Inland Revenue
Te Tari Taake

DET 19/01
21 May 2019

DET 19/01: Standard-cost household service for private boarding service providers (21 May 2019)

Reference

This Determination is made under section 91AA of the Tax Administration Act 1994 (the TAA). All legislative references are to the TAA unless otherwise stated.

Explanation

This Determination rescinds and replaces *Determination 05/03: Standard-Cost Household Service for Boarding Service Providers (DET 05/03)* and applies from the start of the 2019-20 income year.

This Determination may be relevant to taxpayers who provide private boarding services in their home, if they have no more than four boarders at any time during the income year.

This Determination sets standard costs that can be treated as expenditure incurred in deriving income from providing the boarding accommodation. For any income year, a taxpayer may choose to use these standard costs instead of their actual expenses, provided the criteria in this Determination are met.

The standard costs consist of three elements:

(1) Weekly standard-cost per boarder

This covers direct costs such as food and household bills.

This is a set weekly amount per boarder.

(2) Annual housing standard-cost

This covers the costs for the use of the house in providing the accommodation, such as home loan interest, rates and insurance.

This amount, if added in, is calculated under a formula set out in this Determination.

(3) Transport standard-cost

This covers the costs for the use of a motor vehicle in providing any transport to boarders.

This amount, if added in, is calculated under a formula (which uses Inland Revenue's kilometre rates) set out in this Determination.

A taxpayer may include some or all of these elements (if applicable).

However, if this Determination is used, actual costs cannot be used for expenditure covered by any of these elements, even if the standard-costs are not used for that particular element.

If a taxpayer chooses to use the standard costs, income from providing the private boarding service will be exempt up to the amount of those costs. Income from providing the private boarding service will only need to be returned to the extent it exceeds the standard costs.

Any additional costs related to providing the private boarding service cannot be deducted if they relate to an item covered by any of the elements comprising the standard costs.

The Commissioner makes this Determination under section 91AA, on the basis that she considers it will result in a significant reduction in compliance costs for these taxpayers, without inappropriate: risk to the revenue, demand on the Commissioner's resources, or inaccuracy for a significant number of taxpayers.

The standard costs in this Determination can only be used by natural persons. Other limitations on who can use this Determination are set out in the next section, "Scope of Determination".

Scope of Determination

Subject to the limitations below, this Determination applies to natural persons who provide private boarding services in their domestic accommodation.

This Determination does not apply where:

(a) the host has more than four boarders at the same time at any time during the income year:

(b) the taxpayer does not choose to apply it:

(c) the private boarding service is provided as part of a GST taxable activity of a registered person:

(d) the domestic accommodation is trust property, unless the host either:

 (1) paid all of the costs represented by the annual housing standard-cost element for the income year; or

 (2) does not include the annual housing standard-cost element in their standard-costs for the income year:

(e) the domestic accommodation is used in the income year to provide both a private boarding service and a short-stay accommodation service as defined in *DET 19/02: Standard-cost household service for short-stay accommodation providers* (21 May 2019) or any determination that replaces DET 19/02:

(f) any other Determination made under section 91AA is applied for the income year in relation to the provision of services that require the use of the domestic accommodation:

(g) any deductions are claimed in relation to the use of the domestic accommodation in deriving income, for any time in the income year when the private boarding service is provided.

Subject to any adjustment based on the annual movement of the Consumers Price Index as at the end of March each year, this Determination, unless specifically withdrawn, shall apply from the 2019-20 income year.

Interpretation

In this Determination, unless the context otherwise requires:

- expressions used have the same meanings as those in sections CW 61 and YA 1 of the Income Tax Act 2007 and section 91AA;
- boarder means a person provided with boarding accommodation in return for payment, but does not include a child under five years of age who accompanies a parent or guardian who is a boarder;
- boarding accommodation means residential accommodation provided to boarders (often students) in conjunction with regular meals and other associated care, activities and benefits that usually or commonly occur in or are derived from a domestic ("family") household, and does not include accommodation provided to residential tenants, flatmates or care home residents, nor emergency accommodation or short-stay accommodation;
- Consumers Price Index means the application of the annual movement of the All Groups Consumers Price Index to the weekly standard-cost per boarder;
- domestic accommodation means a dwelling that is, or is part of, the principal residence of any boarding service host;
- host means a natural person (which includes one or more natural persons living together in the same residence) who provides a private boarding service in their domestic accommodation;
- private boarding service means all activities involved in the provision of boarding accommodation and associated care (including, for example, the provision of meals, laundry and other services or utilities a host typically provides to boarders);
- short-stay accommodation means accommodation provided for up to four consecutive weeks, that is not the paying guest's ordinary residence, and does not include accommodation provided to residential tenants, boarders or care home residents, nor student or emergency accommodation;
- standard-cost in relation to any private boarding service, means the standard cost that has been determined by the Commissioner of Inland Revenue or calculated in accordance with the method determined by the

Commissioner of Inland Revenue, for the purposes of this Determination, as referred to in section 91AA(2).

Determination

A private boarding service is a "standard-cost household service" for the purposes of section 91AA where the private boarding service involves the use of the host's domestic accommodation.

If this Determination applies, the standard costs that the taxpayer may treat as incurred by them in deriving exempt income and any assessable income from providing the standard-cost household service consist of three elements:

(1) Weekly standard-cost per boarder;

(2) Annual housing standard-cost; and

(3) Annual transport standard-cost.

For any income year, the taxpayer may include some or all of these three elements, which are defined below. However, if the domestic accommodation is trust property, the taxpayer cannot include the annual housing standard-cost element unless they have paid all of the costs represented by that element for the income year.

If the taxpayer uses this Determination, actual costs cannot be used for expenditure covered by any of the standard-cost elements, even if the standard-costs are not used for that particular element.

The total of whichever elements the taxpayer includes will be their standard-costs for the year. Income the taxpayer derives from providing the private boarding service will be exempt income up to the amount of their standard-costs for the year. Any income in excess of that amount that the taxpayer derives from providing the private boarding service will be assessable income.

