

COVID-19 GST Determination

Short-term holiday accommodation relief

Inland Revenue released guidance in June this year which discusses the requirements for GST registration, the main consequences of GST registration and what happens when the property is sold or the short-stay accommodation activity ceases. Please refer to our earlier article [here](#).

Following this earlier guidance, Inland Revenue has now recognised the impact of the COVID-19 pandemic and travel restrictions on providers of short-term holiday accommodation (such as Airbnb and other holiday home providers) and has recently issued a determination to provide tax relief to certain affected taxpayers.



Now, for tomorrow

The 'normal' GST Rules

The GST implications of providing short-term accommodation are often not very well understood and the potential implications of ceasing such activity can be very costly to property owners. The application of these rules is particularly relevant in the current climate of restricted travel and tourism, decreased demand for short-term accommodation and increased demand for long-term residential accommodation.

Normally, when a short-term accommodation provider who is GST registered stops their short-term rental activity, or if they switch to providing long-term residential accommodation, they would usually be liable to pay GST on the current market value of the property.

For example, if a taxpayer owned a property worth \$800,000 that had been previously used for an Airbnb business and has switched to a long-term residential rental arrangement, the GST payable to Inland Revenue as a result of this change in use would be approximately \$104,000.

Determination COV 20/09

Determination COV 20/09 issued by Inland Revenue on 17 August 2020 provides welcome relief to short-term accommodation providers who are registered for GST and have temporarily stopped their taxable activity (i.e. stopped providing short term accommodation) because of the impacts of COVID-19.



This Determination provides that a taxpayer's GST registration will not be cancelled (and therefore no GST output tax adjustment required – the \$104,000 payment in the example above), provided there are reasonable grounds to believe that the taxpayer will resume their short-term accommodation activity within 18 months from the date the activity ceased.

To get the benefit of this 18-month 'grace period', all of the following must apply:

1. The change to providing long-term (exempt for GST) accommodation must occur between 14 February 2020 and 31 October 2020
2. The change in use must be due to "the impacts of COVID-19 response measures or the consequences of COVID-19"
3. The change must be notified to the Commissioner by email sent by 31 October 2020, sent to the following email address STRdisclosures@ird.govt.nz and must include the following information:
 - a. Inform the Commissioner of the cessation of all taxable activities
 - b. The date of cessation
 - c. That the taxpayer intends to carry on a taxable activity within 18 months of that date.

We can help

If you own a property that you let through Airbnb, Bookabach or similar websites and the above determination applies to you, or if you have any other queries regarding GST and short-term accommodation, please contact your Baker Tilly Staples Rodway advisor.

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