

Considerations before leasing your home for short-term rentals

By  Adrian Goslett

28 Oct 2019

With the holiday season drawing near, many homeowners might be carefully considering the idea of short-term letting over the peak season. According to research company, [Atlas](#), South Africa dominates Airbnb's active listings within Africa, with 20,307 listing in Cape Town; 5,538 in Johannesburg; 3,515 within the eThekweni Metropolitan Municipality; 2,167 in the Overstrand area; and a further 2,149 in Pretoria (stats for February 2019).



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However, before homeowners sign up their home alongside the many other South African holiday listings on portals such as Airbnb, they need to do their homework before committing to this venture.

Legal, financial implications

Short-term letting is not as simple as merely uploading photos of your home onto an app and waiting for the cash to flow in. There are various legal and financial implications involved in these short-term rentals which could land homeowners in some serious trouble if they fail to adhere to the requirements.

The first of which relates to tax. Short-term letting is still classified as rental income and will need to be declared to the [SA Revenue Service](#) (SARS) within that tax year. When it comes to calculating the tax on your rental income earned, the SARS website stipulates that “the rental income you receive should be added to any other income you may have, but will also be reduced by certain permissible expenses incurred”. These expenses include items such as rates and taxes, bond interest, and property levies.

However, with short-term rentals, homeowners can only deduct these expenses in proportion to the amount of days the property was rented out, which can in some cases lead to a homeowner paying more in tax for the year than what the short-term rental amount earned him/her in profit.

New Tourism Amendment Bill

Additionally, the new [Tourism Amendment Bill](#) 2019 might soon make it trickier for homeowners to generate large profits from short-term letting options. The proposed Bill, which was opened to public comment until 15 July 2019, is intended to enforce minimum standards to promote a fairer competitive landscape in which hotels, guest houses and short-term rentals can operate. This includes a threshold on the number of nights a short-term rental may be rented out, as well as possible

zoning restrictions on where short-term rental agencies may operate.

This Bill may well cut into the profit margin homeowners stand to make on their short-term rental. I would recommend that homeowners familiarise themselves with this new Bill before they sign their property up for short-term rentals.

A way to avoid these risks is to involve a managing rental agent who could walk you through all the various pitfalls of short-term letting. Speak to a rental agent in your suburb who knows the ins and outs of short-term letting and can help you develop and coordinate a schedule that will maximise your returns in accordance with the various restrictions.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.
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