

Tourism in Belize:

options to tax and regulate
the home-sharing sector



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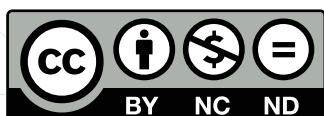
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Prologue

The tourism and hospitality sectors are among the hardest hit by the outbreak of COVID-19, which has impacted both travel supply and demand. The World Travel and Tourism Council (WTTC) estimates that tourism constituted 45% of the GDP, 40% of total employment, and 42% of total exports in Belize last year. Given this heavy dependence on tourism, Belize's economy will be one of the world's tourism-dependent economies most affected by the pandemic.

Apart from its immediate impact on employment, the unparalleled shock of COVID-19 in the tourism industry will have wide-reaching implications, including on the fiscal front. The fall in economic activity will translate into lower tax revenues and additional spending to contain the sanitary and economic crisis. While the long-term outlook of the COVID-19 pandemic is still highly uncertain, the recovery of the tourism industry might take time. The government's immediate response to the crisis requires helping these sectors sustain jobs and support viable companies at risk. However, the country should be prepared for the comeback of the tourism industry, with plans and programs, but also with regulations that are conducive to building a more resilient and sustainable future.

In coming years, Belize will face the extraordinary challenge of promoting growth in the tourism industry while enhancing tax revenues being distributed to the applicable jurisdictions to support a more sustainable fiscal environment in the country. Currently, alternative sources of accommodation such as Airbnb are not regulated and do not contribute to tax revenues, which generates an opportunity to analyze the regulatory framework and create strategic alliances that could benefit the tourism sector and support a sustainable fiscal environment in Belize.

Moreover, the home-sharing facilities could be more resilient in a post-COVID scenario as they do not use common spaces for guests, making even more necessary the sector's regulation.

This study addresses potential regulatory and tax policy responses that could be adopted by the government of Belize for the new home sharing sector of the country. Home sharing in Belize is small but rapidly growing, and in 2017, there were at least 29,000 inbound home-sharing visitors to Belize. This compares to a total of 427,076 overnight arrivals, meaning that home sharing currently represents 7% of the overnight tourist accommodation market. As a result of digitalization, such as the ability to offer accommodations directly to the consumer, several concerns have arisen regarding the increase in home-sharing platforms, including the loss of jobs and fiscal revenues from the traditional overnight sector and the fact that many home-sharing providers operate in an unregulated market.

For all the reasons cited above, the Inter-American Development Bank (IADB) initiated this project with the firm Ernst & Young to put a menu of options at the government's disposal for regulation of the home-sharing sector. This monograph makes available several approaches with different outcomes to regulate the home-sharing sector. The policy route taken by the government regarding the home-sharing sector will, therefore, depend on finding the correct balance between ensuring a level playing field between traditional hotels and the home-sharing model, raising revenue, and maximizing the economic benefits. At the IADB, we trust it will be a valuable tool to assist the government in choosing a policy route.

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Executive summary

The pandemic is an unprecedented crisis for the tourism economy. Tourism is a significant part of the Belizean economy, constituting 45% of the GDP, 40% of total employment, and 42% of total exports in Belize last year. The COVID-19 outbreak will translate into significant macro-economic effects. The immediate shock to the tourism sector is the loss of jobs and business closures. However, this will be followed by wide-reaching implications, including a deep deterioration of Belize's fiscal stance.

The accommodation industry is at the forefront of this crisis, including hotels and home-sharing platforms, such as AirBnB. Home-sharing in Belize is small but rapidly growing and in 2017 there were at least 29,000 inbound home sharing visitors to Belize.¹ This compares to a total of 427,076 overnight arrivals, meaning that home sharing currently represents 7% of the overnight tourist accommodation market. Due to the social nature of their activities, both have reported acute decreases over the last months.²

The crisis has highlighted the need to regulate the home-sharing sector. For instance, workers who depend on the accommo-

dation platforms are among the most vulnerable, but they are unable to receive public aid because they operate out of sight of governments. Likewise, during the recovery phase, enhanced regulation on safety and cleaning protocols (not only in hotels but in home-sharing facilities) will be key to restoring visitors' confidence in visiting the country.

While the immediate focus is protecting workers and businesses, policy makers are encouraged to start thinking about longer-term implications of the crisis for the tourism sector and the structural transformation needed to build a more sustainable and resilient tourism economy. In coming years, Belize will face the extraordinary challenge of promoting growth in the tourism industry while enhancing tax revenues for applicable jurisdictions to support a more sustainable fiscal environment. In this context, the tax and regulatory regime in Belize, as in much of the rest of the world, has yet to catch up.

This paper (hereafter, this "Report") addresses potential tax and regulatory policy responses that could be adopted by the Government of Belize ("GoB") for the new home-sharing sector in Belize.

The effect of home sharing in Belize

The term "home sharing" is used in this Report to refer to the provision of accommodation by a home-owner or small entrepreneur to consumers via a digital matching firm.³ A digital matching firm will intermediate between the consumer and accommodation provider and charge a usage fee to either provider or guest, or both. This Report focuses on fee-charging models rather than other non-fee charging digital home-sharing models including reciprocal accommodation exchanges and free accommodation.

This Report includes some analysis in Section 4 on the impact of home sharing on the tourism sector in Belize. This analysis is based on publicly available information, particularly from the

"open-source" website "Inside Airbnb". It is important to note that the data obtained on Airbnb has limitations. Due to data secrecy and tight controls over data by the source companies, we have not been able to verify the accuracy or completeness of this data. Furthermore, our conclusions assume that Airbnb is representative of the entire home-sharing segment in Belize. Due to scope limitations, we were not able to include interviews with tourism stakeholders in Belize and as such, the conclusions do not reflect stakeholder opinions or insights.

Global reports⁴ on the economic impact of the home-sharing sector claim that home-sharing often brings the following positive attributes: it,



Helps attract new markets and customer demographics;



Lowers the barriers to entry for small businesses and entrepreneurs; and it



Enables the dispersion of tourists in a wider geographical area.

1 Belize Tourism Industry Association, "BTIA meets with AirBnB Representatives", <https://btia.org/btia-meets-with-airbnb-representatives>, January 18, 2018

2 According to Bloomberg, apartment bookings have been reported to have decreased anywhere from 41% to 96% as of April 2.

3 Home sharing is also sometimes referred to as "peer-to-peer" or "P-2-P" accommodation provision, although this Report will use the term "home sharing" throughout.

4 See WorldBankGroup: 'Tourism and the Sharing Economy: Policy & Potential of Sustainable Peer-to-Peer Accommodation', 2018, p.16.

These attributes also align with the core objectives set out in Belize's National Tourism Policy. However, these attributes are only partly supported by our analysis on the home-sharing sector in Belize.

Acknowledging the limitations of our data, our analysis would suggest that:

1. Home-sharing has clearly contributed to increasing the tourist accommodation stock in Belize, particularly in the rented housing/apartments and budget traveler sectors (whose demographic is typically younger than in the traditional hotel sector). As such, home-sharing has catered to new demands and created new markets and demographics.
2. Although the home-sharing sector may be serving a role in dispersing tourists to a wider geographical area within Belize, most home-sharing properties are clustered in the same locations as hotels.
3. There are low occupancy rates in home-sharing accommodation. This may be due to a variety of reasons but may indicate some quality issues with respect to some of the home-sharing stock.
4. There appear to be a number of hosts with multiple listings, which points to the fact that there are some small businesses operating in the Belize home sharing market (rather than merely home-owners sharing rooms in their houses).

Tax policy options for home-sharing in Belize

From the Inter-American Development Banks's ("IDB's") Terms of Reference for this Report, EY understands the key objective of this consultancy is:

*To undertake an economic and fiscal policy study that will promote the growth of the tourism industry, with a focus on home-sharing, while enhancing tax revenues to the applicable jurisdictions to support a more sustainable fiscal environment in Belize.*⁵

This is underscored in the Terms of Reference by a concern about the impact that the home-sharing sector is having on the profitability of traditional hotels (and the associated tax revenue), as well as concern over taxpayer compliance in Belize. The policy route taken by the GoB with respect to the home-sharing sector will therefore depend on finding the correct balance between raising revenue, ensuring a level playing field between traditional hotels and the home sharing

model of accommodation provision, and not stifling the new home-sharing sector with the economic and other benefits that it may bring to Belize.

In this spirit the GoB is running a campaign (called the "Did You Know?" campaign) to alert homeowners renting their properties of their responsibility to register with the Belize Tourism Board ("BTB") in line with traditional hotels.⁶ It is already a legal requirement for home sharers to levy and account for Accommodation Tax on the same basis as hotels. However, the "Did You Know?" campaign indicates compliance is below desired levels. There are three tax policy instrument options at the GoB's disposal currently:

1. Indirect taxation of the home-sharing sector:

- a. Visitors to the traditional hotel sector are required to pay a Tourist Accommodation Tax which is collected and remitted by hotels. Those operating within the home-sharing sector are also obliged to pay the Tourist Accommodation Tax, but to date, compliance has been low and reportedly many home sharers appear to remain unaware of this

requirement. This has prompted the GoB's "Did You Know?" campaign to alert home-sharing providers to this. To further compliance, consideration might also be given to whether home-sharing providers should be subject to a lower rate of the tax and whether it is more efficient for the home-sharing provider or the digital matching firm to collect the tax.

⁵ The IDB's Terms of Reference for this Report.

⁶ <https://www.sanpedrosun.com/business-and-economy/2019/09/16/btb-launches-second-phase-of-dyk-campaign/>
<https://www.belizeboardoftourism.org/notice-to-hotellers/>

- b. Alternatively, GST could be extended to the home-sharing sector. As GST is currently not applied to the hotel sector, this option might involve introducing GST across the board

2. Direct taxation of home-sharing providers:

- a. Traditional hotels will be operated by businesses that have to pay taxes on their profits. Home-sharing providers may well be run as small businesses that regularly fall beneath the threshold for business tax. As such, the thresholds and
- b. Alternatively, a special new “SME tax” could be introduced, perhaps with a lower flat rate, to minimise the costs of

to hotels as well as home sharers in order to ensure a level playing field.

rates of business tax could be adjusted to bring these home-sharing providers within the scope of the tax (which may bring more businesses from other sectors into the tax as well).

compliance for home-sharing providers.

3. Direct taxation of digital matching firms:

- a. Taxation of digital matching firms is difficult as they will likely be operating with little perceptible taxable substance under the current framework of international taxation. Nevertheless, this is an area that is on the cusp of change. There is a push at the level of the Organisation for Economic Cooperation and Development (“OECD”) and the G20 for a new global consensus for how to tax digital transac-

tions. This is expected to reach its conclusion by the end of 2020. By this time, there may be increased scope for GoB to tax the profits that arise to digital matching firms on the home-sharing activities that take place in Belize in a way that is aligned with other countries. In the meantime, there are “unilateral” options available to Belize, albeit these are complex and difficult to implement.

Options (1.) and (2.) would aim to regularise the taxation of tourist accommodation and introduce a “level playing field” with the traditional hotel sector. In addition to raising revenues, these measures could meet the consultancy’s objective of attaining a sustainable fiscal environment by seeking to stem any revenue loss resulting from the shift from traditional accommodation to the home-sharing sector. Further, the home-sharing sector is growing fast, and future fiscal revenues from any measure adopted to tax the sector are likely to increase rapidly as the sector grows.

In order to maintain a balance between supporting a sustainable sector, rules could also be introduced such that the obligation for the collection of taxes on home-sharing guests (i.e. option (1)) should be borne by the digital matching firms.

Mitigating the administrative burden on this sector seek to maintain the growth (and the associated economic benefits) of this dynamic and growing part of the tourist accommodation industry. Alternatively, the GoB could also introduce a lower rate of tax for home sharing to recognise the different nature of the market it serves.

In practice, successful taxation of this sector may well come down to compliance. Many home-share providers appear not to be aware of the rules that apply and may not have the administrative capabilities to deal with them. As such, taxation measures might need to be complemented with regulatory changes, such as the requirement for home-sharing providers to register with the BTB which the BTB is already undertaking



Introduction

The impact of digitalisation on the tourist sector has been profound, having changed the value chain for both traditional tourism as well as leading to the introduction of new business models, such as home sharing and or the ability to offer accommodation direct to the consumer. At the same time, there are a number of concerns that have arisen in connection with the rise of home-sharing platforms including loss of jobs and fiscal revenues from the traditional overnight sector, and the fact that many home-sharing providers operate in an unregulated market. There are a number of policy tools at a government's disposal to address these concerns including regulation, information powers and taxation. These are discussed in the paper following.

In establishing what the appropriate regime is for addressing digital activity, and home sharing in particular, this consultancy will need to carefully balance different goals and objectives in setting tax and regulatory policy for home sharing. As with all governments around the globe the ultimate solution will involve the Government of Belize ("GoB") weighing up the relative costs and benefits that the home-sharing sector brings to the economy and determining where the balance lies, for example, between fostering the growth of a new part of the sector within the economy, which in many ways addresses some key tourism policy goals, and imposing regulation and tax in a proportionate way to other parts of the sector in a way that remains regionally competitive.

This report is prepared in response to the Terms of Reference dated 31 October 2018⁷ to complete a policy study of Belize's tourism industry as part of the Inter-American Development Bank ("IDB")'s aim to understand fiscal measures available to promote growth in this industry to support the wider objective

to develop a sustainable fiscal environment in the country. It specifically sets out to evaluate the impact in Belize of the home-sharing sector and the tax policy and regulation options based on the aims and objectives that a government may wish to pursue.

The report is therefore structured as follows:

Section 1: This introduction

Section 2: Provides a background on the tourism sector in Belize with a focus on home-sharing accommodation.

Section 3: Sets out the legal, regulatory and economic framework that underpins both the traditional and home-sharing sectors in Belize.

Section 4: Sets out a high-level analysis of the growing home-sharing sector on the tourism industry in Belize including the impact this is having on the tourism industry and Belize economy.

Section 5: Sets out the various policy proposals available to the GoB to address digital activity in the tourism sector, and the advantages and disadvantages of each.

Section 6: Concludes on options based on the GoB's aims and objectives that the GoB may wish to consider.

Appendices also set out further detail on the Belize tourism industry and the institutional frameworks for the industry, greater detail on the global approach to taxing digital activity, and the sources used in this report.

⁷ Please see Appendix C

1.1 Assumptions

The right policy response to the regulation and taxation of the tourism sector will ultimately depend on the policy priorities of the GoB. A number of different, and potentially conflicting, aims might be achieved through the policies that apply to the sector, including maximisation of tax revenues, promoting an attractive environment for investment into the tourism industry, development of regional and community tourism. The study has assumed that the main aims and objectives of the GoB are the same as for the consultancy as stated in the Terms of Reference:

To promote the growth of the tourism industry, with a focus on home-sharing, while enhancing tax revenues to the applicable jurisdictions to support a more sustainable fiscal environment in Belize.

The Terms of Reference also express a concern about the impact that the home-sharing sector is having on the profitability of traditional hotels (and the associated tax revenue), as well as concern over taxpayer compliance in Belize, both of which we assume should be taken into account in proposing policy responses.

For the purposes of producing this report we have assumed that any proposed new tax measures should comply with the general principles of tax policy design that have been developed by international organisations⁸:

- Taxes should be designed to be neutral and not discourage investment.
- Taxation should be transparently administered, and as broad based as possible with minimal distortions.
- Specific taxes should be limited and be based on a clear rationale of externalities. In the case of tourism, tax may seek to capture the negative externalities of the sector.
- The tax system should be equitable and taxpayers should be treated the same in equal circumstances.
- Taxes should not undermine the comparative competitiveness of the sector
- The tax system should be simple.
- Taxes should be easy to collect.

The recommendations in this report are based on the limited data available and the assumptions above.



⁸ IMF, OECD, UN and WBG, 2011, Supporting the Development of More Effective Tax Systems. A Report to the G-20 Development Working Group by the IMF, OECD, UN, and World Bank, <https://www.oecd.org/ctp/48993634.pdf>.

2 Background: Home sharing in the context of Belize's tourism sector



2.1 Tourism and the Belize economy

Tourism has grown to become the largest sector of the Belizean economy and the primary source of foreign exchange. It is the main engine of growth impacting every other sector in the economy.

