

A TAX FOR SUMMER

By Manuele Bonaccorsi

In collaboration with Lorenzo Di Pietro

SIGFRIDO RANUCCI IN THE STUDIO

It appears that we can afford to lose six billion euros in revenues every year, to which we can add another form of evasion, as Manuele Bonaccorsi has discovered on his hunt for another type of vampire, a vampire which in this instance prefers commissions to oil.

MANUELE BONACCORSI OFF SCREEN

The historic centre of Rome is one of the most popular tourist destinations in the world: 122 thousand residents, 15 million tourists a year, and more than 700 hotels.

MANUELE BONACCORSI

Where are you from?

GROUP OF TOURISTS

Thailand!

MANUELE BONACCORSI

And where did you book your hotel?

GROUP OF TOURISTS

On the website booking.com.

TOURISTS

Booking.com.

WOMAN

We booked the hotel on booking com.

MAN

Booking.com.

MANUELE BONACCORSI

Thank you.

MANUELE BONACCORSI

What percentage of your bookings are made through Booking-Expedia?

HOTEL MANAGER

Booking.com represents 46 percent.

HOTEL MANAGER

70 percent, the hotel is theirs.

MANUELE BONACCORSI

The hotel is theirs?

HOTEL MANAGER

They practically own it.

HOTEL MANAGER

Around 80-90 percent.

MANUELE BONACCORSI

90 per cent? All of them, essentially.

HOTEL MANAGER

These days yes, unfortunately.

MANUELE BONACCORSI

Why unfortunately?

HOTEL MANAGER

Because they take a commission, and it's very high. Enough.

WALTER PECORARO - HOTEL MANAGER

Good morning. This is a hotel in a historical building, one of the many buildings of the famous Marchese del Grillo, and if we do a search on the internet for the Hotel Cosmopolita, the first result that appears isn't the official hotel website, it's the Booking.com advertisement.

MANUELE BONACCORSI

So even if the customer actually searches your hotel, in the end he or she ends up booking...

WALTER PECORARO - HOTEL MANAGER

With Booking or Expedia.

MANUELE BONACCORSI

And how much money do you pay them in commission?

WALTER PECORARO - HOTEL MANAGER

Around 20 percent. We're talking about 200-250 thousand euro in commission per year.

MANUELE BONACCORSI OFF SCREEN

And while we're talking to the hotel manager, two Booking.com agents arrive.

MANUELE BONACCORSI

Who are they, where are they? Those two?

WALTER PECORARO - HOTEL MANAGER

Yes, they've got an appointment with the reception manager.

MANUELE BONACCORSI

To discuss what?

WALTER PECORARO - HOTEL MANAGER

Rates, commission.

HOTEL MANAGER

What are you here to see Bruno about?

BOOKING.COM AGENT

It's just a routine appointment to go over a few things...

WALTER PECORARO - HOTEL MANAGER

Now they're sitting there in front of a coffee in our bar, trying to get us to sign up for some promotion that is not advantageous for us. The visibility that a hotel has on these portals is always linked to the rate of commission paid. Want to sell more rooms, want to appear higher up? Give us 5 percent, 10 percent more commission and I'll put you on top of the list, it's all...how to put it...it's all a form of polite blackmail.

MANUELE BONACCORSI

Commission rates of between 18 and 30 percent. This is the percentage that we end up paying to the Olta, *Online Travel Agency*, when we book our hotel room online. They are giants, listed on the stock market. Booking.com handles 92.7 billion dollars of hotel room bookings, and collects 14.5 billion in commission fees. The company's CEO, Glenn Fogel, took 20 million dollars in wages and *stock options* in 2018. Expedia's turnover is 100 billion dollars, and the company collects 11 billion in commission fees. Its CEO, Mark Okerstrom, is one of the highest paid people in the world: he takes home 30 million dollars a year.

RONALD SCHEGG – VALAIS INSTITUTE FOR TOURISM (SWITZERLAND)

It is a major duopoly. Today across the world, around 30 percent of all bookings are made through Booking.com and Expedia.

ALESSANDRO MASSIMO NUCARA – DIRECTOR OF THE FEDERALBERGHI HOTEL ASSOCIATION

If we consider that in Italy, the hotel market is worth around 23 billion euros a year, this means that around 7 billion euros pass through the major portals, of which there are essentially two.

MANUELE BONACCORSI

And are these two portals in competition, or do they take the same approach to pricing?

