

BEST PRACTICES

Short-Term Rentals

INTRODUCTION

Historically, Travel & Tourism has been one of the most dynamic economic sectors in the world, representing 10.3% of global GDP, 1 in 10 jobs on the planet (330 million) and 6.8% of global exports in 2019. What's more, between 1950 and 2019, international travel grew by 5,900% to reach 1.5 billion international arrivals. While COVID-19 has impacted the breadth of Travel & Tourism, it has not hindered people's desire to travel.

Given its ability to drive job creation, stimulate the economy, foster regional integration and connect people across the world, Travel & Tourism is in a unique position to make a difference for emerging nations.

The sector's ability to welcome travellers has been further expanded through the rise of short-term rentals (STR). Empowering people to use their homes to earn extra income, short-term rentals have expanded participation in tourism, increased the quantity and distribution of available accommodation, and offered a new and different value proposition to travellers.

As the world looks to recover from the pandemic, best practices on how to manage the STR sector can help governments adopt smart policies and regulations that both promote tourism and support the local community. This report, developed by the World Travel & Tourism Council with the support of Airbnb, a leading global platform for short-term rentals in more than 220 countries and regions and 100,000 cities and towns around the world, highlights a variety of practical, easy-to-implement best practices in STR regulation. In it, you will find various case studies on how jurisdictions including Cape Town, South Africa; Seattle, US; and Sydney, Australia have used data sharing, registration, smart taxation, and other long-term community investment approaches to manage and leverage tourism and STR to benefit all stakeholders. We hope you find the report useful in developing your own strategies to best support the communities you serve.

DIGITAL REGISTRATION

Many governments have developed registration processes in partnership with STR platforms like Airbnb that require operators to register their accommodation with the city. A simple digital registration requirement collecting information such as address, name and contact of the owner/operator and STR address encourages compliance by STR operators. It also provides governments with the necessary oversight of activity, helping them make decisions about how to grow or manage the industry. Airbnb has developed a series of tools including a streamlined online registration system to further support compliance with local regulations. As with all digital engagements, data protection and cyber security remain a key part of the development and use of digital tools.



SYDNEY, NEW SOUTH WALES

Sydney, Australia's largest and most popular tourism destination, has taken comprehensive steps to regulate STRs, including the implementation of a STR registration system.

In June 2018, the government announced a new regulatory framework to manage STRs including a state-wide planning framework to achieve consistency and certainty across local planning controls, as well as a Code of Conduct to apply to online accommodation platforms, letting agents, facilitators, STR operators, and guests. The registration process — which took effect in November 2021 — is entirely digital, with owners required to complete attestations regarding fire safety standards and compliance with a mandatory, industry-wide Code of Conduct. The state implemented a registration fee of AU\$65 for the first 12 months, with an annual renewal fee of AU\$25.

In addition to the official registration protocols, the state launched a mandatory Code of Conduct for the STR Accommodation Industry in December 2020. The Code outlines legal responsibilities and standards for all industry participants.



RALEIGH, NORTH CAROLINA

Raleigh, USA has embraced STRs as a way to boost the economy. The registration system requires STR operators apply for and procure a zoning permit from the city. STRs are allowed in all residential zoning districts and there is no limit how often operators can rent space in their homes. The City also allows STRs in accessory dwelling units (ADUs), and enforces short-term rental rules on a “complaint basis,” meaning they do not do regular inspections but instead look into any complaints they receive. Within six months of the regulations going into effect, the city reported only one complaint.



DATA SHARING

Many governments partner with STR platforms on data collection to allow them to keep track of and manage STR activity in their market. Data sharing has also played a critical role to support data-driven policy decisions, so that all stakeholders can benefit from STRs.

Additionally, when governments set up registration systems, they collect the needed contact information before issuing a permit number. After which, Airbnb is easily able to share the listing IDs and URLs that correlate to each registration number. That combination (registration number, listing ID/URL) gives governments what they need to enforce their laws while protecting consumer data privacy.

Airbnb has built its City Portal as a one-stop shop for governments and partners to share these critical pieces of data in a streamlined, automated cadence. Nearly 200 governments and organisations have their own City Portal and are receiving data on a regular basis.

Since March 2020, Eurostat, the European Commission's statistical branch, publishes aggregate occupancy data for the main STR platforms – Airbnb, Booking, Expedia, TripAdvisor – across the EU, plus Switzerland, Iceland, Norway and Liechtenstein on a quarterly basis. The agreement gives public authorities the data to better understand the development of the STRs and support evidence-based policies.

characteristics so authorities can better understand the Airbnb landscape in communities and, when needed, take enforcement actions against non-compliant listings.