The tourism sector in Belize has experienced significant growth and evolution over the past 20 years as a direct result of the country's deliberate growth strategy. The total contribution of the travel and tourism sector to Belize's economy amounted to 44.9% of its GDP in 2018.⁹

Key characteristics of the Belize tourism accommodation sector are:

- While greatest growth has historically been in the cruise ship sector, overnight stays have higher overall spend.
- Tax on tourist accommodation in Belize is lower than the regional average due to the absence of General Sales Tax ("GST") on accommodation as well as a competitive cruise ship per passenger tax.
- Tax applied in the tourist sector is simple to comply with as

the Accommodation Tax is relatively simple to apply and calculated at 9% of the total accommodation charge.

- The scope of current regulation and taxes applied to the accommodation sector does not capture home sharing via digital platforms (although it is unclear how many traditional accommodation providers also advertise via these platforms).

Further detail on the tourism sector is provided in Section 4 and Appendix A.

Digital disruption is affecting the tourism sector. In addition to traditional tourism accommodation and services now relying heavily on digital delivery models to promote the availability of their rooms directly to consumers (allowing many more small and medium suppliers), one of the biggest impacts is the advent of the home-sharing sector.

Home-sharing in Belize is small but rapidly growing and in 2017 there were at least 29,000 inbound home sharing visitors to

⁹ World Travel & Tourism Council, "Country Data", <https://www.wttc.org/economic-impact/country-analysis/country-data/>, 13 November 2019.

Belize.¹⁰ This compares to a total of 427,076 overnight arrivals, meaning that home sharing currently represents 7% of the overnight market. An even greater impact appears to have been made on the amount of overall room stock within the Belize tourism sector: with the number of room nights for Airbnb being 1.25 million, against just over 3 million hotel room

nights (albeit it should be noted that this does not take into account the hotel rooms listed on Airbnb and therefore some level of duplication).

There is now an opportunity for the GoB to consider how these providers are treated under these regulatory and tax regimes.

2.2 Core objectives of Belize's National Tourism Policy

An updated National Tourism Policy for 2018-2028 was drafted in late 2017 following extensive industry consultations. The policy identified five core objectives:

- To increase the value of tourism in Belize and its contribution to the national economy, through more and longer stays and higher spending per head.
- Spread tourism activity and value throughout the year and to the different parts of Belize according to local capacity, needs and interests.
- Provide rewarding income, employment and recreational opportunities for local people and communities, helping to alleviate poverty and increase local prosperity and wellbeing.

- Raise awareness and appreciation of Belize's natural and cultural heritage and support for its conservation, management and maintenance.
- Minimize negative impacts on ecosystems and local communities arising from pressure on resources and environmental or social damage and degradation.

This Report brings into consideration how these objectives may be reflected in the potential opportunities and consequently tax and regulatory treatment for tourism presented by home sharing.

Further detail on the key challenges for the Belize tourism sector are set out in Appendix D.

2.3 What is the home-sharing sector and how does it work?

The home-sharing economy is made up of three parts: the digital platform, the accommodation provider and the guests. The platform provides the technology that allows the guests to search for and find a provider in their travel destination, to communicate with the provider, and, in most cases, to book and pay for the stay. These digital matching firms are an online marketplace. They intermediate between the consumer and the service provider and charge a usage fee to either provider or guest, or to both.¹¹

Different platforms have different charging structures, but all tend to be based on one of the below common models:

1. The home-sharing platform collects:

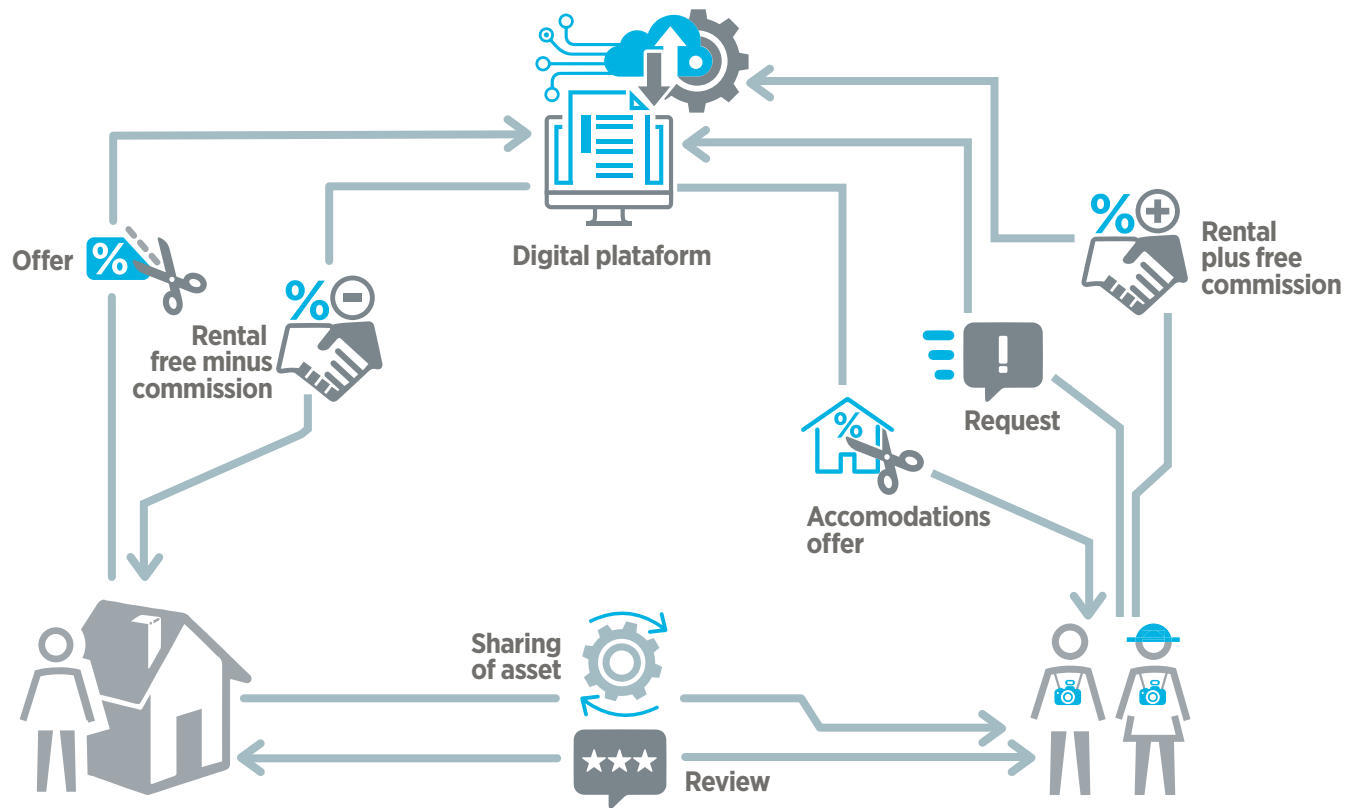
- A commission from accommodation providers (e.g. 3 to 5%) and
- A service fee from guests. The guest must pay the entire amount upfront including the rental fee, services fee and any transaction fee which is additional.

The platform then pays the provider after the guests have arrived.

2. The home-sharing platform charges the guest a transaction fee (e.g. 15%) at the time of booking that goes to the company and is also used to secure the booking. The guest pays the rental fee directly to the provider before or upfront arrival using any number of payment mechanisms, for example cash, a bank transfer, or PayPal, or by the home-sharing provider collecting themselves.
3. The home-sharing platform charges guests a service fee (e.g. 5 to 12%) and the provider of the accommodation can choose between a pay-per-booking fee (for example 8% per booking) or an annual subscription fee (e.g. between US\$349 and US\$499). Guests can pay the providers directly or through the home-sharing system.

¹⁰ Belize Tourism Industry Association, "BTIA meets with AirBnB Representatives", <https://btia.org/btia-meets-with-airbnb-representatives>, January 18, 2018

¹¹ World Bank Group: 'Tourism and the Sharing Economy: Policy & Potential of Sustainable Peer-to-Peer Accommodation', 2018, p.16.



Home-sharing accommodation in this report should be assumed to follow one of the above models rather than other non-fee charging digital home-sharing models including reciprocal accommodation exchanges and free accommodation. Reciprocal accommodation exchanges are where one party stays temporarily in the home of another, and vice versa. The

exchange is facilitated through a platform and there is no rental fee. However, platforms often charge a transaction fee to both users. There are also accommodation platforms like Couchsurfing and WarmShowers which facilitate free accommodation exchanges and do not charge a transaction or a membership fee.



3 Legal, institutional and policy framework for the tourism sector in Belize

Home sharing entered the Belize tourism sector just under a decade ago and has now grown to represent about 7% of the

overnight market. There are currently no clearly defined laws or regulations in Belize to govern this emergent sub-sector.

3.1 Legal Framework

There are several laws which govern tourism and related activities in Belize. Those laws that speak directly to and provide guidance for activities in the sector include the following:

3.2 Institutional & Policy Framework

The institutional framework for the sector consists of:

- The Ministry of Tourism and Civil Aviation (headed by the Minister), is responsible for overall governance and oversight of the tourism sector and policy design.
- The Belize Tourism Board Act¹² establishes and sets the remit and functions of the Belize Tourism Board (BTB), which is responsible mainly for implementing policy. The BTB also interfaces with local government bodies such as city councils, town boards and village councils as these are responsible for administering basic services, such as water supply and solid waste management in tourist localities.

The Belize Tourism Board is also a member of Caribbean Tourism Organisation. The Caribbean Tourism Organization (CTO) with headquarters in Barbados and marketing operations in New York, London and Toronto is the Caribbean's tourism development agency.

- The Belize National Tourism Council, a coordinating body.

Further detail on the governance and role of each of these bodies is included in Appendix B.

¹² Belize Tourism Board Act, Chapter 275(S), Subsidiary Laws (revised 2003)

3.3 Regulatory framework

The Registry of hotels and tourist accommodations (established under the Hotels and Tourist Accommodation Act¹³) ensures licensing of all acceptable hotels and tourist accommodation. This Act sets the minimum standards to be observed by hotel and tourist accommodations and stipulates notification of charges to guests, distribution of service charges, registration of guests, and the mode and manner of payment by guests. The same Act also stipulates the taxes to be paid on accommodation charges (see below).

Unlike most other countries in the Caribbean and Latin America, there is no specific tourism investment incentive regime in Belize. Such incentives are incorporated as part of the broader incentives regime related to all economic sectors. The tourism sector therefore competes for investment on a level playing field with other sectors.

Further detail is provided in Appendix B.

3.4 Tax treatment of tourism

This section provides an overview of the tax system in Belize, as well as outlining the specific taxes that tourist operators and accommodation providers are subject to. The main sources of tax revenue in Belize are personal income and business taxes, general sales tax (GST), import duties, revenue replacement duty (RRD) and environment tax (ET).¹⁴ Belize has a comprehensive tax system with a variety of taxes that apply across the

tourism sector. Business income is taxed at up to 25%, while a general sales tax (“GST”) of 12.5% applies to consumers purchasing goods. The table below outlines the different taxes paid by accommodation providers.

Key taxes paid by tourist operators, 2018¹⁵

Source: EY 2018 Worldwide Corporate Tax Guide, EY analysis, IBFD

Corporate income tax	25%
Personal income tax	25% (employer and employee contribution to social security)
Business tax	Between 0.75% and 25% depending on the type of income
GST	12.5%.
Annual land tax	1%, additional rate for land in towns/cities of 2% for unoccupied and 12.5% for occupied
Accommodation tax	9% of total accommodation charges in lieu of GST
Cruise ship passenger tax	US\$7 per cruise ship passenger
Departure tax	US\$55.50 Airport departure tax for non-Belizean residents US\$20 land or sea departure fee
Rental Income tax	Rental income and other receipts from real property are taxed individually at a rate of 3% of turnover per month
Revenue Replacement Duty	2.5% to 50%
Environmental Tax	3%
Import duties	From 0% to 50%

¹³ Hotels and Tourist Accommodation Act, Chapter 285 (revised May 2003)

¹⁴ Cambridge Resources International Inc., Trade and Tax Policy Reform in Belize, March 2016

¹⁵ All the information we have on Belize tax comes from public documents, some of which are out of date. We have not used any technical Belize tax experts in preparing this report.

- **Corporate income tax:** Belize has a classical corporate income tax system. Income tax is imposed on the chargeable income of any person at a rate of 25%. The income tax payable is reduced by the amount of business tax payable and if the income tax assessed exceeds the business tax liability, the difference is written off and there is no additional liability.
- **Personal income tax:** Income tax is levied at a flat rate of 25% on chargeable income, although the effective rate is lower due to deductions. Belizean workers who earn less than BZD \$ 26,000 per annum pay no income tax. Employee tax is paid on the pay-as-you-earn (PAYE) system, and the estimated tax is withheld and paid monthly to the tax department. Both employer and employees must also contribute to a social security scheme.
- **Business Tax:** Business tax is levied on every individual, self-employed person, professional, firm, partnership or company. It is levied on all receipts, whether received in Belize or elsewhere. Receipts means all revenues, whether in cash or in kind. Certain amounts are excluded from the definition of receipts, including accommodation tax and sales tax. Business rates vary between 0.75% and 25% depending on the type of income.
- **General Sales Tax:** GST is a single stage sales tax charged on taxable importations and taxable supplies, levied at the standard rate of 12.5%. From a tourism perspective, an important factor is that accommodation services in hotels, guest houses etc. are exempt from the GST. It should be noted that this is not a conventional 'goods and services tax' where tax is levied on an incremental basis on each transaction within a supply chain; rather, it is simply a sales tax levied once at the point of sale.
- **Annual land tax:** There are two types of real estate tax in Belize:

Annual land tax: on the unimproved value of agricultural, suburban and beach land. This is charged on the owner at the rate of 1% of the value.

In addition, there is an annual tax payable by owners on the value of land and buildings within a town or city limits. For unoccupied property, the rate is 2% of open market value. For occupied property, the rate is 12.5% of the annual rental value. In Belize city, the rate of property tax on both occupied and unoccupied property may not exceed 2% of the market value of the property.
- **Hotel and tourist accommodation tax:** Proprietors of guest accommodation are subject to an accommodation tax calculated at the rate of 9% on total accommodation charges, whether or not payable in Belize. As an indirect tax, the economic burden falls on hotel guests, though the tax is collected and remitted to the BTB by the hotels and guest accommodation providers. The tax is levied on hotel and tourist accommodation under the Hotels and Tourist Accommodation Act. It is payable by the 14th of the following month. As noted above, hotels and tourist accommodation are outside the GST system, and there is no GST charge on supplies. It is important to note that the accommodation tax is well below the 12.5 GST (see table below).
- **Cruise ship passenger tax:** A per head cruise ship passenger tax of US\$7 is applied based all cruise ship passengers entering and leaving Belize.
- **Departure tax:** A departure tax applies to non-Belizean residents of US\$55.50 for an Airport departure, or US\$20 for a land or sea departure.
- **Rental income tax:** Rental income and other receipts from real property are taxed individually at a rate of 3% of turnover per month.
- **Revenue replacement duty (RRD):** Revenue replacement duty is imposed on a number of specific goods at rates that vary between 2.5% and 50%.
- **Environmental Tax (ET):** The Environmental Tax Act 2001 introduced an environmental tax. This originally applied to plastic bottles, containers for example, but does not apply to every "good" imported into Belize. The tax is charged at the rate of 3% on the value of goods. Certain medicines, medical supplies, basic food-stuffs and goods are exempt from the tax.
- **Import Duties:** There are import duties on various products imported into Belize. The rate of duty varies considerably, from exempt and zero-rated products to those with rates over 50%.

Below is a table summarising the key taxes and compares how they apply to the hotel sector versus the home-sharing sector.

