

Preliminary consultation on the platform economy VAT rules in the digital age VAT directive (VM164:00/2025)

Thank you for the opportunity to ask for our views in preparation of the implementation of the VAT rules for the platform economy in the Digital VAT Directive.

We applaud the outreach of the Tax Department of the Ministry of Finance on this highly complex topic and we would welcome talks in further detail with the many impacted stakeholders including also hosts to get a holistic view of the impact of this legislation. Please find below our comments and an overview of some issues that should be taken into account for the preparation of the government's proposal. We understand there will be a possibility to provide further separate written comments on the draft proposal later.

In short, we have several concerns relating to the deemed supplier regime ('DSR') and believe that there is a misunderstanding about short term rentals ('STR'), their impact on competition and their importance to the Finnish tourism economy.

We have attempted to address this misunderstanding in our responses below and would welcome the opportunity to meet with you, in person or virtually, to discuss in more detail. We appreciate that the issue is complicated, highly nuanced and technical and in our experience, is often best explained in dialogue including also the many small and local providers and hosts that will be impacted.

Benefits of STRs

Before addressing the specific questions in the consultation, it is important to highlight the overall tourism and economic benefits of STRs to the Finnish and EU travel industry. This context is important and needs to be kept in mind when deciding on the application of the DSR to the STR and tourism industry. In our experience, this decision needs to be made with full visibility of its potential impact on the broader economy.

STRs are a popular accommodation option for tourists visiting Europe. There are several reasons for this, with convenience and affordability being the most common. In 2024, STRs had the following EU impact:

- €127.5B tourism spend
- €26.5 host earnings
- €148.6B GDP impact
- €39.6B tax revenues
- 2.1M jobs supported by STRs

STRs are an important component of the tourism ecosystem and care must be taken when making VAT policy decisions on this sector.

Summary of our points

- There is no distortion of competition between hotels and STRs because of VAT
- ViDA provides for a substantial competitive advantage for hotels
- STRs spread tourism and do not create a VAT gap
- The DSR is very complex and many issues remain unclear
- ViDA will disproportionately hurt small to medium sized platforms (SMEs)

1. There is no distortion of competition and the legislation, in its current form, gives a competitive advantage to hotels

In the *VAT Directive Implementation in the Digital Age on the Platform Economy Act* explanatory document (hereinafter the “Act”), several references are mentioned relating to a distortion of competition between STRs and hotels. For example, the document states,

...unequal VAT treatment for comparable services may arise between providers of certain services. For example, it may be that individuals and small businesses offer their services without (having to) charge VAT, although they are in direct competition with regular VAT entrepreneurs ... An example is a private individual who occasionally offers his home via a platform and thus competes with a hotel.

Due in part to the platforms' broad reach, this creates a competitive advantage over large providers who do charge VAT. This is particularly evident in accommodation rentals. With the introduction of the new rules ... this will address a distortion of competition between small and large providers.

We believe this distortion does not exist, and, in fact, **ViDA actually creates a substantial competitive advantage for hotels over STR hosts, not the other way around.**

First, **STRs are not the same or similar service of a hotel.** In general, hotels offer a front desk, a concierge service, gyms, restaurants, lounges, luggage storage, pools, transportation, food and beverage, etc., while STRs do not. Article 135(1)(l) of the EU VAT Directive generally exempts the letting of immovable property unless hotel-like services are offered. The entire purpose of this Article is to acknowledge that STRs and hotels are different services, unless STRs “act” like a hotel. This maintains a competitive balance.

Even if one was to accept that STRs are in competition with hotels solely on the basis that they both provide a place to sleep, they are still not in competition with each other. PhD Emilia Teresa Sroka authored a book on ViDA and argues that **hotels are in competition with professional entities with more than 10 STRs, but not with the core supply of STRs** (i.e.

people with spare rooms or an additional apartment to rent). Dr. Sroka argues that there is no distortion of competition because professional hosts are VAT registered¹.

Second, ViDA essentially pulls STR hosts into the **VAT net based on the manner** in which they make supplies, and not based on the supplier itself. If a STR operator advertises their availability in a local newspaper/grocery store, Facebook Marketplace or Instagram, they will **not** be obliged to charge VAT on their service, however, under the DSR, to the extent they advertise their availability on a platform, VAT will be charged. This goes against the principle of VAT neutrality.

