

Airbnb

General guidance on the taxation of rental income

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1. Scope and background

Airbnb Ireland UC is a company duly established in Ireland, that operates the Airbnb platform worldwide, except for the US and China. The company runs an online community marketplace for travelers that allows individuals to showcase, discover, and book accommodations for different periods of time including nights, weeks and months.

As reported to us, Airbnb does not own any accommodation, Airbnb acts as a platform that allows a person, owning or possessing or managing real estate (hosts) and potential interested parties (guests) in doing the seasonal sharing of homes, and as a result, the platform receives a service fee from both parties through each booking.

The scope of this booklet is to educate individual hosts who share their property in Brazil on the Airbnb platform to individual guests on how to file, report and pay income tax to the Brazilian Federal Revenue Service. This document is focused on the Brazilian tax treatment of rental income derived by the individual hosts who have listings in Brazil. Specific rules regarding other earnings also subject to Brazilian Income Tax, not related to the use of Airbnb platform, are out of the scope of this document.

This booklet is merely informative. Hosts are totally and individually responsible for complying with the Brazilian Tax regulations and paying their personal income tax. Furthermore, circumstances and guidelines may change according to each guest situation, as explained in this document, that is why we encourage hosts to look for a qualified professional assistance in case of any doubt.

Airbnb does not recognize or accept any responsibility or liability related to this document from any of its hosts or guests.

This document was prepared based on the legislation in force in March 2019.

2. Brazilian individual income tax

In Brazil, resident taxpayers are subject to Individual Income Tax on the individual's worldwide income. That is, all the income earned by a tax resident in Brazil is subject to the Individual Income Tax regardless of the source, in other words, even if it comes from abroad. On the other hand, nonresidents are taxed on Brazilian-source income only, in other words, their income is subject to taxation only when it derives from Brazil.

2.1 Brazilian tax resident individuals

Brazilian tax resident individuals, who have acquired economic or legal availability of income or earnings of any nature, including capital gains, are subject to Individual Income Tax in Brazil. Among others, rental income is a type of income subject to Individual Income Tax in Brazil.

For tax purposes, the following individuals are considered as residents in Brazil:

- Individuals who reside in Brazil on a permanent basis;
- Brazilian residents living abroad for the first 12 months subsequent to their departure, in cases where no tax clearance certificate was filed;
- Naturalized foreign nationals;
- Foreign nationals holding either temporary resident permits based on a labor contract with a Brazilian company or as an administrator of a local company from the time they enter Brazil;
- Foreign nationals who remains in Brazil for longer than 183 days within any 12-month period.

2.1.1 Income taxation in Brazil: general rules

Brazilian tax resident individuals are subject to a progressive Individual Income Tax system with rates ranging from 0% to 27.5%. Annual income, in the year of 2018, of less than BRL 28,559.70 is exempt from Individual Income Tax.

Individual tax residents have to pay their income tax on a monthly cash basis. Where there is no withholding (payments received from individuals or non-residents), individual taxpayers are required to self-assess their income tax and perform the corresponding monthly payments ("Carnê-Leão"). Either the amounts withheld or the monthly-anticipated payments shall be calculated in accordance to the following table:

Income at or over (BRL)	Up to (BRL)	Tax rate (%)	Deductible tax amount (BRL)
0	1,903.98	Exempt	0
1,903.99	2,826.65	7.5	142.80
2,826.66	3,751.05	15.0	354.80
3,751.06	4,664.68	22.5	636.13
4,664.68	And above	27.5	869.36

Individual tax residents shall inform the totality of their annual taxable income and calculate if there is any tax due or overpayment on annual basis by means of an Annual Individual Income Tax Return.

2.1.2 Determination of taxable income

As a rule, taxable income shall comprise the total annual earnings less the authorized deductions provided by law. To determine their taxable income, taxpayers may choose between the standard deduction and the itemized deduction option. The itemized deductions are taxpayers' eligible expenses incurred throughout the year in education, health, among others, which they are authorized to claim on the Income Tax Return under certain rules issued by Brazilian Federal Revenue Service, therefore decreasing their taxable income. Under the standard deduction option, taxpayers are not required to inform their deductible expenses, unless such payments have been made to another individual, and the taxable income is a result of a standard discount on total annual earnings, fixed by a Normative Instruction issued by Brazilian Federal Revenue Service.