Comparison of taxes across the hotel and home-sharing sectors

Tax measure	Hotels	Home-sharing sector
Business Tax: Business tax is levied on every individual, self-employed person, professional, firm, partnership or company. It is levied on all receipts, whether received in Belize or elsewhere. Receipts means all revenues, whether in cash or kind. Certain amounts are excluded from the definition of receipts, including accommodation tax and sales tax. Business rates vary between 0.75% and 25% depending on the type of income.	Yes	Business tax applies to any person or firm carrying on a trade or business which earns \$75,000 or more per annum. Given this threshold, most home-sharing providers will fall under the minimum and thus not be subject to this tax ¹⁶ .
Hotel and tourist accommodation tax: Proprietors of guest accommodation including home-share providers are subject to an accommodation tax calculated at the rate of 9% on total accommodation charges, whether or not payable in Belize. The tax is levied on hotel and tourist accommodation under the Hotels and Tourist Accommodation Act. It is payable by the 14th of the following month. As noted above, hotels and tourist accommodation are outside the GST system, and there is no GST charge on supplies.	Yes	Yes
Rental income tax: Rental income and other receipts from real property are taxed individually at a rate of 3% of turnover per month.	No	No
GST: GST is a single stage sales tax charged on taxable importations and taxable supplies and levied at the standard rate of 12.5%. From a tourism perspective, an important factor is that accommodation services in hotels, guest houses etc. are exempt from the GST. It should be noted that this is not a conventional 'goods and services tax' where tax is levied on an incremental basis on each transaction within a supply chain; rather, it is simply a sales tax levied once at the point of sale.	No	No

3.5 Summary of the taxation of the tourism sector in Belize

- Tax on tourism in Belize is lower than the regional average. In particular the absence of GST on accommodation as well as a competitive cruise ship per passenger tax regime means that visitors to Belize pay lower tax than visitors to elsewhere in the region. This increases the comparative attractiveness of the country based on cost alone.
- Tax applied to the tourist sector is simple to comply with: businesses that provide traditional accommodation do not have to pay GST and are instead required to collect the Accommodation Tax which is relatively simple to apply, as it is simply calculated at 9% of the total accommodation charge.

Businesses of home sharing conducted via digital platforms are a part of the accommodation sector and are equally within the scope of current taxes applied to it, though compliance is low. Thus whilst the scope of the current Accommodation Tax does extend to the activities of the sharing of homes, the existence of the "Did You Know?" campaign indicates that compliance is below the desired levels.¹⁷

¹⁶ This is an assumption based on a per capita income of around US\$4,800 (IMF, 2019), and a further assumption that although providers of home-sharing properties tend to be higher income earners, the US\$75,000 threshold for tax is sufficiently high and would likely not capture many suppliers. https://www.einnews.com/pr_news/468592329/imf-executive-board-concludes-2018-article-iv-consultation-with-belize

¹⁷ The campaign will run from September this year to March 2020. All persons who own or operate a tourist accommodation (such as a room(s) in your home) for cash purposes to any guest, local or foreign, regardless of its location in the country or if you are registered or advertising such room or property with any booking engine or marketing platform such as Airbnb, must FIRST register with the BTB as mandated by law. Registration with BTB must be done before advertising in any marketing platform. The law is stated according to Section 27 (1) of the Hotels and Tourist Accommodation Act, Chapter 285 of the Substantive Laws of Belize, (Revised Edition 2011). See <https://www.sanpedrosun.com/business-and-economy/2019/09/16/btb-launches-second-phase-of-dyk-campaign/>.

4 Impact of the homes sharing sector in Belize

4.1 The global context for home sharing

In May 2017 representatives from the Belize Tourism Industry Association (“BTIA”) met with representatives from Airbnb to discuss concerns about home-sharing, including around the

taxation and regulation of the sector. As part of that meeting, Airbnb provided the following information about the use of its platform globally:

- Guests for their platform stay twice as long and spend twice as much as traditional travellers, supporting neighbourhoods and local business
- 79% of travellers want to explore a specific neighbourhood
- 91% of travellers want to live like a local
- 74% of their properties are outside the main hotel districts

4.2 The impact of home-sharing on the Belize economy

Belize continues to experience growth in its tourism sector. The country’s tourism product is developing when compared to other mature tourism destinations in the Caribbean, such as Jamaica, Dominican Republic and Bahamas. Over the past five

years, visitor arrivals have experienced robust growth. In 2018, Belize achieved the second highest growth in overnight visitors – 15% – among Caribbean countries. The following table highlights the growth in key sector indicators for Belize.

Figure 4.1

	2012	2013	2014	2015	2016	2017	2018
Growth %		13%	15%	4%	12%	8%	10%
Accommodation revenue (USDm)	80.4	90.9	104.5	108.5	121.7	130.8	144.1
Growth %		17%	3%	0.3%	6%	-1%	27%
Annual tourism expenditure (USDm)	317.1	372.0	381.5	382.5	406.7	401.5	510.2
Growth %		6%	9%	6%	13%	11%	15%
Overnight tourist arrivals	277,135	294,177	321,220	341,161	385,583	427,076	489,261

Source: Belize Tourism Board Note: monetary figures converted using BZD-USD exchange rate as at 11 Nov 2019.

The main source market for Belize is the United States as approximately 65% of overnight visitors originate from this market. Travel for leisure is the primary reason for visiting Belize. The country’s niche segments include ecotourism and adventure, with tourism activities/locations widely dispersed across Belize mainland and adjacent islands. Reported revenue

from accommodations for 2018 was BZD290.5m, a 10% increase from 2017. Even more significant was the increase in annual tourism expenditure by 27% from BZD809.2m to BZD1,028.3m.

The stock of tourism accommodations is predominantly small scale and characterized by small boarding/guesthouses and

small hotels and resorts (i.e. “boutique-style”). According to the Belize Tourism Board (“BTB”), “In recent years many vacation rentals have also emerged. These vacation rentals fall under the Airbnb model”¹⁸.

Airbnb now boasts of having the second largest global accommodation stock (~1 million rooms/listings¹⁹), next to Marriott International. The home-sharing accommodation platform is one of the global leaders in the home-sharing economy and its technology driven business model has caused disruption in

many tourism markets. In 2018, home-sharing accommodation made up ~7% of accommodation globally (~ 8 million beds)²⁰.

The home-sharing economy has hit the shores of Belize. In 2017, there were at least 29,000 overnight home sharing visitors to Belize²¹, which represents 7% market share. The BTB or any other local agency does not currently report accommodation and performance metrics on the home-sharing separately from traditional accommodation. Therefore, a comprehensive presentation on the impact of the home-sharing segment in Belize presents a challenge.

4.2.1 Home-sharing visitor profile

In terms of profile, the following insight was obtained from Airbnb on Belize home-sharing visitors from the BTIA meeting with Airbnb representatives in May 2017:

Source market/country of origin -85% of overnight visitors are from North America, 10% from Europe, 3% from Latin America and 2% from Australia (in 2017)²². This distribution varied from the profile presented by the BTB²³ for 2017 as follows:

- o North American - 71%
- o Europe - 12%
- o Latin American - 10%
- o Returning residents - 3%
- o Oceania - 1%
- o Asia - 1%
- o Caribbean - 1%
- o Middle East - 0.5%
- o Africa - 0.2%

4.2.1 Spotlight on Aruba

With more than 2,300 listings throughout the country, a similar number to Belize (see Figure 4.2 below), Airbnb is playing a significant role in Aruba's economy. The average number of hosts was 940 in 2018. Airbnb and the Aruba Tourism Authority have signed an MOU to cooperate to drive sustainable tourism in Aruba through home sharing. The MOU also speaks to a partnership to establish a framework for discussions around taxes and data sharing. Through Airbnb, tourism in Aruba is more accessible and inclusive.

In 2018, Airbnb hosts in Aruba welcomed approximately 47,200 guests with an average trip length of about six days. The MOU has set the tone for a collaborative effort to drive tourism growth in Aruba. An MOU was also discussed between the BTIA and Airbnb representatives at their May 2017 meeting, although an agreement was not reached (<https://btia.org/btia-meets-with-airbnb-representatives>).

While this comparison was made using 2017 data, it should be noted that the 2018 profile was consistent with 2017. The above suggests that North American visitors are currently driving the home-sharing demand in Belize.

Age profile – While no confirmation on visitor age profile was obtained from Airbnb, according to the BTB data, visitors to Belize are trending towards younger age groups, notably 25-34. This trend is consistent with the typical user of home-sharing accommodations (i.e. millennials). In the case of Belize, the addition of low-cost air carriers has made travel to Belize more

accessible to younger, adventurous travelers. This factor would therefore favourable impact growth in the home-sharing segment going forward.

Average length of stay - Four days was stated as the average length of stay for Airbnb visitors²⁴. This is lower than the average for Belize of 6.26 for leisure visitors, which stands in contrast to the global trend of Airbnb visitors staying twice as long as traditional travellers stated by the Airbnb representatives at the BTIA meeting in May 2017.

4.2.2 Home-sharing accommodations/listings

Inside Airbnb, an aggregation website for “open-source” data, provides some publicly available data on home-sharing in Belize for 2018. Though Airbnb represents one home-sharing platform with listings in Belize, it is likely to be the most significant player for Belize. Therefore, we assumed that the insights obtained

from our analysis of the Airbnb data is representative of the overall home-sharing segment in Belize. We have not independently verified the data, as such, our analyses presented assume that the data obtained from Inside Airbnb is accurate and complete. It should also be noted that the BTB has recently

¹⁸ BTB Travel & Tourism Statistics Digest 2018

¹⁹ <https://www.statista.com/statistics/753195/lodging-companies-worldwide-by-rooms-listings>

²⁰ Tourism and the Sharing Economy: Policy & Potential of Sustainable Peer-to-Peer Accommodation, World Bank Group 2018

²¹ Belize Tourism Industry Association, “BTIA meets with AirBnB Representatives”, <https://btia.org/btia-meets-with-airbnb-representatives>, January 18, 2018

²² Ibid

²³ BTB Travel & Tourism Statistics Digest 2018

²⁴ Belize Tourism Industry Association, “BTIA meets with AirBnB Representatives”, <https://btia.org/btia-meets-with-airbnb-representatives>, January 18, 2018

released its 2019 Travel & Tourism Mid-Year Performance Statistics Report, which contains information on the home-sharing sector in Belize taken from the database 'AirDNA'.²⁵ Unless

otherwise explicitly stated, the data Report is based on our own data rather than the AirDNA data used by the BTB.

Figure 4.2 *Distribution of Airbnb listings*

Location	Entire home/apt	Private room	Shared room	Grand Total	Grand Total (%)
Belize District					
Islands	762	311	9	1082	
Mainland	125	135	6	266	
Total	887	446	15	1348	55%
Cayo					
Cayo	243	247	14	504	
total	243	247	14	504	20%
Corozal					
Corozal	30	35	7	72	
Total	30	35	7	72	3%
Orange Walk					
Orange Walk	14	8		22	
Total	14	8		22	1%
Stann Creek					
Islands	4	4		8	
Mainland	326	150	5	481	
Total	330	154	5	489	20%
Toledo					
Mainland	15	20		35	
Total	15	20		35	1%
Grand Total	1519	910	41	2470	
Grand Total (%)	61%	37%	2%		

²⁵ BTB, 2019 Travel & Tourism Mid-Year Performance Statistics Report, pp.37-39.

- Based on the data obtained, there are around 2,470 unique listings on Airbnb in Belize. The number of rooms and available room nights per annum are estimated at ~4,300 –4,400 and ~1.25 million respectively. This compares to the total number of hotels in Belize which is around 883²⁶ with ~8,400 rooms or just over 3 million available room nights per annum. It should be noted, that there could be listings on Airbnb that are included under the hotel rooms and thus there could be some level of duplication in the total (i.e. Airbnb plus hotel rooms and available room nights). That said, based on the data analyzed, it appears that Airbnb has made a significant contribution to increasing the overall room stock within the Belize tourism sector.
- The most popular accommodation type listed on Airbnb is in the category – ‘entire home or apartment’ - with 61% of the listings. This accommodation category typically includes one, two or three bedrooms. Based on BTB data, there has been an increasing percentage of overnight visitors staying at ‘rented houses/apartment’ and a decreasing percentage staying at hotels/resorts. This is highlighted in the table below which shows visitor by type of accommodation. Airbnb is likely to be one of the main contributors of this trend. According to Airbnb, home sharing allows more affordable options for the visitor to Belize and complements the country’s increased airlift from budget carriers, such as Southwest airlines which began servicing Belize from the U.S. with non-stop service in 2015.

Figure 4.3 Overnight visitor by type of accommodation ²⁷

	2015	2016	2017	2018
Hotel/Resort	70%	69%	71%	66%
Guest House	21%	22%	20%	22%
Vacation Homes	2%	2%	1%	2%
Rented house/apartment	9%	10%	11%	14%
Friend/Relative	6%	6%	5%	5%
Fishing Lodge	1%	1%	1%	1%
Boat	2%	2%	2%	2%
Camping	3%	3%	0.2%	2%
Time-share	1%	0%	0.2%	0%
Other	0%	6%	0.1%	6%

Source: Belize Tourism Board

- Listings are concentrated in the district of Belize (includes many of the popular islands such as Ambergris Caye and Caye Caulker) with 55% of total listings. Cayo and Stan Creek district (includes popular coastal villages such as Placencia and Hopkins) have 40% (combined) of the Airbnb listings. The economic benefit of Airbnb in Belize is therefore focused in these areas. This distribution is consistent with the traditional/hotel listings in Belize which suggests that Airbnb is complementary to the existing accommodation stock. According to BTB data, the most popular accommodation locations in Belize are:

- Ambergris Caye
- Caye Caulker
- Cayo
- Placencia
- Belize district

4.2.3 Home-sharing hosts

- Based on the data obtained from Inside Airbnb, there are ~2,470 unique listings (i.e. total number of properties listed), and ~452 are single listings (i.e. where a host has only listed one property). This suggests that hosts have multiple properties listed on Airbnb.
- The average age of hosts is 47 years.
- The average days per year properties are available is 290 (out of 365). This is a high level of availability. The concept of sharing economy is based on the premise of sharing underutilized assets. In the case of home-sharing, hosts have the option to set up listings for periods of time when

²⁶ BTB Travel & Tourism Statistics Digest 2018

²⁷ Note that many visitors stay in more than one type of accommodation during a trip, hence the percentage totals can add up to more than 100%.

homes are not being utilized. Assuming the information presented in the data set is accurately presented, the high level of availability may suggest that many of the listings included under Airbnb are rental or investment properties rather than individuals listing their residential properties (i.e. underutilized)

Figure 4.4 Hotel Occupancy Rates

Hotel occupancy (%)	2012	2013	2014	2015	2016	2017	2018
Total	42.1	46.5	45.9	42.8	37.0	39.0	38.1

Source: Belize Tourism Board

- There has been a gradual decline in average annual occupancy in Belize, since 2015. Given the strong growth in overnight visitor arrivals over the same period, this trend is indicative of a higher growth in room stock in comparison to demand (measured by visitor arrivals). As noted above, home sharing appears to have contributed to this trend.

However, the extent of this impact could not be quantified. Overall, the construction and development of new hotels, condominiums, time-share, as well as home-share properties have increased accommodation inventory across Belize by 15% over the past seven years²⁸.

4.2.4.1 Spotlight on Barbados

A growing number of Barbadians are offering their homes to visitors via Airbnb. There are over 1,100 hosts with listings on Airbnb who welcomes over 30,000 visitors to Barbados, approximately the same number as are reported in Belize. In Barbados home sharing has increased the offering, price points and fulfilled unmet demand in what is predominantly a high end, high cost market. While there is some competition with the mid-tier hotels and mid-tier villas managed by real estate agents, the Airbnb guests may be visitors who would not normally be able to afford hotels and high-end villas in Barbados, in particular during peak periods. During these peak times between December to April (Winter) and when there are significant events on the island (e.g. cricket tours, crop festival etc) hotel rooms and high-end villa inventory is booked out and prices rise steeply. Home sharing has therefore offered a quick and efficient way to bring additional room inventory into the market.

Home sharing provides an alternative experience that a guest would not otherwise have, with significant interface in communities and with locals they may not necessarily experience otherwise. One of the current Government's stated policies is "Tourism for all" which aligns well with home sharing, although hotels do employ larger numbers of people as well as pay significant amounts of VAT and levies.

Home sharing however provides wide participation in the tourism sector, allowing individuals to open up their homes and participate in what is otherwise a capital-intensive industry with a high cost of entry. It is also seen to have positive benefits for entrepreneurship and employment in an economy currently struggling to provide alternative employment to its citizens. This therefore also allows individuals to supplement their pensions and employment income and offers a means of alternative employment. It also provides an opportunity to foster wider inclusion down to the low to middle income level.