Thirdly, hotels gain an advantage because STR hosts do not get the benefit of input VAT credit. This means that, effectively, STR hosts' effective VAT rate is higher than that of a hotel, i.e. input VAT incurred at the standard VAT rate of 25.5% is not deductible while output VAT of 13.5% at the reduced VAT rate for accommodation would be applied to this blocked input VAT. This could actually create a **distortion of competition up to 3.4% for STRs** (assuming costs and revenues of STR and hotels would be similar).

2. Over half of STRs service areas where there are no hotels - the DSR only harms those communities

Over half of the large STR platforms' European listings are outside of urban areas where no hotels are available. "STRs support rural areas and diverse urban neighbourhoods across the EU. The majority of STR nights (55%) are spent in non-urban locations - with the number of STR nights spent in predominantly rural areas more than doubling since 2020."² From an urban standpoint, half of guests staying in STRs visit neighborhoods they might not have otherwise explored (44%).³

This above is evidence that STRs spread the flow of tourists and the economic benefit beyond the popular tourist centers. By including non VAT registered taxpayers in the DSR net, these localities might lose out on this economic benefit, as tourists will be more inclined to stay in hotels, which tend to be located in more urban districts.

Guests are cost-sensitive when it comes to travel decisions and increasing the cost of STRs will only hurt the economic impact that localities enjoy from tourism.

¹ Short-Term Rental Platforms as Deemed Suppliers in the EU VAT System, September 19, 2024, https://law-store.wolterskluwer.com/s/product/short-term-rental-platforms-as-deemed-suppliers-in-the-eu-vat-system/01tPg000004XHHbIAO?srltid=AfmBOoo0Pa_iCdE5sj_KP3SH2X5V_2N7asc5qaO6-NXGqebnMHME9Eni

² Tourism Economics, "Harnessing the Short-Term Rental Advantage in Europe – An Economic Assessment of the STR Segment in the EU and the Impact of Regulation", 2024, available at: <https://news.airbnb.com/wp-content/uploads/sites/4/2024/12/Harnessing-the-Short-Term-Rental-Advantage-in-Europe-Oxford-Economics-December-2024-web.pdf>, last accessed on 17 June 2025, page 4.

³Id.

3. Increase in number of VAT registrants

Our expectation is that there will be a significant rise in Finnish VAT registrants because of the competitive disadvantage ViDA provides relating to the lack of input VAT credit. This will be an additional burden on the Ministry of Finance as hosts, who may not be tax savvy, could blur the line of what is truly deductible and what is not.

4. Complexity of the DSR

The DSR is extremely complicated to implement. The Fiscalis meetings in Madrid seemed to create more questions and issues than answer them. While some aspects may have been clarified in the draft explanatory notes (non-legally binding) that have been discussed in the EU VAT Expert Group meeting dated 13 March 2026, many issues and unclarities remain. Many aspects will also be left up to Member States.

We will touch on a few to demonstrate this point. We strongly encourage the Ministry of Finance to form a working group with businesses to help address these issues.

1. **Platforms on platforms** - Many accommodation providers list their properties on platforms which themselves are listed on other platforms. This gives rise to the issue of who the DSR applies to, e.g., a guest facing platform whose host is a mid-sized platform, who contracts itself with a smaller SME platform and the SME platform contracts with the actual host renting out the property. Here, the guest-facing platform does not (and can not) know the VAT status of the ultimate property owner since there is no contractual relationship between the two parties. Absent this relationship, the platform cannot ask for this information for GDPR (and practical) reasons. Therefore, applying VAT could lead to **double taxation** if the property owner is in fact VAT registered.

The only way to avoid double taxation is for the actual entity that contracts with the property owner to apply the DSR (unless, of course, the property owner is VAT registered). In the example above, this would be the SME platform.

While in the draft explanatory notes, some guidance has been included we would like to ask for clear confirmation and further guidance (and examples) by the Ministry of Finance.

2. **Timing of taxation** - At what point in the transaction should VAT be triggered - at booking, payment, or check-in? What happens in the event of cancellations and alterations? There are different business models in the accommodation sector which can give rise to a variety of issues when it comes to the timing of taxation. In our experience, when the payment is made would seem to be the best time to account for the tax trigger.