ALESSANDRO MASSIMO NUCARA – DIRECTOR OF THE FEDERALBERGHI HOTEL ASSOCIATION

We are not witnessing any real form of competition, except in terms of lots of advertising. So if they tell me that tomorrow, my 18 percent will become 20 or 22, unfortunately there's very little I can do to defend myself.

MANUELE BONACCORSI

And who exactly are hotels paying this commission to? Have you got a couple of invoices you can show me?

WALTER PECORARO - HOTEL MANAGER

Sure, so this is an invoice from Booking.com. Booking.com b.v., p.o. box etc., Amsterdam. What about Expedia? Expedia are in Switzerland.

MANUELE BONACCORSI

Ah, so outside the European Union.

WALTER PECORARO - HOTEL MANAGER

Geneva, Switzerland.

MANUELE BONACCORSI OFF SCREEN

According to our estimates, Booking.com takes around 800 million euro a year in commission in Italy, but pays just 4.8 million in tax - that's 0.6 percent. Expedia takes 250 million in commission and pays 2.7 million in tax, which is one percent. Rather different from flat tax. How is this possible?

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

Not only do they not pay tax in Italy, they don't pay tax anywhere. The money ends up in the Netherlands, or in Luxembourg, much of it moves through Britain and all of it ends up in Delaware - that's the truth of it, because Delaware is the biggest offshore jurisdiction in the world.

MANUELE BONACCORSI OFF SCREEN

So basically, a fifth of the money we spend on rooms and hotels ends up in tax havens. In Italy, Booking.com and Expedia only run dummy companies. These companies don't take a single euro from tourists and hoteliers. They are simply paid by the foreign company to carry out promotional and customer care activities.

FRANCESCO BOCCIA – MEMBER OF PARLIAMENT, ITALIAN DEMOCRATIC PARTY

Airbnb, Booking.com, Expedia and all the others keep saying that they don't have a permanent establishment, but what does that mean? They say they have no offices in Italy - once these were called warehouses in Italy - but in reality, they do have offices, but they continue to insist that these are actually symbolic offices and that their main activity is in other countries.

MANUELE BONACCORSI

If a company doesn't have a permanent establishment in the country, what taxes do they get out of paying in Italy?

FRANCESCO BOCCIA – MEMBER OF PARLIAMENT, ITALIAN DEMOCRATIC PARTY

They don't pay VAT, there's no direct taxation.

MANUELE BONACCORSI OFF SCREEN

To check if they pay VAT, we have rented an apartment in Milan through Booking.com.

BOOKING.COM LESSOR

Nice to meet you.

MANUELE BONACCORSI

Pleased to meet you, I'm Manuele. Hi.

BOOKING.COM LESSOR

Here in the bathroom you've got the towels, and there's water in the fridge.

MANUELE BONACCORSI

Do you need a VAT number to do this?

BOOKING.COM LESSOR

No, you can do it without being VAT registered.

MANUELE BONACCORSI

So how does it work, who pays the VAT? Do they pay it?

BOOKING.COM LESSOR

No, there is no VAT.

MANUELE BONACCORSI

Ah, there isn't any...

BOOKING.COM LESSOR

No, there isn't any.

MANUELE BONACCORSI

And so if I wanted an invoice, I'd need to ask Booking.com?

BOOKING.COM LESSOR

No, I don't think Booking.com do invoices, because then they don't...

MANUELE BONACCORSI

So today, by spending the night in a private apartment booked via Booking.com, we have avoided paying VAT.

GIAN GAETANO BELLA VIA – INTERNATIONAL TAX EXPERT

You haven't, but he has.

MANUELE BONACCORSI

But I paid Booking.com.

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

Booking.com?

MANUELE BONACCORSI

But they don't provide invoices.

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

Oh! And what do they provide?

MANUELE BONACCORSI

Nothing.

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

Ah, so it's a bit of a problem then, eh?

MANUELE BONACCORSI OFF SCREEN

And as problems go, it's not a small one. Because Booking.com is now competing with Airbnb in the short term rentals sector. With excellent results: Booking.com's turnover from private rentals has exceeded that from hotels. And it's all VAT free, as these invoices show, provided to private property owners for commission payments: 6,158 euro in rent, 850 euro in commission, but there's no entry for VAT. None in this one either, or this one. So does Expedia pay taxes? This is one of their invoices, the money ends up in Switzerland, in Geneva, in a company based in this small building, which Expedia shares with dozens of other companies.

