilda (per week) **for each of the first 4 weeks'** accommodation is calculated as follows:

$$\$500 \times 15\% = \$75 \text{ GST}$$

$$\$500 + \$75 \text{ GST} = \$575 \text{ per week charged to Matilda}$$

The GST and total charge to Matilda (per week) **for the fifth and each subsequent week** of accommodation is calculated as follows:

$$\$500 \times 9\% = \$45 \text{ GST}$$

$$\$500 + \$45 \text{ GST} = \$545 \text{ per week charged to Matilda}$$

Example | Taurira 2 – Reduced rate rule for accommodation in a residential establishment

The ABC City Lodge is a boardinghouse that accommodates up to 20 residents. About 90% of residents stay for more than 4 weeks, so the boardinghouse is a residential establishment.

Dale signs an agreement to stay at ABC City Lodge for 8 weeks. The GST-exclusive rate is \$220 a week.

The reduced rate rule applies to the supply of accommodation to Dale from the start of the supply, because the boardinghouse is a residential establishment and there is upfront agreement that Dale will stay for more than 4 weeks.

The GST and total charge to Dale (per week) is calculated as follows:

$$\$220 \times 9\% = \$19.80 \text{ GST}$$

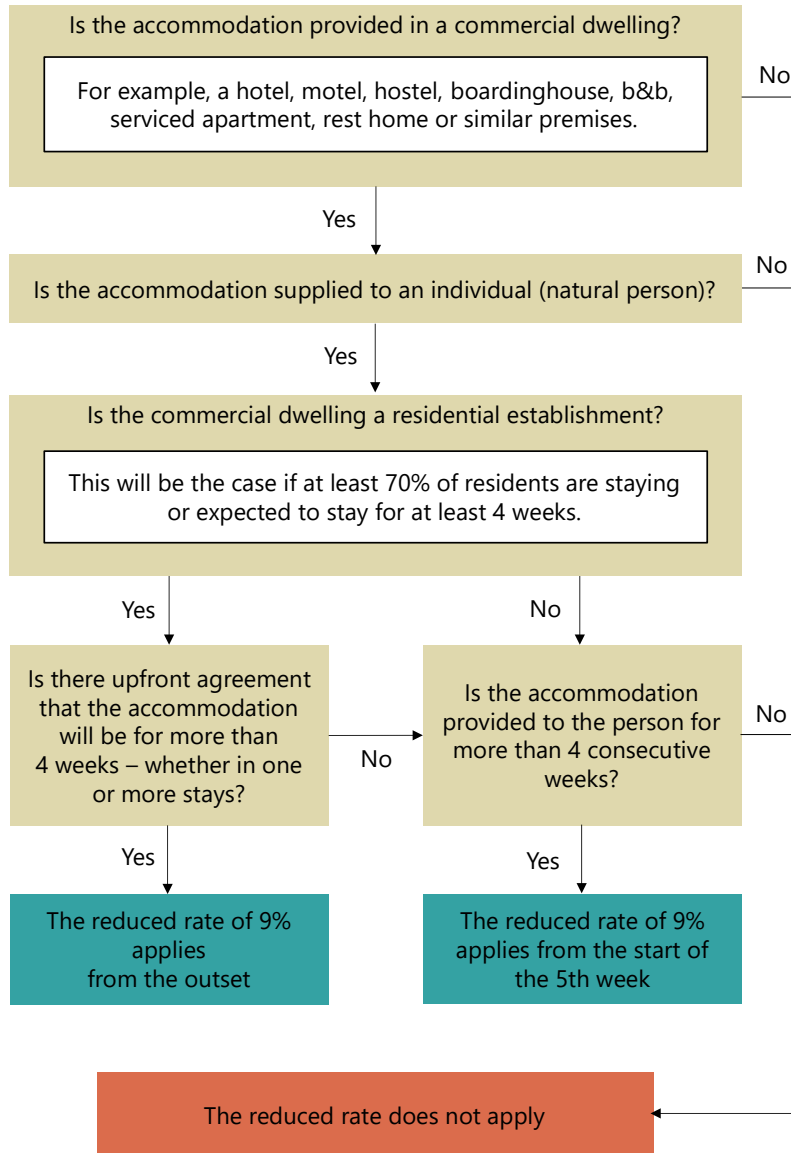
$$\$220 + \$19.80 \text{ GST} = \$239.80 \text{ per week charged to Dale}$$

Flowchart | Hoahoa

8. Use the flowchart in Diagram | Hoahoa 1 to determine whether one of the reduced rate rules applies to a supply of accommodation in a commercial dwelling.¹

¹ The flowchart assumes the accommodation is not supplied through an electronic marketplace. As noted at [7], if the supply is made through an electronic marketplace the reduced rate rules do not apply.

Diagram | Hoahoa 1: Determining whether a reduced rate rule applies to a supply of accommodation in a commercial dwelling



About this document | Mō tēnei tuhinga

Some of the Tax Counsel Office’s longer or more complex items are accompanied by a fact sheet that summarises and explains an item’s main points. While it summarises the Commissioner’s considered views, a fact sheet should be read alongside the full item to completely understand the guidance. Fact sheets are not binding on the Commissioner. See further [Status of Commissioner’s advice](#) (Commissioner’s statement, Inland Revenue, December 2012).