

## **DET 19/02: Standard-cost household service for short-stay accommodation providers (21 May 2019)**

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 may be relevant to taxpayers who provide short-stay accommodation services in their home, if they do not rent out rooms for more than 100 nights in the year.

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

If a taxpayer chooses to use the standard costs, income from providing the short-stay accommodation service will be exempt up to the amount of those costs. Income from providing the accommodation will only need to be returned to the extent it exceeds the standard costs. Any additional costs related to providing the accommodation cannot be deducted if they relate to an item covered by 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 short-stay accommodation services in their domestic accommodation.

This Determination does **not** apply where:

- (a) the short-stay accommodation service is provided for more than 100 room rental nights during the income year;
- (b) the taxpayer does not choose to apply this Determination;
- (c) the short-stay accommodation service is provided as part of a GST taxable activity of a registered person;
- (d) the domestic accommodation is trust property, unless for the income year the host paid all of the costs for the use of the domestic accommodation in providing the short-stay accommodation service, including (as relevant):



financing costs (eg, home loan interest), rent, insurance, rates, and repairs and maintenance:

- (e) the domestic accommodation is used in the income year to provide both a short-stay accommodation service and a private boarding service as defined in [\*DET 19/01: Standard-cost household service for boarding service providers\*](#) (21 May 2019) or any determination that replaces DET 19/01:
- (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 for actual costs incurred in relation to the use of the domestic accommodation to provide accommodation to others, such as flatmates, for any time in the income year when the short-stay accommodation 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;
- **Consumers Price Index** means the application of the annual movement of the All Groups Consumers Price Index and the House Price Index, as appropriate, to the elements included in the nightly standard-cost per room rental night;
- **domestic accommodation** means a dwelling that is, or is part of, the principal residence of any short-stay accommodation host;
- **guest** means a person or persons provided with short-stay accommodation in return for payment;
- **host** means a natural person (which includes one or more natural persons living together in the same residence) who provides a short-stay accommodation service in their domestic accommodation;
- **room rental night** means a night that short-stay accommodation is provided to a guest, in a bedroom set aside for the exclusive use of the guest, with each bedroom in which such accommodation is provided being counted separately;
- **short-stay accommodation** means accommodation provided for up to four consecutive weeks, in a dwelling that is not the guest's ordinary residence,



and does not include accommodation provided to residential tenants, boarders or care home residents, nor student or emergency accommodation;

- **short-stay accommodation service** means all activities involved in the provision of short-stay accommodation and associated services (including, for example, the provision of breakfast, pantry staples, laundry and other services or utilities a host typically provides to guests in the short-stay accommodation in return for payment);
- **standard-cost** in relation to any short-stay accommodation 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 Commission of Inland Revenue for the purposes of this Determination, as referred to in section 91AA(2).

## Determination

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

If this Determination applies, the standard costs that are treated as incurred by the taxpayer in deriving exempt income and any assessable income from providing the standard-cost household service are calculated using the formula:

***(Total room rental nights × nightly standard-cost) – accommodation supplement***

Where –

**Total room rental nights** is the total of all room rental nights for the income year (which cannot exceed 100);

**Nightly standard-cost** is:

- where a short-stay accommodation host owns their domestic accommodation, **\*\$50**; or
- where a short-stay accommodation host rents their domestic accommodation, **\*\$45**; and

**Accommodation supplement** is the total accommodation supplement received by the short-stay accommodation host for the income year multiplied by the total room rental nights divided by 365.

\* The Commissioner will review these amounts 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 nightly standard-cost figures in its *Tax Information Bulletin* and on its website.

The nightly standard-cost covers:

- the cost for the use of the domestic accommodation in providing the short-stay accommodation service, including (as relevant) financing, rent, insurance and rates; and
- expenditure on items and services typically provided to short-stay accommodation guests or related to provision of the service, such as breakfast, pantry staples, linen, bathroom and laundry facilities, cleaning, power, telephone, internet, bedroom chattels and general household furniture, and advertising and host service fees.

The standard-costs for short-stay accommodation hosts are calculated inclusive of GST, if any.

