

# Policy Priorities for a responsible and fair 'collaborative' economy



*Editorial by Christian de Barrin, CEO of HOTREC and Ramón Estalella, CEO of CEHAT, Chair of HOTREC's 'Collaborative' economy Task Force*

## Making the most of the 'collaborative' economy

Informal accommodation rentals between residents and visitors have always existed. However, the scale of the activity has exploded over the past 5 years [20 million bed places (source EHHA) versus 7,3 million registered in Eurostat], through peer-to-peer (P2P) platforms, without quasi any control. This has resulted in rising cost of housing and provoking shortage in some cities, promoting unfair competition to small and micro-enterprises, black economy and putting at risk the European consumer protection model. Over this period, while some cities have made progress by addressing some of the issues raised by Short Term Private Accommodation Rentals (STPAR), concerns remain about their effectiveness and their enforcement by authorities. This can only be achieved through the responsible cooperation from platforms.

Action is therefore required to level the playing field vis-à-vis licenced operators which comply with extensive regulations, to safeguard the interests of residents, to foster community cohesion and to promote fair competition, which comes together with the assessment of the impact of STPAR not only on a destination's economy, but also on citizens wellbeing and society in general. HOTREC believes that an equilibrium should emerge thanks to a clear distinction between private and -professional activities, ensuring that it truly reflects the principles of fair competition promoted at supra-national level by the European Commission. The aim of this document is to present HOTREC's five policy priorities for development, Europe-wide, requiring swift action by authorities for the benefits of all stakeholder alike part of destinations' economy and social life.

## What situation are Stakeholders currently facing in Europe?

### A CONFUSING PICTURE OF SHORT-TERM RENTALS

- Short term rentals are affecting the supply of affordable housing for local residents in some cities.
- Destination authorities have no clear idea of which properties are being rented, for how long and by whom.
- Platforms are not sufficiently providing information to the authorities, guests and providers regarding e.g. tax purposes, and security.

### A SECTOR OUT OF CONTROL

- By using P2P platforms, many property owners and large companies are renting-out properties regularly or even multiple properties, creating unfair competition with licenced operators.
- There is a lack of definition between those who rent property as an occasional, private activity, versus those who rent as a regular professional activity.

### UNCLEAR TAX RULES

- The tax due through STPAR activities do not correspond with the tax collected as the system is unclear, not enforced and easy to abuse.

### CONCERNS OVER HEALTH, SAFETY AND SECURITY CONDITIONS IN RENTAL PROPERTIES

- Properties rented through P2P platforms are subject to few or no checks relating to health and safety, building codes, fire protection or food hygiene, because of no system in place to register and determine the type of activity.
- The identity of guests staying in STPAR is not being verified in line with European regulations.

### QUESTIONS OVER LIABILITY

- Major questions remain over the liability of property owners, those managing the rental property, guests, P2P platforms and local authorities in STPAR arranged via P2P platforms.
- Insurance arrangements and the procedure for making official complaints relating to STPAR are largely undefined, with renters and guests unaware of their rights and responsibilities.

# Outlook on the situation of 4 practical examples in Europe

## AMSTERDAM

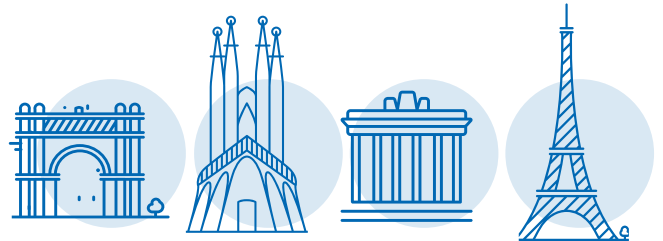
In March 2015, following an agreement with Airbnb, the City of Amsterdam issued a new ordinance on STPAR. It stated that individuals could only rent out properties that they owned, subject to pre-registration with the authorities. It was also agreed that Airbnb would collect and submit tourist tax on behalf of renters. In December 2016, following complaints from local residents on abuse of the 60-day limit, shortage of long-term rentals and the overall volume of tourists in the city, followed by pressure by the City on the platform, amendments to the agreement were made. The City of Amsterdam has also been cracking down on abuse of the system; in February 2017 it applied a record fine of €297,000, divided equally between the owner and the property management company 'lambnb' for the continual rental of 11 apartments in the city centre. Key measures:

