PROBLEMS

- 400 000 dwellings / 10-15 % leased

- **Problem 1:** 20 million Euros tax revenue lost every year

2 YEARS ALCOHOL EXCISE

- **Problem 2:** Unfair competition – enabling lower rents, administrative costs (accounting, annual reporting)

PROBLEMS

BUT WHAT HAS BEEN THE **REAL** PROBLEM?

1. Higher tax burden for individuals

2. Directing business to OÜ-s may not increase tax revenue

3. Choice given - „all or nothing"

TYPICAL TAX FRAUDS

- **TRANSFORMED INCOME**

- Recovery works *versus* upgrading apartment, ordering construction works

- Problem of evidence
- Problem with income-based tax assessment

TYPICAL TAX FRAUDS

CREATING A CHAIN

- State's attention is on apartment owners, not on other persons

- Free sub-lease to some friends who take care of the leasing

- Transferring money? – sale of some asset at personal disposal (no income tax) → avoid assessment of income from „unidentified source"

TA'S ATTENTION SPHERE

LAND REGISTER

LESSOR/OWNER

apart.   money

FRIEND

apart.   rent
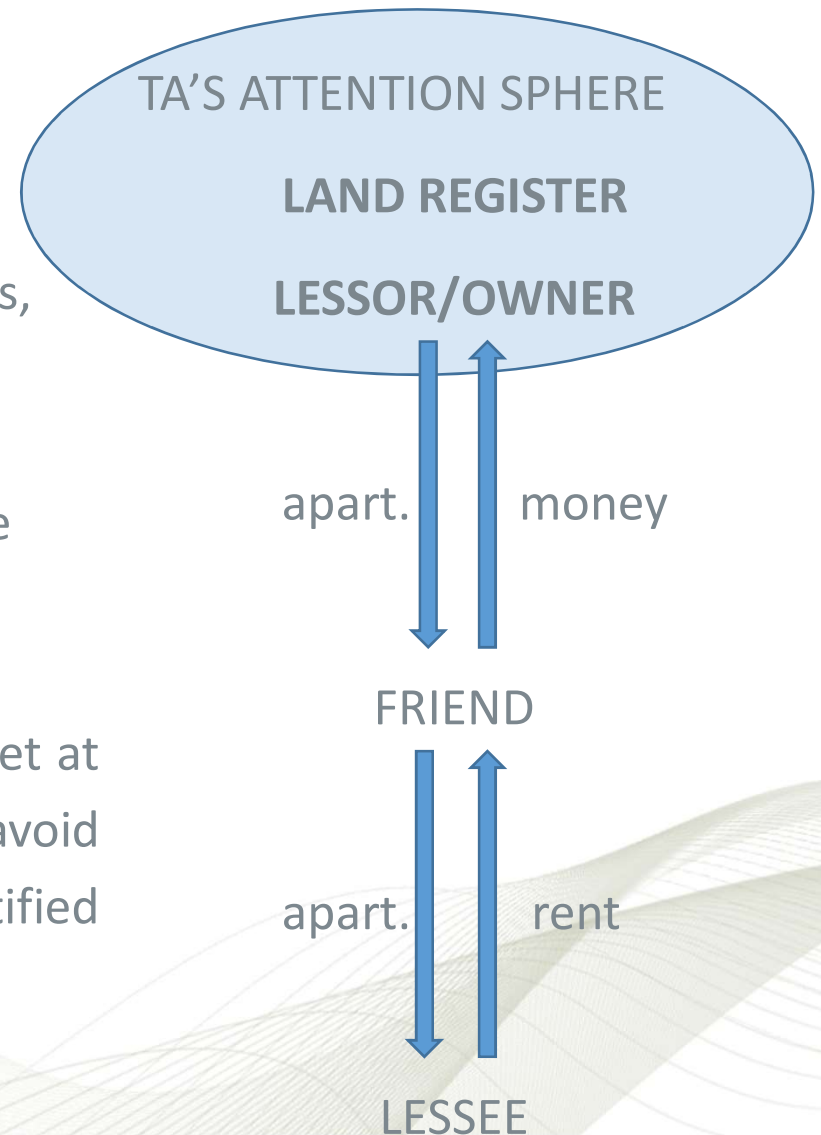
LESSEE

SOLUTIONS

Which LEGISLATIVE button to push and how to do it?

