



## How Much Can You Make on Airbnb? After Taxes, it Might Be Less Than You Think

### Description

It seems like a brilliant idea: revamp the spare bedroom in your home, put it up on **Airbnb**, charge a massive cleaning fee, and enjoy the profits.

But, in practice, it's rarely that easy. And it all comes back to that dreaded five-letter word: *taxes*.

Any income you make in addition to your annual salary must be reported on your annual tax filing. That includes Airbnb income. Typically, Airbnb will send you a report of how much money you made at the end of the year, but it's up to you to file your Airbnb income correctly.

How much will you pay? Let's take a closer look.

### Property or business income?

When you file your taxes, you must decide if your Airbnb income falls under rental income or business income. Unfortunately, the CRA isn't exactly clear on what counts as rental and what counts as business. But a few rules of thumb could help you decide.

For one, if you only provide basic services to guests, such as heat, electricity, gas, water, and parking, then your income is most likely rental. You're not selling the guests anything other than what they absolutely need. In essence, they're paying to rent the space itself — nothing more, nothing less. You'll report your Airbnb income on T776 (Statement of Real Estate Rentals) and declare it on line 126 of your tax return.

If you provide additional services to guests, such as laundry or cleaning services, then your income could be classified as *business*. Yes — those massive cleaning fees you've been charging? Those could very well put you into the business category. In this case, you'll report your Airbnb income on Form T2125 (Statement of Business or Professional Activities).

## What about GST/HST?

Unless you rent out your Airbnb for periods longer than 30 days, you may be responsible for paying the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST).

In the past, you had to collect the GST/HST tax yourself, either by charging more for your rental on the Airbnb platform or awkwardly asking your guests for money when they arrived. All that changed last July when the CRA implemented new legislation.

The new laws are fortunately fairly simple. Basically, if you're registered for the GST/HST, then you'll continue being responsible for collecting and remitting the GST/HST tax from your guests. If you're not registered, don't sweat it. Airbnb must charge, collect, and remit the tax for you.

## Can you get tax deductions?

Of course.

To balance out your tax bill, you can deduct certain eligible expenses from your tax return. Those expenses often include the following:

- Bathroom supplies (toiletries, toilet paper, shampoo, conditioner, soap)
- Bedroom supplies (new bedding, furniture, pillows, sheets)
- Cable and internet
- Kitchen supplies (plates, cutlery, glasses, appliances)
- Insurance
- Laundry supplies (detergent, softener)
- Lockboxes (including locks and additional keys)
- Property taxes
- Snacks
- Utilities

## How much will you pay in taxes?

At the end of the day, you should set aside around **25-30% of your Airbnb income for tax purposes**. Yes, that means, if you earned \$1,000 from one guest's stay, you should set aside \$300 to pay taxes later.

Though that may seem like a lot, it's pretty consistent with other forms of self-employment (freelancing, for instance).

My suggestion would be to set aside your Airbnb income in a high-yield savings account — something that will earn you some money before you have to pay taxes. You won't earn a lot off interest (especially with the way interest rates are right now), but at least you can earn a little extra.

### CATEGORY

1. Personal Finance

## **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

## **PP NOTIFY USER**

1. metienne
2. sporrello

## **Category**

1. Personal Finance

## **Date**

2025/09/09

## **Date Created**

2021/10/08

## **Author**

sporrello

default watermark

default watermark