



# Short-term let not always a good tax bet

**A**IRBNB has become a popular option for the homeowner who wants to make a few extra dollars. But there can be downsides that are not generally well known.

There is a common false belief that people who offer their home for rent on Airbnb can rely on the "six-year rule". This is a provision in the tax regulations that allows homeowners to be absent from their home for up to six years without losing the capital gains tax exemption.

What could be simpler? You go travelling for a couple of months, rent your house out while you are away, and keep the capital gains tax exemption because you haven't been away for more than six years.

Accountant Julia Hartman of BAN TACS (my co-author of *Winning Tax Strategies*) heard the ATO was taking a narrower view, so sought a private ruling from the tax office. The decision may surprise you.

In the eyes of the tax office, the six-year rule requires the homeowner to be residing elsewhere. The home must cease to be your main residence. The ATO feels this is not a matter of a few weeks' absence. You need to take up residence in a different home and do all the things that a change in residency requires.

This includes changing your mailing address and address on driver's licence, and having the electoral roll

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amended. Of course, this changes the landscape and brings capital gains tax into play.

### Case Study

A couple decide to rent their house out on Airbnb while on holidays.

As this is the first time they have used the house to produce income, the CGT cost base is now reset to today's market value of \$600,000 and they will be required to keep records of all expenditure relating to the house from that date. When they sell they calculate the full capital gain, then apportion it between days covered by the main residence exemption and days not. The days it was not covered will be the days it was available to rent, not necessarily the days it earns income. It is listed on Airbnb for 10 weeks before they find a tenant, who takes it for three weeks.

That is a total of 13 weeks it was available to produce income: a quarter of the year. Let's assume they do the same for the next four years and the house goes up in value by 5 per cent a year. That is \$729,304, or a gain of \$129,304. That \$129,304 capital gain may be reduced to, say, \$100,000 if they have

kept good records. Under the pro rata time rule, 25 per cent of the capital gain will be taxable. After the 50 per cent CGT discount, that is \$12,500. If their marginal tax rate is 39 per cent, the tax on that gain would be \$4875.

If the above scenario was repeated for four years they could probably expect to receive a total of \$12,000 income, assuming they net \$1000 a week after fees, breakages, cleaning, and possibly a small deduction for interest.

After paying tax at 39 per cent they only end up with \$7320 in their hand for the four years. Out of this, they pay CGT of \$4875, leaving them a paltry \$2445, while the tax man gets \$9555.

It's a matter of doing the sums. You'll need to think about another quirk, too. Your house loses CGT exemption while it is available for rent, but interest and other expenses can't be claimed as a deduction if you are living there waiting for a booking.

On the other hand, the interest that can't be claimed as a deduction can be added to the base cost of the property and reduce any CGT that may be payable. Go figure!

Noel Whittaker is the author of *Making Money Made Simple* and other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.

cracker of a fee for their "phantom advice".

Much like Mia, I never saw a financial adviser.

Horror reading: it starts in 2013, with a \$242.17 fee and increasing each year, with a total plan service fee paid sitting at \$2115.85. So thank you, Mia. I'm going to get back my money.

**Barefoot responds:** This week the Royal Commission read out a leaked NAB document in which the bank explained why it liked charging customers

*The Barefoot Investor for Families: The Only Kids' Money Guide You'll Ever Need (HarperCollins) RRP \$29.95*



commissions: "As you know, commission-based remuneration structures are opaque, lack any corresponding customer service obligations and are not generally understood by customers."

Hot diggity dang! I spoke to Mia this week, who is proud to have played a part in keeping her super fund accountable and helping hundreds of thousands of other MLC members.

I also spoke to NAB, which told me that all MLC customers who were wrongly charged will be contacted and refunded. Though it wouldn't hurt to give them a call and gently remind them you want your money back, plus interest.

## ASK THE EXPERT

Send your questions to Noel Whittaker [noelwhit@gmail.com](mailto:noelwhit@gmail.com) or tweet @NoelWhittaker

**Q** You advised someone they could claim rates to reduce their capital gains on a vacant property. We sold a block of land five years ago and were told by the accountant we could not claim the rates and land tax. As we had owned the property since 1987 it was a considerable amount. Which answer is the correct one?

**A** In order to be able to add costs such as rates and interest to a property that has never been income producing, it needs to have been acquired after August 20, 1991. Therefore, your accountant and I are both right.

# Bouncing back from bad blood with the boss

**Y**OU have the perfect job and simply love what you are doing. There's just one problem — your boss does not seem to like you.

Life can be extremely difficult when colleagues make it clear they don't particularly like you.

But it's a different ball game when the colleague who doesn't seem to like you is your boss, because that can make life seriously unbearable.

Your resultant lack of happiness at work can sap your confidence, reduce your motivation and cut your

## WORKPLACE MATTERS

Gary Martin



resilience to the point where you feel like the only alternative is to jump ship.

Leaving your job because your boss does not like you should always be a last resort.

As an alternative to this drastic measure, consider diagnosing the situation and developing a plan to bridge the relationship gap.

The first step is to consider whether there are enough

signs to confirm that the situation is real and not simply a gut feeling or an overreaction on your part.

Does your boss, for example, seem to talk to you through other people and rarely makes direct contact with you?

Or is your angst driven by the fact you are left out of important meetings and not given vital information to enable you to do your job effectively?

Perhaps it is simply that the boss makes regular small talk with your co-workers but avoids you like the proverbial plague. Or maybe it is that

your boss assigns the most interesting projects to others and avoids giving you any feedback.

Worse still, your boss seems to lock horns with you whenever you interact.

If you are still unclear on whether your boss likes you, consider taking some steps to see if you can improve your predicament.

As a starting point, entertain the possibility that the problem might be you and not your boss.

Have you, for example, had a history of clashing with your previous bosses or reacting badly to feedback? Do you

have difficulty receiving direction from a supervisor?

If it turns out that you are the problem, take a step back and decide what your approach needs to be.

Consider also turning to your colleagues.

Asking for some pointers from a trusted co-worker, one who the boss does like, might hold the key to getting your relationship back on track.

Think also about growing your support base among your co-workers.

The positive endorsement you receive from your co-workers might go a long way towards changing your

boss' attitude towards you. But if you are really troubled by your boss' attitude towards you, think seriously about requesting a meeting to discuss how you feel.

Such a meeting can be framed around you seeking advice to become more effective in the workplace, and might just reveal there has been a misunderstanding, and that you can work through this issue and get the relationship with your boss back on track.

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