Standard cost elements

The standard cost elements are as follows:

(1) The weekly standard-cost per boarder

The weekly standard-cost per boarder is *$186.

> * The Commissioner will review this amount based on the annual movement of the CPI as at the end of March each year. Inland Revenue will publish any CPI adjustment to the weekly standard-cost figure in its *Tax Information Bulletin* and on its website.

The weekly standard-cost per boarder represents the direct cost of providing private boarding services to each boarder on a weekly basis. It covers expenditure on items and services typically provided to boarders or related to provision of the private boarding service, such as: food; linen; laundry and cleaning services; power; telephone; internet;

use of bedroom chattels and general household furniture; and incidentals such as gifts, leisure and entertainment activities provided by the host.

(2) The annual housing standard-cost

The annual housing standard-cost is calculated using the following formula:

$$(a - b) \times c \times d$$

Where –

a is:

- if the host owns the domestic accommodation, 4% of the cost of the domestic accommodation (including the cost of all capital improvements);
- if the host rents the domestic accommodation, the total rent paid by the host for the domestic accommodation for the income year;
- if the domestic accommodation is trust property, the total amount of financing costs or rent, insurance, rates, and repairs and maintenance paid by the host in relation to the domestic accommodation for the income year.

b is the total accommodation supplement received by the host for the income year;

c is the number of boarders relative to the number of total occupants living in the domestic accommodation during the period of the year the private boarding services are provided, expressed as a percentage; and

d is the number of full weeks in the income year during which private boarding services were provided in the domestic accommodation, divided by 52.

The annual housing standard-cost represents the cost for the use of the domestic accommodation in providing the private boarding service and covers (as relevant) expenditure on: financing costs (eg, home loan interest), rent, insurance, rates, and repairs and maintenance.

(3) The annual transport standard-cost

The annual transport standard-cost is calculated using the following formula:

kilometre rate × kilometres travelled

Where –

kilometre rate is the motor vehicle kilometre rate(s) for the income year, set and published by the Commissioner from time to time for the purposes of section DE 12 of the Income Tax Act 2007, applied firstly to business use of the motor vehicle that does not relate to the provision of the private boarding service and secondly to the "kilometres travelled" as defined in this Determination; and

kilometres travelled is the total number of kilometres travelled by the host for the income year, in a motor vehicle for which the host incurs the running costs, in trips for which the dominant purpose relates to the provision of the private boarding service.

The annual transport standard-cost represents the cost for the use of a motor vehicle in providing the private boarding service, and covers expenditure on fuel, insurance, registration, warrants of fitness, repairs and maintenance, and depreciation.

All three standard-cost elements for private boarding service hosts are calculated, or must be calculated, inclusive of GST, if any.

This Determination is made by me, acting under delegated authority from the Commissioner of Inland Revenue.

This Determination is signed on the 21st day of May 2019.

Rob Wells
LTS Manager, Technical Standards

COMMENTARY ON DETERMINATION DET 19/01

1. This commentary is intended to help you understand and apply the Determination *DET 19/01: Standard-cost household service for private boarding service providers*. It does not form part of the Determination and is not a legally binding statement.

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UNCLASSIFIED

Understanding the Determination

2. If you have a boarder in your home, the starting point is that the income you receive from them is taxable, and your expenses that relate to earning the income are deductible.

> **Note:** "Boarders" are people (often students) who live with you, essentially as part of your household. They are provided with accommodation, regular meals and other associated care, activities or benefits that are typical in a family household. Flatmates, tenants, short-stay accommodation guests and the like are not considered boarders, so are not within the scope of the Determination.

3. You can keep track of your actual costs associated with having the boarder (like your home loan interest or rent, utility bills, food etc), and use that as the basis for your deductions. However, most of your actual costs would only be partly deductible. This is because they are your private household costs and will only partly relate to earning the boarding income. Therefore, you would need to apportion those costs appropriately, and only deduct the relevant portion.

4. Alternatively, you may be able to use the Determination, which sets standard costs for your deductions. The standard costs reflect the expenses you are likely to incur in having boarders. This approach is simpler than using your actual costs and apportioning them where necessary, and for many boarding hosts this approach will mean there is no need to file a tax return (eg, if you don't have other income you need to file a tax return for).

5. If you use the standard costs in the Determination, there are three elements that you may be able to include:

   Element 1: Weekly standard-cost per boarder

   Element 2: Annual housing standard-cost

   Element 3: Annual transport standard-cost

6. You can include some or all of these elements, but you may not need to include more than one or two to cover your boarding income.

> **Note:** For most people, the total of your weekly standard-costs and your annual housing costs will be more than your boarding income. In this case, you won't need to include the boarding income in your tax return, and you won't need to add your annual transport costs (if any).
>
> See Appendix D for help estimating whether your boarding income will likely be covered by your weekly and housing standard costs.

Who can use the Determination

7. You can choose to use the standard-costs in the Determination if:

- you are a natural person (eg, an individual not a company);
- you did not have more than four boarders at the same time at any time during the income year;
- you do not provide the private boarding service as part of a GST taxable activity;
- the property is not held in a trust, or if it is, you either:
  - (1) paid all of the financing costs, insurance, rates, and repairs and maintenance for the property for the income year; or
  - (2) do not include the annual housing standard-cost element in your standard-costs for the income year;
- your home isn't used in the income year to provide both a private boarding service and a short-stay accommodation service (as defined in DET 19/02: Standard-cost household service for short-stay accommodation providers or any determination that replaces DET 19/02);
- neither you nor anyone else applies any other standard-cost household service determination in relation to services provided in your home (for example, DET 09/02: Standard-Cost Household Service for Childcare Providers); and
- no deductions are claimed in relation to the use of the domestic accommodation in deriving income, for any time in the income year when the private boarding service is provided.

ℹ For most people the income year is 1 April – 31 March

Q: ***Why can't the Determination be used by people who have both boarders and short-stay accommodation guests in their home?***

A: *The standard-costs in both the boarders Determination (DET 19/01) and the short-stay accommodation Determination (DET 19/02) include amounts for the use of common areas of the home in providing the accommodation (eg, home loan interest or rent, insurance and rates, utility costs, and depreciation of household chattels).*

If hosts could use one or both of the Determinations, there would be a "doubling up" of deductibility for some of the expenditure covered by the standard-costs.

