

## How to report your income

Airbnb Hosts report their net rental income on *Form T776 Statement of Real Estate Rentals*. This is included with your other income on your T1 tax return.

## What kind of expenses can you claim?

If the expenses are incurred specifically to earn rental income, they can be claimed in full. This would be the case with supplies you purchase for the exclusive use of your guests. However, if the expenses relate both to periods when you are renting out your home and periods when you are living in it, you will have to prorate them to determine the business-use portion. Typically, this would include property taxes, insurance, utilities and mortgage interest. If you are renting just a portion of your home, like a room or a suite, then you would have to do a further proration based on the square footage of the space. For example, if you have a 3,000 square foot home and your rental suite is 300 square feet, you can claim 10% of your expenses.

The cost of routine repairs and maintenance can be claimed in the year they are incurred. Examples would include the cost of a new coat of paint or repairing broken windows. If the repairs related directly to the rental of the property, such as damage caused by careless guests, you could claim the full amount. However, you can only claim amounts you actually spent. This means that you cannot claim the value of your own labour if you choose to do the repairs yourself instead of hiring someone else.

In contrast to routine repairs and maintenance, any capital expenditures (like a new patio or other upgrades to the property), cannot be written off all at once. Instead, they are capitalized, which means you will be adding them to the cost of the house. Although you can claim capital cost allowance (CCA) on your house at the annual rate of 4%, this is not recommended if it is also your principal residence because the CRA will then deny you the principal residence exemption when you sell it. The good news? You can claim CCA on other capital properties such as furniture and major appliances at the rate of 20% without it affecting your principal residence exemption. Sheets, cutlery and tableware are depreciated at the rate of 100%. Landscaping costs and disability-related modifications, such as the installation of a wheelchair ramp, do not need to be capitalized.

Becoming an Airbnb host means additional paperwork in the form of bookkeeping and more complicated tax return preparation. Again, this a legitimate tax deduction if you pay someone else to do it.

## Records

It is important to keep good records of your income and expenses, and hold on to your receipts, invoices, contracts or any other important info. Receipts must include a description of the goods or services purchased, so if you are buying tools at a hardware store, you need more than just the ATM transaction slip or credit card slip. The receipt needs to show the items that you purchased.



## GST/HST registration

Unlike long-term residential rentals, which are not subject to GST/HST, short-term rentals of less than a month are subject to GST/HST if the rent is more than \$20 per day. However, you are only required to charge and remit the tax if you are a GST/HST registrant. If your gross rental revenues exceed \$30,000 in the last four calendar quarters or in any single calendar quarter, you need to register for a GST/HST number. And even if you're not sure how your rental will do, but you think there's a chance you'll make more than \$30,000 in revenues, it still makes sense to register for a GST/HST number. When you do, you can get money back on any GST/HST you paid on your expenses in the form of input tax credits, reducing your overall GST owed. If you're registered for the GST/HST and a customer asks you for a receipt, it needs show the amount of GST/HST charged.

## Instalment payments

Because there is no tax withheld at source from your rental income, you may end up having a balance owing when you file your tax return. This might result in you having to pay by quarterly instalments in the future.

You are required to make instalment payments only if both of the following apply:

- Your net tax owing for the current taxation year (meaning the difference between your total tax payable and amounts withheld at source) will be more than \$3,000 (\$1,800 for residents of Quebec); and
- Your net tax owing for either of the two preceding years was also more than \$3,000 (\$1,800 for residents of Quebec).

So, if you owe more than \$3,000 on your 2020 tax return and the same thing will happen in 2021, the CRA will want you to start paying instalments in September 2021. They will send you a letter in August explaining the different options available to you.

## Residents of Quebec

Residents of Quebec need to file a provincial tax return with Revenu Quebec as well as a federal return with the Canada Revenue Agency. Your rental income needs to be reported on Form TP-128-V Income and Expenses Respecting the Rental of Immoveable Property.

Residents of Quebec can claim an abatement of 16.5% of their federal taxes to account for their higher provincial taxes.

Revenu Quebec is responsible for the administration of GST/HST in the province of Quebec as well as the administration of Quebec Sales Tax (QST).





## Occupancy tax collection agreements

Some jurisdictions charge occupancy taxes on short-term rental accommodation. In the case of the provinces and municipalities listed below, Airbnb has entered into agreements to collect these taxes on behalf of their hosts. Where an agreement is in effect, you do not have to do anything. Airbnb will simply add the tax to the reservation fee.

### British Columbia

Guests who book Airbnb listings that are located in British Columbia pay the following taxes as part of their reservation:

- Provincial Sales Tax: 8% of the listing price including any cleaning fees for reservations 26 nights and shorter in British Columbia.
- Municipal and Regional District Tax: 2-3% of the listing price including any cleaning fees for reservations 26 nights and shorter in British Columbia.

### Québec

Guests who book Airbnb listings that are located in Québec pay the following taxes as part of their reservation:

- Lodging Tax: 3.5% of the listing price for reservations 31 nights and shorter in Québec.

### Saskatchewan

Guests who book Airbnb listings that are located in Saskatchewan pay the following taxes as part of their reservation:

- Provincial Sales Tax (PST): 6% of the listing price including any cleaning fees for all reservations 30 nights and shorter, excluding tent or trailer sites supplied by a campground or trailer park.

### Barrie, Ontario

Guests who book Airbnb listings that are located in the City of Barrie, Ontario pay the following taxes as part of their reservation:

- Municipal Accommodation Tax: 4% of the listing price including any cleaning fees for reservations 29 nights and shorter.

### Brockville, Ontario

Guests who book Airbnb listings that are located in the City of Brockville, Ontario pay the following taxes as part of their reservation:

- Municipal Accommodation Tax: 4% of the listing price including any cleaning fees for reservations 29 nights and shorter.

### Greater Sudbury, Ontario

Guests who book Airbnb listings that are located in the City of Greater Sudbury, Ontario pay the following taxes as part of their reservation:

- Municipal Accommodation Tax: 4% of the listing price including any cleaning fees for reservations 30 nights and shorter.



## Mississauga, Ontario

Guests who book Airbnb listings that are located in the City of Mississauga, Ontario pay the following taxes as part of their reservation:

- Municipal Accommodation Tax: 4% of the listing price including any cleaning fees for reservations 30 nights and shorter.

## Ottawa, Ontario

Guests who book Airbnb listings that are located in the City of Ottawa, Ontario pay the following taxes as part of their reservation:

- Municipal Accommodation Tax: 4% of the listing price including any cleaning fees for reservations 29 nights and shorter.

## Toronto, Ontario

Guests who book Airbnb listings that are located in the City of Toronto, Ontario pay the following taxes as part of their reservation:

- Municipal Accommodation Tax (MAT): 4% of the listing price for all reservations.

## Waterloo Regional Tourism District, Ontario

Guests who book Airbnb listings that are located in the Waterloo Regional Tourism District in Ontario (cities of Kitchener, Waterloo, Cambridge, Woolwich, Wellesley, and Wilmot only) pay the following taxes as part of their reservation:

- Municipal Accommodation Tax: 4% of the listing price including any cleaning fees for all reservations 29 nights and shorter.

## Windsor, Ontario

Guests who book Airbnb listings that are located in Windsor, Ontario pay the following taxes as part of their reservation:

- Municipal Accommodation Tax: 4% of the listing price including any cleaning fees for reservations 30 nights and shorter.