The new home sharing room stock has acted in combination with the opening of new hotels on the island to support increased airlift into the island. This is a critical issue for the tourism sectors on the islands and past Governments have had to pay subsidies to major airlines to maintain airlift into the islands. Home sharing has therefore played a part in helping generate critical mass to support route profitability, increased airlift and more affordable pricing.

A 10 percent Shared Economy levy was introduced on the cost of accommodation. It is collected by the shared economy provider and paid to the tax authority (see our proposals for Belize in Section 5). Based on data shared by Airbnb with

28 Belize Tourism Board, "Belize Tourism Board Statistics Digest 2018", https://belizetourismboard.org/wp-content/uploads/2019/07/2018-TT-Statistics-Digest_Final.pdf, Table 5.3

hosts we understand gross revenue from Airbnb hosts on island to be in the range of US\$10 million, equivalent to approximately one or two small to medium sized hotels on the island. Despite the large number of hosts they don't generate the same level of occupancy or room night rates as hotels. Therefore, the introduction by Government of a burdensome registration and manual tax collection regime to cover a relatively small segment of the economy is viewed by some as an inefficient and outsized solution.

Registration and regulation of the sector are both hotly debated topics (see our proposals for Belize in Section 5).

One view is that home sharing platforms are self-regulating through the review process and that introducing administrative and regulatory compliance for individuals that don't have back offices and have day jobs is counterproductive, therefore any registration and tax collection mechanisms should be simple. The alternative view is that hosts should be registered, need to meet certain specified accommodation standards and need to collect and submit the taxes themselves and incur the accompany administrative costs of compliance as part of the cost of doing business.

4.2.4.2 Spotlight on Mexico

Inside Airbnb provides data collected from the Airbnb website about the vacation rental listings available in Mexico City. A conservative occupation model was used to calculate occupancy rates, monthly benefit and nights per year. The data gleaned from the website is at 15 March 2019. The data below outlines the total activity in Mexico City. For details on the boroughs and neighborhoods, see reference link at the end of this summary:

Mexican City total listings - 17,229.

Type of room: Airbnb hosts can advertise entire houses and apartments, private rooms and shared rooms. Statistics on room types are as follows:

- Whole houses/apartments (8309,48.2%),
- private room (8572,49.8%),
- shared room (348, 2%).

Activity: Airbnb guests can write a review after their stay, and these can be used as an indicator of Airbnb activity. The minimum stay, price and number of evaluations have been used to calculate the occupancy rate, the number of nights per year, and the monthly benefits for each at:

- 85 estimated nights per year
- 1.3 evaluations / announcements / month

- 331,984 evaluations o MXN 1,156 price / night
- 23.2% estimated occupancy rate
- MXN 7,429 Estimated benefits each month.

Availability: An Airbnb host can configure their ad calendar to be available only for a few months or weeks a year. Other ads are available year-round (except when they have already been reserved). High availability of a property can imply that:

- the owner is not present,
- the listing is illegal, or
- the property involves the expulsion of residents.

Statistics on availability are as follows:

- 82.1% high availability
- 3,080 (17.9%)low availability ads
- 214.2 (58.7%) days / year.

Advertisements by each host: Some Airbnb hosts have multiple ads and can advertise separate rooms in the same apartment, or multiple apartments or entire houses. Statistics on ads are as follows:

- 8,577, (49.8%) multiple ads
- 8,652, (50.2%) simple ads

Source: Inside AirBNB (2019) <https://www.airdna.co/vacation-rental-data/app/mx/jalisco/puerto-vallarta/overview>

We note that the BTB's data from AirDNA puts the occupancy rate in the period from June 2016 to June 2019 at between 25.7% in the Corozal District and 42.4% in the Belize District.²⁹ The relatively low occupancy can be due to various factors, but may also signal quality issues which may affect Belize's tourism

brand and adversely affect the country's tourism product in the long run. The current campaign to remind home-share providers to register with the BTB may help to ensure minimum quality standards.

29 <https://infogram.com/btb-mid-year-tourism-report-1h8n6mq1x03m2xo.p.38>

4.2.4 Home-sharing rates

Figure 4.5 Hotel Room average rates by region

Room rate - USD	2018
Belize District	93
Caye Caulker	85
Cayo	121
Corozal	53
Orange walk	74
Placencia	190
Ambergris Caye	220
Stann Creek	140
Toledo	101
Other Islands	152
Total average	150
Source: Belize Tourism Board	

Figure 4.6 Airbnb average rates by region

Room rate - USD	Average of price
Belize District (incl.Ambergris Caye and Caye Caulker and Other Islands)	177
Cayo	106
Corozal	69
Orange Walk	116
Stann Creek (incl. Placencia)	253
Toledo	111
Grand total	173
Source: EY analysis	

Figure 4.7 Airbnb average rates across all Belize

Room rate - USD	Average of price
Entire home/apt	209
Private room	120
Shared room	40
Grand Total	173
Source: EY analysis	

Figure 4.8 Airbnb range of rates

Room rate - USD	<100	100-200	201-500	501-1000	>1000
Belize District Islands	341	387	305	38	11
Belize District Mainland	204	48	13	1	0
Cayo	360	115	23	4	2
Corozal	54	17	1	0	0
Orange walk	18	2	1	1	0
Stann Creek Islands	5	0	1	1	1
Stann Creek Mainland	176	135	130	31	9
Toledo Mainland	21	11	3	0	0
Total	1179	715	477	76	23
Total %	48%	29%	19%	3%	1%
Source: EY analysis					

- Hotel rates and rates obtained from Inside Airbnb are not exactly comparable as hotel rates are reported as room rates whereas the rates on Airbnb are reported by listing/property. Therefore, the rates listed for Airbnb may be for one, two, three or more rooms. Therefore, the average rate of USD173 presented for Airbnb represents a lower overall room rate compared with the average hotel room rate of USD150. On average, therefore, Airbnb offers a lower price option for the visitor to Belize.
- The hotel room rates and Airbnb listing rates by location are consistent, with the highest rates occurring in Ambergris Cave (i.e. Belize district), Stan Creek (incl. Placencia).
- While listing rates on Airbnb averages USD173, most of the listings on Airbnb are below USD100 (48%) and 77% of listings are below USD200. The estimated Airbnb revenue for 2017 was BZD48.8m.³⁰ Airbnb visitors are not subjected to the 9% hotel tax. Therefore, applying this estimated revenue of BZD48.8m, the potential hotel tax is BZD4.4m.

4.2.5 Spotlight on Jamaica

In 2018, Airbnb hosts accommodated ~ 89,500 guests who stayed at least 5 days. The average number of hosts was 4,100 host and total listings was 7,600. In 2017, Airbnb hosts earned USD8.6m. The Ministry of Tourism has been actively promoting home-sharing as a model for diversification. In 2018, the Jamaica Home Sharing Association was formed. Listing are diverse in location, however average occupancy is low.

In 2018, the Tourism Minister stated that the government was in talks with Airbnb for them to pay the government an allowance towards helping hosts market their properties, rather than subjecting hosts to an accommodation tax (see our proposal for Belize in Section 5.4.1 below). Additionally, there is to be a partnership in terms of data and information sharing to maximise market-intelligence capabilities. However, as a result of objections raised by the president of the Jamaica Hotel and Tourist Association (JHTA), the government is now in the process of finalising arrangements with Airbnb hosts which would see the latter contributing some amount on their earners. The basis of this amount is uncertain but it is likely that hosts would not be taxed at the same rate as hotels.

4.2.5 Home-sharing visitor expenditure

Figure 4.9 Visitor expenditure

Average daily expenditure (USD)	2015	2016	2017	2018
Holiday/leisure	155.5	156.0	149.9	145.8
Business	196.3	193.0	203.0	207.4

Source: Belize Tourism Board

- Visitor average daily expenditure has been trending downward over the last four years for leisure travel; the opposite is the case for business travel. This trend is consistent with the increasing percentage of overnight visitors staying at 'rented houses/apt' and a decreasing percentage staying at hotels/resorts.
- Assuming an average hotel rate of USD150 based on double occupancy, this equates to a USD75 average spend on accommodation per visitor (or ~51% of the average daily expenditure for 2018) and the remaining USD71 on food/beverage, transport and activities. No data was available on the average daily expenditure by Airbnb visitor. Given its appeal to the budget traveler, it is likely that the spend by Airbnb visitors on food/beverage, transport and activities would be less than the traditional hotel visitor. Therefore, in addition to the accommodation revenue earned by Airbnb hosts, revenue is earned by the businesses and entrepreneurs in the communities where Airbnb listings are concentrated. If we assume a lower daily spend for Airbnb visitors of USD40 –USD50 for food/beverage, transport and activities, we estimate a total expenditure based on 2018 data of BZD11m – BZD13m.

³⁰ The Sharing Economy in Belize: Exploring the Relationship between Airbnb and the Hotel Industry, Working paper, Janelle J Leslie and Giselle Waigant

4.3 Opportunities and challenges of home sharing

Sharing platforms present very wide implications for the tourist sector, most notably the attraction and allocation of investment into the industry going forward. The country's policies and overall strategies will need to closely consider and account for this shifting dynamic.

In 2018 the World Bank Group³¹ set out perceived opportunities and challenges for economies arising from home-sharing. Many of these opportunities and challenges are also relevant for Belize. The table below sets out the opportunities and challenges identified by the World Bank Report.

31 2018 World Bank Group "Tourism and the Sharing Economy: Policy & Potential of Sustainable Peer-to-Peer Accommodation"

Comparison of opportunities and challenges in the home-sharing sector

Opportunities	Challenges
1 Helps attract new markets and demographics to new and existing opportunities.	1 May be unregistered and unregulated.
2 Influences the type and nature of visitor purchases and services.	2 May not be following tax laws.
3 Builds consumer trust to visit a destination in new ways and try new products.	3 Can cause disturbances in the residential community.
4 Lowers the barriers to entry for entrepreneurship.	4 May cause housing prices and rents to increase.
5 Supports homeowners and helps prevent displacement.	5 May put visitors at higher risk.
6 Enables the dispersion of tourists in a wider geographical area.	6 May impact the job-intensive hotel sector.
7 Increases access to market, which is particularly helpful for community-based homestays.	7 May benefit only a small minority.
8 Provides flexible inventory to meet the rise and fall of demand and assists in times of crisis.	8 Providers lack organisation and representation.
9 Has a relatively small environmental footprint.	9 Contributes to the impact of 'over-tourism'.
10 Collects real-time data about visitors.	10 Internationally located home-sharing platforms divert income that would otherwise be earned locally.
Source: 2018 World Bank Group "Tourism and the Sharing Economy: Policy & Potential of Sustainable Peer-to-Peer Accommodation"	

Considering the above as well as the data analysed on Airbnb presented in the previous section, the following can be concluded on home-sharing in Belize:

1. Home-sharing has clearly contributed to increasing the tourist accommodation stock in Belize; in particular, in the rented housing/apartments and budget traveler sectors (whose demographic is typically younger than in the traditional hotel sector). As such, home-sharing has catered to new demands and created new markets and demographics.
2. Although the home-sharing sector may be serving a role in dispersing tourists to a wider geographical area

within Belize, most home-sharing properties are clustered in the same locations as hotels.

3. There are low occupancy rates in home-sharing accommodation. This may indicate some quality issues with respect to some of the home-sharing stock.
4. There appears to be a number of hosts with multiple listings, which points to the fact that there are some small businesses operating in the Belize home-sharing market (rather than merely home-owners sharing rooms in their houses).³²

³² It is important to note that the data obtained on Airbnb has limitations. We have not sought to verify the accuracy or completeness of said data. Furthermore, our conclusions assume that Airbnb is representative of the entire home-sharing segment in Belize. Our work did not include interviews with tourism stakeholders in Belize and as such, the conclusions do reflect stakeholder opinions/insights.

5 Taxation and regulatory policy options for the Belize home-sharing sector

5.1 Fiscal objectives of the GoB in respect of home sharing

Based on the Terms of Reference³³ the main objective of this Report is to consider and evaluate tax measures to effectively generate revenues from the home-sharing sector while not stifling its growth. At the same time, the Terms of Reference are cognisant of concerns about the impact that the home-sharing sector is having on revenues in the traditional hotel sector, and of concerns around general taxpayer compliance.

The observations in Section 4 above about both the quantity and quality of the stock of accommodation in the home-sharing sector in Belize suggests an opportunity for the GoB to consider how home-sharing providers are treated under its regulatory and tax regimes both to ensure growth of the sector as well as to levy appropriate taxation.

5.2 Principles of applying policy to the tourism sector

Governments raise tax revenues to fund the provision of public goods and services. However, if the tax system is not designed properly, this can lead to unintended consequences for both the government and the taxpayers in terms of the incidence of the tax burden, distributional effects, efficiency and costs of collection.

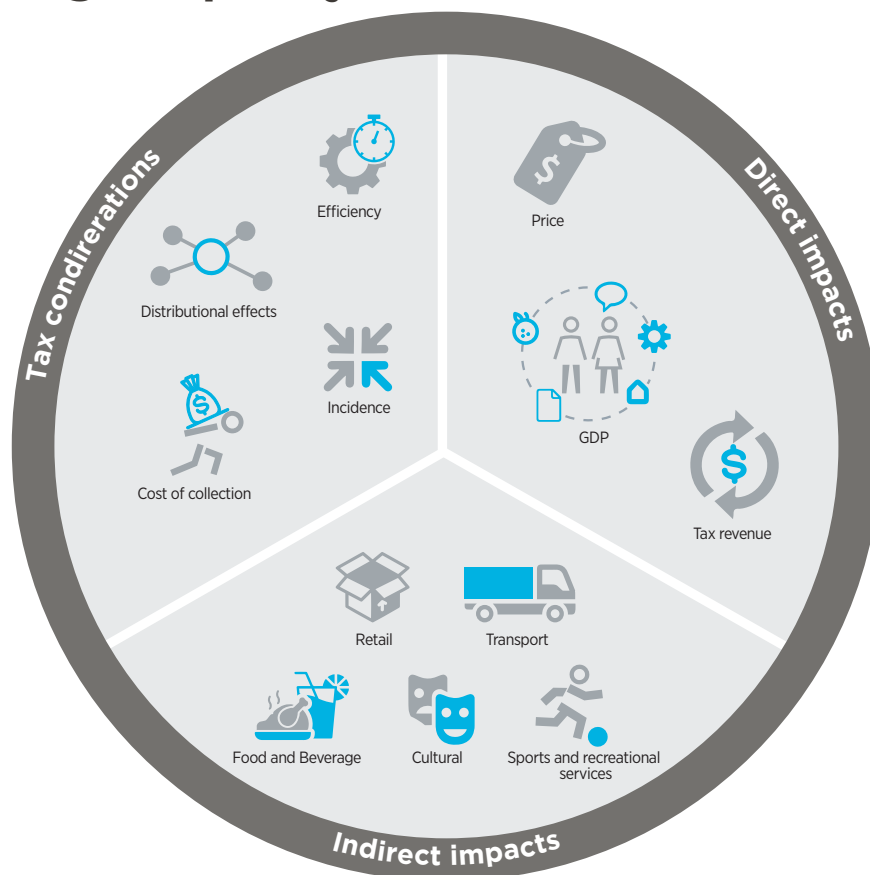
To prevent such unintended consequences, certain principles of tax policy design have been developed by international organisations such as the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development

(OECD), the United Nations (UN) and the World Bank (WB).³⁴ As laid out in the figure below, the tax system on the tourism sector is likely to have wider impacts in terms of prices, tax revenue and productivity. Indirectly, the taxation of the tourism sector will also impact transport, retail, food and beverage, as well as business processes and innovation. This will ultimately affect the economic growth and development of a country.

³³ The IDB's Terms of Reference for this Report.

³⁴ IMF, OECD, UN and WB, 2011, Supporting the Development of More Effective Tax Systems. A Report to the G-20 Development Working Group by the IMF, OECD, UN, and World Bank, <https://www.oecd.org/ctp/48993634.pdf>.