CAPE TOWN, WESTERN CAPE PROVINCE

Cape Town, South Africa has effectively used STR data to inform decisions on tourism and housing policy.

In 2017, Cape Town was facing an affordable housing crisis which coincided with the rise of the STR market. The prevailing narrative was that STR rentals were contributing to the lack of affordable housing. To ensure the city had the information it needed to understand what was going on, Airbnb and Cape Town entered into an agreement which included data-sharing on STRs on the platform. With the data in hand, the City of Cape Town had a more accurate picture of the geographic location and flow of tourism stays and concluded that STRs were not in fact the driving force behind the pressure on housing affordability. Cape Town has since deployed no restrictions on STR in the City and has in fact embraced the sector to drive forward its competitiveness as a tourism and tech hub.



SEATTLE, WASHINGTON

Data collection in Seattle, USA, has enabled the local government to regulate STR in a city with extreme housing shortage challenges. In 2017, Seattle signed an ordinance relating to the regulation of STRs to help preserve the city's permanent housing stock and balance the economic opportunity created by STRs, while maintaining the supply of available and affordable long-term rental housing stock.

As part of the new regulations, Seattle required by law the need to hold a valid STR operator licence lasting 12 months and a business licence tax certificate to rent out property to visitors. This new approach required effective data collection and management tools to enable city authorities to efficiently track all STR operations, as well as how much the properties were being used by visitors.

To that effect, Seattle has been collaborating with STR platforms – including Airbnb and Vrbo – since 2019 to gather monthly and quarterly data reports. Along with the monthly report, STR platforms include the licence number of all operators and the URL of each listing from the previous month.

To further enhance its insights, Seattle became one of the first 15 cities globally to access Airbnb's City Portal introduced in 2020. This tool has enabled Seattle to view Airbnb listings within its registration systems and has provided the city with locally-specific data and insights into the STR market



SMART TAXATION

Governments benefit from the economic activity and tax that STRs can bring into their communities. This can include Transient Occupancy Tax (TOT), Value Added Tax (VAT), and Goods and Services Tax (GST). Partnering with platforms on collecting, calculating, and then remitting taxes on behalf of STR operators can lift a logistical burden from governments while ensuring more revenue is invested into city infrastructure.

ESTONIA

The tax agreement between Airbnb and Estonia demonstrates how simplifying the collection of income tax for hosts on Airbnb can produce a win-win outcome. In collaboration with the Estonian Tax and Customs Board (EMTA), Airbnb agreed in December 2018 to allow hosts to voluntarily report their income from Airbnb to the EMTA at the click of a button. Once hosts provide Airbnb with their consent and tax ID number, Airbnb submits this data automatically to the EMTA annually. The EMTA then pre-populates hosts' annual tax declaration for income earned on the Airbnb platform. This not only simplifies tax declaration when hosting, but also helps the Estonian government benefit from new revenue streams generated by STRs.

This tool is in line with Estonia's advanced e-governance and part of Airbnb's vision to spread the benefits of home sharing to everyone. The pilot agreement has been further replicated in other sectors such as transportation and financial services.

The collaboration inspired wider tax reporting talks across the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD), leading up to the adoption of the revised EU tax transparency rules for digital platforms (the so-called Directive on Administrative Cooperation – DAC7) in March 2021. The revised DAC7 framework introduces a scalable and coordinated reporting obligation for digital platforms located both inside and outside the EU, as well as an automatic exchange of information between member states' tax administrations on revenues generated by sellers on digital platforms as of 1 January, 2023.



PUERTO RICO, USA



Airbnb voluntarily began collecting and remitting Puerto Rico's 7% Room Occupancy Tax on behalf of all hosts in Puerto Rico in 2017, after signing a Memorandum of Understanding (MOU) with the Puerto Rico Tourism Company (PRTC), a public entity that is responsible for policy and regulation of Puerto Rico's tourism sector.

The collection agreement has guaranteed the PRTC that the occupancy tax is being collected and remitted on 100% of Airbnb reservations subject to the tax, resulting in millions of dollars being added to the PRTC's revenue. This increased tax revenue has, in part, facilitated the funding of the PRTC's operations, the funding of the island's Destination Marketing Organisation (DMO) Discover Puerto Rico to develop domestic tourism promotion campaigns, and to help service the island's debt, among other purposes in the public interest.

