

UK Short Term Accommodation Association – Response to the Tourism All Party Parliamentary Group Interim Report on the Sharing Economy

Introduction

The Short-Term Rental Sector

Short-term accommodation rental is an industry that has existed for decades, but which has been revolutionised by the connective potential of the internet. With the aid of modern technology, the ease with which individuals can advertise their property for rental, and the ease with which those seeking accommodation can find accommodation, have both increased dramatically.

Online short-term accommodation rental is a fast growing and incredibly diverse sector. There are a number of business models within the space, ranging from online platforms which provide an intermediation service, to companies that manage every aspect of a property on behalf of a client. Actors in the sector range from individuals, to start-ups and scale-ups, to traditional estate agents who have diversified their range of services and moved into the space as well as the more well-known platforms.

Benefits of the Sector

The industry delivers numerous benefits to consumers, hosts, the wider business community, and the UK government. Short-term accommodation rental companies provide more choice for consumers. In particular, short-term accommodation offers consumers the chance to stay in authentic local homes and can be more appropriate for families who might need additional space or facilities. Another cited advantage of short-term rentals is value for money. A study has shown that, across the five largest EU markets (UK, France, Germany, Italy, Spain) around 50% of customers cited better value for money as the primary reason for selecting a rental home over alternatives.¹

Short-term accommodation rentals also increase the accommodation supply, which in turn increases the number of tourists who can visit the UK, both internally and externally. 42% of British short-term renters elect to stay in the UK, and online short-term rentals help to meet this demand.² They also allow for a more efficient use of available accommodation, as people can let out spare rooms that are not lived in or whole homes when they are not present. This democratises some of the income and helps keep it in localities through the tax that is collected and the local business who benefit from the increased traffic to their establishments.

The supplementary income derived from short-term letting can help individuals and families earn additional income, which can be used to help pay the mortgage, to cover the cost of holidays, or for home improvements. This is the primary reason that people rent out their property, irrespective of whether it is a first or a second home. On average, 47% of respondents to a survey claimed that they rented out their home to gain additional income, whilst around 25% cited mortgage payments as a reason.³ Income from such activity must be declared by hosts, resulting in increased taxation revenue for the government. The money spent by tourists in local areas can generate additional economic growth, especially for local businesses, and drive employment in the vicinity of the rental.

¹ Phocuswright, *Private Accommodation in Europe: 2010-2020*, Phocuswright Inc. 2017, Figure 14

² Ibid, Figure 18

³ Ibid, Figure 19

Economic Impact of the Sector

Whilst the industry is new, and thus there is a shortage of data on the economic impact that the industry has had, a range of studies have been conducted and the evidence base is growing. The UK's sharing economy is the fastest growing in Europe, with transactions almost doubling between 2014 and 2015 to £7.4 billion. The peer-to-peer accommodation sector accounts for around 37% of overall sharing economy activity and 27% of sharing economy platform revenues in 2015.⁴

In addition to this, the percentage of payments for accommodation made online increased from 54% in 2011 to 76% in 2016, whilst the UK has the highest rate of online payment of any major European market.⁵

The STAA

The Short Term Accommodation Association (STAA) was formed informally in March 2017 and launched formally in September of the same year. Its members are: The Air Agents, Airsorted, Airbnb, HomeAway, Inlet, Lavanda, onefinestay, SpotHost, Stay Beyond, SuperControl and UnderTheDoormat. Membership is open to companies that provide short-term rental accommodation services (whether a platform or full-time management) and companies that provide ancillary services.

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. Our work includes organising educational events for the industry, sharing best practice and common industry standards, and representing the industry to national and local policymakers.

The STAA welcomed the publication of the Tourism All Party Parliamentary Group's Interim Report on the Sharing Economy. The interim report focused on three main topics: regulatory compliance, impact on the community (split into impact on accommodation stock and impact on local residents), and tax compliance, before making some observations and recommendations. We have outlined below the STAA position on the main topics discussed in the report. We hope to make a positive contribution to the final report going forward.

STAA position regarding APPG report recommendations

Regulatory Compliance

The STAA believes that the services offered by hotels and bed and breakfasts are fundamentally different to those offered by short-term rental hosts, and that, as such, it would not be prudent to enforce the same standards on short-term rentals as on hotels and bed and breakfasts.

The average number of nights booked on a major platform across the UK per year is 36 nights and the vast majority of hosts who work within the industry live in the homes they rent, either because they rent a room, or they rent the whole home when they are away.

The regulations for those providing accommodation should be proportionate to the scale of the operation. Health and safety is critical and applying sensible rules to ensure that visitors are safe is our highest priority. It doesn't make sense however to expect amateur short-term rental hosts to

⁴ <http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/outlook-for-the-sharing-economy-in-the-uk-2016.html>

⁵ Phocuswright, *Private Accommodation in Europe: 2010-2020*, Phocuswright Inc. 2017, Figure 28

comply with the same health and safety rules that a hotel or bed and breakfast are expected to comply with. The health and safety standards applying to amateur actors should be the same as those that apply to the long-term rental market, for instance a requirement to have a valid gas safety certificate. If a house is safe enough to have someone living in it for a year or more, it will certainly be safe for a guest to stay in for a week.

The short-term accommodation sector comprises a number of business models, but perhaps the two most common are pure platforms, such as Airbnb or HomeAway, and companies which offer management services, such as cleaning, booking management etc. Platforms, who act as simple intermediaries to advertise a home for a homeowner, should not be required to check whether every single property that they have listed is compliant with health and safety regulation. This would not be expected of a classified advertising publisher, so it is not clear why it should be expected of a digital intermediary. Management service providers signed up to our code of conduct ensure that the defined health and safety regulations are complied with.