Factors shaping tax policy choices



5.3 Background to home-sharing tax options

1. There are three tax policy options at the GoB's disposal:

- a. Overnight visitors are required to pay a Tourist Accommodation Tax which is collected and remitted by hotels and tourist accommodation providers. Home sharers should account for the tax on the same basis as hotels. However, the existence of the BTB's "Did You Know?" campaign indicates compliance could be improved. One option to improve compliance might be to make the home-sharing platforms the collecting agents on behalf of home sharers such that the obligation to collect tax from tourists falls on the digital matching firm.
 - b. A further option would be to have a reduced rate for home-sharing providers.
 - c. Alternatively, GST could be introduced to the home-sharing sector. As GST is currently not applied to the hotel sector, this option might involve introducing GST across the board to hotels as well as home sharers in order to ensure a level playing field.
2. Direct taxation of home-sharing providers:
- a. Traditional hotels will be operated by businesses that must pay taxes on their profits. Home-sharing providers may well be run as small businesses that regularly fall beneath the threshold for business tax. As such, the thresholds and rates of business tax could be adjusted to bring these home-sharing providers within the scope of the tax (which may bring more businesses from other sectors into the tax as well).

- b. Alternatively, a special new “SME tax” could be introduced, perhaps with a lower flat rate, to minimise the costs of compliance for home-sharing providers.

3 Direct taxation of digital matching firms:

- a. Taxation of digital matching firms is difficult as they will likely be operating with little taxable substance under the current framework of international taxation. Nevertheless, this is an area that is on the cusp of change. There is a push at the level of the Organisation for Economic Cooperation and Development (“OECD”) and the G20 for a new global consensus for how to tax digital transactions. This is

expected to reach its conclusion by the end of 2020. By this time, there may be increased scope for GoB to tax the profits that arise to digital matching firms on the home-sharing activities that take place in Belize in a way that is aligned with other countries. In the meantime, there are “unilateral” options available to Belize, albeit these are complex and difficult to implement.

5.4 Indirect taxation of the home-sharing sector

Given the size and number of small home-sharing providers, revenues from any tax are unlikely to be highly significant. Applying a tax measure could however stem any loss of tax revenues from the movement of tourists from traditional accommodation to the home-sharing sector. In applying any tax

or regulatory measure the costs of administration to both the government and to home share providers must be taken into consideration as a disproportionate burden will likely impede the growth of the sector, and any associated benefits.

5.4.1 Steps to improve enforcement of Tourist Accommodation Tax

The hotel room tax is currently 9 percent of the price of a room. As an indirect tax, the economic burden falls on hotel guests, though the tax is collected and remitted to the BTB by the hotels. While shared housing-booked rooms are also subject to the tax, lack of awareness of this (or poor compliance) has meant that many providers are not registering with the BTB and levying and accounting for the tax, and therefore the BTB has been running their “Did You Know?” campaign to alert providers to their obligations.

This arrangement means there is in theory some level of parity between all types of accommodations and the law does not discriminate (financially) against the customers of traditional hotels. As set out as the ‘principles of taxation’ in Section 5.2 above, this ensures ‘horizontal equity’ in the burden of tax borne by all the participants in the sector.

Another option would be to charge a reduced rate for home-sharing properties, as was done in Barbados. Indeed, jurisdictions such as Barbados who have introduced room taxes in the home-sharing sector have done so at a lower rate to that for the hotel sector.³⁵ The lower rate might reflect the fact that the home-sharing sector is catering to a different market, with lower service levels than in the luxury hotel sector.

The accommodation tax is an indirect tax so the economic burden of paying the tax falls on the guests. Therefore, the rate at which the tax is set should in theory not be distortive because small hotels stand to neither gain nor lose from the tax rate.

Nevertheless, having a lower rate might act as an incentive to the home-sharing sector. As noted, a balance needs to be struck between putting the home-sharing sector on a level playing field with hotels and recognizing (a) that a higher burden might make enforcement more difficult, and (b) that there are certain externalities provided by the home-sharing sector that may mean the GoB wishes to promote this sector over the traditional hotel sector.

The operation of the accommodation tax needs to be considered alongside the application of any other kinds of tax, such as business tax or rental taxes (see below).

However especially for individual home-owners and small home-sharing entrepreneurs, the administrative cost of collecting and remitting the tax might be substantial compared to the income generated and may lead to a decline in the sector. In addition, there is a risk that, given the open, low-regulation environment that home-sharers currently operate in, and

35 However, Barbados raised the VAT rate on tourism to 10 percent, equal to the general rate in 2019.

despite the “Did You Know?” campaign, there might continue to be high-levels of non-compliance. To avoid this risk, this policy might need to be accompanied by one or more additional measures:

- Making business intermediaries and home-sharing platforms the collecting agents (ie requiring that they remit the tax on behalf of home sharers) on behalf of the GoB could also aid successful adoption by shifting the compliance burden from home-owners and small entrepreneurs. This strategy has been pursued by many other governments in the region, some of whom have entered into memorandums of understanding with Airbnb. Indeed, representatives of the BTIA met with Airbnb representatives on 11 May 2017, and at this meeting a memorandum of understanding was discussed under which Airbnb

would collect and remit hotel taxes to the BTB on behalf of hosts.³⁶ There was no agreement after following this meeting and no further discussions as far as we are aware.

In addition, the tax from home-sharing vendors could be collected by the BTB as is currently the case. The collection of this tax for all taxpayers (both traditional and home sharing) may however be transferred to the Tax Authority, who would be able to take advantage of data matching and other tax related information as well as the information and data collected by the BTB.

- Increasing compliance through better regulation and enforcement, including increasing registration rates given mandatory registration for home-sharing providers which is discussed in greater detail below.

5.4.2 Introduction of GST to the sector

GST currently does not apply to the accommodation provision, either in the traditional hotel sector or in the home-sharing sector. One option would be to apply the GST of 12.5% into tourist accommodation as a whole, including the home-sharing

sector. This would, however, give rise to similar compliance burdens as discussed above in respect of extending the Tourist Accommodation Tax. Similar solutions would be available to address this.

5.5 Direct taxation of home-sharing providers/hosts

5.5.1 Application of the Business Tax to the home share sector

It is understood that a Business Tax applies in Belize, broadly to any person or firm carrying on a trade or business which earns BZ\$75,000 or more per annum “where such receipts are the only source of livelihood of the taxpayer”.³⁷

The high number of hosts with multiple listings suggests that there may already be small businesses operating in this sector, with the potential to exceed the BZ\$75,000 threshold and fall within the Business Tax. On the other hand, the BZ\$75,000 threshold would seem to exclude individual hosts with only a few, or a single property.

An option would be to extend the Business Tax by lowering the taxable threshold and including more hosts within the scope of the tax. Equally, however, revenues from the Business Tax could be increased not by lowering the threshold, but by taking measures to address any potential non-compliance within the sector. This may involve greater enforcement activity or could involve greater regulation, including mandatory registration, which is discussed further below.

5.5.2 Adoption of an “SME tax”

There may be some home sharers with sufficiently large income to run their business through a corporate entity. Corporation tax applies to companies at a rate of 25% (see section 3 above). Corporation tax is generally more complex to apply because it is a tax on profits rather than a tax on revenues (and therefore requires the drawing up of accounts and clear rules as to what constitutes deductible expenses).

Another option to improve compliance might be to introduce a specific business profits tax targeted at small-scale entrepreneurs operating through companies in the home-sharing sector. Many jurisdictions have separate regimes for ‘small and medium-sized enterprises’ (“SMEs”). These SME regimes focus on profits rather than revenue (like the Business Tax regime), and might involve a number of features including a simplified way of

³⁶ <https://btia.org/btia-meets-with-airbnb-representatives/>

³⁷ See Belize Tax Administration guidance: incometaxbelize.gov.bz/wp-content/uploads/2016/07/business_tax_guide2009.pdf

accounting for taxable business profits, reporting periods and methods, or simply a reduced rate of tax to that applying to larger businesses.

In addition to the revenue derived from a turnover tax or SME Business Tax, it could provide a single, easily calculable tax for small entrepreneurs, as well as providing a registry (for tax purposes) for all taxpayers. For example, the tax could be set at a lower single flat rate on revenues rather than on profits, avoiding the need for the GoB to provide clear rules on what consti-

tute deductible expenses and the burdens for home sharers of suitable record keeping. As noted, home-sharers are unlikely to have significant deductible expenses in any case, which means the yield from a tax on revenues is likely to be similar to a tax on profits, and this should be taken into account in setting the rate.

The main drawback is the administration cost of running multiple tax regimes could be high relative to the income generated from the tax.

5.6 Direct taxation of home-sharing platforms/digital matching firms

5.6.1 *Waiting for a global consensus on the taxation of the digital economy*

Taxation of digital matching firms is difficult as they will likely be operating with little taxable substance under the current framework of international taxation. As described in Section 2.3 above, digital matching firms are online marketplaces acting as intermediaries between the consumer and accommodation provider. The digital matching firm will generally charge a usage fee to either provider or guest, or to both.

Home-sharing platform providers are all based in jurisdictions outside Belize. As such, the commission that is paid by home-sharing accommodation providers in Belize cannot be taxed in Belize by way of conventional business taxes under the current rules of international taxation.

5.6.1 *A Brief History of International Taxation*

The international taxation system was developed under a compromise agreed between major developed nations in the 1920s. This compromise generally allocated taxing rights in respect of active trading profits to persons and corporations where those persons and corporations were deemed to be tax resident. However, taxing rights were also allocated to “source” state countries (i.e. countries in which sales are being made) where a business established a branch office or some other form of physical presence in that source state. In the 1920s, it was envisaged that most businesses selling goods or services into an overseas territory would have to establish a branch or some form of physical presence there. As such, the expectation was that some business profits would be allocated to the source country.

These assumptions no longer apply in a 21st century globalized world in which digital businesses can sell goods cross border without any physical presence. Indeed, this problem has been identified by the OECD and described as the ability of digital businesses to achieve “scale without mass” in a jurisdiction.

In reaction to popular criticism of the perceived low levels of taxation paid by digital firms like Google, Amazon and Facebook, there is a push at the level of the OECD and the G20 for a new global consensus for how to tax digital transactions.

The OECD published a policy note on 29 January 2019 titled “Addressing the Tax Challenges of the Digitalisation of the Economy”. This policy note outlined a commitment to step up efforts to reach a multilateral consensus on taxing digital by 2020. The OECD is exploring ways to revise the traditional profit allocation and “nexus” rules devised in the 1920s to something far more appropriate to digital transactions in the 21st century, aimed at expanding taxing rights of the user or market jurisdiction.

By the end of 2020, there may be increased scope for GoB to tax the profits that arise to digital matching firms on the home-sharing activities that take place in Belize in a way that is consistent with an international consensus.

The global debate, currently being discussed in the OECD, EU, as well as by the G20, has yet to agree on a consensus approach to taxation of digitized transactions. However, five European countries³⁸, Turkey, India and others have announced that they

will implement an “interim” solution, the Digital Services Tax (see next section), which would be the simplest option for a developing country (Belize, for example) to implement, though no developing country has decided to use it.

5.6.2 Digital services tax

Until a global consensus solution is found, there are “unilateral” taxation options available to Belize, the foremost of which would be to introduce a digital services tax or “DST”.

DSTs have been introduced or proposed in many countries including France and UK. The types of digital activities that they seek to tax are scoped in a variety of ways. In the UK, the DST is addressed at social media platforms, search engines and online marketplaces and intended to be narrowly targeted at specific overseas companies operating in UK.

DSTs generally look to tax the revenues arising from the home market to non-resident enterprises in respect of specified business activities (e.g. online advertising sales). However, conceptually, rather than being a source-based taxation like a traditional withholding tax, DSTs can be seen as an attempt to tax the income profits of non-residents on a presumptive basis. In doing so, this approach assumes (in essence) a fixed margin on sales for all the revenues relating to certain digital activities and takes this as a proxy for the profits being made by that non-resident in the sector. The tax rate in the proposals generally range from between 2% and 7%.

With this in mind, it would be an option for the GoB to introduce a DST along similar lines, targeted specifically at taxing a digital activity like home-sharing platforms. Like the UK DST proposal, consideration would need to be given to how to define

home-sharing platforms to ensure it does not have unintended consequences and tax wider parts of the economy. The OECD acknowledged that the digital economy is increasingly becoming the economy itself, and one of the difficulties in providing effective responses is in ensuring that the tax is appropriately targeted.

DSTs are controversial in the global debate. Further, since they are a source-based tax on revenues rather than profits, the approach deviates from the OECD’s historic approach of seeking to tax profits where value is created. Global experience to date (India, for example) indicates that a DST can be effective in raising revenue.

While such a tax is transparent and the tax base is specifically defined, there are concerns that it ultimately leads to double taxation since levied regardless of other tax instruments. In practice, many developed countries are considering a DST but where it is being adopted it is on an ad hoc basis (for example the EU Commission has yet to endorse it for the EU, though individual countries, Austria and Italy will implement it by 2020).

DST proposals are still being worked through, and there are many difficulties in defining the tax so that it applies to the taxpayers that the government is targeting without having unintended consequences on other sectors and industries.

5.7 Estimate of potential tax revenues for each policy option

The following table sets out an estimate of what the major policy approaches outlined above might expect to generate by way of tax revenues.

The numbers provided are purely estimates based the following figures provided by Airbnb on Belize home-sharing visitors at their meeting with the BTIA in May 2017:

- There were 29,000 Airbnb arrivals in the year to 1 May 2017;
- The average length of stay per Airbnb guest was 4 days.

In addition, the data from the open-source website ‘Inside Airbnb’ tells us that the average room rate (for 2018) of Airbnb accommodation in Belize was US\$173 a night (see Figures 4.6 and 4.7 above).

From these numbers, we can estimate that there was a total of 116,000 nights spent in home-sharing accommodation by tourists (i.e. 29,000 x 4 nights). On the basis the total gross revenue arising to home-sharing hosts should have been US\$ 20,068,000.

38 France, the UK, Spain, Austria, and Italy

Tax measure	Tourist Accommodation Tax from home-sharing sector (assuming total compliance)	Application of Business Tax and Corporation Tax to hosts (assuming total compliance)	DST levy on home-sharing platforms
Estimated tax revenue from measure	~US\$1.8 million	~US\$5 million	~US\$400,000
Calculation of estimate	Tax rate (9%) x avg. room rate (US\$173) x total nights (116,000)	Tax rate (25%) x avg. room rate (US\$173) x total nights (116,000)	Tax rate (3%) x avg. room rate (US\$173) x total nights (116,000)
Assumptions in calculating the estimate	Assumes rate of 9% of total accommodation charge would apply as for hotel sector.	Assumes no deductible expenses, such that total revenues effectively the same as profits and subject to tax. Assumes flat tax rate of 25%.	Assumes DST rate of 3%.

The calculations in this table provide high-level estimates based on basic assumptions. They are illustrative only and should in no way be relied upon.

On the basis of the above, it is clear that the Business Tax would be likely to yield the most amount of tax revenue, and the DST the least. However, as the tax base is always effectively the same, the main variable to all the taxes is the rate at which they are set. The DST might be set at a higher rate than 3%, and the Business Tax might be set at a lower rate than 25%. The Business Tax calculation does not take account of taxpayer costs and expenses that might be deductible. Nevertheless, whatever the rate and profit assumptions for the home-sharing

sector, it is still likely that the Business Tax would yield more revenue than the Accommodation Tax, which in turn would yield more revenue than the DST, since the rate would likely be progressively smaller than each of these taxes. The rates would need to ultimately be decided by the GoB.

The GoB's 'Estimates of Revenue and Expenditure for Fiscal Year 2019/2020' shows that tax receipts totalled US\$967,445,481 in 2017/18. However, no information is provided on how much of this revenue derives from the hotel sector. Nevertheless, it is clear that none of the tax proposals set out above would have a significant impact on overall government tax receipts.

5.8 Regulatory measures

5.8.1 Expand and enforce registration of home-sharing vendors

Currently home-sharing providers are required to register with the BTB. However, as mentioned above, many providers are likely unaware of this requirement and so the "Did You Know?" campaign has been launched. Increased registration rates will likely prove to be effective at increasing compliance.

When a memorandum of understanding was discussed between the BTIA and Airbnb in 2017, we understand that Airbnb offered to play a role in making Airbnb hosts "aware of

the benefits of registering with the BTB".³⁹ Therefore, home-sharing platforms can certainly play a role in ensuring hosts are aware of their responsibilities, aiding the registration of hosts and enhancing the monitoring of the sector.

