



HOTEL ASSOCIATION OF CANADA
ASSOCIATION DES HÔTELS DU CANADA

Tax Deadline Day: Hold Digital Platforms Accountable

(April 24th, 2019) Ottawa – As tax deadline day approaches, the Hotel Association of Canada (HAC) is renewing its call to the Federal Government to modernize Canada’s tax laws. While foreign-owned digital platforms like Airbnb continue to grow their presence in Canada and earn millions of dollars in revenue, the government has not taken the necessary steps to collect appropriate taxes from these companies.

“While hardworking Canadians across the country are preparing to file their tax returns, it is important to also think about those who are not,” said Alana Baker, HAC’s Director of Government Relations. “We hope that this will be the last federal tax deadline day in which digital platforms like Airbnb get a pass on filing their taxes.”

Currently, Airbnb and other online short-term rental platforms operating in Canada do not pay any corporate tax on their Canadian earnings. Furthermore, they do not collect or remit GST/HST, nor are they required to provide tax information slips to their hosts. These online platforms have an unfair advantage over other accommodation businesses, like hotels, who pay their taxes and play by the rules. However, the real loss is felt by Canadians who end up paying more in taxes to cover the cost of important social programs.

Various studies have demonstrated that commercial operators on the Airbnb platform are growing exponentially, far outpacing actual home sharing activity. Results have shown that approximately 7-in-every-10 units on the Airbnb distribution platform are entire-home rentals, with guests having complete and sole access of the entire unit during their stay. Between 2015-2017, the commercial side of Airbnb’s business – those renting multi-unit entire homes – grew by 108%. Entire home rentals as a whole, including multi-listing hosts, generated 83% of Airbnb’s revenues¹. It is clear that while these commercial short-term rental “hosts” may pretend to be hobby-like operations, many are substantial businesses that are escaping the corporate responsibilities and realities that other legitimate businesses face.

Jurisdictions around the world have modernized their tax laws to reflect a digital economy. For example, both the United States and Denmark have set up mechanisms to follow and track the income of Airbnb and its hosts in order to improve tax compliance. Further, the Australian Department of the Treasury is currently seeking views on the possible design characteristics of a reporting regime for the sharing economy.

¹ An overview of Airbnb and the hotel sector in Canada: A focus on hosts with multiple units. September 2017 <http://hotelassociation.ca/wp-content/uploads/2018/06/Full-Report.pdf>

Canada's Airbnb sector alone has the potential to contribute almost \$100 million per year in consumer taxes and fees to the Canadian economy. Canada should follow the lead of other jurisdictions in order to improve tax reporting and compliance in the age of the digital economy.

"This is about fairness and we are reminding the Federal Government that its legislation must be amended to ensure that digital platforms like Airbnb have the same taxation obligations as the rest of us," concluded Baker. "In order to achieve a level playing field, Canada's tax laws must be modernized without delay."

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*The **Hotel Association of Canada** is the leading voice of the Canadian hotel and lodging industry. For over 100 years, it has worked to enhance the prosperity of the industry through strong member engagement, effective advocacy, and the provision of value-added programs and services. The Hotel Association represents more than 8,200 hotels, motels and resorts that encompass the \$20.8 billion Canadian hotel industry which employs 306,600 people across Canada.*

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