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TEL AVIV CONSIDERS MUNICIPAL TAX HIKE FOR AIRBNB PROPERTIES..... 1

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Tel Aviv residents renting out properties on home-rental website Airbnb could soon be required to pay significantly higher levels of municipal tax, after the city council called on the municipality’s management committee on Monday night to discuss the proposal.

“The proposal was made in light of the sharp rise in the number of Airbnb apartments rented commercially for long periods in the city,” the council said, adding that the rental service had damaged the quality of life for permanent residents and caused rental market prices to rise.

According to the proposal, residents renting out their apartment in excess of three months per year will be subject to a special rate of municipality tax, comparable to hotel taxes which can be four times as expensive as regular taxes.

In excess of 8,000 Tel Aviv apartments and rooms are currently offered on Airbnb, similar to the number of hotel and hostel rooms in the city.

Despite the prevalence of properties, Bloomberg found Tel Aviv to be the fourth most expensive Airbnb city in the world in July 2018, with owners demanding an average of \$188 per night. Only Miami, Boston and Reykjavik were deemed more expensive.

Dr. Yoav Kerner, an expert on statistics at Ben-Gurion University, told Bloomberg that short-term Airbnb rentals have pushed up Tel Aviv rental market prices by approximately 10%.

In November 2018, the Israel Hotel Association demanded that the Tax Authority take action to collect and better enforce statutory tax requirements for short-term Airbnb rentals. The association argued that the industry currently encourages tax evasion and constitutes unfair competition for hotels.

If the municipality tax increase is approved by City Hall management, it is unlikely to enter into force until later this year. Sources told financial daily Calcalist that the municipality will only implement the rate hike after Tel Aviv hosts the Eurovision Song Contest in May, when tens of thousands of tourists are expected to arrive in the city.

While Israel has welcomed an almost 40% increase in tourism in two years – breaking incoming visitor records in the process – Airbnb properties have taken advantage of a shortage of accommodation for visitors.

According to data and analytics specialist STR, more than 7,500 hotel rooms were in the pipeline across the country at the end of 2018, including more than 3,700 rooms in Tel Aviv. The city’s room occupancy rate stood at approximately 74% last year, higher than the national average of 70.4%.

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