

The Sunday Business Post

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Airbnb hosts should know taxes are certain

Much controversy and outrage has erupted in recent days after it emerged that Airbnb was providing details of earnings made by thousands of people renting out rooms and their homes via the company to the Irish tax authority.

The move was prompted by a Revenue decision that income generated from renting out rooms on online sites such as Airbnb is fully liable for income tax. The US multinational has held town hall style meetings with its so-called Irish "hosts" to brief them on the situation, while its advisers, EY, say Revenue is wrong in its interpretation of the existing rent-a-room allowance.

But just how did it even get this far? The Revenue has been clear on its position relating to the tax status of Airbnb income from the off, and has published guidance notes.

The matter has even been raised in the Dáil, with Minister for Finance Michael Noonan explicitly stating that such income was liable for income tax and outside the scope of the rent-a-room relief. His argument was simple: the rent-a-room scheme is designed to deal with a lack of housing, as opposed to renting out rooms to holidaymakers for extra cash.

This should not come as a surprise to anyone. All income must be declared for tax. It was ever thus. If any Airbnb hosts asked the tax authority for advice before renting out a room, they would have been informed of the situation immediately. Many did. But a large number, it seems, did not and may face an

outstanding tax bill.

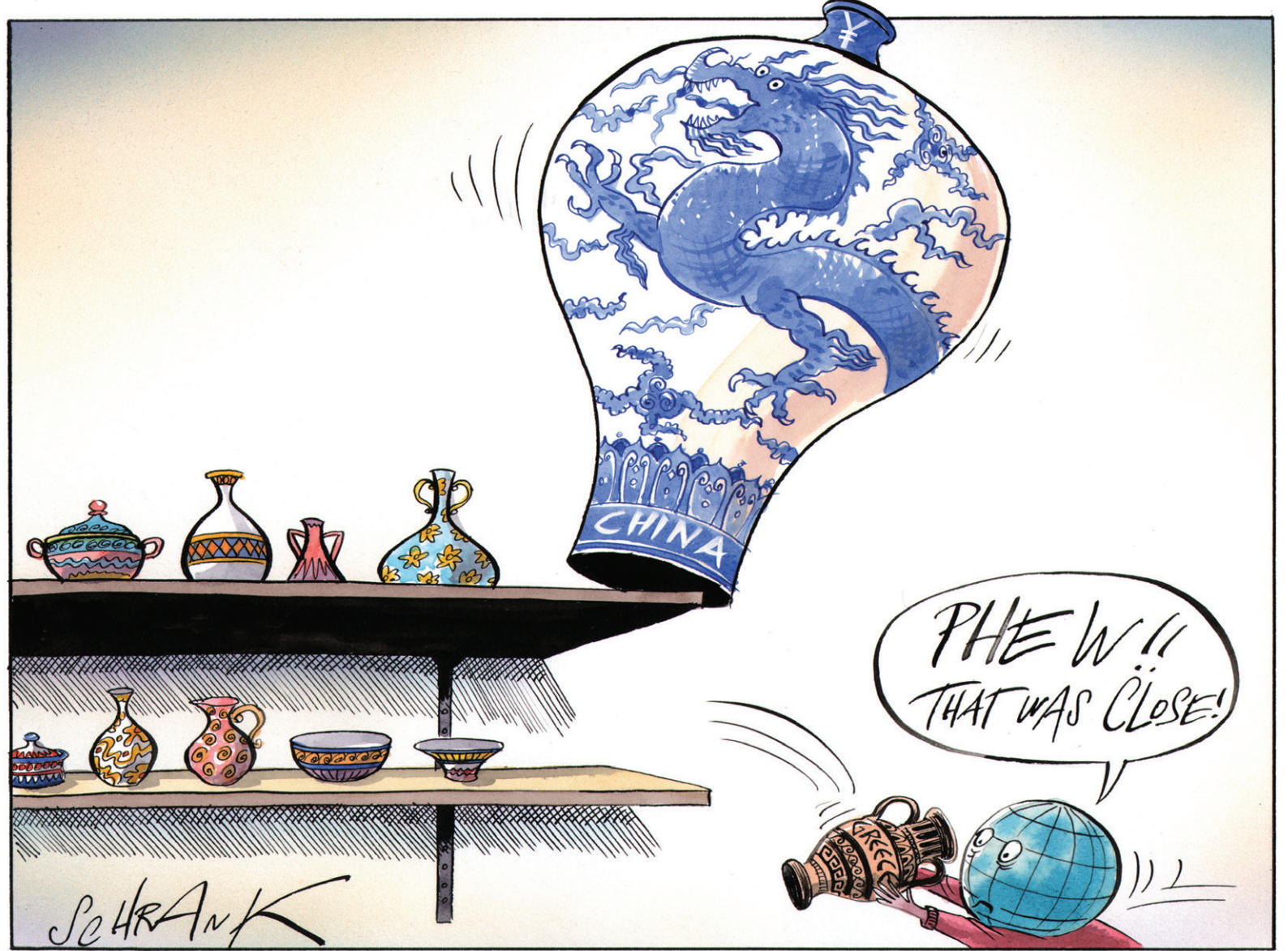
It raises many broader questions about the powers of the Revenue, and about the culture of taxpaying in this country. No one should be surprised that the US multinational handed over the details of its hosts. The taxman has huge powers in Ireland to gather, collect and source documents from third parties. It is this ability to get information that has helped it weed out various schemes and mechanisms used by individuals and corporates to reduce their tax liabilities.

