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ACCOUNTANTS & ADVISORS

# AIRBNB HOSTS ARE IGNORING THIS CAPITAL GAINS TAX TIMEBOMB

Airbnb hosts are on notice from the Australian Tax Office to declare rental income in their tax return. But what many don't realise is that the taxman can still take a chunk of their sale price when they sell their properties. Tax experts warn that many people who rent out a room in their home have no idea they're sitting on a capital gains tax (CGT) time bomb. Most assume CGT is not even on the cards because usually any profit on the family home (or "primary residence") is tax-free. But because they are earning an income from a portion of the family home, some of the endgame capital gain could be up for grabs by the taxman. This is the case, of course, whether it is let via Airbnb or another avenue.

So how much tax could hosts be looking at? Well, it depends on how much of your property is rented out and for how long.

## Be careful of ratio you claim

While some people are aware that renting out a portion of their home may trigger a capital gain event, many still fail to calculate the percentage of the property the calculated gain should be attributed to.

You need to work out the portion of the property used for "investment" or "income-producing" purposes based on the floor area rented out as a percentage of the total property. This is then apportioned to the period that area was made available to rent throughout the duration of ownership.

CGT will depend on how much of your property is rented out and for how long. Let's take a couple – Helen and Adam* – who bought their property for $1.5 million 10 years ago and sell it now for $3 million. They have rented out a bedroom and bathroom for four years (via Airbnb), and have worked out that this space is equivalent to about 15 per cent of their property. (For CGT calculations, we'll also need to know how much they earn: Helen is in the top tax bracket, earning more than $180,000 a year, and Adam earns $67,500.). Their capital gain is $1.5 million. Of this, 15 per cent is subject to CGT (being the proportion of the area of the property rented out) – that's $225,000.

Complicated stuff – especially since few people would be thinking through the tax implications at the time of buying the family home or potentially renting part of it out.

***If you have any questions in relation to the above, please contact our office on 03 9854 3200***