

France

Airbnb Pays Minimal Corporate Tax In France Despite Rapid Growth

Airbnb Inc., an online marketplace for travelers seeking to rent rooms in private residences, paid €69,168 of corporation tax in France on revenues of €4.96 million for 2015, although France is one of the company's most important markets outside the U.S.

Airbnb France SARL reported pretax profits of €166,333 for the year, according to a mandatory filing with French authorities. In 2014 the French unit reported revenues of €5 million, pretax profits of €277,009, and tax of €84,883. The company announced last month that it had registered 10 million guest arrivals in France since 2008.

Airbnb France said in the filing that its revenues are generated by a service contract with Airbnb Ireland, under which the French company provides promotional and marketing services for the online platform of its Irish affiliate. Airbnb France said it bills Airbnb Ireland for its costs, plus a markup, according to the terms of the contract between the two companies.

Airbnb Inc., a privately held company headquartered in California, did not respond by press time to a request for comment.

The Irish Connection

A number of other multinational companies have been criticized for their use of affiliates in Ireland, where the corporate tax rate is 12.5 percent, to book revenues regarding the operations of other related European companies that are subject to higher tax rates. Those tax avoidance strategies have prompted calls for reforms in many countries whose tax bases have eroded, and have attracted the attention of the European Parliament and the European Commission, which is reviewing the arrangements of a number of multinational companies to determine whether they violate EU rules prohibiting illegal state aid. (Prior coverage: *Tax Notes Int'l*, Aug. 8, 2016, p. 453; and *Tax Notes Int'l*, May 30, 2016, p. 840.)

Patrick Delas of Russell-Cooke LLP said Airbnb's strategy of maintaining only a marketing platform as a permanent establishment in France, where the corporation tax rate is 33.33 percent, is "perfectly legal" and is similar to arrangements used by other multinationals such as Google and Amazon.

Delas said the property owners who host travelers booking accommodations through Airbnb are subject to French income tax, capital gains tax, inheritance tax, and wealth tax. That is unlikely to satisfy many of those who criticize the strategies of multinational companies that use countries such as Ireland to minimize their French tax bills, he said. "I wouldn't be surprised

if the French Revenue introduced something similar [to] the fees charged by Airbnb, the idea being that if you make money from French property, you have to pay tax in France," Delas said.

No VAT is due on accommodations booked through Airbnb in France unless additional bed and breakfast services are provided, Delas said.

While Airbnb appears to be directly liable for only a minimum amount of tax in France, the company agreed in 2015 to take over from its hosts the task of collecting and remitting France's tourist tax, payable at the rate of €0.83 per person, per night for the rate category in which Airbnb rentals fall. (Prior coverage: *Tax Notes Int'l*, Aug. 31, 2015, p. 734.) The tax was collected on 1.4 million guest nights in Paris, the first city for which the agreement was implemented, during the fourth quarter of 2015. (Prior coverage: *Tax Notes Int'l*, Feb. 15, 2016, p. 567.)

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