Therefore, if hosts have both boarders and short-stay accommodation guests in their home, they must base their deductions on their actual expenses, apportioned appropriately.

Your options

8. If you meet the above criteria, you may choose to use either the "standard-cost basis" or the "actual-cost basis". These approaches are summarised in figure 1.

Figure 1: Difference between standard-cost basis and actual-cost basis

The standard-cost basis		The actual-cost basis
Use some or all of the standard-cost elements in the Determination (summarised at [2]) as the amount you can offset against your income from providing the private boarding service. You can't use any of your actual expenses for items covered by any of the standard-cost elements (whether or not you've included that element).	**OR**	If you take this approach, you deduct your actual expenses related to earning the boarding income. Many expenses will need to be apportioned, because they partly relate to having boarders and are partly just your private household costs.

9. As noted in [3] and Figure 1, if you choose to use the actual-cost basis, some of your expenses will need to be apportioned, as they will not relate solely to the provision of the boarding service (for example, food, power bills, and home loan interest). You will need to apportion these sorts of expenses on a fair and reasonable basis – for example, having regard to things like the period of year during which you have boarders, the average number of boarders relative to the total number of occupants in your home, and the floor areas of different parts of your home.

10. For each income year, provided you meet the criteria in [7], you need to decide which approach you want to use. If you do not meet the criteria for a particular year, you will not have a choice about which approach to use for that year – you will have to use the actual-cost basis for your deductions.

11. Whether you use the standard-cost basis or the actual-cost basis, you need to keep sufficient records to support your tax position (see [49]).

Income tax implications of using the standard-cost basis

12. If you choose to use the standard-cost basis:

- Income you make from providing the private boarding service will be exempt income up to the amount of the standard-costs calculated under the Determination.
- Any income in excess of those costs that you make from providing the private boarding service will be assessable income, and you will need to include it in a tax return.
- If your income from providing the private boarding service does not exceed the standard-costs, you will not need to file a tax return on account of providing the private boarding service, but you may need to for some other reason (for example, if you have other income or losses).
- You will not be able to deduct your actual costs for items of expenditure covered by any of the elements comprising the standard-costs, even if the standard-costs are not used for that particular element (the items covered by each of the standard-cost elements are noted in the next section "Standard-cost elements and what items they cover").
- Any additional cost that does not relate to an item covered by any of the elements comprising the standard-costs in the Determination and is not a capital cost would only be deductible to the extent it has a sufficient connection to deriving income and is not private in nature. If a cost relates both to earning income and the private use of your home, an appropriate apportionment would need to be made.

Standard-cost elements and the items they cover

(1) The weekly standard-cost per boarder

13. The weekly standard-cost per boarder represents the direct day-to-day expenses involved in having boarders.

14. This is a set amount per boarder – for the 2019-20 income year it is $186 per boarder per week, subject to CPI adjustment. Inland Revenue will CPI adjust the weekly standard-cost amount each year for inflation and publish the updated amount in its *Tax Information Bulletin* and on its website.

15. As noted in the Determination, the weekly standard-cost per boarder covers expenditure on items and services typically provided to boarders or related to provision of the private boarding service such as: food; linen; laundry and cleaning services; power; telephone; internet; use of bedroom chattels and general household furniture; and incidentals such as gifts, leisure and entertainment activities provided by the host.

16. The weekly standard-cost per boarder has been calculated based on data from Statistics New Zealand, current market values of chattels typically provided for boarders' use by private boarding service hosts, and estimates of bedroom sizes relative to average New Zealand house sizes (based on data from Quotable Valuation NZ).

17. The weekly standard-cost per boarder in the Determination is not intended as a guide to the amount hosts can or should charge for the private boarding service, but rather reflects the expenditure Inland Revenue considers likely to be incurred by hosts for the items covered by the weekly standard-cost element.

18. If your income from boarders is no more than the weekly standard-cost per boarder, you won't have to return any boarding income, or do any calculations – the income will be treated as exempt.

19. If your boarding income is more than the weekly standard-cost element, you can choose to either:

- File a tax return for the year that includes the amount of boarding income over the amount of your total weekly standard-costs.

  or

- Calculate your "annual housing standard-cost" and/or your "annual transport standard-cost" and add either or both of those to your weekly standard-costs. See "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" for help with this.

  If you choose to do this, the total of whichever elements you include will be your total standard-costs for the income year. You will only need to return boarding income to the extent (if any) it exceeds your total standard-costs for the year.

(2) The annual housing standard-cost

20. The annual housing standard-cost reflects that there is a cost involved in you using your home to provide the private boarding service.

21. As noted in the Determination, the annual housing standard-cost covers (as relevant) expenditure on financing costs (eg, home loan interest), rent, insurance, rates, and repairs and maintenance.

22. If you add this element, use the formula on page 5 of the Determination to calculate a figure that represents these costs. Page 4 of "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" will help you calculate these costs.

23. While there is a calculation to perform, using the Determination and calculating this element to include in your standard-costs may be a simpler approach than identifying and apportioning your actual costs – which you would have to do if you use the actual-cost basis rather than the Determination.

24. The annual housing standard-cost calculation is based on:

(a) the actual cost to you of acquiring and making capital improvements to your home, or the cost of renting your home;

(b) the average number of boarders relative to the number of total occupants living in your home during the period of the year you had boarders (expressed as a percentage); and

(c) the proportion of the income year during which you had boarders.

25. The discussion from paragraph [26] explains what you include in terms of your costs – depending on whether you own your home, rent your home, or it is trust property, and whether you receive an accommodation supplement. Appendix A explains who should be counted as a boarder or an occupant, and the examples in Appendix C illustrate how to work out the average number of boarders relative to total occupants and the proportion of the income year during which you had boarders.

