

## **Scottish Expert Advisory Panel for the Collaborative Economy: Short Term Rentals and peer to peer accommodation – 21 June 2017**

*The Scottish Expert Advisory Panel for the Collaborative Economy would like you to consider the following questions and submit your responses, ideally limited to four pages, by close on 16 June. At the session you will have ten minutes to present your responses to the Panel. You are welcome to listen to all the other presentations as an observer and other stakeholders will be invited to observe your session too. There will then be an opportunity for the panel to ask questions and seek further information from presenters, before beginning their discussion.*

### **1. What data or evidence can you provide on the social, environmental and economic impacts of the peer to peer accommodation market in Scotland?**

There is limited formal published statistical data to address this question. However, we are able to point to the following relevant data points from recently published studies:

- Airbnb March 2017 study:
  - Airbnb community generated £361 million of economic activity in Scotland in the last year, including an estimated £293m of guest spending and £68m earned by hosts.<sup>1</sup>
- Association of Scotland's Self-Caterers April 2017 study:
  - There are 16,949 self-catering holiday let properties in Scotland.
  - The self-catering sector represents 3.4million visitor nights per year (1.8million non-Scottish visitors).
  - There is an annual £723.3 million direct visitor spend (£470.1 million from non-Scottish visitors) and Scottish self-catering supports 10,725 direct FTE jobs.<sup>2</sup>

### **2. How can we ensure that both hosts and guests are suitably protected, such as knowing where to turn if something goes wrong and that health and safety standards are adhered to? Where do we see best practice globally?**

The vast majority of consumers enjoy a positive experience. This is evident from industry net promoter scores (NPS) and other metrics. The typical methods of consumer redress are available when they do not and individual companies also have their own policies and procedures in place to respond to customer complaints.

The industry should, and does, proactively inform hosts of health and safety best practice for the home. Most market participants provide information on relevant guidance and support, or provides links to the necessary information so that hosts are aware of their obligations and best practice. Guests should also be informed of what standards they can expect to have in the home.

It is in the interests of hosts that their home is of an acceptable condition and that listing information is accurate. If this is not the case, hosts risks losing future bookings as they will receive negative reviews from guests. Platforms may also look to delist hosts if listing information is inaccurate.

It is important to emphasise that the services offered by hotels and bed and breakfasts are fundamentally different to that of a short-term rental host and it is therefore not sensible to expect the same health and safety rules to apply. Instead such rules should be proportionate to the size of

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<sup>1</sup> [https://p38z32mnch359nna357msktk-wpengine.netdna-ssl.com/wp-content/uploads/sites/48/2017/03/ScotlandOverview\\_v4.pdf](https://p38z32mnch359nna357msktk-wpengine.netdna-ssl.com/wp-content/uploads/sites/48/2017/03/ScotlandOverview_v4.pdf)

<sup>2</sup> <http://www.assc.co.uk/2017/04/scottish-self-catering-worth-723-3-million-per-annum/>

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the home and specifically in line with equivalent obligations for private landlords that are long-letting.

**3. What are your suggestions for mitigating any unintended consequences of the short-term accommodation rental market and how they might be balanced with existing priorities and policies such as Tourism Scotland 2020?**

UK Short Term Accommodation Association (STAA) members want short-term rental activity to develop in a sustainable way so that everyone benefits. That is why we are developing an industry code of practice and why we want to engage with policymakers and stakeholders on key policy challenges.

Before mitigating any unintended consequences, it is important that policymakers have a strong evidence base that enables us to properly determine whether what negative unintended consequences linked to short-term rental activity might exist.

For example, on a key issue such as landlords shifting towards short-lets instead of placing properties on the long-term rental market (thereby reducing the amount of housing stock for long-term rental), it must be made clear that the overriding reason for housing pressures in the UK is a lack of home building over a number of decades. Research has shown that short-term lets are not having any significant impact on housing stock or prices. The IPPR recently published a study on the impact of homesharing on London's housing supply in London and concluded that the impact is currently negligible. This should not in any way lead to complacency nor be an acknowledgement that such an issue may emerge in the future, but it does reinforce the need to look at the evidence before pronouncing that there is a particular problem which needs a policy response.

STAA members believe that the key priority should rather be to target 'rogue' landlords who use platforms in a misleading way, and who might operate multiple short-term letting properties for 365 days per year, limiting the supply of long-term letting properties.