LESSOR

TAX BENEFITS?
THIRD PARTY REPORTING?
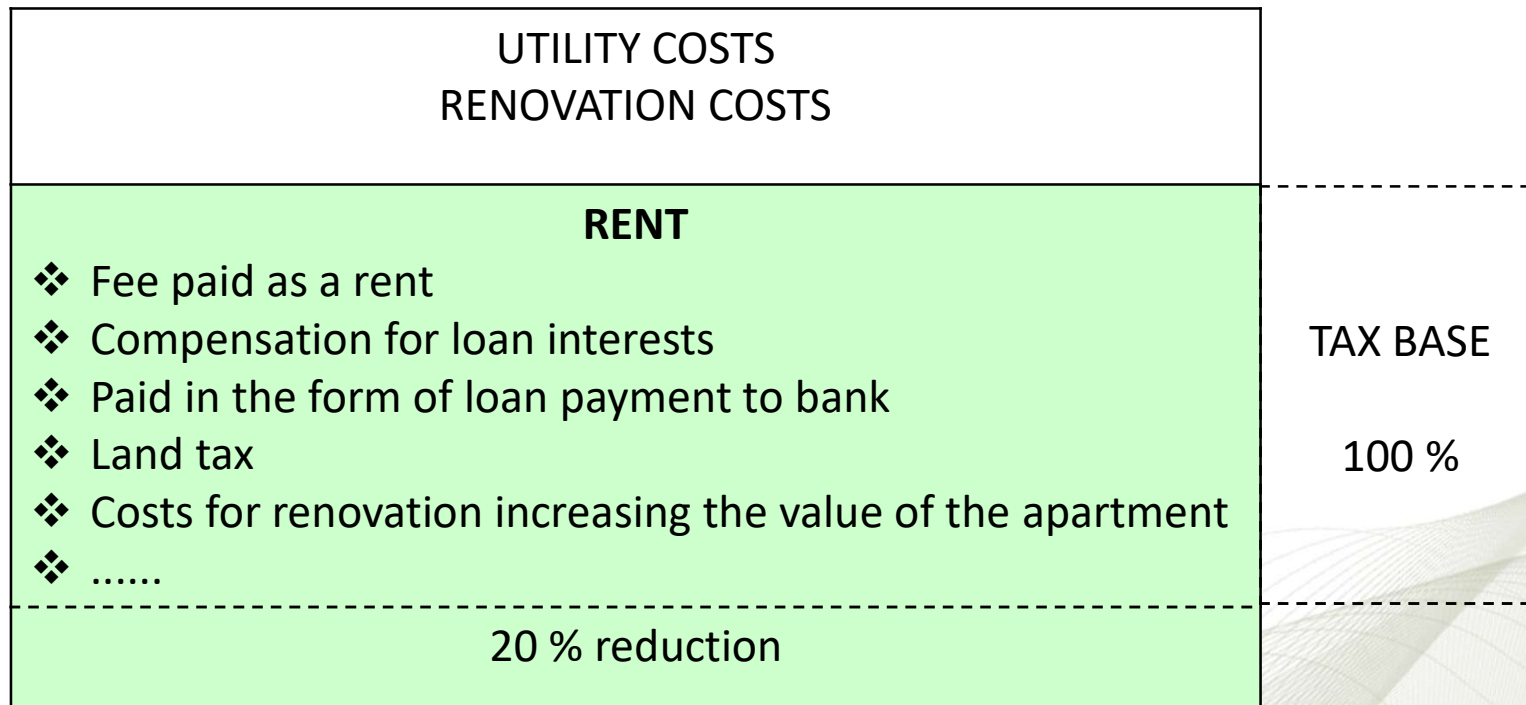NO TAX AT ALL?
REGISTER?

LESSEE

TAX DEDUCTIONS
LOSS OF RIGHTS?

