

Fact Sheet: Air BnB

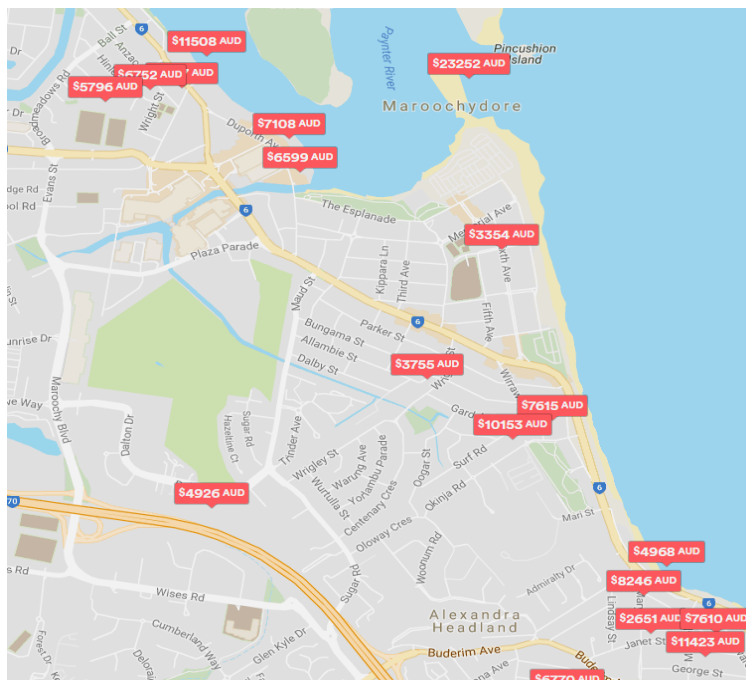
Easy Money for Somebody Just Laying Around Your Spare Room

"2 Million Listings. 60 Million Guests. 191+ countries."

At least that's what the Air BnB marketers tell you but the digital revolution has made it much easier for people offering services to connect with people wanting those services. Air BnB is one of those connection services that is booming in this environment.

Recently I heard of one enterprising person renting luxury mansions on the Gold Coast for \$3,000 a week and then listing it on Air BnB for \$2,000 a night.

While the rewards can be, worthwhile there are a few other things to think about before you post as a host.



The perils of bad tenants are something you can google until your heart's content. The purpose of this Fact Sheet is to summarise the general business and tax rules that will apply to you if you choose to open your place up on Air BnB or other similar sites.

What are the Key Tax Implications of Air BnB?

Air BnB is fundamentally no different to any other business. You invest some funds and energy into a venture to generate sales and hopefully make a profit. Any profit left after your business costs have been deducted will usually be taxable income to you.

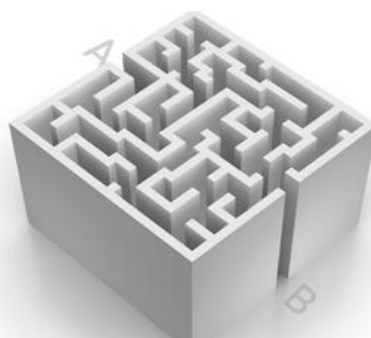
Sales Revenue

Revenue is easy enough to calculate and report as any deposits from Air BnB into your business will be taxable income to you.



- *A separate bank account for your Air BnB business is essential and will make your bookkeeping and accounting simpler than having a shoe box approach.*
- *Use an effective bookkeeping system. A Xero non-GST cashbook only costs \$10 a month but can potentially save you hours of time.*

The best path
forward
in Business
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Tax Deductible Expenses

The tax system can be complex and one of the biggest misunderstandings we encounter relates to deciding what is a business cost.

While the Tax Office are very helpful in providing guidance and examples, we don't always agree with their interpretation. The general deduction rule allows a deduction for all costs that are incurred or necessarily incurred in gaining income provided it is not excluded by another provision of the tax act. The main costs that are not permitted deductions are private costs or capital costs.

Some Expenses that are Usually Deductible

If you are providing accommodation in the property you live in, you may be able to claim part or all the costs listed below. This list is not exhaustive so **please give us a call (07) 5448 9600** to have a chat for more details:



- *Air BnB fees and charges*
- *Your home mortgage interest*
- *Your rates and body corp' levies*
- *Your property insurance (although your premiums may increase)*
- *Depreciation on your property (you may want to think about that one because you may have to pay it back when the property is sold)*
- *The costs of soft furnishings for your guests*
- *Cleaning and maintenance of the rooms to be rented and part of the outside maintenance costs.*

Some Non-Deductible Expenses



- *The cost of travelling around the world to "research" other Air BnB properties (But you may get a deduction for attending relevant seminars and conferences)*
- *Your food or clothing costs*
- *Any costs that you haven't paid for such as your time to mow the lawn or welcome guests.*

This is a general guide only and is not exhaustive neither is it intended to be advice. If you have any questions, please **give our office a call on (07) 5448 9600**.

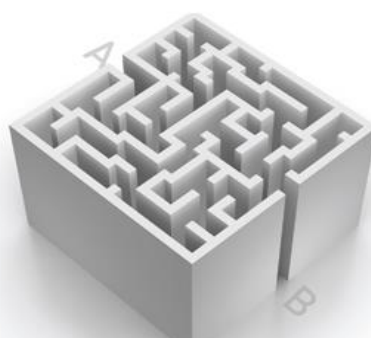
Capital Gains Tax

This one could be the most significant cost you will incur with your Air BnB business.



You will make a taxable capital gain if your property value increases and you operated a business from the property. That gain will be taxed to the property owner at their marginal tax rate. Currently if you earn over \$87,000 your marginal tax rate is 37%. This will be the case even if your rented property is your principal place of residence.

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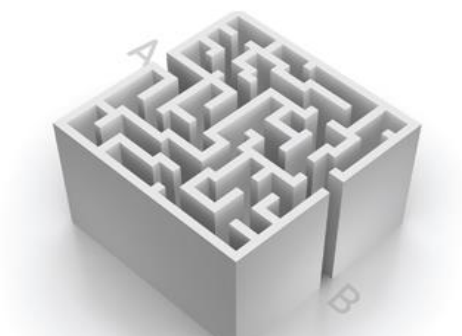
Summary and Recommendations

Air BnB is treated like any other business and can be a good way to supplement your income. Whether you are renting out your spare room or listing your investment properties as holiday rentals the same rules apply. Take advice early and don't get caught out by unexpected liabilities.

1. Always have a separate bank account for your business.
2. Use an effective bookkeeping system - A Xero non-GST cashbook only costs \$10 a month.
3. Do some preliminary calculations on the likely income and costs for your business. Don't forget to include the cost of any tax payable on your property when it is sold.
4. Update your insurances to ensure you are covered for your Air BnB business.

For more information call the office on (07) 5448 9600 or drop us a message on welcome@growaccounting.com.au.

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