

HOTREC POSITION PAPER ON THE VALUE-ADDED TAX (VAT) IN THE DIGITAL AGE PACKAGE

1. Introductory remarks

HOTREC, the umbrella association of Hotels, Restaurants, Bars and Cafés and similar establishments in Europe, welcomes the European Commission's package on VAT in the Digital Age¹ concretely the rules that will oblige short-term accommodation platforms to collect and remit VAT to tax authorities².

We believe that the proposed VAT package represents an important legislative tool that will, together with the recently presented Proposal for a Regulation on Short-Term Accommodation Rental Services³, further level the playing field among different accommodation providers.

While many countries have taken decisive actions to regulate different aspects of the STR phenomenon, we believe it is important for the entire tourism and accommodation ecosystem to harmonise rules on VAT on an EU scale to ensure fair competition amongst accommodation providers in all EU member states.

For almost ten years, HOTREC has followed different issues related to short-term rental accommodations, including unreported taxable income. The lack of rules not only impacts competitiveness but also the generation of public revenue which needs to be equally and fairly distributed amongst different businesses – including STR hosts that are generating substantial income VAT-free. More detailed argumentation is available under the next point.

HOTREC strongly encourages member states to support the Commission's proposal and ensure the swift adoption of new rules that will oblige short-term accommodation platforms to collect and remit VAT to tax authorities.

2. The need to ensure a level playing field and equal treatment amongst different accommodation providers

Fair competition in prices with hotels and similar accommodations – The study 'VAT in the Digital Age', prepared for the European Commission and referenced in the proposals⁴, found that around 70% of suppliers that are using certain online platforms are not registered for VAT. Consequently, this means that the majority of Short-Term Rental (STR) listings can be offered at a lower price than a room in a hotel, thus impacting competitiveness amongst different accommodation providers. HOTREC believes

¹ European Commission, *VAT in the Digital Age*, available [here](#).

² European Commission, *Proposal for a COUNCIL DIRECTIVE amending Directive 2006/112/EC as regards VAT rules for the digital age*, available [here](#).

³ European Commission, *Regulation of the European Parliament and of the Council on data collection and sharing relating to short-term accommodation rental services and amending Regulation (EU) 2018/1724*, available [here](#).

⁴ European Commission, *Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age*, pp 5-6, available [here](#).



that platforms should only be required and allowed to collect VAT from unregistered suppliers or those under special schemes for SMEs.

Negative impact on national budgets and recovery plans – According to Eurostat⁵, over half a billion STR accommodation nights were booked using online platforms in 2019, which represents 23% of all tourism accommodations. By exempting STR hosts from VAT obligations, member states are missing an important stream of public revenue that could contribute to the recovery of national economies after various global crises – such as Covid-19 and the ongoing energy crisis. It should be noted that the majority of operators in the tourism ecosystem, including hotels, are already contributing to public finances by diligently following various tax obligations. The obligation for online platforms to collect and remit VAT will ensure minimum administrative burden on STR hosts and public authorities while also helping to understand the black market and minimize the phenomena of tax evasion.

Regulatory burden and compliance on hotels and similar accommodations – While the current proposal strictly focuses on VAT obligations it should be noted that hotels and similar accommodations are subject to various other regulatory obligations such as labour, taxation, environmental, intellectual property, safety, health, security, food, statistical reporting and data-sharing, and many others. Complying with these rules and laws, which in most cases do not apply to STR accommodations, already increases the compliance burden and further contributes to an unlevel playing field.

About HOTREC

***HOTREC** is the umbrella association of Hotels, Restaurants, Bars and Cafés and similar establishments in Europe, which brings together 45 National associations in 34 countries, and is the voice of European hospitality. HOTREC's mission is to represent and champion its interests towards the EU and international institutions, foster knowledge sharing and best practices among its members to further promote innovation, and act as a platform of expertise for the hospitality sector.*

⁵ Eurostat, *Short-stay accommodation booked via collaborative economy platforms: first data*, available [here](#).