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

Aside from anything, the term "reimbursement for booking" is a contradiction in terms. An invoice represents the sale of a good or service.

MANUELE BONACCORSI

So it's not a reimbursement?

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

It's not a reimbursement.

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

This lot will make anything up. I can see that the payment has been made to a company governed by Italian law.

MANUELE BONACCORSI

But on behalf of a Swiss company.

GIAN GAETANO BELLAVIA – INTERNATIONAL TAX EXPERT

Which does not apply VAT. Look, I don't know, and I don't even want to know.

FRANCESCO BOCCIA – MEMBER OF PARLIAMENT, ITALIAN DEMOCRATIC PARTY

Some might call this circumvention, I call it evasion. If this service was provided in Italy using Italian property, as far as I'm concerned, it's tax evasion.

MANUELE BONACCORSI OFF SCREEN

Last Tuesday, representatives of Booking.com and Expedia were invited to Parliament by the Chamber committee for production activities. Expedia didn't even show up. Booking.com sent its regional manager.

BARBARA SALTAMARTINI – PRESIDENT OF THE CHAMBER COMMITTEE FOR PRODUCTION ACTIVITIES

Go ahead, Mr. Yates.

ALBERTO YATES – REGIONAL MANAGER FOR ITALY, BOOKING.COM

My name is Alberto Yates and I am the regional manager for Booking.com in Italy. The mission of Booking.com is to provide everyone with the opportunity to explore the world.

MANUELE BONACCORSI OFF SCREEN

Yates responded to the questions posed by the members of parliament. Who no doubt will have held him to account over the tax that the company has failed to pay in Italy. Wait a minute...

BARBARA SALTAMARTINI – PRESIDENT OF THE CHAMBER COMMITTEE FOR PRODUCTION ACTIVITIES

Honourable Member Masi, go ahead.

ANGELA MASI – MEMBER OF PARLIAMENT, FIVE STAR MOVEMENT

I wanted to ask if you have any data on the perception of those who choose the various accommodation facilities?

SARA MORETTO – MEMBER OF PARLIAMENT, ITALIAN DEMOCRATIC PARTY

I wanted to ask a question about the classification of accommodation facilities.

BARBARA SALTAMARTINI – PRESIDENT OF THE CHAMBER COMMITTEE FOR PRODUCTION ACTIVITIES

Thank you, if there are no other questions we end the hearing with the representative from Booking.com here.

ALBERTO YATES – REGIONAL MANAGER FOR ITALY, BOOKING.COM

Thank you.

SIGFRIDO RANUCCI IN THE STUDIO

Our colleague Manuele Bonaccorsi went to the committee, hoping to hear politicians asking Expedia and Booking.com the right question - "How much tax do you pay here in Italy?", but he was disappointed...they asked him for some advice on how tourism is

doing. Clearly they wanted him to feel at ease. Just like the person renting the apartment in Milan felt at ease, when Manuele asked him who was paying the VAT, to which he responded "What VAT? There's no VAT to pay". Meanwhile, the first unit of the Italian Finance Police in Genoa has a different take on this issue - they are investigating; coordinated by the public prosecutor's office of Genoa and the prosecutor Francesco Pinto, they have sent various international letters rogatory with a view to getting hold of the documentation from Booking.com's parent company in Amsterdam, but the Dutch have not responded. Yes - the very country who are the most rigid and rigorous when it comes to the European budget constraints. Elsewhere, we understand that the public prosecutor's office in Rome has also opened an investigation into tax evasion. Booking.com responded to us, informing us that the average percentage of commission that it charges is 15 percent, which is low for the service it performs. However, they didn't answer when we asked what they actually bank from the commission charged on bookings here in Italy. But on checking their 2018 financial statements, guess what we discovered? That the company paid 356 million euros in overdue taxes in France. We should try to recover something too. In the government contract between the Lega Nord and the Five Star Movement, there was talk of introducing a web tax on tourism, designed specifically to counter unfair competition. Since this law never entered into force, we must try to create this competition ourselves - we can call hotels directly, and perhaps they'll give us a lower price because they don't have to pay commission if we book direct. Or we can try to book accommodation through the tourist portals managed by the various Italian regions, or by the associations of ateliers. You can find advice on our website on how you can avoid putting money in the pockets of companies that are stealing resources from our country.