Costs if you own your home

26. If you own your home, 4% of the cost of the home (including the cost of all capital improvements) is included. You have to use the purchase price from when you bought your home, not the rateable value or current market value. Capital improvements include things such as extending your home, but do not include general repairs and maintenance. The 4% figure represents the typical expenditure incurred in owning a residential property, including outgoings such as rates, insurance, home loan interest, and repairs and maintenance.

Costs if you rent your home

27. If you rent your home, the actual amount of the rent you paid for the year is included.

Costs if your home is trust property

28. If your home is trust property, you can only add in the annual housing standard-cost element if you paid all of the financing costs, insurance, rates, and repairs and maintenance for the property for the income year. If the trustees paid any of these expenses, you can't add in the annual housing standard-cost element.

29. If you paid all of the above expenses and add this element to your standard costs, the annual housing standard-cost formula requires you to use your actual expenses in relation to the property (that is, the actual amount you paid in home loan interest or rent, in insurance premiums and rates, and for repairs and maintenance).

If you receive an accommodation supplement

30. You may receive an accommodation supplement from the Ministry of Social Development (MSD). Eligibility for an accommodation supplement is assessed by

MSD, based on factors such as accommodation costs, income, assets, whether you have dependents, and your employment status.

31. If you receive an accommodation supplement, it is subtracted in calculating your annual housing standard-costs under the Determination. Example C4 in Appendix C shows how receipt of an accommodation supplement affects the calculation of the annual housing standard-costs.

(3) The annual transport standard-cost

32. If you use your motor vehicle in providing the boarding service (for example, to take a boarder to activities), you may add this element to your standard-costs.

33. The annual transport standard-cost reflects that there is a cost involved in you using your vehicle in providing the private boarding service.

34. As noted in the Determination, the annual transport standard-cost covers expenditure on fuel, insurance, registration, warrants of fitness, repairs and maintenance, and depreciation.

35. If you add this element, use the formula on page 5 of the Determination to calculate a figure that represents the above costs. Page 5 of "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" will help you with this calculation.

36. While there is a calculation to perform, using the Determination and calculating this element to include in your standard-costs may be a simpler approach than identifying and apportioning your actual costs – which you would have to do if you use the actual-cost basis rather than the Determination.

37. The annual transport standard-cost is an annual calculation, based on:

    (a) Inland Revenue's kilometre rates for motor vehicles (which are re-set and published from time to time); and

    (b) the number of kilometres you travelled in the income year, in a motor vehicle that you pay the running costs for, for trips where the dominant purpose related to you providing the private boarding service.

> **Note:** Appendix B provides guidance on when the dominant purpose of a motor vehicle trip would relate to your provision of the private boarding service, which will be relevant if you're adding the annual transport standard-cost element.
>
> See *OS 18/01: Commissioner's statement on using a kilometre rate for business running of a motor vehicle* for more information on using Inland Revenue's kilometre rates.

Using the standard-cost basis or the actual-cost basis

The standard-cost basis

38. If you choose to use the standard-cost basis for any given income year, you do this by either:

- Not including the exempt income in a tax return for that income year, if you are required to file a return (for example, if your boarding income is more than your standard-costs, or if you have income from another source that means you need to file a return).
    - The exempt income is your income from providing the private boarding service, up to the amount of your standard-costs calculated under the Determination.
    - If your boarding income is more than your standard-costs, you will need to include the income above the amount of your standard-costs in your return.

OR

- Not filing a tax return for the income year, if your income from providing the private boarding service is not more than your standard-costs calculated under the Determination, and you do not otherwise have to file a return.

The actual-cost basis

39. If you choose to use the actual-cost basis, you must return all income from providing the private boarding service, and your deductions must be based on the expenses you actually incur in providing the service.

When you need to make your choice

40. You can make your choice about whether to use the standard-cost basis or the actual-cost basis at any time up to the due date for filing a return.

41. You should keep adequate records of your actual costs related to providing the private boarding service, as you may not know before the end of the income year whether you will meet the criteria to be able to use the standard-cost basis. If you cannot use the standard-cost basis (for example, if you had more than four boarders at any time during the income year), or if you choose not to, you will need those records to support claiming deductions when you file a return.

Consumers Price Index

42. Inland Revenue will make an annual adjustment to the weekly standard-cost per boarder figure, by applying the annual movement of the All Groups Consumers Price Index to the elements included in that standard-cost figure.

43. Inland Revenue will publish the revised weekly standard-cost figure, as at the end of March each year, in its *Tax Information Bulletin* and on its website.

GST

44. You cannot use the standard-costs in the Determination if you provide the private boarding service as part of a GST taxable activity. Therefore, anyone who uses the standard-cost basis will not be eligible to claim back GST charged on goods and services consumed. As such, the weekly standard-cost per boarder determined by the Commissioner has been prepared on a GST-inclusive basis. Similarly, you must calculate the annual housing standard-cost and the annual transport standard-cost (if you use them) on a GST-inclusive basis.

Reimbursements

45. If you receive reimbursements for specific additional costs not covered by the standard-costs (for example, payment received from a boarder for monthly train passes you have purchased for them), these reimbursements are not treated as income for you, and the costs are not treated as a deductible expense incurred by you.

Returning income

46. If you're using the Determination, whether you need to return income from providing the private boarding service depends on whether the income is more than your allowable standard-costs for the year.

47. If you're using the Determination, Flowchart 1 (on page 12) will help you work out if you need to return any boarding income.

48. Where there is more than one host providing the private boarding services, the income from boarders and the standard costs calculated under the Determination should be split evenly between the hosts, unless there are reasonable grounds for a different split.

Record keeping

49. Whether you use the Determination or not, you must keep sufficient records to support your tax position. This would include records of:

- the number of weeks of the year you had boarders;
- how much income you made from boarders;
- the number of other occupants in your home during the year;
- the cost of any capital improvements you made to the property in the year or the amount of rent you paid for the property during the year;

- the number of kilometres you travelled in the year, in a motor vehicle that you pay the running costs for, for trips where the dominant purpose related to your provision of the private boarding service; and
- any expenses you are able to deduct if you cannot or choose not to use the Determination.