The progressive tax rates shall be applicable after such deductions over the annual taxable income, therefore calculating the annual tax due ("imposto devido"). Any withholding income tax (taxes paid to the government directly by the source of the income, which deducts it from the income received by the individual) or monthly income payments ("Carnê-Leão")¹ made by the taxpayer throughout the year are considered as anticipated payments and shall be considered when calculating the net annual taxes to pay ("imposto a pagar").

2.1.3 Individual income tax return

a. Taxable period, due date and filing

Brazilian tax residents² are required to file their Individual Income Tax Return annually. The precise filing period is set forth by a Normative Instruction issued each year by the Brazilian Federal Revenue Service. As of 2019, in relation to the taxable year of 2018, the period is from March 7th to April 30th, 2019³.

The Annual Income Tax Return is filed using the software "Programa Gerador da Declaração (PGD)" and transmitted electronically by the software Receitanet, available on the website of the Brazilian Federal Revenue Service.

The proof of filing of the Annual Individual Income Tax Return is made by means of a receipt recorded after the transmission, on a computer hard disk, on removable media or on the mobile device containing the transmitted statement.

b. Reporting

The monthly income derived from rental and the respective income tax paid ("Carnê-Leão") must be reported on the section "Rend. Trib. Recebidos de PF/Exterior" (Taxable Income Received from Individuals/Abroad). The taxable income must be reported on the column "Aluguel" (Rental), while the respective income tax on "Darf pago cód. 0190" (Tax voucher code 0190), per month.

¹ Said monthly payments shall be performed either by means of a tax voucher (called DARF) or via a software ("Carnê-leão") provided by the Brazilian Federal Revenue Service.

² The Brazilian Federal Revenue Service issues annual regulation setting forth the taxpayers that are required to file Individual Income Tax Return.

³ The Brazilian taxable year is the calendar year.

Thus, if the taxpayer is the owner of the property, it also must be reported on the Tax Return, on the section “Bens e Direitos” (Assets and Rights). Each type of property has a coded, described in the Return itself (e.g.: 11 for apartment, 12 for house etc.), that must be selected and then, it must be given a brief description of the property, as well as the value of the property in December 31st of the previous taxable year and of the current taxable year. Specifically for 2019, on the fields “Situação em 31/12/2017” (Status in December 31st 2017) and “Situação em 31/12/2018” (Status in December 31st 2018).

It is worth noting that for the purpose of such report, the value of property is its acquisition value. This amount must be repeated throughout the years, regardless of the property’s actual Market Value, except when there are improvements made. In this case, the value of the improvements made during the taxable year must be accrued to the acquisition value and the result reported on the Status in December 31st of the assessed taxable year.

c. Late filing

Late filed returns are subject to penalty. If there is any tax due, a fine of 1% in the calendar month or fraction of delay, upon the tax due. The minimum penalty amount – which is also applicable when there is no tax due - is defined by a Normative Instruction issued by the Brazilian Federal Revenue Service.

d. Tax payment

A Normative Instruction issued by the Brazilian Federal Revenue Service sets forth the due date for payment of any tax due. As a rule, monthly installments (limited to 8 installments), subject to interest charges, are set forth as a payment option as well for the Annual Income Tax Return taxpayers.

e. Tax Refund

If the return shows a tax overpayment, the taxpayer has to wait until Brazilian Federal Revenue Service process the Income Tax Return and pay the refund.

f. Support documentation

If Tax Authorities do not agree with the taxpayer’s assessment, they may challenge the amounts declared in the return. Therefore, the taxpayer must maintain all documentation related to the income earned, anticipated tax payments and deducted expenses for a five year period, which is the statute of limitation in Brazil.

2.1.4 Rental income treatment

The rental income is one of many earnings subject to Individual Income Tax. Therefore, the host must report any rental income on their Annual Income Tax Return.

Rental income shall be considered as the amount received by the host from the guest, even when the host is a sublessor, in consideration for the possession and use of the property. Assuming that amenities⁴ are provided along with the property lease, and that they are not charged separately, one should understand that the payments for such amenities are part of the rental fee.