Last week, this newspaper reported published details of the tax authority's current targets, including rental income, foreign property and credit cards. We have previously reported at length and in detail about the fact that medical consultants have coughed up €30 million to the authority following an investigation into the tax tactics employed by a number of medical consultants.

The taxman has also targeted the professional classes, opening investigations into the use of cash by accountants, doctors, lawyers and dentists.

It is developing a new model to analyse a person's lifestyle with their declared income, and even turning up randomly at music festivals to ensure that all traders are tax-registered. The interesting point is not that the tax authority goes to such lengths to weed out tax avoidance. Instead, it is the fact that it is continually recouping money and back taxes from all of these investigations.

The hosts of Airbnb are lucky. They still have time to get their affairs in order and make declarations to the authority without fear of penalties. But it should never have reached this point in the first place.



Budgeting for absolute power

Germany's plan to create a European budget commissioner with the authority to rewrite national budgets smacks of hegemony and hubris



Ashoka Mody

The German insistence on rules to govern the euro area has little to do with more effective functioning of this ill-considered union. It has everything to do with the German interests.

Not so long ago, the German authorities insisted that the Stability and Growth Pact did not apply to them. Today, they believe that the same rules, if forcefully enforced, would protect the German taxpayers from paying the bills of errant nations. Since 1991, when the Maastricht Treaty was negotiated, the German authorities have demanded automatic sanctions against those who fail to meet the deficit criteria. But imposing sanctions on peers was never realistic, and they have never been deployed.

Now, German finance minister Wolfgang Schäuble is pushing to establish a European budget commissioner with the authority to rewrite national budgets. The result will be an intrusive super-state without any pretense of democratic legitimacy. More worrisome, economic imbalances will continue to brew since a central authority cannot monitor a growing list of sovereign nations in a complex global economy. Even the Soviet authorities would have balked at such hubris.

For these reasons, the German philosopher Jürgen Habermas has protested against the increasing influence of technocratic European institutions. They don't work, and no one is responsible.

Habermas, however, goes wrong in proposing a broader political union. Presumably such a "United States of Europe"

would create democratic accountability. This enticing but utopian prospect has also been revived by French president François Hollande and Italian finance minister Pier Carlo Padoa-Schioppa.

In 1950, French foreign minister Robert Schuman had proposed a European federation, but not even in the shadow of World War Two were Europeans ready to cede real sovereignty. Later, German chancellor Helmut Kohl insisted that a "political union" must accompany a monetary union. The French – who had hoped that a monetary union would curtail Germany's economic dominance – had no interest in a surrendering their sovereignty in other matters. Kohl's successor Gerhard Schröder spoke often of a political union, mainly as an empty slogan.

Certainly, no German chancellor will open budgetary purse strings, and without that concession a "political union" has no operational significance. Indeed, the German insistence on a European budget commissioner is the very antithesis of a political union. It is quite simply an effort to grab power.

The Greek crisis has not only dredged up discredited ideas, it has also put to rest the myth of a Franco-German alliance as the engine of Europe's forward march. The alliance was always a romantic idea. Even in the post-War years, the "friendship" was an unequal relationship. Germany offered concessions in return for recognition as a trusted European nation. French president Georges Pompidou was clear: France was the moral guarantor of Germany.

With time, France's European role ebbed and Germany became Europe's dominant economy. True, French president François Mitterrand mindlessly pursued the monetary union. But Kohl – clearly aware of the monetary union's flaws – took that project to the finish line so that he could secure his place as the Chancellor of German and European unity. Once the crisis started, French president Nicolas Sarkozy played the role of a court jester, and Hollande – despite his recent effort to reclaim a role – is



Economic imbalances will continue to brew since a central authority cannot monitor a growing list of sovereign nations in a complex global economy. Even the Soviet authorities would have balked at such hubris

largely irrelevant.