Note: You should keep records of all expenses even if you think you will use the standard-costs in the Determination, as you may not know until the end of the year whether you will definitely be able to do so.

Flowchart 1: Using the determination – do I have to return income?

Is your income from boarders for the year more than the weekly standard-cost?

($186 per boarder per week)*

No → Your boarding income isn't taxable. Don't include it in a tax return.

You can't claim any losses from providing the boarding service.

Yes ↓

Do you want to calculate the annual housing standard-cost and/or the annual transport standard-cost?

No → Your boarding income over the amount of your weekly standard-costs is taxable. Include it in a tax return.

You can't claim any losses from providing the boarding service.

Yes ↓

Calculate

Your "annual housing standard-cost"

and/or

Your "annual transport standard-cost"

See "Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services"

↓

Is your total income from boarders more than the total of all the standard-cost elements you have calculated?

No → Your boarding income isn't taxable. Don't include it in a tax return.

You can't claim any losses from providing the boarding service.

Yes ↓

The amount of your boarding income over the total amount of all of the standard-cost elements you have calculated is taxable. Include it in a tax return.

You can't claim any losses from providing the boarding service.

* The weekly standard-cost is set by Inland Revenue and CPI adjusted each year. For 2019-20 it has been set at $186 per boarder per week, subject to CPI adjustment.

Appendix A: Number of boarders and number of total occupants

A1. If you're including the annual housing standard-cost element, you'll need to work out what proportion of the year you had boarders, and the number of boarders and the number of total occupants living in your home during the year.

A2. The calculation involves working out the number of weeks for which boarding services were provided and (where family members come and go during the year) a fair estimate of the average number of occupants in your home during the year.

A3. Where a child accompanies a parent or guardian who is a boarder in a private boarding service arrangement:

- If the child is under 5 years old, don't count them as an occupant (for the annual housing standard-cost calculation) or as a boarder (for the weekly standard-cost calculation).
- If the child is 5-18 years old and there is no separate charge for their keep, don't count them as an occupant for the annual housing standard-cost calculation.

A4. Similarly, if a host has a child under 5 years of age living with them, the child shouldn't be counted as an occupant for the annual housing standard-cost calculation.

A5. If you, as a host, have a shared-care arrangement for a child over 5 years of age, the child's occupancy should be based on the percentage of the year the child typically lives with you. For example, with a 50:50 shared-care arrangement, a child over the age of five should be counted as half (0.5) an occupant. There is no need to keep track of the number of nights in the year the child actually stayed with you – you can base the child's occupancy on whatever the typical shared-care arrangement is. If the shared-care is informal and fluid, Inland Revenue will accept a reasonable estimate based on the usual arrangements, which may be a 50:50 basis (so counting the child as half (0.5) an occupant). The same approach should be applied if you have a dependent child who is absent from the household while attending boarding school or living elsewhere for some of the year.

A6. Family visitors and guests accommodated without charge on a short-term stay are not counted as occupants (for the standard-cost calculation) or as boarders (for the weekly standard-cost calculation).

Appendix B: Dominant purpose test for claiming transport

B1. If you're including the annual transport standard-cost element, you'll need to work out the number of kilometres you are allowed to include in your calculation.

B2. The kilometres you can include in the annual transport standard-cost calculation are the total number of kilometres you travelled in the income year:

- in a motor vehicle you pay the running costs for;
- where the dominant purpose of the trip related to the provision of the private boarding service.

B3. The annual transport standard-cost reflects that there is a cost involved in you using your vehicle in providing the private boarding service.

B4. To include the annual transport standard-cost element, the requirement to provide transport to the boarder should be part of the boarding agreement. This is likely to be more common for private boarding services provided to young international students.

B5. For a trip to be included, the dominant purpose of the trip must have been to transport the boarder. It doesn't matter if other people were also transported at the same time – as long as the dominant purpose was to transport the boarder, you can claim the trip.

B6. You can't apportion the kilometres travelled in trips where the boarder was transported but this was not the dominant purpose – you may not claim any kilometres for those trips.

B7. You must maintain a log book or similar record to support the number of kilometres claimed for the year. The three-month log book test period should not be used unless it produces an accurate representative result.

Examples

B8. Examples B1 – B5 illustrate the dominant purpose test for claiming transport, using the same family situation.

> Example B1
>
> Lauren and Russell have an arrangement to house and care for an international student (Virat, age 13). Part of that arrangement requires Lauren and Russell to take Virat to local attractions. Lauren and Russell decide to take Virat to their local zoo during the weekend. They also take their own children, Oscar and Arlo. Although the whole family is being transported to the zoo, the dominant purpose of the trip is to take Virat there. Therefore, all of the kilometres travelled on the trip can be claimed.
>
> Example B2
>
> While Virat is in New Zealand, he attends the same school as Oscar and Arlo. Lauren and Russell usually transport Oscar and Arlo to school, so they transport Virat to school at the same time. The dominant purpose of the journey is to take

their own children to school, not to transport Virat. Therefore, none of the kilometres travelled on these trips can be claimed.

Example B3

Virat plays cricket. Lauren and Russell take him to his cricket matches each weekend. These trips are related to providing the boarding services. It doesn't matter who else travels in the vehicle at the same time (for example, if Oscar and Arlo go along to watch the match). The dominant purpose of the trip is to transport Virat. Therefore, all of the kilometres travelled on these trips can be claimed.

Example B4

The family visits Grandma for her birthday and takes Virat with them for the family experience and because he is too young to be left at home alone. While the trip involves Virat, the dominant purpose of the trip is for the family to visit Grandma. Therefore, none of the kilometres travelled on the trip can be claimed.

Example B5

Trips to the local supermarket are simply part of the normal weekly shop for the family groceries, irrespective of whether specific items may have also been purchased for the boarder at the supermarket (for example, because Virat needed more toiletries). The dominant purpose of these trips isn't related to the provision of the boarding services. Therefore, none of the kilometres travelled on these trips can be claimed.

Appendix C: Examples of using the standard-costs in the Determination

For all these examples, it is presumed that the eligibility criteria for the Determination are met, and the taxpayer has decided to use the standard-cost basis.