- Maximum of four guests per rental. Limit enforced by Airbnb during the booking process.
- Once limit allowed of 60 days per year is reached, the listing is hidden for the rest of the year.
- Renters must inform neighbours of intention to rent, provide emergency contact number and consult safety guidelines provided by the fire department.

## BARCELONA

Since 2012, Barcelona is at the forefront on how STPAR should be regulated. The issues of overcrowding and tourist behaviour impacting the lives of residents -especially in popular districts- has also raised questions on STPAR social and economic impact. Properties intended for tourism use must be registered on the Catalan Tourism Register (CTR) and pay a fee. In November 2016 Barcelona's city authorities announced that they would fine Airbnb and Homeaway €600,000 each for continuing to advertise illegal rentals. Key measures:

- The owner must register the property on the Catalan Tourism Register and pay a fee. The registration number must be communicated to the relevant city hall and must appear in any type of publicity/listing. Properties on the register must meet safety requirements, minimum quality standards, remit an annual tax associated with rental income and collect the region's tourism tax.
- Rentals may last a maximum of 31 days, and must occur two or more times during one year.



## GREECE (national)

2016 saw a new law by the national parliament to regulate an ever-growing shadow economy in the accommodation sector. The owner of a rented property must be an individual taxpayer (not an enterprise) and must also be listed in the Short-Term Lease Property Register at the General Secretariat for Public Revenue of the Finance Ministry. Individuals (identified through a VAT number) may rent out a maximum of two properties on a short-term basis. Key measures:

- Properties may be leased for maximum 90 days per year (limited to 60 days on islands with fewer than 10,000 residents). Proprietors who declare less than 12,000 euros annual income from leases are permitted to exceed this quota.
- Rented properties must have a minimum area of 9m<sup>2</sup>, natural light, windows, heating, be fully furnished and supply only the service of bedding.

## PARIS

During 2015-16, the City of Paris reached a series of agreements with Airbnb. Since October 2015, the platform has collected tourism tax and submitted it to city authorities on behalf of renters. In March 2016 an agreement was made for the site to notify renters by email once their property had been rented for the maximum permissible 120 days per year. Property owners who wish to exceed this amount must reclassify their property as a 'tourist accommodation' and obtain a permit for this from the city authorities. The City of Paris estimates that 60-70% of owners exceeding this limit have failed to obtain a permit in order to remain legal. Key measures:

- In May 2016 the City of Paris set up the site [opendata.paris.fr](http://opendata.paris.fr) showing the locations of legally registered properties, as part of an effort to encourage owners to register.
- Platforms have to provide boxes to tick in order to mention whether the activity is occasional/private or regular/professional.

# 5 pillars to foster a responsible and fair ‘collaborative’ economy

## Registration

CURRENT SITUATION:	HOTREC'S PROPOSED SOLUTION:	JUSTIFICATION:
<ul style="list-style-type: none"><li>• Authorities have no certainty which properties are rented, for how long and by whom.</li><li>• Authorities only rely on information from P2P platforms and unofficial sources about rentals.</li></ul>	<ul style="list-style-type: none"><li>• Individuals renting out a room or a whole property must register with the local authority.</li><li>• P2P platforms must cooperate proactively with authorities, removing listings without a valid registration.</li><li>• The procedure (system) must be simple and straightforward.</li><li>• Platforms must share data that will help government agencies to enforce the law in their jurisdiction.</li></ul>	<ul style="list-style-type: none"><li>• Registration will allow local authorities to monitor and control the scale of STPAR activity, enforce the legislation in place and distinguish private versus professional activities and avoid rentals through the black market.</li><li>• Such a system, with the cooperation of platforms, allows for more effective tax enforcement, consumer protection and public consultation.</li></ul>

