



## **Local Lodging around the EU** *a review of legislative changes*

Holiday Letting has been popping up throughout Europe, especially in the more tourist-oriented countries. We look at what measures are being enacted to regulate this ever-growing phenomenon.

### **Italy - tax withheld by internet platforms (“the Airbnb Tax”)**

Beyond facing a shortage of long-term rental housing, Italy looks to control the parallel market as well as tax evasion often associated with Local Lodging. The government has adopted new rules for people who let out on a full-time basis, using internet platforms to promote their properties. Owners pay upfront a flat rate of 21% charged by means of withholding tax collected by the platforms that act as intermediaries between operators and tourists.

A number of regional measures have also been put in place. In general, these rules aim to establish a clear distinction between private owners (“peer-to-peer”) and professional operators, by introducing limits on the number of properties that can be dedicated to Local Lodging in a given geographical area. There are also requirements to communicate guest data to law enforcement authorities and norms on payment of local tourist taxes.

### **Netherlands - letting for only 60 days and with the ok of neighbours**

The Netherlands is one of the European countries with the greatest level of regulation of short-term holiday lets in an attempt to avoid imbalances and shortages of long-term rental housing. In Amsterdam, Local Lodging is only allowed under certain conditions. Owners must also reside in the property, which makes it difficult to invest in real estate only for short-term letting purposes. Operators pay a tourism tax on the amounts received, and each property can only be rented for a maximum of 60 days a year unless the owner has an official waiver. On the other hand, the law stipulates that the unit cannot be let to more



than four people at the same time and that if it is part of an apartment complex, then the operator must obtain prior authorisation from the respective owners association. Units must meet safety requirements, and guests may not cause disturbances.

The city of Amsterdam has agreed with Airbnb that units that have already reached their 60-day limit should no longer appear on the platform until the following year. From October 2017, operators who let out units must register with the municipal authorities. Non-compliance can trigger penalties of up to €20,500.

### **United Kingdom - letting limited to 90 days per annum**

A Furnished Holiday Let (“FHL”) is a commercial form of property rental classification in the UK and Ireland. This letting category affords certain tax advantages to the owners. There are specific requirements for a property to qualify under “FHL”: availability to the general public (at least 210 days pa), actual bookings (more than 105 days pa) and level of furnishings.

In London regulations restrict to 90 days the annual period during which a unit can be advertised on the Local Lodging platforms. Airbnb has formally pledged to observe these limits. However, the hotel business in the UK capital is predominantly corporate, and Local Lodging is not perceived as a threat to the traditional hospitality industry. Letting between private individuals are not regulated. Nevertheless, major hotel operators have invested in their own platforms, which compete directly with Airbnb and others.

### **Germany - fines up to €100,000 for "inappropriate use" of housing**

Berlin was one of the first European cities to struggle with a housing shortage due to the oversupply of Local Lodging. The problem has widened to other regions. Several federal states have moved ahead with rules aimed at penalising what they call "inappropriate usage" of real estate originally intended for permanent housing but not as holiday accommodations. This "improper use" is prohibited in the cities of Berlin, Hamburg and Munich.



The regulations vary from state to state. Berlin, for example, has strict rules and understands that there is "misuse" whenever, among other things, there is a daily or weekly rent paid. Exceptions are possible only under strict conditions. The implementation of these rules has been increasingly visible. Authorities have begun to carry out inspections and also check internet platforms for intermediary sales. The penalties can reach €100,000.

### ***France - letting over 120 days a year prohibited***

Short-term lets have been under intense scrutiny in France. In October of last year, a new law imposed regulations to apply to cities with more than 200,000 inhabitants and to all of the greater Parisian region. This legislation distinguishes between properties that serve as residences for their owners and those used exclusively for holiday letting. The former can only be let to tourists for 120 days a year, at the end of which the ads will have to be removed from internet sites until the following year. Monitoring should be done by the platforms themselves, although sanctions have not yet to be established. Exclusive use for Local Lodging requires a re-registration for commercial purposes. Non-compliance can result in fines of up to €50,000. When annual turnover exceeds €23,000, the owner must register as a sole trader and pay the appropriate contributions. In larger cities, prior registration is also required, the number of which must appear in the rental advertising. The owners who do not comply risk steep fines.

### ***Spain - anti-tourist demonstrations and a web of new laws***

Spain has been in the news, with groups of protesters demanding restrictions on Local Lodging in areas such as Barcelona, Balears and San Sebastian. In Spain, the autonomous communities are free to establish their own regulations and are increasingly doing so. The measures range from simple requirements, such as a local tourist register or civil liability insurance, to more demanding measures such as tourist taxes, prohibition of new accommodations or the imposition of a permit from condominium neighbours.



Over the past year, the city of Barcelona has ordered the closure of 2,332 apartments operating illegally as local lodging establishments. Authorities also fined another 3,473 operators in amounts ranging from €3,000 to €60,000 as part of their “zero tolerance” policy. In Palma de Mallorca, the parties cannot agree. As a result, new licenses have been suspended in the historic centre until the law can be revised.

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