STEPS BY STATE: A 20 % „COOKIE"

- Automatic deduction of 20 % of the income from **dwelling lease**

- Problem: not applicable to Airbnb, Booking.com, sub-lease

PAYMENTS TO THE LESSOR FROM THE LESSEE

| UTILITY COSTS RENOVATION COSTS	
RENT ❖ Fee paid as a rent ❖ Compensation for loan interests ❖ Paid in the form of loan payment to bank ❖ Land tax ❖ Costs for renovation increasing the value of the apartment ❖	TAX BASE 100 %
20 % reduction	

STEPS BY STATE: INVOLVE INTERMEDIARY

- **COOPERATION** with Airbnb regarding educative announcements
- **DATA SHARING** (Example from France)
- **AUTOMATED DATA TRANSFER**
    - Uber, Taxify, EstateGuru
    - Current problem?
    - Smart contracts?

Ideas:

- Why not to cover with 20% income „cookie" ?
- No tax on short-term lease (USA)?
- Enable reduction of expenses (the Netherlands)?

LESSOR

STATE

Educational notices

500€

PLATFORM
Airbnb

500€
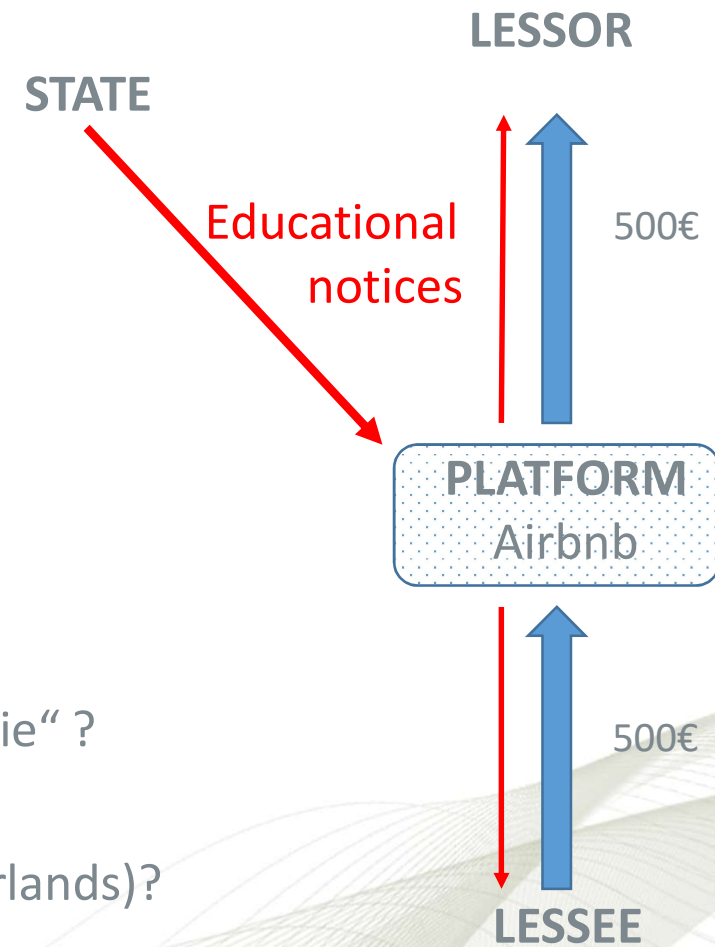
LESSEE

STEPS BY STATE: OVERALL DATA COLLECTION

- Lessee applies for social benefits – need to show place of living in the application

- Idea: CROSS-USAGE OF DIFFERENT DATABASE INFORMATION

  → problem: cross-usage does not work

  → legal problems with having such authority

- Manual scanning of commercial web pages, Facebook

IDEAS: RENTAL AGREEMENT DATABASE

- All rental agreements must be registered in a public database

- If not registered:

  → **lease agreement is not valid - maybe causes too much mess?**

  → **„no cheque from taxi driver → no pay"**

  → **limit some of the lessee's rights**

  → **if not registered, then also lessee fined**

  → **if registered, then tax deduction for the lessee**

Thank you !

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