Income derived from providing the short-stay accommodation service is exempt income under s CW 61 up to the amount of the standard-costs calculated by using the formula in the Determination. Any income derived from providing the short-stay accommodation service in excess of the amount of the standard costs as determined by using the formula is assessable income.

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

This Determination is signed on the 21<sup>st</sup> day of May 2019.

**Rob Wells**  
**LTS Manager, Technical Standards**

**COMMENTARY ON DETERMINATION DET 19/02**

1. This commentary is intended to help you understand and apply the Determination *DET 19/02: Standard-cost household service for short-stay accommodation providers*. It does not form part of the Determination and is not a legally binding statement.

**Table of Contents**

<b>Understanding the Determination</b> .....	2
<b>Who can use the Determination?</b> .....	2
<b>Your options</b> .....	4
<b>Income tax implications of using the standard-cost basis</b> .....	4
<b>Items covered by the standard-costs</b> .....	5
<b>Using the standard-cost basis or the actual-cost basis</b> .....	6
<b>When you need to make your choice about the cost approach</b> .....	6
<b>Consumers Price Index</b> .....	7
<b>GST</b> .....	7
<b>If you receive an accommodation supplement</b> .....	7
<b>Reimbursements</b> .....	7
<b>Returning income</b> .....	7
<b>Record keeping</b> .....	8
<b><i>Table 1: Should I consider using the standard-costs in the Determination?</i></b> .....	9
<b><i>Flowchart 1: Am I eligible to use the Determination, and what do I have to do for tax purposes?</i></b> .....	10
<b><i>Examples of using the standard-cost basis</i></b> .....	11

## Understanding the Determination

2. If you have short-stay accommodation guests 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:** “short-stay accommodation” is accommodation provided for up to four consecutive weeks in a dwelling that’s not the guest’s ordinary residence. This accommodation is often provided through peer-to-peer platforms such as Airbnb or Bookabach.

It doesn’t include accommodation provided to tenants, boarders or care home residents, or student or emergency accommodation. All of those things are outside the scope of the Determination.

3. You can keep track of your **actual costs** associated with having short-stay accommodation guests (like home loan interest or rent, utility bills, depreciation of chattels 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 short-stay accommodation income. Therefore, you would need to apportion those costs appropriately, and only deduct the relevant portion.
4. Alternatively, if you have short-stay accommodation guests in your home, 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 short-stay accommodation guests. This approach is simpler than using your actual costs and apportioning them where necessary, and for some 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).

## Who can use the Determination?

5. You may choose to use the standard-costs in the Determination if:
  - you are a natural person (eg, an individual not a company);
  - you rent out a room or rooms in your home to guests for short-stay accommodation (no more than four consecutive weeks);
  - you don’t rent out rooms for more than 100 nights in the income year (counting each room that is rented out separately – see page 3);

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



- the property isn't held in a trust, or if it is you paid all of the costs for the income year for the use of the domestic accommodation in providing the short-stay accommodation service, including (as relevant): financing costs (eg, home loan interest), rent, insurance, rates, and repairs and maintenance;
- you don't provide the short-stay accommodation service as part of a GST taxable activity;
- your home isn't used in the income year to provide both a short-stay accommodation service and a private boarding service (as defined in [DET 19/01: Standard-cost household service for boarding service providers](#) or any determination that replaces DET 19/01;
- 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 one claims deductions for actual costs incurred in relation to the use of your home to provide accommodation to others, such as flatmates, for any time in the income year when the short-stay accommodation service is provided.

#### Counting "room rental nights"

If you rent out more than one bedroom, each bedroom rented out is counted separately in working out the "room rental nights". This is because the standard-costs are based on a proportion of average household costs that reflects having guests in one room.

For example, if you rent out your whole 5-bedroom house for 7 nights, that counts as 35 room rental nights. If you rent out 1 bedroom for 40 nights and another bedroom for 30 nights, that counts as 70 room rental nights.