3. **Ancillary services** - Though the VAT law or jurisprudence may provide some clarity on the VAT treatment of ancillary services, in many cases hosts offer such services. When offered via the platform we would welcome detailed guidance from the Ministry of Finance based on a multitude of examples on which services would be seen as ancillary and which not. If, on the other hand, hosts are offering and charging additional services outside off-platform, it should be made clear these cannot fall under the DSR.
4. **Extension/alterations to the length of stays** - While some guidance is provided in the draft explanatory notes we would welcome clear guidance and confirmation also by the Ministry of Finance.
5. **VAT taxable base if a platform offers a discount** - This was subject to debate at the Fiscalis meeting in Madrid. While clarity is provided in the draft explanatory notes, we would like legally binding confirmation at Member State level and hence would welcome the confirmation of the Ministry of Finance on this point in line with the view of the EC.
6. **TOMS and Article 28a** - The interaction of TOMS and the DSR is very complicated. Further clarity and examples are needed also at Member State level relating to this overlap.

5. The DSR will disproportionately impact SME accommodation platforms

In the ViDA impact assessment study provided by the European Commission ('EC'), the study team grossly underestimated the number of accommodation platforms that would be impacted by ViDA. The EC stated that the number of impacted platforms is 62 when, in reality, there are thousands of smaller accommodation platforms in this sector including also (online) travel agents that could qualify as facilitating electronic interfaces given its wide scope.

It is important to remember the cost of implementing ViDA for all platforms and the disproportionate impact on cost and resource allocation for SME platforms. The DSR is not one implementation - it is the implementation of 27 different regimes because of varying SME exemptions and local VAT rules. This is in addition to the need to build real time reporting and accounting for the one stop shop (if applicable), while also complying with existing regulations such as invoicing rules, recordkeeping rules under article 242(a) EU VAT Directive, reporting rules such as DAC-7, the EU STR Regulation as well as the EU Digital Services Act, and tourist/city tax regimes just to name a few.

The regulatory burden is substantially increasing and frankly, this will benefit the large platforms who have the resources to comply, while disproportionately hurting SMEs who will need to expend significant resources for compliance and not reinvestment and growth. This is in addition to the financial risk of being a deemed supplier and customer service costs.

6. The DSR requires specific, timely and binding guidance at Member State level

While we welcome the ongoing discussions at EU level facilitated by the EC and the preparation of explanatory notes, these are not legally binding. Hence, we require the Ministry of Finance to transpose or confirm the explanatory notes at local legally binding level. It is key to have this guidance available at least 12 months before the effective date of the DSR in Finland.

Given both the EC, Member States and the platform eco-system and wider stakeholders will need to get familiar with these new rules and implementation we would encourage the Ministry of Finance to delay the effectiveness of any DSR rules to 1 January 2030.

In any case, it would be important to be informed timely on the implementation by the Ministry of Finance in answering options Member States have such as:

- Confirmation whether Finland will allow an opt-out of DSR for SME providers or not and whether applicable or not for both the accommodation and/or transportation sector;
- In case of an SME opt-out, guidance on how to identify SME providers;
- Whether platforms are required or not to validate VAT identification numbers provided to them by the underlying suppliers; if so, clarity and timely access to an automated solution where VAT identification numbers can be validated (e.g. VIES and/or local database);
- Confirmation on the requirements to get a valid declaration from underlying providers that they account for (local) VAT and the periodicity required to reconfirm this declaration or not to the platform, ideally this declaration should only be done once at the start (similar to the communication of the VAT identification number);
- Guidance on the VAT treatment of ancillary supplies or services to accommodation in Finland that would fall under the DSR, ideally based on a set of concrete and detailed examples coming from the accommodation platforms given there are many different types of additional services offered in the accommodation sector;
- Clarity on how and when the platform or the underlying supplier should correct a situation in which the platform applied the DSR in lack of being provided on time with a VAT identification number or a declaration that the underlying supplier was accounting for VAT after the transaction takes place and the DSR is applied the underlying supplier communicates its VAT identification number and provides a declaration it has been accounting for VAT on the transaction. It would also be important to know if any time limits would apply and whether and how the platform or the underlying supplier would need to do any corrections to overcharged (DSR) VAT.

We thank you again for giving us the opportunity to be heard and we hope the above helps the Ministry of Finance to undertake a thorough policy and impact analysis bearing in mind all stakeholders, first and foremost the smaller and local stakeholders affected that up till now may not have been aware or involved sufficiently.

We remain keen to try and voice concerns and challenges we see for the wider travel eco-system and to come to a proportional solution also for Finland as a tourist destination.

We remain available to share our experience and expertise in trying to support the Ministry of Finance in coming to a sound proposal and effective implementation.