

# TIPS RECEIVED VIA AIRBNB: WHAT IS THE TAX AND ACCOUNTING TREATMENT FOR SHORT- TERM RENTAL COMPANIES?

## ALL FINANCE MATTERS

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With the growing use of platforms such as Airbnb, it has become increasingly common for guests to leave tips for hosts as a token of appreciation for the service provided. However, when these tips are received directly by the short-term rental management company — and not distributed to employees — questions arise regarding their proper tax and accounting treatment.

Below we clarify how this situation should be handled, based on a recent technical opinion and binding information issued by the Portuguese Tax Authority.

### **1. Are tips considered income for the company?**

Yes. Whenever the tip is retained by the company instead of being distributed to employees, it must be regarded as income of the entity itself. In other words, it is not a personal gratuity but an additional amount linked to the company's business activity.

### **2. How should it be recorded in the accounting books?**

Two accounting approaches are possible, both accepted:

- Account 78 – Other Income

The tip may be recorded under a sub-account of Account 78, for example:

- 7816 – Other supplementary income, or

- 7888 – Other unspecified income

- Account 72 – Sales and Service Revenue

If the tip is considered a voluntary additional payment for the service provided, it may also be acceptable to record it under Account 72.

The choice between these accounts depends on the nature and frequency of receipt of these amounts, as well as the company's internal accounting policy.

### **3. What about VAT? Is an invoice required?**

According to the Binding Information from the Portuguese Tax Authority (Process No. 25662, ruling dated 29-02-2024), tips do not constitute consideration for services under VAT law. Therefore:

- There is no legal obligation to issue an invoice including VAT;

- However, issuing an invoice is permitted provided that:

- The tip amount is clearly separated from the main service charge, and

- The invoice contains the statement "Not subject to VAT" or a similar phrase.

Alternatively, and perhaps more appropriate in such cases, a simple receipt can be issued to acknowledge receipt of the amount, especially when there is no intention to include this value in the taxable amount of the services provided.

#### **4. Conclusion**

When a tip is received by the company and not distributed to employees:

- It should be treated as income of the company;
- It can be recorded under Account 78 or Account 72, depending on the nature of the amount;
- It is not subject to VAT but may be included in an invoice with the appropriate indication or acknowledged simply by a receipt.

This interpretation aligns with the Portuguese Tax Authority's position and reflects the recommended accounting practice for entities operating in the short-term rental sector.

Should you require any further clarification, our team is fully available to assist and guide you through the tax and accounting framework in Portugal.

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For any inquiries or support, our team can guide you through the whole moving process. Feel free to reach out to us at [info@afm.tax](mailto:info@afm.tax) or visit [www.afm.tax](http://www.afm.tax).

**"YOU MUST PAY TAXES, BUT THERE'S NO LAW THAT SAYS YOU NEED TO LEAVE A TIP."**