**Q: Why can the standard-costs only be used by people who have 100 or fewer rental nights?**

**A:** *The Commissioner's power to set standard-costs to reduce compliance costs has limits around it. One of those is that the Commissioner has to be satisfied that the determination wouldn't result in inappropriate risk to the revenue or inappropriate inaccuracy for a significant number of taxpayers.*

*The standard-costs include an amount for the use of the home in providing the accommodation (ie, home loan interest or rent, insurance and rates), based on average national costs. The actual costs will vary significantly from one property to another. However, if the average costs are used for a limited number of nights, the extent to which a particular taxpayer's actual costs will vary from the average is limited.*

*Having a cap on the number of nights' accommodation therefore ensures the use of average housing costs won't create an inappropriate risk to the revenue or inappropriate inaccuracy for a significant number of taxpayers.*

## Your options

6. If you meet the criteria listed in [5], you may choose to use either the “standard-cost basis” or the “actual-cost basis”:

The standard-cost basis	OR	The actual-cost basis
<p>Use the standard-costs in the Determination as the amount you can offset against your income from providing the short-stay accommodation service.</p> <p>You can't use any of your actual expenses for items covered by the standard-costs.</p>		<p>If you take this approach, you deduct your actual expenses related to earning the short-stay accommodation income.</p> <p>Many expenses will need to be apportioned, because they partly relate to having guests and are partly your private household costs.</p>

7. As noted above, if you choose to use the actual-cost basis, some of your expenses will need to be apportioned, as they would not relate solely to the rental activity (for example, home loan interest and power bills). There is guidance on what types of expenses need to be apportioned, and how you should do this, in [QB 19/05: What are my income tax obligations if I rent out my home or a separate dwelling on my property as short-stay accommodation?](#)
8. For each income year, provided you meet the criteria to use the standard-cost basis, you need to decide which approach you want to use. If you don't 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.

## Income tax implications of using the standard-cost basis

9. If you choose to use the standard-cost basis:
- Income you make from providing the short-stay accommodation service will be **exempt income** up to the amount of the standard-costs calculated by using the formula in the Determination.
  - Any income in excess of those costs that you make from providing the short-stay accommodation service will be **assessable income**, and you will need to include it in a tax return.
  - If your income from providing the short-stay accommodation service does not exceed the standard-costs, you will not need to file a tax return on account of providing the accommodation, 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 any additional costs related to providing the accommodation, if they relate to an item covered by the standard-costs (the items covered by the standard-costs are noted from [10] below).
- Any additional cost that does **not** relate to an item covered by the standard-costs in the Determination and is not a capital cost is only deductible to the extent it was incurred in deriving assessable income and is not private in nature. If a cost relates to both earning income and the private use of your home, an appropriate apportionment needs to be made.

### Items covered by the standard-costs

10. The nightly standard-costs set out in the Determination represent the average costs likely to be incurred by short-stay accommodation hosts per room rental night.
11. The nightly standard-costs for the 2019-20 income year are:
  - where a short-stay accommodation host owns their domestic accommodation, **\$50**, subject to CPI adjustment.
  - where a short-stay accommodation host rents their domestic accommodation, **\$45**, subject to CPI adjustment.
12. As noted in the Determination, the nightly standard-costs cover:
  - the cost for the use of the domestic accommodation in providing the short-stay accommodation service, including (as relevant) financing, rent, insurance and rates;
  - expenditure on items and services typically provided to short-stay accommodation guests or related to provision of the service, such as breakfast, pantry staples, linen, bathroom and laundry facilities, cleaning, power, telephone, internet, bedroom chattels and general household furniture, and advertising and host service fees.
13. The nightly standard-costs are based on average costs relating to the use of domestic accommodation. The costs have been calculated based on data from Statistics New Zealand, current market values of chattels that short-stay accommodation hosts typically provide for use by guests, and estimates of bedroom sizes relative to average New Zealand house sizes (based on data from Quotable Valuation NZ).
14. The nightly standard-costs in the Determination are not intended as any guide to the amounts that hosts can or should charge on a nightly basis for the short-stay accommodation service, but rather reflect the expenditure Inland Revenue considers hosts are likely to incur.
15. If you consider that the relevant nightly standard-cost does not reflect the higher costs incurred in your situation, you can choose to use the actual-cost basis.

Whether you use the standard-cost basis or the actual-cost basis, you need to keep sufficient records to support your tax position (see [28]).