The STAA does oblige its members, whether they are intermediaries or service providers, to encourage hosts to undertake regular Fire Risk Assessments and to encourage hosts to comply with all health and safety standards. We also list information about health and safety regulations on our website and provide links to all of the relevant information sources so that they know their responsibilities.

Impact on the Community: Long-Term Housing Stock

The STAA is committed to ensuring that the short-term accommodation rental industry grows in a sustainable manner. Although it is clear that the overriding reason for housing pressures in the United Kingdom is a chronic lack of house building stretching back many years, the STAA believes that one should not be complacent about the possibility of other factors may have small contributions to the problem. As such, the STAA is keen to preclude the possibility of short-term accommodation rentals having an impact on the long-term rental market.

In London the current upper-limit for short-term rentals is 90 days, after which those who wish to let for more must apply for planning permission. The STAA has held talks with local authorities in London to put in place a joint industry-government information sharing protocol, whereby members of the association would share information on request from local authorities to confirm homes that have reached the limit, upon production of evidence that laws may be being broken. As soon as one of those homes has reached the limit with any company, it will be blocked by all companies for the remainder of the year. It is our belief that this will help to achieve prosecutions of rogue actors flouting the law, and that publicity generated from such action will help to deter others thinking of breaking the law, educate those who may be unaware of it, and generally allow local authorities to target their resources more efficiently.

The STAA believes that a national framework for short-term accommodation would be best for the UK. A highly fragmented regulatory environment, such as that in the USA, where every individual municipality has its own ordinance, would negatively impact potential users of short-term rental platforms, who might unwittingly illegally let out their home. It would also be a compliance headache for the industry, and potentially limit the growth potential of smaller companies who would be unable to scale easily whilst attempting to comply with a wide variety of different laws.

We recognise that in some urban areas where there may be extreme pressures, limited exemptions to short-term letting regulations, or additional restrictions such as day-limits, might need to be investigated and granted.

Impact on the Community: Residential Amenity

Short-term rentals have a positive impact on local communities on the whole, especially in areas that are not traditional tourism hotspots. Those using short-term rentals tend to spend their money in local businesses, providing a boost to the local economy.

Concerns have been raised regarding residential amenity. In particular, sources have pointed to noise and anti-social behaviour, the improper disposal of waste, and fears around the security of shared buildings and the invalidation of building insurance or leasehold.

It is our belief that there are already adequate mechanisms in place for dealing with anti-social behaviour through existing law. Whilst there have been well-publicised instances of inappropriate guest behaviour, these are the exception and not the rule.

Such concerns should not be dismissed out of hand. It is the STAA's belief that residential amenity challenges are best addressed through targeted, specific industry-government joint measures, rather than blanket measures imposed by central government that are less tailored to particular issues.

The STAA has adopted a Code of Conduct in which members commit to a number of principles in order to uphold residential amenity. We have also published best practice host guidelines on our website. For shared buildings we have created best practice document that building managers can adopt. It includes provisions, such as the obtainment of third party insurance specific to short-term rentals and a commitment to uphold the 90-day rule in London, which will allow building managers to ensure that short-term rental activity within their buildings causes minimal disruption. This building policy will be rolled out in Westminster, and we hope that we can forge agreements for widescale rollout with other local authorities.

Tax Compliance

There is currently insufficient evidence to support either the assertion that online short-term rental businesses have an unfair price advantage over hotels or bed and breakfasts, or that there is a high level of tax avoidance within the sector. Companies pay tax on their earnings and homeowners are liable for income tax on any earnings they make, often at a higher tax level than VAT.

The responsibility for paying tax on income accrued via short-letting rests with the individual host or property owner and not platforms or property managers that facilitate the activity. In a new and fast-growing industry such as short-term accommodation rentals, imposing burdensome requirements such as these could mean that smaller players are disadvantaged compared to the bigger platforms.

There is clearly a role that the industry can play in helping hosts to understand their income tax obligations and raising awareness throughout the industry of these obligations. The STAA website contains links to relevant HMRC guidance, members regularly advise hosts their obligations and the STAA would actively support any further educational initiatives around this issue.

Conclusion

We are very happy that the APPG has been looking into our sector, and we hope that it will continue to support our growth in the future. Whilst the interim report has raised some valid concerns which merit further investigation, on the whole they are isolated, and any response to such concerns should be proportionate.

We support the APPG's aim to ensure that all individuals and businesses should pay the correct amount of taxation. It is our belief that an appropriate professional/amateur distinction would solve this issue.

It is also our belief that a registration scheme, such as the "soft touch" scheme mentioned in the report, would not effectively combat the issues that the interim report has raised. Registering those intending to short-let would not directly tackle the problems around noise and residential amenity, loss of long-term residential housing, or adherence to day-limits where they exist. Such schemes might deter amateur short-term letters, who do not have the time or resource to engage with the related bureaucracy, while the small minority of irresponsible actors are unlikely to be deterred from engaging in illegal activity. Registration schemes have historically failed where they have been tried, with limited sign-ups and bad actors simply moving to alternate platforms, or offline altogether.

By contrast, the measures that the STAA has submitted in this position paper are targeted specifically at the issues which have been raised and can be highly effective when implemented as an overall package together with government. We hope that the APPG take these into account when considering their final report, in order to agree upon a common framework for tackling these challenges in the most effective and constructive manner possible.