Improved registration rates would allow the tax administration, along with sector specific groups and entrepreneurs, to have a better visibility of what types of establishments and services are operating in Belize.

³⁹ <https://btia.org/btia-meets-with-airbnb-representatives/>

Should registration rates amongst providers continue to be low, consideration may need to be given to making the registration process easier, including through improved digital processes, and how else registration can be encouraged.

In addition, taxes from home-sharing vendors are currently collected by the BTB. The collection of this tax for all taxpayers

(both traditional and home sharing) may however be transferred to the Tax Authority, who would be able to take advantage of data matching and other tax related information as well as the information and data collected by the BTB.

5.8.2 Rating system

The observations suggest that regulations/guidelines could usefully be implemented to certify the quality and minimum standards for home-sharing accommodations (analogous to a “star rating” system used in hotels). The system could be an extension or adaptation of the system used for hotels. The system could be self-administered (each provider would be required to submit a self-evaluation, with random check by the BTB). The advantages of such a rating system would be to signal quality as well as to appeal to different segments of

tourism (differentiating luxury from budget). It could provide incentives for those providers to upgrade facilities to get a higher rating. The main disadvantage is that the system would involve more resources from the BTB and could act as a deterrent in the home-sharing sector, particularly for smaller or budget end home sharers who may not have the capacity to manage such compliance obligations. An argument in other jurisdictions has been that star rating is unnecessary as home sharing operates on a self-regulatory review basis.

5.9 What have other countries done in the area of shared-platform taxation?

Most countries have established digitalized business registries (EU, US, ASEAN countries, Turkey, for example), including for home-sharing platforms. Beyond that, as mentioned above there is no consensus on taxation instruments.

In the home-sharing platform sector in particular, a number of countries are considering equalizing the taxation of home-shar-

ing platforms with traditional accommodation taxation. Notably, 38 US States, Denmark, and others will apply the same hotel (tourism) taxes to all accommodation, to be collected by the home-sharing platform firm (resident or non-resident), in the same way VAT is collected.

5.10 Implementation of measures

Implementation of any of the above measures would need further consideration as to the specific impact on the Belize tourism sector, and the wider economy. Currently, available data neither sufficient nor complete enough to have a clear view on

the likely impact of any of the above. We would recommend further work to better understand the tourism sector, impact of digital and potential direct and indirect impact of the above measures on the various parts of the economy.

6 Summing up

The home-sharing sector has expanded the tourism sector in Belize by offering a wide-variety of accommodation choices and opening new possibilities for residents to generate additional income. It has also facilitated the possibility of developing new areas of country to tourism, even if the available evidence indicates there is still greater potential to be fulfilled in terms of geographic dispersion. The digitalisation of the finding accommodation via home-sharing platforms has also expanded market possibilities. In particular, there is evidence that home-sharing has contributed to the expansion of the stock of rooms (and rental houses/apartments) available in the budget traveller market. In so doing, the home-sharing sector is catering to new demands and younger visitor demographics. At the same time, there appear to be low occupancy rates in home-sharing accommodation, which may be down to a variety of factors, but may also indicate quality issues with respect to some of the home-sharing accommodation.

In any case there is an opportunity for the GoB to evolve regulation and the tax system surrounding the accommodations/tourism sector to raise additional revenues (and protect the erosion of existing revenues) while mitigating the impact on the growth of the sector. In particular, the number of multiple listings in the market indicates there are a number of small entrepreneurs operating in the home-sharing sector. There is an opportunity and scope to bring these small entrepreneurs within the scope of existing business income taxation (to the extent they are not already within scope).

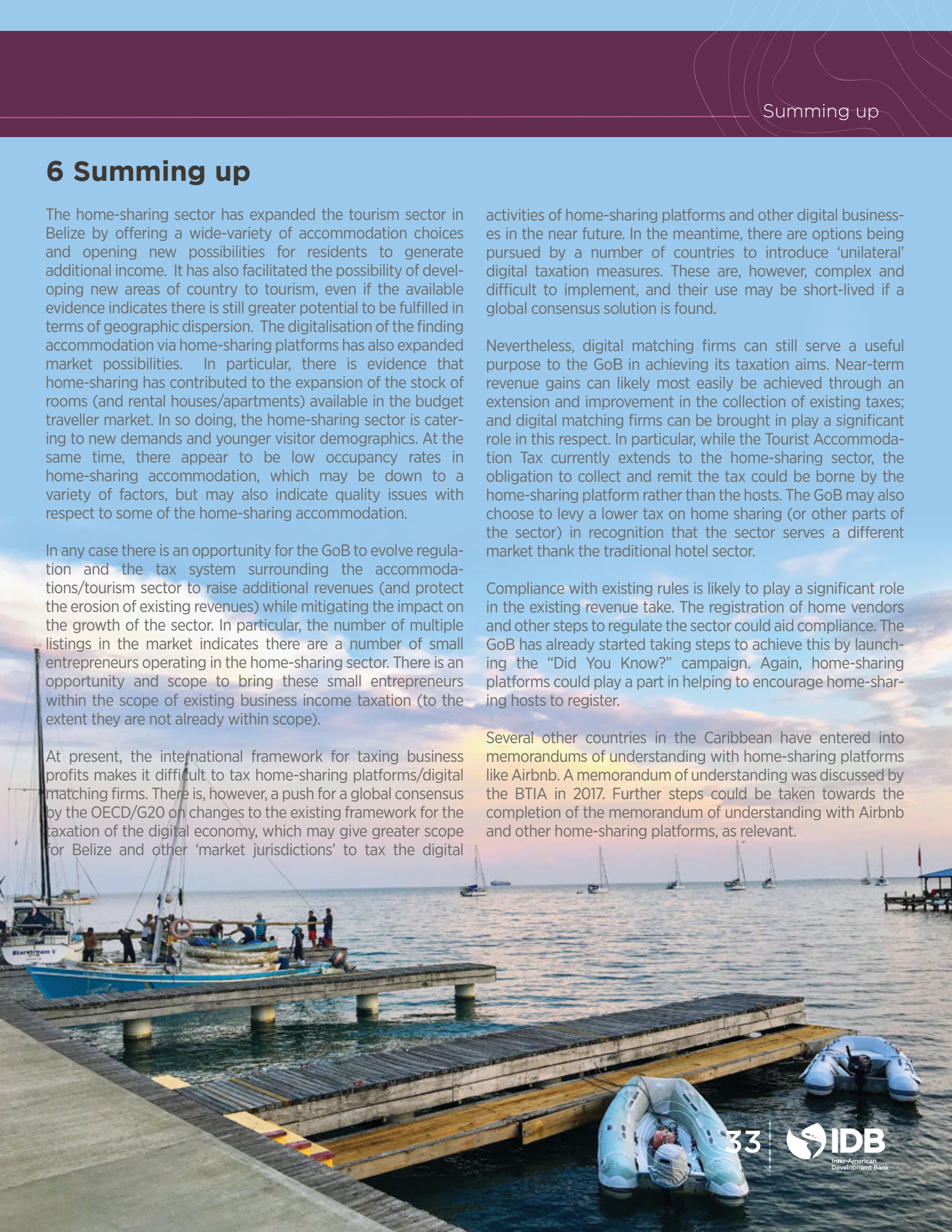
At present, the international framework for taxing business profits makes it difficult to tax home-sharing platforms/digital matching firms. There is, however, a push for a global consensus by the OECD/G20 on changes to the existing framework for the taxation of the digital economy, which may give greater scope for Belize and other 'market jurisdictions' to tax the digital

activities of home-sharing platforms and other digital businesses in the near future. In the meantime, there are options being pursued by a number of countries to introduce 'unilateral' digital taxation measures. These are, however, complex and difficult to implement, and their use may be short-lived if a global consensus solution is found.

Nevertheless, digital matching firms can still serve a useful purpose to the GoB in achieving its taxation aims. Near-term revenue gains can likely most easily be achieved through an extension and improvement in the collection of existing taxes; and digital matching firms can be brought in play a significant role in this respect. In particular, while the Tourist Accommodation Tax currently extends to the home-sharing sector, the obligation to collect and remit the tax could be borne by the home-sharing platform rather than the hosts. The GoB may also choose to levy a lower tax on home sharing (or other parts of the sector) in recognition that the sector serves a different market than the traditional hotel sector.

Compliance with existing rules is likely to play a significant role in the existing revenue take. The registration of home vendors and other steps to regulate the sector could aid compliance. The GoB has already started taking steps to achieve this by launching the "Did You Know?" campaign. Again, home-sharing platforms could play a part in helping to encourage home-sharing hosts to register.

Several other countries in the Caribbean have entered into memorandums of understanding with home-sharing platforms like Airbnb. A memorandum of understanding was discussed by the BTIA in 2017. Further steps could be taken towards the completion of the memorandum of understanding with Airbnb and other home-sharing platforms, as relevant.



6.1 Summary of options

We set out below a summary of the options available:

Summary Table of Options		
Option	Comments	Policy aim
Tax options		
1. Indirect taxation of the home-sharing sector		
Lower rate of Tourist Accommodation Tax and/or alternative collection methods	This option would involve considering a lower rate in the Tourist Accommodation Tax faced by home-sharing hosts, recognizing that the products supplied are likely in a lower category of service. While the administrative cost of collecting and remitting the tax could be substantial for certain hosts compared to the income generated and may lead to a non-compliance, this risk could be mitigated. The government could either require home-sharing platforms to collect the tax on behalf of home sharers or aim to increase compliance through better regulation (see below) and administration.	Taxpayer equity between all accommodation providers; increasing tax revenues / stemming revenue loss from traditional hotel sector
Introduction of GST to the sector	This option would involve introducing GST into tourist accommodation as a whole, including the home-sharing sector. There may be similar compliance concerns as with respect to the Tourist Accommodation Tax, and similar collection and enforcement measures could be adopted.	Increasing tax revenues
2. Direct taxation of home-sharing providers/hosts		
Application of the Business Tax to the home share sector	As most home sharers are likely to fall below the threshold, threshold for business tax could be reduced.	Increasing tax revenues
Adoption of an “SME-tax”	Introducing an SME-tax targeted at the sector, which could be designed to be administratively simpler.	Increasing tax revenues
3. Direct taxation of home-sharing platforms/digital matching firms		
Waiting for a global consensus on the taxation of the digital economy	The OECD is exploring ways to revise the traditional profit allocation and “nexus” rules, aimed at expanding taxing rights of the user or market jurisdiction to tax digital businesses. It must be hoped that by the end of 2020, there may be increased scope for GoB to tax the profits that arise to digital matching firms on the home-sharing activities that take place in Belize.	Increasing tax revenues
DST (digital services tax)	Pending a global consensus on digital tax reforms, a number of countries are experimenting with introducing their own measures. One of the most popular is a DST (digital services tax), which will seek to tax the turnover of home-sharing platforms from commission payments from Belize.	Information/data collection
Regulatory options		
Improved rate of registration by home-sharing vendors	Improved registration rates would allow better visibility of what types of establishments and services are operating in Belize.	Information/data collection
Rating system	Extension of rating system used for hotels to certify the quality and minimum standards for home-sharing accommodations.	Information/data collection/quality control

An aerial photograph of a coastal city, likely in the Philippines, showing a dense urban area on a peninsula and a large body of turquoise water. A white wavy line graphic is overlaid on the top right corner of the image.

Appendices

Appendix A: Further detail on the Belize tourism sector

Belize's tourism product has evolved into a diversified mix of offerings which has established a niche brand for the country and resulted in competitive advantage among regional peers. Leveraging a wide array of diverse natural attractions such as the Belize Barrier Reef (the 2nd longest in the world), 450 offshore cayes, jungle and wildlife reserves, Mayan archaeological sites and hundreds of cave systems, Belize has firmly positioned itself as a thriving and premier 'adventure and ecotourism' destination.

Belize's tourism sector caters to two distinct market segments: (i) cruise ship passengers, and (ii) overnight or stay-over visitors. Balancing the two segments is considered one of the main challenges the country faces in the continuing development of the tourism sector.

The advent of cruise ship arrivals at the turn of the century led to an exponential increase in the annual number of visitors to the country. A cruise ship port on a private seven-acre island located off the southern coast of the country was completed by Norwegian Cruise Line (NCL) in November 2016, and while it is exclusively for NCL's use, it is the first cruise ship port in the country thus far. Construction has also recently commenced on another cruise port just outside of Belize City. This will address a major infrastructural gap in this segment in the country's population centre, Belize City, and improve efficiency and access for cruise ship arrivals. These multi-million dollar investments will both boast attractive features and various amenities, including private luxury beach villas, and various outdoor and water activities.

As at the end of 2018, the overnight segment accounts for 30% of all arrivals and has shown unprecedented growth over the last 7 years, registering close to double-digit growth rates annually over that period. A 15% year-on-year increase in this segment is being projected for 2019. Overnight visitors contribute about 85% of total direct expenditures in the sector with 15% from cruise ship passengers. The overnight segment also accounts for 90% of all employment in the tourism sector. As this segment has also proven less susceptible to external shocks and natural disasters than the cruise ship segment, industry representatives have placed special emphasis on the development of overnight tourism over the last 10 years. It is therefore considered the backbone of the country's tourism sector.

New air carrier services from Mexico, South America, Canada, and the United States have been procured over recent years providing new routes and wider access to travelers and markets

beyond those from the traditional transit hubs. In addition to the increase in airlift capacity, there has also been increased investment in tourism infrastructural development projects by the GoB and private sector entities. The construction and development of new hotels, condominiums, time-share, and home-share properties have increased accommodation inventory across the country by 15% over the past 7 years⁴⁰.

Contribution to the economy

The direct contribution of the tourism sector to Belize's GDP was BZD555.3mn (USD277.7mn), 15.0% of total Gross Domestic Product (GDP) in 2017, and is forecast to rise by 2.2% in 2018, and to rise by 4.5% per annum, from 2018-2028, to BZD881.6mn (USD440.8mn), or 19.0% of total GDP in 2028. As mentioned earlier, estimates of the travel and tourism sector collectively are of a contribution of nearly 41.3% of GDP in 2017.

By comparison, in 2016 tourism represented approximately 15% of the total Caribbean economy, and 28% as a median across all Caribbean countries⁴¹.

In 2017, the tourism sector directly supported 21,000 jobs (13.4% of total employment in Belize). This is expected to have increased by 0.7% in 2018 and rise by 3.9% per annum to 31,000 jobs (14.1% of total employment) in 2028. It is also estimated that about 25% of the country's labour force is related to or driven by the sector.

Capital investment in the sector in 2017 was BZD258.1mn, 27.0% of total investment (USD129.1mn) in the country. It is anticipated that this will have increased by 9.2% in 2018, and rise by 5.4% per annum over the next ten years to BZD476.2mn (USD238.1mn) in 2028, or 32.0% of total capital investment.

Tourism arrivals to Belize have recorded impressive growth over the last two decades and there is confidence that this trend will be sustained over the next few years. The total number of tourist arrivals has increased from 190,200 visitors in 1998 to 842,396 visitors in 2008 to 1,697,398 in 2018, a 100% growth in the last decade⁴².

Growth over the past five years has been driven primarily by the overnight segment while the cruise ship segment has remained steady and strong, surpassing the million visitor threshold in 2016. An 18% year over year increase in total arrivals was achieved in 2018, reflective of a 19% increase in cruise ship arrivals and a 17% increase in overnight arrivals⁴³.

40 Belize Tourism Board, "Belize Tourism Board Statistics Digest 2018", https://belizetourismboard.org/wp-content/uploads/2019/07/2018-TT-Statistics-Digest_Final.pdf, Table 5.3

41 Source: Oxford Economics

42 Belize Tourism Board, Travel Tourism Digest, 2017 & Summary Statistics 2018

43 Belize Tourism Board, Travel Tourism Digest, 2017 & Summary Statistics 2018

Figure A.0: Number of Total Visitor Arrivals

Product Offering

Belize is marketed as a charming combination of cultures, attractions and adventures, a place that fully embraces its Central American and Caribbean heritage, celebrates its unique diversity and takes great pride in its impressive natural beauty. The tourism product of Belize is heavily dependent on the country's rich natural and cultural heritage. Internationally recognized Maya archaeological sites and an extensive network of jungle and marine protected areas provide opportunities for diving, wildlife observation, birdwatching, hiking, zip lining, cave tubing and other recreational activities.

