

Airbnb Hosts in Tel Aviv May Face Higher Property Taxes

By Matthew Kalman

Posted Feb. 11, 2019, 9:44 PM

- Seaside city joins New York, Berlin in trying to regulate tourist rooms
- Tel Aviv says taxation only tool to curb short-term rental boom

City officials in Tel Aviv are moving to hike property taxes on apartments rented on Airbnb and other online platforms.

The Tel Aviv City Council is expected Feb. 18 to change the municipal tax code to double property taxes from about 1,500 to 3,000 shekels (\$412 to \$823) on apartments rented for short-term tourism for more than 90 days each year.

Tel Aviv is looking to join other global tourist destinations in asserting more control over exploding short-term rentals. Housing costs in the city have dramatically increased in recent years, sparking street protests and widespread concern that Tel Aviv is becoming unaffordable.

“Tel Avivians love tourists, and we want to keep it that way,” said Eytan Schwartz, CEO of Tel Aviv Global and Tourism. But the city needs to balance the demand for hospitality with the needs of its permanent residents, he said.

A Bloomberg survey in July ranked Tel Aviv as Airbnb’s fourth most expensive destination worldwide.

‘Long Way Off’

Airbnb, which has funneled more than 1 million guests to Israel, says it doubts the property tax measure will have much impact. More than 20,000 hosts in Israel typically share their homes for fewer than 30 nights a year, boosting their income by about 10,000 shekels (\$2,743) a year, Airbnb spokesman Peter Huntingford said.

Airbnb’s hosts worldwide have remitted more than \$1 billion in tourist taxes, Huntingford said. “As Israel continues to invest in tourism, we will continue to work with them,” he said.

Average monthly rent for a three-room apartment in Tel Aviv, the most common configuration, reached about 5,500 shekels (roughly \$1,500) at the end of 2018—the highest in Israel. The average full-time gross salary in Israel is about 10,500 shekels (\$2,880) per month.

Tourist rentals have grown to more than 17,000 in a city with only about 200,000 households, local officials said, and taxation is the only tool they have to try to limit that growth.

Harel Perlmutter, head of tax at Barnea law firm in Tel Aviv, said that the measure's greatest value in the would be in creating a database of apartments used for tourism so national tax authorities could better monitor landlords' earnings and collect more income tax and value-added tax, where applicable.

"I don't think it will affect how many apartments will be online or the number of days or nights they will be rented," he said. "The big deal here is general taxes."

"There's a lot of common sense in the plan," Perlmutter said, but execution could be "a long way off" because new municipal taxes require the Interior and Finance ministers' approval.

City officials also are lobbying the Israeli parliament to pass a law allowing municipalities to regulate the short-term rentals.

With Airbnb already under fire for blacklisting West Bank properties, and an ongoing Israel Tax Authority investigation of nonpayment of taxes on landlords' Airbnb revenues, Tel Aviv's initiative to secure greater local power over short-term rentals could find support in the Knesset, which has elections scheduled for April 9.

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

To contact the editor responsible for this story: Keith Perine at kperine@bloomberglaw.com