⁴ We understand that the basic comfort amenities are kitchen appliances, furniture, air conditioning/heating, small appliances (such as hair dryer, iron) and services offered by the condominium where the property is located (such as doorman, gym, pool, elevator, among others).

To determine the taxable rental income the host can deduct the following amounts, if the costs are borne exclusively by the host:

- Taxes, fees and emoluments levied on the property;
- Rent paid for the lease of sublet property;
- Expenses paid for collection or receipt of income;
- Building fees.

The payment of the Urban Property Tax (IPTU) related to the leased property may also be excluded from the amount of the rent received, when the charge was paid by the host, provided that within the calendar year in which the rent income was received. It is the case regardless of whether the income perception occurred throughout the year or only part thereof, or that the tax has been paid in cash or installment.

a. Rental Income received from individuals

If the host receives the rental income from an individual, since there will be no withholding, the host is required to self-assess whether a monthly income tax payment is due. Such tax shall be calculated by applying the monthly progressive table in the month of receipt of the income on the total amount received in the month, and shall be collected by the last working day of the month subsequent to the month of receipt of the income⁵.

Rental income received from individuals must be reported on the Annual Income Tax Return as detailed on item 2.1.3.b. Anticipated payments made throughout the year (by means of “Carnê-Leão software”) can be automatically imported to the Individual’s Income Tax Return (icon “Importar Dados do Carnê-Leão” – Import Data from Carne-Leão).

b. Sublease

If the host is a sublessor, the income received is subject to the monthly payment (Carnê-Leão), if received from an individual. The rent paid to the owner of the sublet property is deductible from the gross income received by the sublease. The sublessor shall inform the rental income in their Annual Income Tax Return as described in the items above.

It is important to note that the amount paid to the owner of the sublet property must be reported on sublessor’s Annual Income Tax Return as this is a mandatory requirement of Brazilian Federal Revenue Service.

2.2 Non tax resident individuals

Nonresidents are taxed on Brazilian-source income only (source of payment). For tax purposes, the following individuals are considered as non-residents in Brazil:

- Individuals who do not reside in Brazil on a permanent basis and do not fall into any of the Brazilian resident categories;
- Brazilian individuals who left permanently the Brazilian territory, as from the day of departure provided the tax clearance certificate was filed;
- Non-residents who enter into the Brazilian territory as an employee of a foreign government agency located in Brazil;
- Foreigners holders of temporary visa without an employment contract with a local company, arriving in Brazil, before completing 183 days of stay in Brazil, counted within any 12-month period are considered as non-

⁵ Late payment is subject to a penalty (at a daily rate of 0.33%, limited to 20%) and interest - (federal rate established by the Brazilian Central Bank known as SELIC).

- resident taxpayers;
- Brazilian residents living abroad after first 12 months subsequent to their departure.

Rental income from a real estate located in Brazil earned by a non-resident is subject to Brazilian income tax. If there is a treaty between Brazil and the country of origin of the resident abroad, the tax treatment shall be that provided for therein. If there is no agreement, the income is taxed exclusively at source at the rate of 15%⁶.

In order to make the income tax collection viable, the host must have a person in Brazil with a power of attorney to perform such tax payments. The income tax collection becomes the individual's attorney's responsibility and it must be paid via the attorney's CPF, through a tax voucher (DARF) Code 9478 on the date of receipt of the payment. Furthermore, the attorney must submit a Withholding Income Tax Return (DIRF) from January until the last business day of February of the calendar year following the assessed one, informing, on behalf of the property's owner, the rental payments and the respective collected income tax.

It is worth noting that it is not necessary for the attorney to report the rental income and the respective income tax collected in his/her Income Tax Return. Furthermore, considering the host's status of non-tax resident in Brazil, he/she does not have to file Annual Income Tax Returns either.

The income tax must be collected at the same date the payment is received by the host.

For nonresidents, rental income derived from properties located outside Brazil (i.e. foreign-sourced income) is not taxed in Brazil.