Note: These examples use the weekly standard-cost amount of $186 that's been set for the 2019-20 income year, subject to CPI adjustment. Inland Revenue will make a CPI adjustment to the weekly standard-cost figure each year, and will publish the revised figure as at the end of March each year.

The following example illustrates a situation where only the weekly standard-cost is used.

Example C1 – Boarding income less than weekly standard-cost

Lynn has one student boarding in her home. The boarder pays $180 per week for the full year. Lynn doesn't have any other boarders.

As the weekly board Lynn receives is less than the determined weekly standard-cost per boarder ($186), Lynn isn't required to return the income.

Example C2 – Multiple boarders with income less than weekly standard-cost

Bailey and Lorin are both university students. They live at home with their parents, and each pays $100 per week for board. There are no other private boarders. As the board Bailey and Lorin's parents get is less than the determined weekly standard-cost per boarder ($186) they aren't required to return the income.

The following examples illustrate situations where both the weekly standard-cost and the annual housing standard-cost are used.

Example C3 – Incorporating annual housing standard-cost for own property

Gavin owns his family's home, which he purchased five years ago for $550,000. He hasn't made any capital improvements to the property.

Gavin and his partner Jenny have one boarder, who pays $250 per week for the full year. Gavin and Jenny also have a teenage son who lives with them full time, so there is a total of 4 occupants in the home for the year.

As the weekly board exceeds the weekly standard-cost per boarder ($186), Gavin uses the worksheet *"Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services"* and calculates the annual housing standard-cost element as follows:

$$(a - b) \times c \times d$$

a Because Gavin owns his home, "a" is 4% of the cost of the home: 4% of $550,000 = $22,000.

b Gavin doesn't receive an accommodation supplement, so "b" is 0.

c The average number of boarders relative to the total number of occupants for the period the boarder is there (the whole year) is 1 out of 4, so "c" is 25%.

d The boarder is accommodated for the full year, so "d" is 1 (the number of weeks in the year the boarder is there (52) divided by 52 weeks in the year).

Therefore, Gavin calculates that his annual housing standard-cost is $5,500:

($22,000 – 0) × 25% × 1 = $5,500

Gavin adds together the weekly standard-cost he is allowed per week per boarder ($186 × 52 = $9,672) and his annual housing standard-cost of $5,500. The total standard-cost Gavin uses, combining these elements, is $15,172.

The total board Gavin and Jenny receive for the year is $13,000 ($250 × 52). As this is less than the total standard-cost Gavin has calculated, he and Jenny aren't required to return any of the boarding income – it is exempt income.

Example C4 – Incorporating annual housing standard-cost for rented property with accommodation supplement

Suzie rents her home, paying $450 per week in rent. She receives an accommodation supplement of $20 per week.

Suzie has an international student boarding for a six-month period during the year. Suzie has an 8-year-old child, who lives with her full time. Therefore, for the six-month period the boarder is staying, there are three occupants in the household, and for the other six-month period there are two. The boarder pays $200 per week in board.

As the weekly board exceeds the weekly standard-cost per boarder ($186), Suzie uses the worksheet "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" and calculates the annual housing standard-cost element as follows:

$$(a - b) \times c \times d$$

a Because Suzie rents her home, "a" is the total rent she paid in the year: $450 × 52 = $23,400.

b Suzie received an accommodation supplement in the year, so "b" is the total amount of the accommodation supplement for the year: $1,040.

c The average percentage of boarders relative to total occupants for the period the boarder is there (half of the year) is 33.33% – this is "c".

d The boarder is accommodated for half of the year, so "d" is 0.5 (the number of weeks in the year the boarder is there (26) divided by 52 weeks in the year).

Therefore, Suzie calculates that her annual housing standard-cost is $3,726.29:

($23,400 – $1,040) × 33.33% × 0.5 = $3,726.29

Suzie adds together the weekly standard-cost she is allowed per week per boarder ($186 × 26 = $4,836) and her annual housing standard-cost of $3,726.29. The total standard-cost Suzie uses, combining these elements, is $8,562.29.

The total board Suzie receives for the year is $5,200 ($200 × 26). As this is less than the total standard-cost Suzie has calculated, she isn't required to return any of the boarding income – it is exempt income.

Example C5 – Incorporating annual housing standard-cost for multiple boarders for own property

Meredith owns her home, which she purchased 20 years ago for $100,000. She hasn't made any capital improvements to the property.

Over the year, Meredith and her partner Mai have three boarders, who live in the household at different periods of the year. One permanent boarder pays $180 per week for the full year, and two boarders each pay $250 per week for six months (26 weeks) in the second half of the year. There are three occupants in the household for half of the year, increasing to five in the second half of the year when the two additional boarders are there. Meredith and Mai don't provide any transport services to the boarders as part of the private boarding service arrangements.

The total board received for the year was $22,360:

($180 × 52) + ($250 × 26 × 2) = $22,360

The weekly-standard cost Meredith is allowed is $19,344:

($186 × 52) + ($186 × 26 × 2) = $19,344

As the total board received exceeds the weekly standard-cost, Meredith uses the worksheet "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" and calculates the annual housing standard-cost element as follows (calculating each six-month period separately, because the number of boarders differed in each period):

$$(a - b) \times c \times d$$

a Because Meredith owns her home, "a" is 4% of the cost of the home: 4% of $100,000 = $4,000.

b Meredith doesn't receive an accommodation supplement, so "b" is 0.

c For the first six-month period (when there is just one boarder), the average percentage of boarders relative to total occupants, "c", is 33.33%.

For the second six-month period (when there are three boarders), the average percentage of boarders relative to total occupants, "c", is 60%.

d For the first six-month period (when there is just one boarder), the number of full weeks the boarder is there is 26 (the whole six-month period), so "d" is 0.5 (26 divided by 52). Likewise for the second six-month period (during which there are also boarders for 26 weeks).

