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MEDIA RELEASE

H&R BLOCK
TAX ACCOUNTANTS

ATO Targets Airbnb Owners in 2016

The Australian Tax Office is targeting Airbnb users and the 1.8 million people – or about 8% of the population – who own an investment property in 2016.

Mark Chapman, Director of Tax Communications, commented "whether it is a property rented out on Airbnb or a city pad rented out long term, the ATO has signalled a big push to check that people are disclosing their rental income or falsely claiming tax deductions.

"The ATO has access to numerous sources of third party data and the Airbnb site itself, which lists the properties and their addresses/owners, making it a relatively easy exercise for them to track who is paying tax on the rental", he added.

Income Tax

Whilst it's possible to run something like a full time accommodation business through Airbnb (check out their website and notice that some people own multiple properties in some cities), the vast majority of people are engaged with Airbnb in a much smaller way, typically letting out one or two spare rooms in their own private residence.

Although these people are generating income from their Airbnb activities, they are not running a business. That means that the many complex rules around business taxation are not relevant for most Airbnb landlords.

Rental Income

Any income derived from rent will typically be assessable income.

Rental Expenses

If rental income is assessable, landlords are generally entitled to tax deductions for expenses incurred in deriving that rental income.

These expenses fall into three categories:

1. Expenses that are directly associated with the rented area can be deducted in full
2. Expenses that relate to shared areas need to be apportioned
3. Expenses that relate to the host's private area only cannot be deducted.

Some examples of expenses that may be deductible in full include:

- Depreciation of furniture used in the rented room (such as beds, desks and drawers);
- Commercial cleaning of the rented area;
- Repairs and maintenance;
- Food (such as breakfast provisions) made available to the guest;
- Professional photography for the listing;
- Service fees and commissions charged by Airbnb.

Where there are expenses that relate to the entire property, apportionment is required, typically based on the floor area used for Airbnb rental, compared with the total floor area of the property.

If rental expenses exceed rental income, a loss will arise. The excess of rental expenses over rental income (the loss) can effectively be claimed against the landlord's other income, such as salary.

However the ATO may seek to argue that that the landlord is charging a non-commercial rate of rent (i.e. a rate lower than market rate). If successful, they could limit the rental deductions to the extent that they exceed the amount of rental income received.

One final thing to note in relation to expenses is that they are only deductible where an area of the house is either actually rented out, or available for rent.

For example, where a room is available for rent for 180 days a year then only the portion of rental expenses that were incurred over that 180-day period are deductible.

Capital Gains Tax

In most cases, when you sell your private residence, the sale is free of capital gains tax. However, if you have used part of the property for income earning activities – like renting it out through Airbnb – part of the gain will be taxable.

Keeping Records

The ATO is looking closely at those participating in Airbnb. In order to minimise the chances of falling foul of the ATO's auditors, keep proper records of all income earned and allowable deductions for which you're claiming (such as invoices, receipts, bank statements, etc.), including details of how you have apportioned expenses which are partially for private use (with floor plans to support apportionments).

For further information please contact:

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