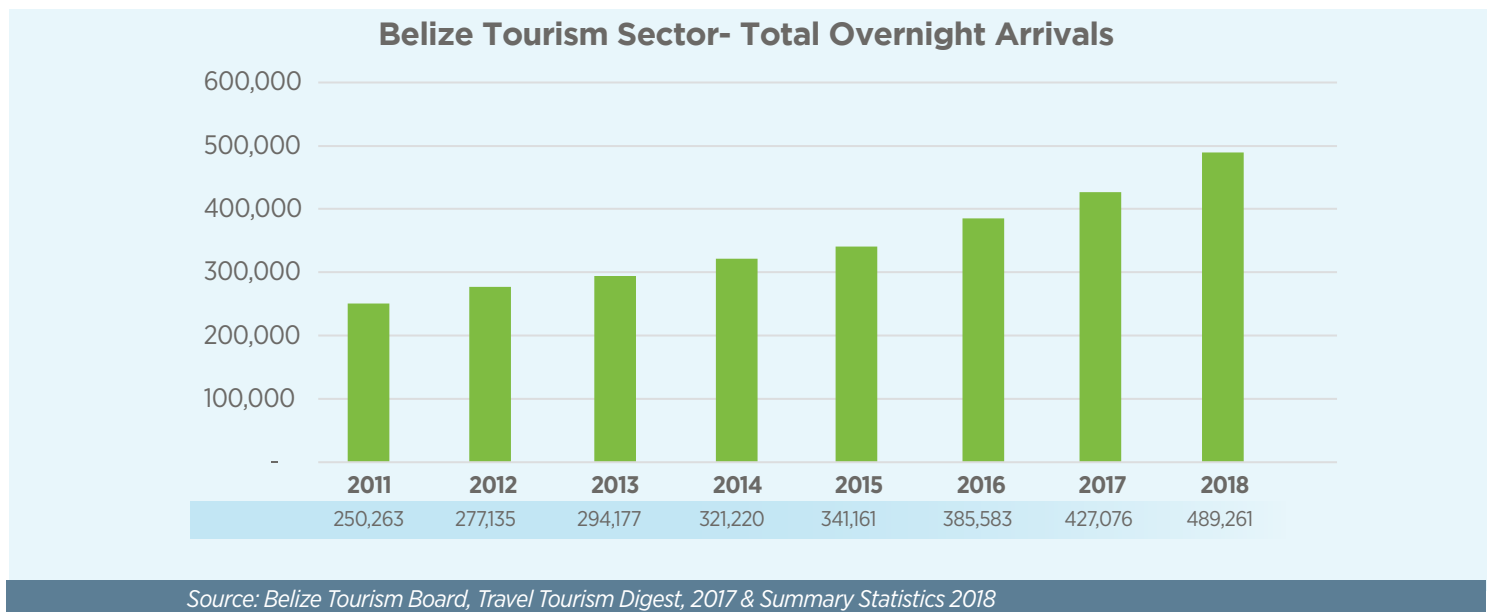
Based on 2017 data collected by the BTB, the most popular attractions are the Jaguar Paw Jungle Reserve, archaeological sites at Lamanai and Altun Ha, Shark Ray Alley at the Hol Chan Marine Reserve, the Belize Zoo, the Mountain Pine Ridge Forest Reserve, and several other natural protected areas. In addition to its unique combination of archaeological and cultural sites, the world's second-largest barrier reef (a World Heritage Site), and accessible tropical forest reserves, Belize has several competitive advantages that contribute to its growing market share.

Most notable of these are a largely English-speaking population, a diverse culture and a relatively stable political environment. While the adventure and ecotourism segments are clear niche markets for the country, it is expected that Belize will continue to also offer a competitive product in other segments, including cultural tourism and community tourism, as well as to serve the cruise ship segment, thereby taking advantage of the growth expected internationally for these segments.

The Overnight Segment

The United States and Canada together accounted for almost 71 percent of overnights in 2017 (65% and 6%, respectively), while Europeans and South Americans represented 20 percent of the market share (See Figure 2.1)⁴⁴. Approximately 75 percent of all overnight visitors stayed in the Belize District, which includes Belize City and the country's two main island destinations, San Pedro Ambergris Caye and Caye Caulker⁴⁵. The remainder stayed in the Stann Creek District, most notably the coastal villages of Placencia and Hopkins, and in the Cayo District.

⁴⁴ Belize Tourism Board, Travel Tourism Digest, 2017 & Summary Statistics 2018
⁴⁵ Ibid

Figure A.1: Overnight Arrivals by Year**Figure A.2**

Belize Tourism Sector - Overnight Arrivals by Country of Origin						
	2013	2014	2015	2016	2017	2018
America	183,513	199,320	215,221	254,544	276,566	320,221
Europe	32,191	38,905	40,941	42,635	50,122	59,319
Latin America	27,941	29,461	30,507	35,202	44,207	44,033
Canada	26,713	26,397	24,026	21,867	26,084	35,190
Belizeans living abroad	11,489	13,858	15,170	14,861	13,488	10,546
Oceania	4,431	5,150	5,609	6,220	5,789	6,724
Asia	3,430	2,911	4,088	4,670	5,169	6,473
Caribbean	2,179	2,269	2,639	2,820	2,992	3,173
Middle East	1,885	2,495	2,360	2,160	2,018	2,821
Africa	403	454	602	605	674	761
Total	294,175	321,220	341,163	385,584	427,109	489,261

Source: Belize Tourism Board, Travel Tourism Digest, 2017

Current national policy recognizes that growth potential resides with the overnight segment. This is the segment for which Belize's tourism product is well matched with global market

trends toward ecotourism, adventure, cultural, and community-based tourism.

As at end of 2018, the overnight segment was served by approximately 883 hotel and resort facilities offering a total of 8,177 rooms. The number of hotels and room stock has been steadily increasing, growing from 600 hotels in 2008 (See figures 2.3 & 2.4)⁴⁶. With an

average size of 10 rooms per operation, the vast majority of properties in the country (90%) have less than 20 rooms (See Figure 2.5).

Figure A.3

Belize Tourism Sector - Number of Hotels by Area								
	2011	2012	2013	2014	2015	2016	2017	2018
Belize District	54	55	58	57	57	62	62	60
Caye Caulker	86	87	90	105	108	118	125	127
Cayo	110	114	118	122	125	139	137	144
Corozal	37	33	34	33	33	29	30	31
Orange Walk	22	21	20	23	23	21	22	21
Placencia	113	119	121	135	156	155	153	161
Ambergris Caye	154	153	163	166	172	170	169	172
Stann Creek	60	61	69	81	91	92	86	89
Toledo	39	39	39	40	40	36	38	36
Other Islands	41	41	45	43	44	39	34	42
Total	716	723	757	805	850	861	856	883

Source: Belize Tourism Board, Travel Tourism Digest, 2017

Figure A.4

Belize Tourism Sector - Number of Rooms by Area								
	2011	2012	2013	2014	2015	2016	2017	2018
Belize District	938	942	1,107	931	930	917	933	925
Caye Caulker	629	610	680	713	726	851	882	909
Cayo	1,098	1,118	1,107	1,143	1,174	1,256	1,275	1,333
Corozal	358	327	334	368	371	346	371	363
Orange Walk	262	260	258	289	2,291	264	287	268
Placencia	721	730	764	764	842	961	993	994
Ambergris Caye	1,862	1,716	1,841	1,833	1,898	2,231	2,086	2,253
Stann Creek	542	544	562	608	649	685	645	669
Toledo	315	312	324	323	323	291	327	312
Other Islands	386	373	400	392	415	410	378	409
Total	7,111	6,932	7,377	7,364	9,619	8,212	8,177	8,435

Source: Belize Tourism Board, Travel Tourism Digest, 2017 & Summary Statistics 2018

46 Belize Tourism Board, Travel Tourism Digest, 2017

Figure A.5: Hotels by Number of Rooms

	No. of Rooms				Total
	1-10	11-20	21-50	>50	
Belize District	40	11	8	3	62
Caye Caulker	99	21	4	1	125
Cayo	96	30	10	1	137
Corozal	21	3	5	1	30
Orange Walk	11	7	4	0	22
Placencia	16	15	3	0	34
Ambergris Caye	133	11	7	2	153
Stann Creek	114	26	23	6	169
Toledo	69	13	3	1	86
Other Islands	28	9	1	0	38
Total	627	146	68	15	856
% of Total	73%	17%	8%	2%	100%

Source: Belize Tourism Board, *Travel Tourism Digest*, 2017

The tourism sector is therefore characterized by smaller properties, with more than 65% owned by Belizeans. Most accommodations in Belize are boutique-type establishments and this dynamic is a limiting factor in marketing the country as a destination for large groups and conventions.

As can be seen below in Figure 2.6, hotel occupancy rates in 2017 averaged 39 percent and over the last five years, this figure has remained at or near that level, peaking at 46% in 2013. Annually, the highest occupancy rates occur from January to April, and the lowest rates coincide with the peak of the regional hurricane

season in September and October. Estimates indicate that 20 percent of the room stock generates 80 percent of the occupancy. In addition to seasonality, the low occupancy rates reported are attributed to problems in meeting product quality standards. This is an indication that the segment faces important challenges in improving the quality of experience and offering an "export-ready" product. The sector's high operating costs, supply constraints such as water supply and solid waste management, and other business climate limitations are contributing factors to this ongoing challenge for operators (albeit the water supply issue arises mainly in the cayes).

Figure A.6: Hotel Occupancy by Area (%)

Tourist Area	2011	2012	2013	2014	2015	2016	2017	2018
Belize District	38.6	43.2	54.8	56.7	46.7	41.8	44.3	44.9
Caye Caulker	44.3	43.2	46.0	51.1	50.3	42.0	45.2	39.6
Cayo	38.2	40.2	40.0	43.8	44.3	33.4	43.1	44.4
Corozal	28.5	30.4	28.9	31.4	19.3	22.1	34.1	35.5
Orange Walk	39.9	38.7	44.6	38.1	36.5	29.9	22.3	21.4
Placencia	38.5	33.0	39.6	36.9	32.2	29.0	28.2	32.7
Ambergris Caye	43.7	47.7	51.1	48.0	47.0	41.9	35.6	35.1
Stann Creek	36.1	48.1	58.0	53.7	57.7	33.2	31.7	34.8
Toledo	30.9	27.2	30.8	30.0	30.4	18.7	15.2	15.9
Other Islands	27.9	34.8	34.2	32.5	28.5	33.4	37.1	38.8
Total	39.3	42.1	46.5	45.9	42.8	37.0	39.0	38.1

Source: Belize Tourism Board, Travel Tourism Digest, 2017

Figure A.7

Belize Tourism Sector - Accommodation Type by Country of Origin							
	USA	Canada	Europe	Caribbean	Central America	Other	Total
Hotel/Resort	75.5%	65.2%	57.4%	90.9%	59.4%	63.7%	70.8%
Guest House	14.2%	33.8%	37.4%	18.2%	9.4%	27.7%	20.4%
Vacation Homes	1.5%	2.7%	0.3%	0.0%	0.0%	0.3%	1.3%
Rented house/apart	13.3%	10.4%	5.8%	0.0%	9.4%	2.2%	10.9%
Friend/Relative	4.8%	8.4%	2.4%	0.0%	28.1%	5.1%	4.8%
Fishing Lodge	1.2%	1.0%	1.8%	0.0%	0.0%	0.6%	1.0%
Boat	1.8%	1.0%	1.8%	0.0%	0.0%	3.2%	2.0%
Camping	1.2%	3.3%	4.2%	0.0%	0.0%	0.0%	0.2%
Time-share	0.3%	0.3%	0.1%	0.0%	0.0%	0.0%	0.2%
Other	3.4%	10.0%	13.3%	9.1%	3.1%	10.2%	0.1%

Source: Belize Tourism Board, Travel Tourism Digest, 2017

The Cruise Ship Segment

Cruise tourism has been the fastest-growing segment of the country's tourism industry. Cruise passenger arrivals grew from 14,183 in 1998 to 624,000 in 2007 to 1,014,231 in 2017⁴⁷. Cultural heritage and nature-based adventure tours are the segment's main attractions as a cruise destination.

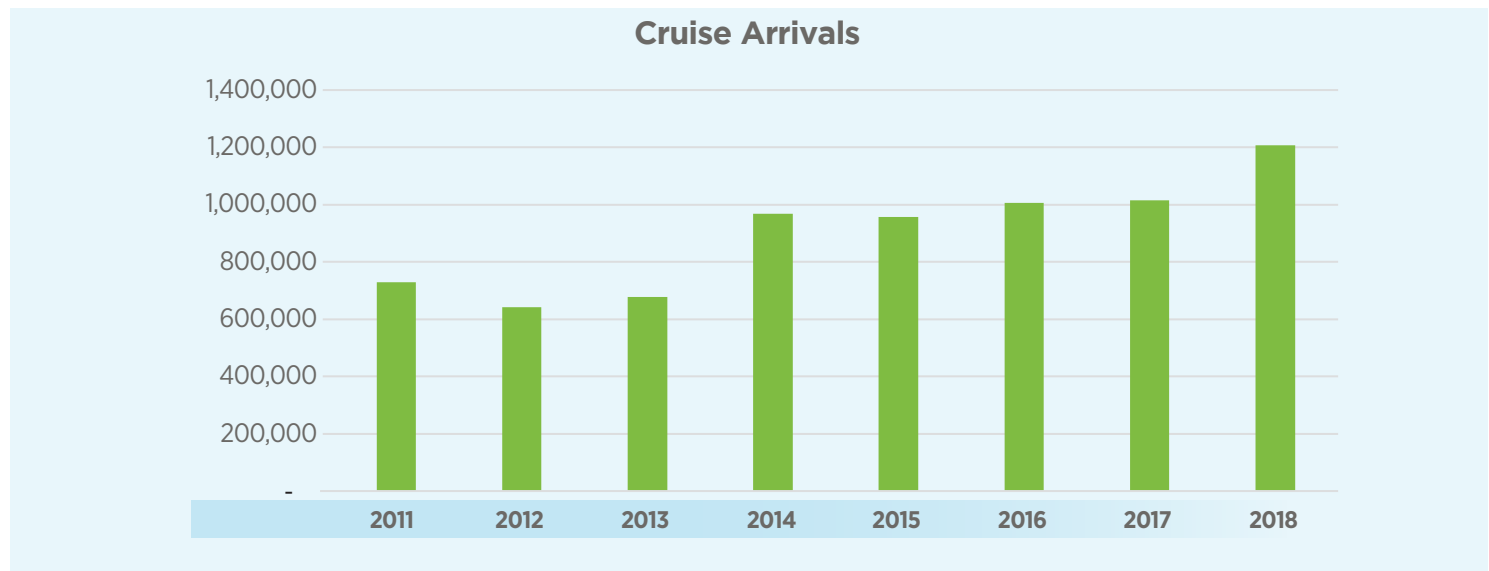
Following the shifts in cruise line itineraries as a result of the September 11, 2001 terrorist attacks, Belize's cruise segment experienced unparalleled growth and was recognized as the fastest growing cruise destination in the world in 2004. A low passenger head tax regime also catapulted Belize as a favourable destination for cruise lines.

47 Belize Tourism Board, Travel Tourism Digest, 2017

Growth in this segment had levelled off between 2008 and 2013 but there was a surge in 2014 as Belize was added to several new cruise line routes (See Figure 2.4) as a result of successful marketing efforts by the country. Belize hosted 986,131 cruise ship visitors in 2014, an explosive 42.9 percent increase over the 677,350 cruise ship travellers the country recorded in 2013. Despite lacking a dedicated cruise ship pier and terminal

in Belize City, the main port of call, Belize became the eighth Caribbean destination to exceed one million annual cruise ship visitors in 2016 and arrival levels have shown incremental increases since then. By 2017, only the Bahamas, Cayman Islands, Cozumel (Mexico), Jamaica, Puerto Rico, St Maarten and the US Virgin Islands recorded more cruise ship arrivals in the region.