Therefore, Meredith calculates that her annual housing standard-cost is $1,860:

For the first six-month period: ($4,000 – 0) × 33% × 0.5 = $660

For the second six-month period: ($4,000 – 0) × 60% × 0.5 = $1,200

Therefore, total annual housing standard cost = $1,860

Meredith adds together the weekly standard-cost she is allowed ($19,344) and her annual housing standard-cost of $1,860. The total standard-cost Meredith uses, combining these elements, is $21,204.

As noted above, the total board Meredith and Mai receive for the year is $22,360. As this is more than the total standard-cost Meredith has calculated, she and Mai must return any boarding income that exceeds the total standard-costs. Therefore, the amount to be returned is $1,156 ($22,360 – $21,204).

Although Meredith owns the home, the boarding services are provided by both Meredith and Mai, so the amount to be returned should be split so each returns half ($578).

The following example illustrates a situation where the weekly standard-cost, the annual housing standard-cost and the annual transport standard-cost are all used.

Note: This example uses the kilometre rates that have been set for the 2018-19 income year. Inland Revenue adjusts the kilometre rates each year, and publishes the revised figures as at the end of March each year on the Inland Revenue website.

Example C6 – Incorporating all three standard-costs for own property

Matai and Roimata provide boarding services to Joan and her four-year-old son for $250 per week. Matai and Roimata and their two children aged under five occupy the home full time, and Matai's teenage daughter from a previous relationship lives with them 50% of the time. Matai's teenage daughter is counted as "half" an occupant (0.5), because she lives there half the time.

Joan doesn't have a car, so part of the boarding arrangement is that Roimata will drive Joan to her work and Joan's son to day-care, and pick them up at the end of the day. This is a 5km round-trip for each drop off and pick up – so a total of 10km for each day Joan works. Joan worked on 240 days during the year. Roimata keeps a log book for the year, recording the days on which she makes these trips. Roimata's car travels less than 14,000 kilometres during the year.

Matai purchased the home for $150,000 ten years ago. He hasn't made any capital improvements to the property. Matai and Roimata receive no accommodation supplement.

In this situation, one boarder pays $250 per week for board for the full year – Joan's son is not counted as a boarder as he is under five years old. The household is treated as consisting of 3.5 total occupants – Matai, Roimata and Joan, and Matai's daughter as "half" an occupant. The three children under five years old are not counted as occupants.

As the weekly board exceeds the weekly standard-cost per boarder ($186), Matai and Roimata use the worksheet "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" and calculate the annual housing standard-cost element as follows:

$$(a - b) \times c \times d$$

a	Because Matai owns the home, "a" is 4% of the cost of the home: 4% of $150,000 = $6,000.
b	Matai and Roimata don't receive an accommodation supplement, so "b" is 0.
c	The average percentage of boarders relative to total occupants for the period the boarder is there (the whole year), "c", is 28.57%.
d	The boarder is accommodated for the full year, so "d" is 1 (the number of weeks in the year the boarder is there (52) divided by 52 weeks in the year).

Therefore, Matai and Roimata calculate that their annual housing standard-cost is $1,714.20:

$$(\$6{,}000 - 0) \times 28.57\% \times 1 = \$1{,}714.20$$

Matai and Roimata add together the weekly standard-cost they are allowed per week per boarder ($186 × 52 = $9,672) and their annual housing standard-cost of $1,714.20. The total of these two elements is $11,386.20.

The total board Matai and Roimata receive for the year is $13,000 ($250 × 52). As this is more than the weekly standard-cost element and the annual housing standard-cost element combined ($11,386.20), Matai and Roimata calculate their annual transport standard-cost. They can add this element as Roimata provides transport to Joan (and her son) as part of the boarding arrangement. The dominant purpose of the trips, dropping Joan to work and her son to day-care and picking them up again at the end of the day, is related to the provision of the private boarding service, so the kilometres travelled on these trips can be claimed for.

Matai and Roimata use the worksheet "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" and calculate the annual transport standard-cost element as follows:

kilometre rate × kilometres travelled

kilometre	The relevant motor vehicle kilometre rates for the year (set by the

rate	Commissioner of Inland Revenue) are 79 cents per km for the first 14,000 km, and 30 cents per km for any kilometres over 14,000 km.
kilometres travelled	The total kilometres travelled where the dominant purpose of the trip related to providing the boarding services is 2,400 km (10km on each day Joan worked multiplied by the 240 days on which she worked).

Therefore, Matai and Roimata calculate that their annual transport standard-cost is $1,896:

$$2{,}400 \times 0.79 = \$1{,}896$$

Matai and Roimata add together their weekly standard-cost of $9,672, their annual housing standard-cost of $1,714.20, and their annual transport standard-cost of $1,896. The total of the three elements is $13,282.20.

As noted above, the total board Matai and Roimata receive for the year is $13,000 ($250 × 52). As this is less than the total standard-cost Matai and Roimata have calculated, they aren't required to return any of the boarding income – it is exempt income.

Appendix D: Examples **of checking a boarding rate to see if you're likely to have** tax obligations for your boarding income

For all these examples, it is presumed that the eligibility criteria for the Determination are met, and the taxpayer has decided to use the standard-cost basis.

Note: These examples use the weekly standard-cost amount of $186 that's been set for the 2019-20 income year, subject to CPI adjustment. Inland Revenue will make a CPI adjustment to the weekly standard-cost figure each year, and will publish the revised figure as at the end of March each year.

D1. The examples in Appendix C show how to calculate whether there is a tax liability at the end of the year. However, you may want to check in advance of getting a boarder that the rate you plan to charge will likely be covered by your weekly and housing standard-costs, so you can be reasonably confident about whether you'll have tax obligations for your boarding income at the end of the tax year.

D2. While you can estimate this, bear in mind that you may end up having tax obligations at the end of the year for some of your boarding income if any of the following things happen:

- the number of occupants of your home **who aren't boarders** (and who are over 5 years of age) increases during the year;
- your rent (if you rent your home) decreases during the year; or
- you start receiving an accommodation supplement during the year, or get an increase in any accommodation supplement you already receive.

