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## ATO Interpretative Decision



ATO ID 2001/381

**Income Tax**  
**Payments received under a homestay arrangement**

FOI status: may be released  
Status of this decision: Decision Current

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### Issue

Is an amount received by a taxpayer with regard to a student who is boarding with them under a homestay arrangement, assessable under section 6-5 of the *Income Tax Assessment Act 1997* (ITAA 1997)?

### Decision

No, the amount received by a taxpayer with regard to a student who is boarding with them under a homestay arrangement is not assessable under section 6-5 of the ITAA 1997.

### Facts

The taxpayer boards a student in their home under a homestay arrangement organised by the Department of Education.

The taxpayer intends to board one or two students at any time.

The amounts paid to the taxpayer to board the homestay student are used to pay all of the household expenses of the student (food, phone, electricity etc).

There may be a negligible amount of surplus money after expenses in any particular week.

## **Reasons for Decision**

The term 'homestay' is used to describe accommodation provided to local and overseas students studying or training at Australian universities or other educational institutions.

Under a homestay arrangement, students live with the host family in their home. They are usually provided with their own room and have access to other household facilities. Main meals are provided by the host family. They may also have their laundry and ironing done, and provided with occasional transport. They may be required to help out with household chores and keep their room clean.

Housing officers at the educational institution determine how much is paid to the host family. The payments are designed to cover the costs to the host family of supplying food, utilities, and other minor expenses of the student.

Section 6-5 of the ITAA 1997 provides that the assessable income of an Australian resident includes all ordinary income derived directly or indirectly from all sources.

Rental income is normally regarded as ordinary income and therefore forms part of the taxpayer's assessable income. However, where there is a non-commercial or domestic arrangement, amounts paid for board or lodging do not give rise to the derivation of assessable income ( *FC of T v. Groser* 82 ATC 4478; 13 ATR 445).

Taxation Ruling IT 2167 considers the consequences of different rental income producing situations. Paragraph 18 of IT 2167 states that:

'Situations arise where the owner of a residence permits persons to share the residence on the basis that all the occupants, including the owner, bear an appropriate proportion of the costs actually incurred on food, electricity etc. Arrangements of this nature are not considered to confer any benefit on the owner. There is no assessable income and the question of allowable deductions does not arise.'

Amounts received under the homestay arrangement are determined by the educational institution to cover the expenses of accommodating the student in the home. The amount of the

payment is set with regard to the normal cost of supplying food, utilities and overheads for the student. These rates are not regarded as true commercial rates and there is no built in benefit component to the taxpayer for the use of parts of the house. While there might be some surplus on occasions to the home owner, these amounts will generally be small having regard to the expenditure incurred.

The amounts received by the taxpayer are made in relation to a non-commercial or domestic arrangement and are therefore not assessable income under section 6-5 of the ITAA 1997.

**Date of decision:** 14 September 2001

**Legislative References:**

*Income Tax Assessment Act 1997*  
[section 6-5](#)

**Case References:**

*FC of T v. Groser*  
[82 ATC 4478](#)  
13 ATR 445

**Related Public Rulings (including Determinations)**

[IT 2167](#)

**Keywords**

Income  
Rental property income

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