

Israel Threatens to Tax Airbnb for Delisting West Bank Rentals (1)

By Matthew Kalman

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- Tourism minister says company should be sanctioned for “shameful” decision
- Israel also seeking to prosecute online rental giant under U.S. anti-boycott laws

Airbnb and other companies boycotting produce and services from Israeli settlements on the West Bank would be “taxed heavily” under a new law being prepared by officials, Israeli Tourism Minister Yariv Levin has said.

In an exclusive interview with Bloomberg Tax Nov. 21, Levin condemned as “shameful” Airbnb’s decision two days earlier to cease listing rental properties on Israeli settlements in the occupied West Bank and said he had written to the company demanding they change their “completely unacceptable” decision.

“We are considering to impose special taxation on Airbnb’s activities in Israel” for participating in the boycott, divestment and sanctions (BDS) movement targeting Israel, Levin said by phone. The BDS movement seeks boycott, sanctions and divestment of Israeli businesses in protest against its occupation of the West Bank. Israel considers BDS a mask for a movement seeking the complete destruction of the Jewish state.

“I’m not talking about imposing tax on a single company,” Levin said. “I’m talking about imposing a tax on companies that take part in BDS because it’s illogical that a company on the one hand boycotts Israel, or part of it, or part of Israelis, and on the other hand enjoys the benefits and revenues from its activity in Israel.”

“Every company that has activities in Israel but takes part boycotting some part of Israel or some part of Israelis will be taxed heavily,” he said.

Prosecution

Levin also said Israel would seek to prosecute Airbnb under Israel’s anti-BDS legislation and in the U.S. under anti-boycott legislation adopted by more than 20 U.S. states.

Also on Nov. 21, Israel’s strategic affairs minister Gilad Erdan told the Jerusalem Post diplomatic conference in Jerusalem that Airbnb’s decision was “appalling in its hypocrisy, outrageous in its discrimination, and counterproductive in its effects.”

Israel was checking to see whether Airbnb's decision violated anti-boycott laws in France and other countries, Erdan said, adding that his ministry would support Israeli landlords suing the company for lost revenue.

Push to Use Other Platforms

Erdan and Levin both called on Israelis and their supporters to cease business with Airbnb and use Booking.com instead.

"I personally as minister of tourism think that the sector of leasing apartments for tourists is important. I don't want to damage this market but I do want to push both the owners of these flats and the tourists to use other platforms other than a platform that boycotts Israelis," he said.

The online vacation rental sector is seen as vital to the growth of Israel's tourism industry, which reached record levels this year. By 2017, Airbnb had nearly 9,000 properties listed in Tel Aviv, more than the number of hotel rooms.

Airbnb declined to comment on Levin's tax plans.

"Israel is a special place and our over 22,000 hosts are special people who have welcomed hundreds of thousands of guests to Israel. We understand that this is a hard and complicated issue and we appreciate everyone's perspective," Chris Lehane, the company's global head of policy and communications said Nov. 20.

Tax as Political Sanction

While Israel's 2011 anti-boycott legislation allows the government to withhold tax benefits, grants and government contracts from those involved in a boycott, and also allows individuals to bring civil suits for damages suffered, there is no clause allowing the imposition of extra taxes on boycott supporters, said Harel Perlmutter, head of tax at Barnea law firm in Tel Aviv.

Like other countries, Israel has been discussing the taxation of internet company activity for some time and has the tools to do it, but the international community would likely look askance at the imposition of tax as a political sanction, Perlmutter said.

"It's a totally different thing to increase tax for companies in that situation. You need to have specific legislation for that and it's not going to be easy," Perlmutter said by phone Nov. 21. "It makes no sense to have a law that will increase taxes on specific companies that will boycott Israel."

The fact that no one from the finance ministry or tax authority was backing these proposals suggested they were unlikely to happen. "To hear the minister of tourism talking about taxation is a bit surprising," he said.

"I don't think any law being proposed now will be passed by parliament soon. This is more of a political pronouncement to companies supporting the boycott that it might have consequences for them, probably in the long term," Perlmutter said.

The tax authority declined to comment.

Previous Opposition

The tourism minister previously opposed efforts by the Israel Tax Authority to tax Airbnb rentals at source, despite heavy pressure from Israeli hoteliers who said unlicensed landlords pose unfair competition for the heavily regulated travel industry.

“For two years we asked the minister of tourism to do this and he told us he needs Airbnb because there is a lack of available rooms,” said Kfir Yadgar, managing partner at Gornitzky and Co. law firm in Tel Aviv, who has lobbied the government without success on behalf of the Israel Hotel Association for stiffer taxes on holiday rentals. “Once they say they will stop publishing apartments in the occupied territories, now he’s become our knight on a white horse. This is not the way we want it to happen.”

“It would be a precedent, the first time someone used a tax in order to punish a company. It will be a poor precedent,” Yadgar said by phone Nov. 21. “I’m not sure he has the authority to do it.”

(Updated with new reporting throughout.)

To contact the reporter on this story: Matthew Kalman in Jerusalem at correspondents@bloomberglaw.com

To contact the editors responsible for this story: Penny Sukhraj at psukhraj@bloombergtax.com; Vandana Mathur at vmathur@bloombergtax.com