D3. The following examples explain how you can estimate whether the rate you plan to charge a boarder will likely be covered by your weekly and housing standard-costs, so you can be reasonably confident about whether you'll have tax obligations for your boarding income at the end of the tax year.

Example D1 – Hosts own their home

Ashan and Lisa have decided to get a boarder, as they have a spare room. They are planning to charge about $280 per week in board. They would prefer not to have any tax obligations at the end of the year for the boarding income, so they want to estimate if their likely standard-costs would cover their boarding income if they set the board at that level.

Ashan and Lisa bought their home for $460,000. They do not receive an accommodation supplement. Provided it is just Ashan, Lisa and the boarder living in the house, and Ashan and Lisa do not start receiving an accommodation supplement, the housing standard-cost that could be used for each week the boarder is there would be $117.

This is calculated as follows:

- For hosts who own their home, the housing standard-cost is based on 4% of the cost of the property.

- 4% of \$460,000 = \$18,400.
- With Ashan, Lisa and one boarder living in the house, $\frac{1}{3}$ of the \$18,400 (or \$6,133) would be the annual housing standard-cost Ashan and Lisa could use if the boarder was there for 52 weeks.
- The annual amount of \$6,133 can be converted to a weekly amount, by dividing it by 52.
- On a weekly basis, the housing amount would therefore be \$117.
- When this is added to the weekly standard-cost of \$186, Ashan and Lisa's total estimated standard-cost converted to a weekly amount would be \$303 per week (\$186 + \$117).

This would mean that Ashan and Lisa's proposed boarding charge of \$280 per week would be covered by their estimated standard-costs (\$303 per week). Provided the circumstances don't change during the year (in particular, see the three bullet points at para D2), Ashan and Lisa can be confident they would not have any tax obligations for their boarding income if the board is set at the level they are proposing. Ashan and Lisa would not need to work out their transport standard-costs as their income from boarding is covered by the weekly costs and housing costs.

Example D2 – Hosts own their own home and may wish to keep track of transport (if provided) to add on the transport standard-cost

This example assumes the same facts as Example 1, but with Ashan and Lisa having two teenage children who still live at home. Because there are more occupants in the home, the housing standard-cost would be less than in Example 1. This reflects that the housing expenses are effectively split between the number of occupants in the house. With the boarder being one of five people living in the house, only $\frac{1}{5}$ of the total housing cost figure in the formula could be used.

The housing standard-cost that could be used for each week the boarder is there would be \$70.77.

This is calculated as follows:

- For hosts who own their home, the housing standard-cost is based on 4% of the cost of the property.
- 4% of \$460,000 = \$18,400.
- With Ashan, Lisa, their two teenage children and one boarder living in the house, $\frac{1}{5}$ of the \$18,400 (or \$3,680) would be the annual housing standard-cost Ashan and Lisa could use if the boarder was there for 52 weeks.
- The annual amount of \$3,680 can be converted to a weekly amount, by dividing it by 52.
- On a weekly basis, the housing amount would therefore be \$70.77.

- When this is added to the weekly standard-cost of $186, Ashan and Lisa's total estimated standard-cost converted to a weekly amount would be $256.77 per week ($186 + $70.77).

This would mean that Ashan and Lisa's proposed boarding charge of $280 per week would not be covered by their estimated weekly and housing standard-costs ($256.77 per week). Ashan and Lisa therefore may have tax obligations for some of their boarding income if the board is set at the level they are proposing.

Adding on transport costs

If Ashan and Lisa's boarding agreement requires them to provide transport to the boarder, they may wish to keep track of the number of kilometres for which they could claim the transport standard-costs. Eligible trips are those where the dominant purpose of the trip was to transport the boarder.

At the end of the year, Ashan and Lisa could then calculate their annual transport standard-cost (see "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" for help with this).

That amount could then be added to Ashan and Lisa's total weekly standard-costs for the year and their annual housing standard-costs (see "*Using DET 19/01 – Worksheet for calculating standard-costs for private boarding services*" for help with calculating these amounts at the end of the year).

The total of these three elements would be Ashan and Lisa's total standard-costs for the year.

If Ashan and Lisa's boarding income was:

Less than (or equal to) their total standard-costs	→	They would not have any tax obligations for their boarding income.
more than their total standard-costs	→	Their boarding income over the amount of their total standard-costs would be taxable and must be included in their tax returns (split between them).

Example D3 – Host rents their home and receives an accommodation supplement

Sandra lives alone and has decided to get a boarder to help with her expenses. She is planning to charge about $240 per week in board. She would prefer not to have any tax obligations at the end of the year for the boarding income, so she wants to estimate if her likely standard-costs would cover her boarding income if she set the board at that level.

Sandra rents her home for $320 per week. She receives an accommodation supplement of $100 per week. Provided it is just Sandra and the boarder living in the house, and Sandra's accommodation supplement does not increase, the housing standard-cost that could be used for each week the boarder is there would be $110.

This is calculated as follows:

- For hosts who rent their home, the housing standard-cost is based on their total rent for the year, minus the total accommodation supplement they received for the year.
- Sandra's total annual rent, at $320 per week, would be $16,640 ($320 × 52).
- The total accommodation supplement she would receive for the year, at $100 per week, would be $5,200 ($100 × 52).
- Sandra's expected total rent minus her expected total accommodation supplement for the year would be $11,440 ($16,640 – $5,200).
- With Sandra and one boarder living in the house, $\frac{1}{2}$ of the $11,440 (or $5,720) would be the annual housing standard-cost Sandra could use if the boarder was there for 52 weeks.
- The annual amount of $5,720 can be converted to a weekly amount, by dividing it by 52.
- On a weekly basis, the housing amount would therefore be $110.
- When this is added to the weekly standard-cost of *$186, Sandra's total estimated standard-cost converted to a weekly amount would be $296 per week ($186 + $110).

This would mean that Sandra's proposed boarding charge of $240 per week would be covered by her estimated standard-costs ($296 per week). Provided the circumstances don't change during the year (in particular, see the three bullet points at para D2), Sandra can be confident she would not have any tax obligations for her boarding income if the board is set at the level she is proposing.