## Thresholds

CURRENT SITUATION:	HOTREC'S PROPOSED SOLUTION:	JUSTIFICATION:
<ul style="list-style-type: none"><li>• Properties being rented on a regular basis, i.e. being therefore professional, as well as multiple properties, create unfair competition with licenced (regulated) operators, as those properties are not regulated.</li><li>• There is a lack of definition between occasional, private rentals vs. renting as a regular professional activity.</li></ul>	<ul style="list-style-type: none"><li>• Authorities must set thresholds on the number of days per year for which a property may be rented out.</li><li>• Authorities must set thresholds on the number of guests allowed per type of property in accordance with local demand, building codes and health &amp; safety standards.</li></ul>	<ul style="list-style-type: none"><li>• Thresholds allow authorities to identify regular professional suppliers, which must comply with the same rules as regulated operators, and to maintain a balance of residential property use within their destination.</li><li>• Thresholds allow for a healthy competition on the tourism market, especially among regular suppliers.</li></ul>

# Taxation

CURRENT SITUATION:	HOTREC'S PROPOSED SOLUTION:	JUSTIFICATION:
<p>The lack of customised legislation and enforcement for STPAR in the field of taxation often generate no or low compliance with fiscal obligations.</p>	<ul style="list-style-type: none"> <li>• Compliance with fiscal obligations must be considered as a prerequisite for engaging in STPAR activity.</li> <li>• Applying same tax obligations to STPAR activity, as to businesses, when the activity is regular or income reaches a certain threshold, depending on local markets is a must.</li> <li>• P2P platforms must comply with their duties giving relevant and exact information required for fiscal obligations.</li> </ul>	<p>Compliance with fiscal regulations is a key prerequisite for fair competition and the collection of large amounts of public money due. Fiscal regimes and tax collection systems must be brought up to date to reflect the scale and nature of the 'collaborative' economy.</p>

# Health, Safety and Security

CURRENT SITUATION:	HOTREC'S PROPOSED SOLUTION:	JUSTIFICATION:
<p>There is a lack of control of health and safety, building codes, fire protection or food hygiene relating to STPAR. Also basic identity checks of visitors (in accordance with EU legislation) are not being carried out by renters.</p>	<ul style="list-style-type: none"> <li>• All types of STPAR activity must be subject to basic health protection and safety requirements, including explicit adherence to building codes, basic fire safety regulations and food hygiene rules and be subject to inspections.</li> <li>• Renters must be responsible for verifying the identity of guests according to EU legislation.</li> <li>• Platforms must be proactive in providing information and guidance concerning health, safety and security alike, as well as in removing non-compliant properties.</li> </ul>	<p>The safety and wellbeing in a destination depends on each group of stakeholders assuming their responsibility for implementing established health and safety legislation.</p>

# Liability

CURRENT SITUATION:	HOTREC'S PROPOSED SOLUTION:	JUSTIFICATION:
<p>The limits of liability of property owners, those managing the property rental, guests, P2P platforms and local authorities in STPAR arranged via P2P platforms are unclear. Insurance arrangements and the procedure for making official complaints relating to STPAR are largely undefined, leading to confusions.</p>	<ul style="list-style-type: none"> <li>• Renters, online platforms and authorities must assume their liabilities to the consumer and make these clear.</li> <li>• Renters and P2P platforms must assume their liabilities with local authorities.</li> <li>• Adequate insurance mechanisms must be put in place and these must be communicated by platforms to suppliers and consumers involved.</li> <li>• As the holders of most data, online platforms must cooperate with authorities to ensure a responsible 'collaborative' economy.</li> <li>• Authorities must be prepared to impose sanctions, where applicable alike, as well as in removing non-compliant properties.</li> </ul>	<p>Only a cooperation among all stakeholders assuming their individual liabilities can contribute to a responsible and fair 'collaborative' economy.</p>