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

#### ***The standard-cost basis***

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

- Not including the exempt income (ie, income from providing the short-stay accommodation service, up to but not exceeding the standard-costs calculated under the Determination) in a tax return for that income year, if you are required to file a return.

#### **OR**

- Not filing a tax return for the income year, if the income you make from providing the short-stay accommodation service does not exceed the standard-costs calculated under the Determination, and you don't otherwise have to file a return.

#### ***The actual-cost basis***

17. If you choose to use the actual-cost basis, you must return all income from providing the short-stay accommodation service, and your deductions must be based on the expenses you actually incur in relation to providing the service. There is guidance on how the income tax rules apply in [QB 19/05: What are my income tax obligations if I rent out my home or a separate dwelling on my property as short-stay accommodation?](#)

### **When you need to make your choice about the cost approach**

18. 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.
19. You should keep adequate records of your actual costs related to providing the short-stay accommodation 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 100 room rental nights in the year), or if you choose not to use the standard-cost basis, you will need those records to support deductions you claim when you file a return.

### Consumers Price Index


20. Inland Revenue will make an annual adjustment to the nightly standard-cost figures, by applying the annual movement of the All Groups Consumers Price Index and the House Price Index, as appropriate, to the elements included in the nightly standard-cost per room rental night.
21. Inland Revenue will publish the revised nightly standard-cost figures, as at the end of March each year, in its *Tax Information Bulletin* and on its website.

### GST

22. You cannot use the standard-costs in the Determination if you provide the short-stay accommodation 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 standard-cost components determined by the Commissioner have been prepared on a GST-inclusive basis.

### If you receive an accommodation supplement

23. You may receive an accommodation supplement from the Ministry of Social Development. The Ministry assesses eligibility for an accommodation supplement, based on factors such as accommodation costs, income, assets, whether you have dependents, and your employment status.
24. If you receive an accommodation supplement, it is subtracted in calculating the standard-costs under the Determination. Example 4 (page 12) shows how the receipt of an accommodation supplement affects the calculation of the standard-costs.

 If you receive an accommodation allowance, benefit or other assistance from MSD, you need to let them know about your rental income, so they can ensure you're receiving the correct amounts.

### Reimbursements

25. If you receive reimbursements for specific additional costs not covered by the standard-costs (for example, payment received from the guest for telephone toll calls), these reimbursements are not treated as income, and the costs are not treated as a deductible expense incurred by you.

### Returning income

26. Whether you need to return income from providing the short-stay accommodation service depends on whether the income is more than your allowable standard-costs for the year, and whether you choose to use the Determination.

27. Table 1 (on page 9) will help you decide whether to consider using the Determination. If you want to use the Determination, Flowchart 1 (on page 10) will help you work out if you are eligible to do so. Flowchart 1 also summarises what you need to do to meet your income tax obligations.