Instead, an alliance has evolved between Germany and the European Central Bank. In October 2010, Chancellor Angela Merkel sensibly pushed for a mechanism to ensure that private creditors would bear losses if they lent irresponsibly to European sovereigns.

But the ECB would have none of it, and Merkel relented. In 2012, ECB president Mario Draghi sought the authority to buy bonds of eurozone sovereigns to put a lid on their risk premia. Although the Bundesbank president Jens Weidmann fiercely opposed that effort, Merkel acquiesced and gave the programme the necessary political cover.

The simple truth is that Germany wishes to have European hegemony without paying for it. The ECB has the deep pockets to keep Germany as the veto authority in Europe.

Under this arrangement, Germany is making a renewed bid for greater control of other member states' fiscal affairs, an effort that the ECB finds entirely congenial. The premise is that such tightly centralised governance will establish a viable Europe. History is not kind to this premise.

It is time to loosen the ties that bind too tightly. One approach would abandon centralised surveillance and create credible mechanisms to impose losses on private lenders. Market discipline would limit the amount of borrowing, or else distress will be shared between creditors and debtors. That is how the US monetary union worked before the Great Depression.

Alternatively, the euro must be broken up. In that case, the most logical and least economically disruptive way is for Germany to leave the eurozone. That would begin an orderly – and long-overdue – return to normalcy.

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Latest Greek bailout will fail, and will not fail better

It is extremely odd that repeated evidence of failure, repeatedly ignored, does not hurt the credibility of those preparing to repeat the same experiments in austerity-driven social engineering we have seen in Portugal, Spain, Ireland, and of course, in Greece.

Greek debt levels are no more sustainable now than they were before last week's €86 billion loan package was agreed. The creditor countries – including Ireland – continue to insist on no debt relief, despite the obvious conclusion that with Greek debt levels projected to pass 200 per cent of GDP, a default down the line is now inescapable.

The Greek parliament has, in effect, ceded control of its state to the troika. The agreement document is studded with phrases like this: "No unilateral fiscal or other policy actions will be taken by the [Greek] authorities."

The bailout terms insist on changes to the pension, health, and social welfare systems which will impoverish millions. The privatisation scheme, run by the troika's nominees, will sell off large parts of the state's strategically important infrastructure to whomever has the cash, or connections, to buy it.

Imagine, in 2011, the troika simply deciding that the ESB will be sold in

a bundle along with Dublin Port, Dun Laoghaire Pier and the Aran Islands, and you'll get a sense of what is being asked of them.

The quarterly growth of 0.8 per cent in the Greek economy comes as Greece agrees to cut spending and increase taxes up to 5 per cent of GDP over the next three years. The economy is deflating, and capital controls are still in place.

The government will plan to run a primary surplus, which implies more austerity, of 3.5 per cent of GDP, over the medium-term.

As in Ireland, the priorities are: fix the state's finances, fix the banks, reform the sclerotic structures of the economy (as the troika see it) and finally, try to reduce the impact of these changes on the Greek people.

The plan is to start with primary deficit financing, then restructuring the Greek banking system by creating a €25 billion cash buffer and collapsing smaller banks into bigger ones, before denationalising huge chunks of the infrastructure of the Greek state. There will, of course, be international consultants everywhere, all paid multiples of the average Greek's salary.

We will return to the subject of Greece again, and again, because this bailout will fail too.

College offers a first step on a lifelong journey

The CAO offers for college places will be made tomorrow. There will be joy, relief, sadness and despair. Some dreams will be made; others shattered.

But it is important to put it all into perspective. The world we live in is changing rapidly, constantly morphing and redefining itself. While the course and college many students choose is

obviously important, it is no longer the life-defining decision that it was for previous generations. Careers now will be marked with many occasions where they can or must reinvent themselves. Many will work in industries and sectors that do not yet exist. We wish all the students awaiting offers best wishes in the next phase of their lives.

This is an important moment – but there will be other ones.

Quotes of the week



"She is not suffering now; she is in her new home in heaven. We miss her terribly."

John Buckley, the father of murdered student Karen Buckley, after his daughter's killer admits his guilt.



"This is the type of protest... that those who are now senior figures in the Labour Party would have engaged in in the past."

Paul Murphy TD on the move to charge people involved in a protest against Joan Burton.



"In the big scheme of things, it's not life or death."

Golfer Rory McIlroy on gaining perspective during a break from championships.



"The idea of the site is to align myself with a new career."

Former rugby star Brian O'Driscoll on his new website.



"It's very simple, and I've said this from day one since I started hosting it: if you don't like it, don't watch it."

Rose of Tralee presenter Dáithí Ó Sé is in no mood to try to win over critics of the show.