

UK Short Term Accommodation Association: Response to HMRC Enquiry on the role of online platforms in ensuring tax compliance by their users

Introduction

The STAA was officially launched in September 2017. Membership is open to companies and organisations that promote, provide or service short-term accommodation rentals, as well as companies who provide ancillary services. The STAA was founded because the industry believes that there needs to be greater cooperation to tackle common challenges and to seize shared opportunities. The STAA is seeking to work with all stakeholders towards a stable and supportive regulatory environment that promotes the UK as a global leader in the provision of short-term accommodation.

We welcome HMRC's consultation into the role that online platforms can play in ensuring tax compliance by their users. Below we have outlined our responses to some of the questions posed by the consultation. We look forward to working with HMRC in this important area, in order to improve the experience of short-term rental hosts in reporting and paying the correct amount of tax.

Question 1a: What helps users of online platforms to understand their tax obligations?

The STAA believes that the primary tool for understanding tax obligations is, and should be, the HMRC website. As such, clear guidance on HMRC's website relating to the taxation of short-term rental income is the best way to ensure that users of online platforms have understood their tax obligations. Providing means of direct communication between HMRC and those who are short-letting, for instance via phone or email helplines, would also be useful.

Platforms can also have a role in educating their users so that they are aware of their obligations. Platforms can provide links to HMRC's guidance, as well as prompts to their users to make filling in tax returns easier, and reminders to users of their responsibilities at opportune intervals during the tax year. STAA members are committed to providing this information to their users.

Question 1b: Where do users currently seek help?

Users currently seek help from a range of different sources. Some users might employ professional accountants to handle their tax returns for them, or to at least seek advice on what their obligations are. Other users might go on HMRC's website or contact HMRC directly. Other users still might seek further information from the platform which they are using or consult any service provider that they might have employed.

Question 2: To what extent do users seek help from online platforms themselves? What evidence is available on how this support is used?

The STAA is aware of anecdotal evidence that some users contact online platforms to enquire about their tax responsibilities.

Many of the STAA's member organisations will host help pages on their websites, which will provide information about tax obligations, or direct links to HMRC's guidance. This information may not always be exhaustive, and users might still have questions after having consulted this information.

Some STAA members produce statements for their users at regular intervals, outlining their revenues and costs over a certain period. Users can use such statements to calculate their tax liability for the fiscal year.

Question 3: What potential barriers do you think there are to users of online platforms in understanding their tax obligations? What evidence do you have about the impact of these barriers?

The single largest barrier to users understanding their tax obligations is a lack of clarity around the tax status of occasional short-term lettings. Better information and resources specifically on short-term rental income are needed.

Question 4: In what ways do online platforms create new opportunities for individuals or businesses to deliberately avoid paying tax?

We are not aware of any new opportunities provided by online platforms for the deliberate avoidance of paying tax.

It is our view that the growth of online platforms should lead to an erosion in deliberate tax avoidance, given that transactions which take place via online platforms can be collated and downloaded by the user for the taxable year. Since almost all payments are processed electronically via the internet, there is far greater visibility for property owners to declare accurate income earned than offline cash-in-hand transactions.

Question 5: In what ways do the above issues differ for users who think of themselves as being in business compared to those who do not?

We do not think that the above issues should differ depending on whether or not an actor ought to be considered as a business, but we do believe that HMRC should clearly present these different obligations on its website.

Existing law should also be clarified to ensure that occasional short-letters are aware of when their behaviour becomes commercial, and what new tax liabilities they take on if they begin to act in a commercial fashion.

Currently, short-term accommodation rentals become liable for business rates after 140 days as a self-catering property. Hosts also are liable to pay VAT at 20% on income of above £85,000.

Question 6: What further opportunities exist for platforms to work together with HMRC to help users understand and meet their tax obligations?

The STAA sees two main opportunities for platforms and HMRC to work together.

First, further guidance around what costs may and may not be deducted for tax purposes would be welcomed. Our suggestion is a paragraph on HMRC's website laying out some definitions with respect to the short-term rental sector, perhaps adjacent to the Tax Calculator application. This paragraph would include clear definitions about what kinds of activity are taxable. For instance, it might say: "If you are letting out your home on online platforms such as Airbnb or HomeAway, the income you make from that activity is liable to be taxed in the same way as other forms of income."

HMRC could outline on this page what costs users are allowed to deduct from income earned through short-term letting, and what activities are included under certain categories such as 'maintenance.' This will allow users to understand and accurately report the income they have made from short-term letting.

Such an information page should also include information about what tax regime applies to users. For instance, users should be informed that they would be liable to pay VAT on income above £85,000 in a calendar year from short-term letting.

Secondly, the STAA member organisations could provide their users with an annual statement at the end of each fiscal year. This statement could, for instance, detail all income earned through their particular platform, alongside any relevant deductions for which the platform has the necessary information.

It would then be up to users to declare this information to HMRC. STAA members could include a link to HMRC's website with this statement, as well as a reminder that they must declare their income for tax purposes. This solution deprives users of plausible deniability for not paying the correct tax on income earned through short-letting, and ensures that platforms are not given burdensome and impractical monitoring obligations.

Question 7: What data do online platforms hold about their users and their activities on platforms? How could this data be used to help users to understand when they might incur a tax liability from their activity on the platform?

The type of data which platforms hold about their users, and their activities, varies depending on the business model of the platform. Broadly speaking, there are three main business models within the STAA: pure platforms, service providers, and full home management which is a mix of both.

All of the above may produce statements for their users which detail all income and relevant deductions. The 'pure platforms' will not collect all of the relevant data. Some may have booking data but will not be privy to all of the relevant deductions, as they do not provide services in the home which are eligible for deductions. Other platforms are simply a subscription service that match hosts and guests, and so therefore might not even be party to the booking data.

Moreover, many users will use multiple platforms, so the data held by one platform will not necessarily provide a complete picture of their tax-liable income for the year. Thus, unless a host exclusively uses one platform, or a company can provide an aggregated statement, data from a single business is unlikely to be of any great use.

Question 8: What opportunities or challenges are created by users working across multiple platforms or working with platforms indirectly through intermediaries? To what extent does this occur?

By advertising on numerous platforms, hosts are able to market to many more guests than they would otherwise be able to. Advertising through intermediaries or on multiple platforms also allows hosts to choose platform business models that are convenient for them.

In terms of challenges, it will be extremely difficult to create a single digital tax platform or annual statement, given that different businesses will use different booking and accounting software, and the likelihood of bringing bookings across all platforms into a single dashboard system in the near future is limited.

We believe the best options in the short-term are:

- All statements should have guidance on paying tax and a link to HMRC where they can get the appropriate guidance
- Industry and HMRC can work together to clarify the guidance on HMRC and how it applies in simple language to help make it easier for homeowners to pay their tax on their earnings.
- For companies in the sector to provide annual statements to their users to improve the ease in which they can fill in their tax returns.