### **Record keeping**

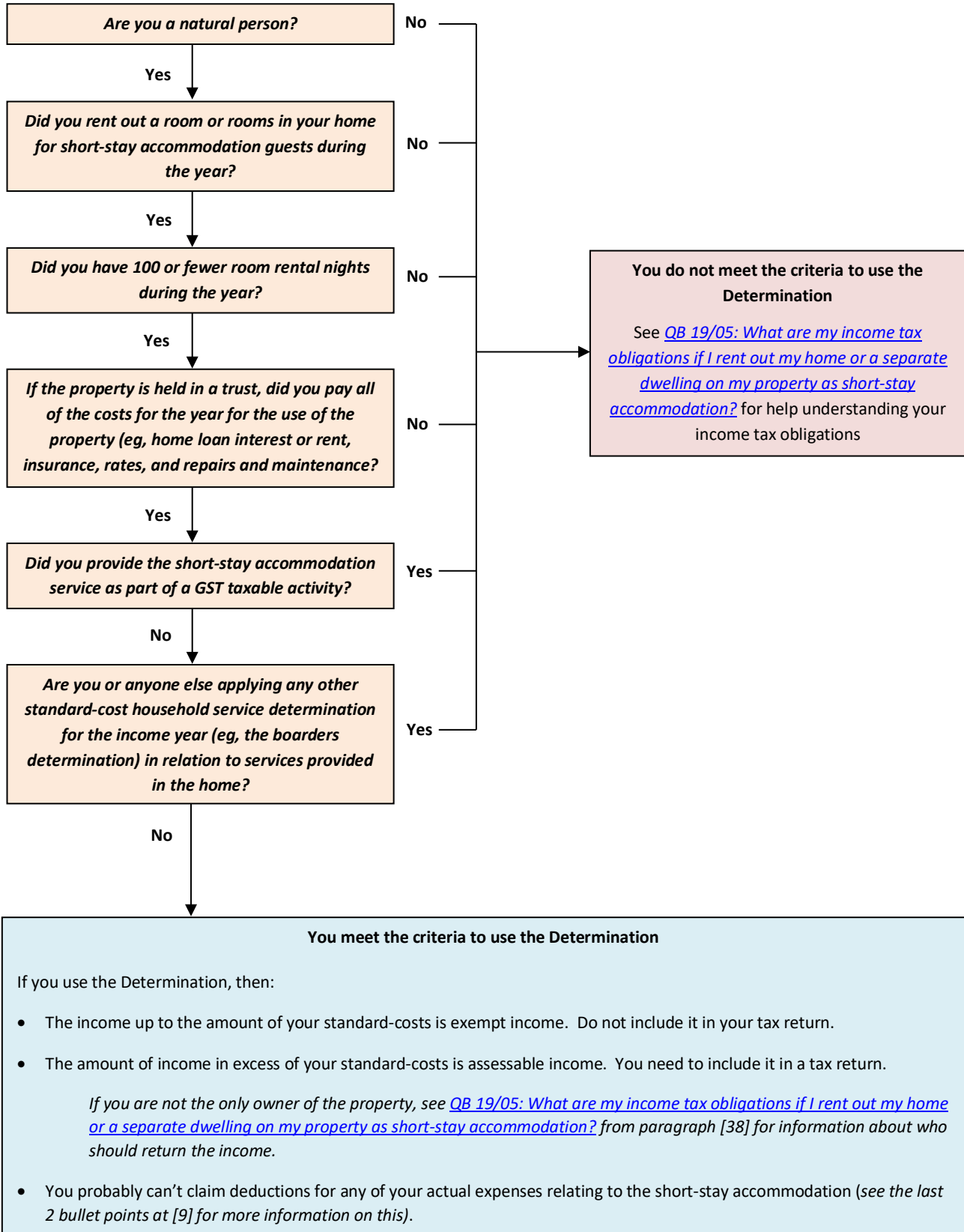
28. Whether you use the Determination or not, you must keep sufficient records to support your tax position. This would include records of the number of nights you rent out rooms, how much income you make from this, and any expenses you are able to deduct if you can't use the Determination or choose not to.

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

**Table 1: Should I consider using the standard-costs in the Determination?**

Question	Yes (✓) No (✗)	Action
<p>1. <i>Is your income from providing the short-stay accommodation service equal to or less than the standard-cost amount?</i></p>	✓	<p>You may like to consider using the standard-costs in the Determination. See Flowchart 1, on page 10, to check if you are eligible to do so.</p>
	✗	<p>Consider question 2.</p>
<p>2. <i>Are you prepared to work out your expenses based on actual costs, because you think your expenses will be greater than the standard-costs?</i></p>	✓	<p>Consider using the standard rules, which are explained in <a href="#">QB 19/05: What are my income tax obligations if I rent out my home or a separate dwelling on my property as short-stay accommodation?</a> But if you don't want to use the standard rules, see Flowchart 1, on page 10, to check if you are eligible to use the Determination.</p>
	✗	<p>Consider using the Determination. See Flowchart 1, on page 10, to check if you are eligible to use the determination.</p>

**Flowchart 1: Am I eligible to use the Determination, and what do I have to do for tax purposes?**



## EXAMPLES OF USING THE STANDARD-COST BASIS

*In all of the following 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 nightly standard-cost amounts of \$50 / \$45 that have been set for the 2019-20 income year, subject to CPI adjustment. Inland Revenue will make CPI adjustments to the nightly standard-cost figures each year, and will publish the revised figures as at the end of March each year.