2.3 Income tax treatment in Brazil⁷ for various situations:

<p>1. Brazilian national living in Brazil, receiving earnings related to a listing in Brazil (generally):</p>	<p>Tax consequence (Please refer to the treatment described on item 2.1)</p> <ul style="list-style-type: none"> • Income tax is due on a monthly cash basis, applying the progressive tax table (from 0 up to 27.5%); • If received from individuals or non-residents, host must calculate and collect the income tax due via "Carnê-Leão" (code 0190); • Individual Income Tax Return is due annually.
<p>2. Brazilian national living in Brazil, receiving earnings related to a listing located abroad (generally):</p>	<p>Tax consequence (Please refer to the treatment describe on item 2.1)</p> <ul style="list-style-type: none"> • Income tax is due on a monthly cash basis, applying the progressive tax table (from 0 to 27.5%); • If received from individuals or non-residents, host must calculate and collect the income tax due via "Carnê-Leão" (code 0190); • Individual Income Tax Return is due annually.
	<p>Tax consequence (Please refer to the treatment describe on item 2.2)</p>

⁶ If the nonresident is located in a country considered a low-tax jurisdiction by the Brazilian Federal Revenue Service, the rate is 25%.

⁷ The tax treatment outlined is based on the Brazilian domestic legislation, assuming there is no Double Tax Treaty in place. Hosts should confirm the applicability of a Double Tax Treaty with their local advisors.

<p>3. Foreigner living in Brazil (considered as non-tax resident), receiving earnings related to a listing in Brazil (generally):</p>	<ul style="list-style-type: none"> ● It is worth noting that, in general, holders of residence permits that allow foreigners to be domiciled in Brazil are regarded as tax residents in Brazil from the date of entry in Brazil holding the permit, which makes this hypothesis unlikely to happen; ● Rental income is taxed exclusively at source at the rate of 15% (25% in the case of a country with favored taxation); ● No Individual Income Annual Tax Return is required; ● Tax payment made by the host's attorney in Brazil, via his/her CPF; ● If the property is located in Brazil, the income tax is due in Brazil (even if the payment occurs overseas).
<p>4. Brazilian national living abroad (considered as a non-tax resident), receiving earnings related to a listing located abroad (generally):</p>	<p>Tax consequence (Please refer to the treatment describe on item 2.2)</p> <ul style="list-style-type: none"> ● If the property is not located in Brazil, no income tax is due in Brazil; ● No Individual Income Annual Tax Return is required.
<p>5. Foreigner living in Brazil (considered as a tax resident), receiving earnings related to a listing in Brazil (generally):</p>	<p>Tax consequence (Please refer to the treatment describe on item 2.1)</p> <ul style="list-style-type: none"> ● Income tax is due on a monthly cash basis, applying the progressive tax table (from 0 up to 27.5%); ● If received from individuals or non-residents, host must calculate and collect the income tax due via "Carnê-Leão" (code 0190); ● Individual Income Tax Return is due annually.
<p>6. Foreigner living in Brazil (considered as a tax resident), receiving earnings related to a listing located abroad (generally):</p>	<p>Tax consequence (Please refer to the treatment describe on item 2.1)</p> <ul style="list-style-type: none"> ● Income tax is due on a monthly cash basis, applying the progressive tax table (from 0 up to 27.5%); ● If received from individuals or non-residents, host must calculate and collect the income tax due via "Carnê-Leão" (code 0190); ● Individual Income Tax Return is due annually.
<p>7. Foreigner living abroad (considered as non-tax resident), receiving earnings related to a listing in Brazil (generally):</p>	<p>Tax consequence (Please refer to the treatment describe on item 2.2)</p> <ul style="list-style-type: none"> ● Rental income is taxed exclusively at source at the rate of 15% (25% in the case of a country with favored taxation); ● If the property is located in Brazil, the income tax is due in Brazil (even if the payment occurs overseas); ● Tax payment made by the host's attorney in Brazil, via his/her CPF; ● No Individual Income Tax Return is required.

8. Foreigner living in Brazil (considered as a non-tax resident), receiving earnings related to a listing located abroad (generally):	Tax consequence (Please refer to the treatment describe on item 2.2)
	<ul style="list-style-type: none">• If the property is not located in Brazil, no income tax is due in Brazil.• No Individual Income Tax Return is required.