

POTENTIAL QUESTIONS AND ANSWERS

Q. What is the hotel industry's concern with short-term rentals?

A. To be clear, there is nothing wrong with the existence of short-term rental platforms, like Airbnb, and guests do benefit from having choice. At issue is the fact that these accommodation businesses are not playing by the same rules as hotel companies and yet they are running exactly the same kind of business. Hotels are happy to compete; however, the playing field needs to be level for all accommodation businesses.

Q. But we're talking about home-sharing here. Doesn't that mean it's just someone renting out a room in their own home?

A. What started as true home sharing - where the owner is present during the guest's stay - has expanded into commercial operations where landlords are using platforms like Airbnb to rent multiple units or entire homes on a year-round basis. Between 2015-2017, the commercial side of Airbnb's business - those renting multi-unit entire homes - grew by 108%. Entire home rentals, including multi-listing hosts, generated 83% of Airbnb's revenues. This is the fastest-growing segment in terms of the number of hosts, units, and revenues. This is no longer home-sharing.

Q. What do you mean by "level playing field" / "fair rules"?

A. Anyone operating in the commercial accommodations space should be subject to the same rules as other businesses doing exactly the same kind of work. As a hotelier and a good corporate citizen, I play by the rules and contribute to the economy by paying taxes. The commercial operators running multiple units on Airbnb are running active businesses - and they should be taxed accordingly. This means that there should be a requirement to charge and remit HST at the point of sale, as is required on hotel rooms. Online digital platforms should also be required to pay corporate tax on their Canadian earnings. Governments have a responsibility to keep up with emerging technology and to ensure that all Canadian companies operating the same type of business can compete fairly.

Q. Why aren't these companies paying tax today?

A. The corporate offices of digital platform companies are located abroad. Therefore, our tax laws as they are written today do not apply, as these companies are not deemed to be "carrying on business" in Canada. Because digital platform companies have no permanent establishment in Canada, this shrouds the reality that they are operating a business here. This antiquated tax regime means that these digital businesses are excused from both sales tax and income tax responsibilities. Canada's tax laws must be updated to ensure that digital platforms like Airbnb contribute their fair share to the Canadian economy.

Q. Wouldn't it be an administrative nightmare for hosts to collect and remit HST?

A. It is the responsibility of businesses to collect tax on behalf of the government and yet short-term rental platforms and hosts are not doing so consistently, transparently, or in some cases, at all. To alleviate concerns that rectifying this would be complicated, one only needs to look at the precedent set in 2017 for ride sharing services and taxis. Similar to taxis, the simple solution for the short-term rental industry is for sales tax to be charged at the platform level, with a major portion of the tax to be remitted to the government and the remainder to hosts to offset the HST they pay on items such as supplies, cleaning services and utilities, for example (i.e. the Quick Method of accounting). Doing so would be straightforward for the platform companies and would make the system consistent for hosts and guests.

Q. How much potential tax revenue is at stake today?

A. A 2017 research study unveiled that Canada's Airbnb sector alone had the potential to contribute almost \$100 million in consumer taxes and fees to the Canadian economy. That number is likely higher today.

Q. Would taxing these services not just be a revenue grab for the government where consumers end up paying more?

A. This is about applying the same rules to players who are running a similar business. The commercial operators running multiple units on Airbnb are running active businesses - and they should be taxed accordingly. Why shouldn't the government collect taxes on all businesses equally? These monies fund our education, healthcare and social services. The rules need updating so all businesses are treated equally.

Q. Why should we worry about the big hotel operators? They make lots of money and need competition to keep their prices in check.

A. Hotels aren't just big businesses. Many hotels, motels, and bed and breakfasts are small businesses run by families and entrepreneurs. They're competing with Airbnb, a multi-billion-dollar enterprise, who currently has a huge tax advantage. This is about fairness. Anyone operating in the commercial accommodations space should be subject to the same rules and regulations as hotels. This is what it means to be a Canadian business. Competition is a good thing - but it needs to be on a level playing field, and all businesses should pay their fair share of tax.

Q. What if hotels use Airbnb or similar platforms as a distribution channel?

A. It has always been said that the hotel industry is not against home sharing, nor are we looking to eliminate it. Competition is a good thing. What we are against are commercial operators, who are running ghost hotels under the guise of home sharing, and who are not paying tax and respecting all the other regulatory realities of running a Canadian business. Legitimate hotel companies are good corporate citizens who are paying their taxes and bringing the right business practice to this channel. Anyone running the exact same type of business as a hotel should have to contribute to the Canadian economy by paying their taxes and playing by the rules.

Q. What do hotels think about Sonder and other similar companies?

A. Competition and consumer choice are good things. However, there needs to be a level playing field. Anyone operating in the commercial accommodations space should be subject to the same rules and regulations as other businesses doing exactly the same kind of work. This includes taxation, insurance, licensing, and health & safety. This is what it means to be a Canadian business.

Q. What about provincial and municipal governments? Don't they have a role to play?

A. Yes. Governments at all levels are grappling with the implications of the growing short-term rental industry and platforms like Airbnb and they all have a role to play. Today, the short-term rental industry operates with limited regulation. Online platforms are being used to operate commercial accommodation businesses, resulting in unintended consequences including lost taxes, less housing, community nuisances and even criminal activity. There is an acute need for federal, provincial, and municipal governments to put in place a modern regulatory framework that will address these consequences, promote fairness and protect communities.

Q. Can you elaborate on what this “modern regulatory framework” might look like?

A. Last year, the Hotel Association of Canada released a research paper entitled “Developing a Modern Approach to Short-Term Rentals in a Digital Economy,” which gives Canadian municipalities an analysis of regulatory developments worldwide and best practice approaches to developing a local framework. Following a scan of the regulatory approaches taken in communities and cities around the world, the following 8 elements have consistently been applied:

1. Host registration
2. Platform registration

3. Principal residence restriction
4. Cap on usage
5. Health and safety standards
6. Reporting requirements
7. Taxation/levies
8. Enforcement/penalties

Q. How big is Airbnb today?

- A.** Airbnb operates in 191 countries and generated over 80 million guest stays in 2016. That number is forecasted to grow to more than 160 million guest arrivals in 2018. The company is valued at over \$30 billion. This growth tells us that the platform companies for short-term rental accommodations are here to stay.