In March 2020, when the world's Travel & Tourism sector came to a grinding halt as a result of the COVID-19 pandemic, the Government of Puerto Rico quickly implemented strict health protocols and travel requirements. These measures, coupled with effective marketing campaigns and a shift in tourism favouring domestic travel on STRs, translated into record-breaking tourism numbers for Puerto Rico, which in turn has yielded record revenues from the occupancy tax for the PRTC. At a time when most of the Travel & Tourism sector was closed, Airbnb was able to continue collecting the room tax and submitting much-needed revenue to the PRTC throughout the pandemic. In fact, from January 2020 to December 2021, a particularly difficult period in the pandemic, Airbnb submitted approximately \$25 million in tax revenue to the tourism agency.



LONG-TERM COMMUNITY INVESTMENT

While governments benefit from the economic activity and the tax dollars that STRs can bring into their communities, residents also benefit from the extra income earned through hosting. This is why it is critical that STR platforms work closely with local jurisdictions to design long-term win-win solutions that enable responsible STR operators to continue to share their homes while ensuring all STR operators are in compliance with the city's regulations.

FRANCE

In 2014, France was one of the first countries in the world to confirm the right to every French person to share their primary residence 120 days per year. Since that time, Airbnb has collaborated with French authorities to ensure the STR regulatory framework, which was gradually established, was as simple and proportionate as possible for casual hosts.

In 2018, to encourage the responsible and sustainable growth of STRs in France, Airbnb and other platforms committed to the Ministry of Housing to voluntarily limit the number of days a primary residence can be rented each year. Today, Airbnb is capping the annual limit at 120 days in close to 100 cities in France. Most recently, as part of its commitment to the French Government for sustainable tourism made in February 2021, Airbnb pledged to enforce registration in large cities in France, allowing entire home listings with registration numbers only to be advertised for STRs. As of today, close to 20 cities in France benefit from this commitment from Airbnb. These cities are also equipped with the Airbnb City Portal which gives local authorities the tools to ease and target their controls on hosts and can access, upon request, a detailed set of data regarding host activity.

Additionally, Airbnb has been collecting tourist tax on behalf of hosts since 2015. Today, the platform collects tourist tax on behalf of hosts in 29,000 cities across the country and remits the amount twice a year together with a detailed data set, so that cities and villages can have a better knowledge of hosting in their constituencies. In order to ease and simplify tax obligations, Airbnb annually shares host revenues with the French tax administration since 2020.

SACRAMENTO, USA

Sacramento, the State Capital of California, boasts many historic landmarks and beautiful parks. To improve community wellbeing and meaningfully integrate short-term rental accommodation as part of the community, Sacramento has taken a novel approach to STR policy. Specifically, Sacramento extended the limitations on night caps on primary and secondary short-term rental residences, as well as enforcing new business taxes.

Primary residence operators of a short-term vacation rental are required to apply for a short-term rental permit from their primary residence, pay an annual business tax as a hotel of US\$ 50, and collect and remit transient occupancy tax of 12% from renters. Under Sacramento's regulations, if the listing is a primary residence, implying that the host resides in the unit for at least 184 nights during a calendar year, then there is no limitation to the number of days for hosting. The host must also maintain a rental registry for a three-year period. The city also introduced new ordinances and rules surrounding secondary residences. Under these new rules, a short-term vacation rental may operate from a location that is not the operator's primary residence for a total of 90 days in a calendar year. Should an operator exceed 90 days in a calendar year, the conditional use permit process must be started as well as the application for a short-term rental permit, which is then associated to the same taxes as a rental permit for primary residences.

Sacramento's policies showcase that strict night caps are not always necessary to balance industry and community wellbeing. While common arguments for strict night cap regulations are linked to housing affordability and noise disruption concerns, Sacramento's approach focuses on penalising "bad" actors whilst supporting responsible short-term rental hosts. The city's rules on primary and secondary residences have demonstrated how STRs can work harmoniously with a community, and even enhance community spirit.



CONCLUSION

As epic structural changes reshape our economy and significantly impact the wages and job opportunities of everyday people, governments can optimise the benefits of STRs to support Travel & Tourism and local economies.

Through the development of streamlined policies and clear and accessible processes to regulate STRs, such as simple online registration, streamlined data sharing, and smart taxation, governments can both proactively address concerns about STRs while still ensuring that the local community reaps the benefits of this growing form of people-to-people driven travel.

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