### **Example 1**

Andy and Stuart own their home and rent out their study with a fold-out couch as short-stay accommodation when there are large events at the nearby stadium. The room is rented out for 15 nights during the income year, for \$48 a night.

The total income Andy and Stuart made for the income year from providing the short-stay accommodation service was \$720.

Andy and Stuart decide to use the standard-costs in the Determination. Using the formula in the Determination, they calculate that their standard-costs are \$750 (15 room rental nights × \$50 nightly standard cost).

Because the income Andy and Stuart make from renting out the room is less than their standard-costs, the income is all exempt. They don't need to return the income or calculate their actual expenses.

### **Example 2**

Ngaire and Jared own their home and rent out the two spare bedrooms as short-stay accommodation. The bigger room was rented out for 60 nights during the income year, for \$80 a night. The smaller room was rented out for 20 nights during the income year, for \$55 a night.

The total income Ngaire and Jared made for the income year from providing the short-stay accommodation service was \$5,900 (60 nights × \$80 plus 20 nights × \$55).

Ngaire and Jared decide to use the standard-costs in the Determination. Using the formula in the Determination, they calculate that their standard-costs are \$4,000 (80 room rental nights × \$50 nightly standard cost).

The income Ngaire and Jared make from renting out the rooms, up to the amount of their standard-costs (\$4,000), is exempt. Ngaire and Jared need to include the income over that amount (\$1,900) in their tax returns. They own the house jointly, so this amount needs to be split between them – with each of them returning half of it.

Ngairé and Jared cannot claim deductions for any of their actual expenses relating to providing the short-stay accommodation service, as all the expenses they incurred in providing the accommodation are covered by the standard-costs.

### **Example 3**

Cole rents a two-bedroom apartment. Cole went overseas for a three-week holiday during the income year, and his landlord gave him permission to rent out the apartment while he was on holiday. Cole rented out the apartment for 18 nights while he was away, to a family visiting their relatives. The rent was \$150 a night.

The total income Cole made from the income year from providing the short-stay accommodation service was \$2,700 (18 nights × \$150).

Cole decides to use the standard-costs in the Determination. Using the formula in the Determination, he calculates that his standard-costs are \$1,620 (36 room rental nights (counting each bedroom separately) × \$45).

The income Cole makes from renting out the apartment, up to the amount of his standard-costs (\$1,620), is exempt. Cole needs to include the income over that amount (\$1,080) in his tax return.

Cole can't claim deductions for any of his actual expenses relating to providing the short-stay accommodation service, as all the expenses he incurred in providing the accommodation are covered by the standard-costs.

### **Example 4**

Kasey owns her home and rents out the sleepout as short-stay accommodation. The sleepout was rented out for 55 nights during the income year, for \$85 a night. Kasey receives an accommodation supplement of \$30 per week (\$1,560 for the year).

The total income Kasey made for the income year from providing the short-stay accommodation service was \$4,675 (55 nights × \$85).

Kasey decides to use the standard-costs in the Determination. Using the formula in the Determination, she calculates her standard-costs as follows:

$$\text{(Total room rental nights} \times \text{nightly standard-cost)} - \text{accommodation supplement}$$

Kasey has 55 total room rental nights.

The nightly standard-cost that applies for her is \$50.

The "accommodation supplement" figure Kasey has to put into the formula is the total accommodation supplement she received for the income year multiplied by the total room rental nights divided by 365. This is:

$$\$1,560 \times \frac{55}{365} = \$235.07$$



So, applying the formula, Kasey's standard-costs for the year are \$2,514.93:

***(55 room rental nights × \$50 nightly standard cost) – \$235.07 accommodation supplement***

The income Kasey makes from renting the sleepout out, up to the amount of her standard-costs (\$2,514.93), is exempt. Kasey needs to include the income over that amount (\$2,160.07) in her tax return.

Kasey can't claim deductions for any of her actual expenses relating to providing the short-stay accommodation service, as all the expenses she incurred in providing the accommodation are covered by the standard-costs.