SHORT-TERM RENTALS TO BE LESS ATTRACTIVE DUE TO TAXATION

The development of platforms such as Airbnb has accentuated the imbalances in certain local housing markets. An inter-ministerial mission in France has submitted a report to the government proposing solutions to combat this phenomenon. One of them is to make the taxation of furnished rentals less attractive.

In tourist areas, the development of digital platforms such as Airbnb has led to an explosion in short-term rentals and accentuated the imbalances in certain local housing markets. In February 2022, the French government asked for an inter-ministerial mission to be set up in order to identify measures to combat the eviction of certain households from accessing a primary residence in these areas.

Insufficient Tax Measures

Faced with similar imbalances, some countries have introduced measures to regulate second homes in the most attractive tourist areas: **Switzerland has limited the number of second homes to 20% in all municipalities**, while Australia and Denmark prohibit the purchase of homes by non-nationals. In France, tax measures have been put in place (taxes on vacant housing, increased housing tax on second homes) but are still insufficiently known and mobilized by the municipalities concerned and are subject to controls that are not very dissuasive.

In terms of taxation, incentives for furnished tourist accommodation continue to account for a significant proportion of tax expenditure and this is becoming inconsistent with the regulatory tools available to local authorities.

The authors of the report believe that the tax advantages granted to furnished rentals and furnished tourism rentals are no longer justified and that in the medium term, the taxation of housing must encourage use as a principal residence by reducing the tax advantages enjoyed by short-term rentals.

Making the Taxation of Furnished Rentals Less Attractive

The authors of the report recommend aligning the deduction on the income tax base associated with classified furnished tourist accommodation (71%) with that of conventional furnished accommodation (50%) and reducing, within the framework of the micro-BIC regime, the threshold of income generated by classified furnished accommodation (176,200 euros annually) to the conventional threshold (72,600 euros).

It is nevertheless likely that this regulatory change will not be sufficient. **Therefore, they propose to align the tax regime for furnished rentals with the tax regime for bare rentals** (30% deduction for the micro-foncier regime) or, at the very least, to remove the ability of professional and non-professional furnished rental companies to include in their deductible expenses under the real BIC regime the loan interest and the depreciation of the premises when the property generating the rents is not the tenant's principal residence.

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