Short-term rental activity has existed for decades and is not new. It is already an important part of the tourism offer in Scotland. If the market and sector continues to thrive in a balanced way then it can play a key role in helping to meet the objectives of the Tourism Scotland 2020 strategy. The short-term accommodation sector should be seen as a complement to, rather than a replacement of more 'traditional' options. The typical short-term letting host lets out their main residence, or holiday home, for short periods when they are away. There are also hosts who occasionally let out a room within their home to travellers for short periods. By allowing short-term letting for short-periods when homes would otherwise be left empty, we utilise our existing housing stock in a much more efficient manner, avoiding the requirement to build additional space to accommodate tourism flows.

**4. What solutions are there to ensuring that the relevant taxes are identified and collected and that regulations are adhered to?**

All short-term rental activity undertaken by hosts must be declared to HMRC and taxes paid. It is the responsibility of individuals to file their tax returns, not the industry. We believe that platforms should play a role in informing hosts of their obligations but it should not be the responsibility of platforms to collect and remit to HMRC any money that is owed. Making platforms responsible for

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this would be impractical and run counter to EU (and UK) law where it is made clear that platforms should not have a general obligation to monitor the activity of their users.

It would also not be reasonable to expect an amateur host to comply with the same requirements as businesses and be liable for business taxes and pay VAT, for example. Hosts already have to pay tax on the income they accrue via short-letting, and in most cases the homeowner pays a higher rate of income tax than the tax rates that apply to corporations. The overwhelming majority of hosts earn less than the £85,000 threshold for VAT. The industry also has a wide range of business models and it is therefore not possible for all of them to collect and remit taxes.

In a similar vein, the industry should not be responsible for enforcement of the regulations. STAA members believe that there are already adequate means of enforcement that apply to short-lets and that the focus should be on authorities enforcing the law more effectively and working collaboratively with platforms to raise awareness of the rules. STAA would therefore welcome an opportunity to work with local authorities that are experiencing enforcement challenges on joint initiatives to raise awareness of the rules and ensuring customers are compliant with the law.

The industry should work with local enforcement teams and take appropriate action once they have been notified by the appropriate authority. Imposing obligations on all industry players to be proactive in enforcement activity would stifle the growth of the sector and particularly start-ups who would not be able to afford such a compliance burden. It would also be at odds with the existing legal framework.

**5. How can we ensure that any regulations are proportionate, taking account of the range of hosts on platforms - occasional use individuals, professional landlords, estate agents and hotels, whilst ensuring that there is no competitive advantage between platforms and traditional business models?**

STAA members believe that the regulations for those providing accommodation should be proportionate to the scale of operation. For example, where an individual lets out their home occasionally on a short-term basis, it would not be reasonable or practical to expect them to comply with the same health and safety rules that a hotel or bed and breakfast has to follow.

There is a fundamental difference between this sort of amateur activity, and a professional landlord, or investment company, permanently letting out multiple properties for short periods at the same time. In urban areas where there are proven housing pressures, we believe there may be a case for making a regulatory distinction between amateur and professional activity.

STAA members also believe that a practical approach to this question is to focus on residency (this would include second homes) as a basis for a definition of amateur activity, rather than other options such as monetary thresholds which can often be arbitrarily determined.

Residents should be allowed to let out their homes for short periods with minimal obligations and deemed amateur hosts, whereas those with multiple (3+) properties being let out on a consistent basis should adhere to additional, but not disproportionate, obligations.

Many individuals have a secondary residence which they use for leisure or if they regularly travel to a particular area for business reasons. Occasional short-term letting of such properties would not stop a residence from being a residence or constitute a material change of use.

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Where it is evident that a non-resident has three or more properties in the UK that are being let out on a short-term basis, it is most likely a commercial enterprise which should comply with the typical requirements of a business operating in the UK.

The standards applying to amateur actors should be the same as those that exist for long-term residential letting and proportionate to the use of the home (e.g. requirement to have a valid gas safety certificate); if a home is safe for a tenant, then it should also be safe for a guest.

**6. What are your suggestions for any amendments to existing regulations or new regulations?**

STAA members are aware of the concerns that have been expressed by some authorities in Scotland such as Edinburgh City Council which has concerns about the growth of short-term letting activity in the city. We would welcome engagement with the Council on this and would stress that any new regulations should be designed in partnership with all interested parties and rooted in a deep analysis of the issues at stake. Short-term interventions could run the risk of stifling a sector which has existed for decades and which is an important component of the tourism offer.

While evidence of market failure remains scant, the STAA would like to work in tandem with the Scottish authorities to establish and augment a professional code of conduct which would work towards relieving local pressures. If regulatory interventions are deemed to be necessary we would recommend an approach that does not diverge in detail from the 2015 law that was implemented in Greater London.