Figure A.8: Cruise Arrivals by Year



Source: Belize Tourism Board, *Travel Tourism Digest*, 2017

Belize's cruise ship arrivals are expected to continue to expand over the coming years with the completion of NCL's BZD\$50 million Harvest Caye private cruise port development

and the recently launched Stake Bank Caye cruise dock project in Belize City.

Appendix B: Further detail on Institutional Framework for tourism in Belize

Belize Tourism Board Act, Chapter 275(S), Subsidiary Laws (revised 2003)

This act establishes and sets the remit and functions of the “Tourism Board” for the country, under appointment by the Minister of Tourism of Belize. The Tourism Board is responsible for the governance and management of the tourism sector, the implementation of policies, and recommending amendments to policies, regulations and legislation as required.

The act also establishes regulations for tour guides, tour operators, local water passage, and water sports vessels. It provides for the appointment of a committee, defines the powers and functions of the committee, and describes the protocol and requirements for licensing and revocation of licenses of tour guides, tour operators, and vessels. Under the tour guide regulations, all tour guides must have recognized accreditation, be a Belizean citizen or of permanent residency with tour guiding as their main occupation and be recommended by a recognized tour guide organization. Licensed tour operators are required to utilize only licensed tour guides, maintain valid licenses and insured tour safety equipment, possess valid insurance, and take all necessary steps to safeguard the environmental, moral, historical, and cultural integrity of Belize.

Hotels and Tourist Accommodation Act, Chapter 285 (revised May 2003)

This act provides for a registrar of hotels and tourist accommodations, whose primary responsibility is to ensure the licensing of all acceptable hotels and tourist accommodations. The law defines the power and function of the licensing authority and stipulates the taxes to be paid on accommodation charges. It also requires that minimum standards be observed by hotel and tourist accommodations and stipulates notification of charges to guests, distribution of service charges, registration of guests, and the mode and manner of payment by guests.

Hotels and Tourist Accommodation Act, Chapter 285(S) Subsidiary Laws (revised October 2003)

This act expands on the minimum standards to be observed by hotel and tourist accommodations to include specific, measur-

able requirements pertaining to registration, licensing, and operating requirements for hotels, resorts, apartments, condominiums, villas, guesthouses and lodges, community-based tourist establishments, campsites, live on-board vessels, and research facilities.

Other legislation

Unlike most other countries in the Caribbean and Latin America, there is no specific tourism investment incentive regime in Belize. Such incentives are incorporated as part of the broader incentives regime related to all economic sectors. The tourism sector therefore competes for investment on a level playing field with other sectors.

Tourism and tourism related services are required to comply with the existing array of legislation enacted by the government to encourage private, local, and foreign investment. This includes the Fiscal Incentives Act of 1990, the Export Processing Zone Act of 1990, the Commercial Free Zone Act of 1994, and the Retired Persons (Incentives) Act of 2003.

Established by law in 2000, the Belize Tourism Board (BTB) is a statutory body within the Ministry of Tourism that represents a strategic partnership between the government and the private sector. The partnership establishes the country’s sector strategy, defining tourism programs aimed at developing the industry for the greatest benefit to the country’s economy. The Board of Directors is comprised of industry stakeholders from both the private and public sector. The Chief Executive Officer of the Ministry represents the Minister on the Board.

The executive functions of the BTB are headed by an Executive Director of Tourism who leads an executive management team. Its responsibilities include planning, developing, and promoting the tourism industry, promoting private investment in tourism, vetting the standards of facilities offered by the industry and collecting industry related taxes and fees. The BTB’s revenues are principally derived from taxes and fees such as the accommodation tax and cruise passenger head tax and tour operator license fees.

The BTB works closely with other public sector entities in the management of the tourism sector but its primary function is to work with private sector stakeholders. Incorporated under the laws of Belize in 1989, the Belize Tourism Industry Association

(BTIA) is the country's largest private sector organization and the main interface between the BTB and industry stakeholders. It has evolved into an intermediary between the government and the private sector as well as between the private sector and national and international organizations. The BTIA is governed by a 19-member Board of Directors that includes chairpersons of the different Belizean tourist destination areas in the country and its membership includes stakeholder organisations such as the Belize Hotel Association, Belize National Tour Operators Association, and the Belize National Tour Guide Association.

The BTB also interfaces with local government bodies such as city councils, town boards and village councils as these are responsible for administering basic services, such as water supply and solid waste management in tourist localities. As Belize's tourism product has evolved through a decentralised delivery model with attractions spread across the length and breadth of the country, these bodies play an increasingly important role in ensuring the provision of quality services which are fundamental to the overall tourism product offering. The Belize Tourism Board is also a member of Caribbean Tourism Organisation. The Caribbean Tourism Organization (CTO) with headquarters in Barbados and marketing operations in New York, London and Toronto is the Caribbean's tourism

development agency and comprises 32 member governments and a myriad of private sector organisations and companies. The CTO's mission is to provide, to and through its members, the services and information needed for the development of sustainable tourism for the economic and social benefit of the Caribbean people. The organisation provides specialised support and technical assistance to member countries in the areas of marketing, human resources development, research, information management and sustainable development.

The Caribbean Sustainable Tourism Policy Framework is an output of the Caribbean Regional Sustainable Tourism Development Programme (CRSTDP); an intervention of the 8th European Development Fund (EDF) implemented in the period 2005 to 2008. The overall purpose of CRSTDP has been to foster the sustainability and competitiveness of the Caribbean tourism sector through the establishment of a sustainable development policy framework, supplementing and strengthening of regional institutional capacities, development of skills and human resources, support to small operators through business development services, and strengthening the links among CARIFORUM/ CARICOM, the Caribbean Tourism Organization (CTO), the Caribbean Hotel Association (CHA), national tourism/hotel associations and academic institutions.



Appendix C: Terms of reference

1. Carry out a broad review of the Belize tourism industry from a legal, regulatory and economic context which will be used to build a better understanding of the key components underpinning the industry. This will involve carrying out high level research limited to secondary data which is publicly available or provided by the IDB.
2. High level analysis on the growing home-sharing sector on the tourism industry in Belize to understand the impact this is having on the tourism industry, the economy and the government's revenue intake. This analysis will be limited to the secondary data we are able to obtain through public sources.
3. High level evaluation of the tourism-related ecosystem in the form of value chain analysis, specifically, estimating the effects of tourism spend (i.e. the value) on a number of key associated areas/sectors. This analysis will not include the calculation of multipliers to estimate wider economic impacts, which can be provided separately or as part of any follow-on work.
4. Based on key aims and objectives, set out the various options available to the government for change and provide high level indications of the economic and fiscal effect in regards to these.
5. Convert these draft proposals into high level key policy recommendations which can be used to assist the Government in promoting the development of the tourism industry in Belize and fiscal stability.



Appendix D: Key pillars of the Belize National Tourism Policy, issues and constraints

The policy defined six major pillars of a framework for action in effecting its objectives:

1. **Marketing:** To enhance market knowledge and focus, improve the reach and effectiveness of promotional activity and strengthen market access to and within Belize.
2. **Product development:** To develop, enhance and maintain a diversified product offering that celebrates and protects Belize's key natural and cultural heritage assets and expands the country's market interest and appeal.
3. **To improve the quality of the visitor experience in Belize:** ensuring that it is consistent, safe, enjoyable and reliable.
4. **To stimulate investment in the tourism sector,** support small businesses, and improve skills training and career opportunities for all Belizeans.
5. **To strengthen the planning, development and management of local tourism destinations and the response of the sector to climate change and other environmental challenges.**
6. **To strengthen stakeholder engagement in tourism governance at both a national and a local level,** improve coordination, accountability and transparency and ensure effective delivery of the policy.

The GOB continues efforts to strengthen the national policy framework for tourism to more effectively address current gaps, encourage future development and investment, manage critical development constraints and emerging threats, integrate economic, social, environmental, governance and legislative priorities for the sector, as well as respond to projected performance (demand/supply) trends for tourism in Belize.

Issues and Constraints

While Belize's tourism sector has been growing from strength to strength over the last decade, the sector needs to address several pressing issues and challenges that could threaten its continued development.

Impact of crime and social issues on Belize as a destination

The Belize Tourism Board has undertaken several activities to keep the tourism industry vibrant however, crime and violence continues to be one of the most pressing threats to maintaining the sector's successful growth trajectory.

Over the last 10 years, Belize has averaged over 100 murders per year and has remained in the top ten globally in most murders per capita during this time. It has been established that the majority of the murders are gang-related and primarily connected to the control and movement of narcotics moving through Belize from South America to North America.

There is no indication that foreigners are being actively targeted in Belize but the high incidence of violent crime has resulted in both the United States and Canada, the two countries with the highest numbers of visitors to Belize, issuing numerous travel advisories in recent years. Major crimes continue to shift from being concentrated in the population area of Belize City to districts in the north, west, and south of Belize.

Confrontational crimes, such as armed robbery and theft, have increased in tourist areas. Violent crimes remain uncommon in tourist areas; however, they do happen. Murder, sexual assault, and armed robberies occurred in areas frequented by tourists and expats in 2017 and 2018.

Notable murders of U.S. citizens have occurred in 2016-2017, including the widely-publicized murders of U.S. citizens in the Cayo District in January 2016, in the Corozal District in April 2017, in the Belize District in July 2017, and in the Stann Creek District in December 2017. The police are still actively investigating; however, all four murders remain unsolved.⁴⁸

The appointment of a new Commissioner of Police in early 2019 and a change in policing strategies are expected to yield positive results in reducing the level of crime and its impacts in Belize.

Sustainability at Popular Destinations

While there has been increasing destination development over the years with new products and attractions, visitors still tend to be concentrated in a few popular sites during the tourist season.

Accommodating tourist demand without damaging the quality of the visitor experience of the attractions' natural and cultural resources continues to be a challenge and raises concern about the capacity of existing destinations.

The convergence of overnight and cruise ship passengers at attractions frequently results in congestion, exceeding capacity for visitor services and, over time, leading to environmental deterioration of the sites.

Some key tourist locations, in particular those along coastal areas and the offshore islands such as Placencia, San Pedro and Caye Caulker, face limitations in the provision of basic services such as sufficient potable water during peak periods and the satisfactory disposal of solid waste.

Although Belize has a sound complement of environmental laws, institutional capacity for enforcement and incentives for compliance must keep pace with expansion of the tourist sector.

The balance between overnight and cruise tourism

Finding the right balance between the cruise ship and overnight market segments is one of the main challenges the country faces. Managing destinations for cruise ship excursions while ensuring that these do not compromise the overnight segment, particularly in areas where Belize has comparative advantage, is an ongoing priority for policy makers in the future planning for the sector.

Despite accounting for less than 30% of total visitors, overnight visitors contribute approximately 85% percent of total direct expenditures by tourists. In addition, the overnight segment has proven less volatile, rising steadily over the last 20 years. The cruise ship segment has grown faster but has been more susceptible to external events, such as natural disasters and global economic downturns. The overnight segment also accounts for 90 percent of all employment in the industry. Spending by cruise ship visitors is heavily concentrated in Belize City while spending by overnight tourists is spread more widely across the country.

The cruise ship industry continues to be a growing segment of the tourism industry in Belize. Therefore, the country must address several challenges, including specific infrastructure requirements (the most critical of which is establishing deep water port access in Belize City), the role of government in the industry, and how to ensure that a greater number of local service providers and communities benefit from the segment.

Implementing international quality standards

The tourism industry is facing increasing competition both internationally and regionally. For Belize to maintain competitiveness, building and developing a market-ready tourism product is imperative for the industry. Belize must therefore be able to compete on service delivery and quality, in addition to price and product diversity.

The BTB estimates that only about 25 percent of tourism accommodations in Belize can truly be characterized as offering an "international market-ready" product. The question of market-ready product standards is fundamental to sustained growth in the sector and as a service export industry, tourism in Belize must meet international market requirements.

The competitive factors of delivery and quality are also wholly dependent on the compliance and enforcement of standards. Standards have been developed but only for a select few subsectors of Belize's tourism industry, and enforcement can be improved. For example, the industry has generally relied on established public health and safety standards but the regulatory framework must be enhanced to develop a framework of standards aligned with international quality requirements which are specific to the tourism industry.

The BTB and other sector stakeholders have placed considerable focus on developing the human resource capacity within the sector in recent years. A diverse and skilled labour force at all points along the tourism value chain is critical to success of the sector. Belize's tourism sector has worked to develop and establish a range of skills programs and tools such as tour guide certification prior to licensing and hospitality training for wait personnel. Although these have been in existence for a number of years, visitor feedback indicates that there is still significant opportunity for improvement.

There is also opportunity for greater public awareness of the importance of tourism to the overall economy. Community awareness and acceptance of visitor perceptions on the overall tourism product should be enhanced and encouraged.

Development of new products for overnight segment

Focusing on increasing tourist expenditure by the overnight segment through offering a more diversified product is considered an effective way to ensure that the tourism sector contributes to local economic development.

The increasing popularity of adventure and other specialty tours such as zip lining and cave tubing presents opportunities for further innovation and diversification of the Belize tourism product, raise occupancy rates, and consolidate the overnight segment without jeopardizing the country's branding.

To accomplish this, the sector must confront fundamental challenges such as improved transport infrastructure and tourism services which would connect and provide ease of movement between entry points, accommodation centers and, in particular, emerging destinations. The collaboration of all stakeholders in accelerating strategic planning and strengthening industry development review processes will be critical in overcoming these constraints. Enhancing input from the tourism sector and increasing the influence of the BTB and Ministry of Tourism at the governmental level in planning policies and projects for implementation will be critical for the continued development of the sector.

The competitiveness of Belize's tourism product depends in large part on exploration, adventure, and experiencing the authentic culture and history of the country. The diversification of attractions consistent with the country's branding could also help to alleviate pressure on congested sites, in addition to further distributing economic developments across the country.

Business and investment environment

Further development of the sector requires both public and private sector investment, and investment requires a favourable business climate. While labour costs in the sector are not considered high, other factor costs such as utilities, fuel and property maintenance costs are expensive and increase the operating costs of tourism businesses.

Market borrowing interest rates have declined over the last five years but are still relatively high when compared to other parts of the Caribbean region. This negatively impacts local invest-

ment into the tourism sector and the primary source of large private investment will likely continue to be foreign direct investment.

Focus must be placed on improving the investment and business climate in the country for tourism and associated industries, working towards reduction of operating costs and improvements in public infrastructure and associated services.

Climate change issues

Several climatic factors have seriously influenced global tourism development in recent years and are likely to permanently change the tourism industry landscape in coming years. In Belize, rising sea levels, change in precipitation patterns and the sargassum phenomena have already had major impacts. The likelihood of warmer global temperatures resulting in warmer winters in northern markets could significantly alter the tourism seasons, and warmer summers in the region could be less attractive for tourists. Belize was spared of the recent wave of hyper hurricane activity in the Caribbean over the last 3 years, but the country must continue to prepare for likely impacts in the future.

Consumer trends

The standards of expectation for tourists have evolved and shifted significantly in recent years (the last two decades). Relying on social media and internet research, tourists are more informed and experienced in seeking to fulfil specific needs which influence the choice of destinations.

Tourists are more focused on the quality of their experience, in particular engaging in the environment, culture and social-life of the local communities they visit. They are also more security-conscious and therefore more likely to travel in family/groups.

Appendix E: Background on the OECD's Base Erosion and Profit Shifting project in relation to the digital economy (Action 1)

"...policy makers are currently struggling to find solutions which can ensure fair and effective taxation as the digital transformation of the economy accelerates, given that the existing corporate taxation rules are outdated and do not capture this evolution. In particular, current rules no longer fit the present context where online trading across borders with no physical presence has been facilitated, where businesses rely largely on hard-to-value intangible assets, and where user generated content and data collection have become core activities for the value creation of digital businesses."

--European Commission, (2018)⁴⁹

Governments around the world have raised questions about how to appropriately tax digital transactions. At the heart of this debate is the perceived mismatch between where and how value is created, and where taxes are paid. This mismatch is often the result of a combination of the factors below:

1. First, the increasing digitalisation of business means that suppliers can provide services in markets where they are not physically established. This phenomenon is often described as "scale without mass."
2. Second, digital business models tend to have a heavy reliance on intellectual property assets which are more mobile and harder to tax
3. Third, a higher level of value than currently assessed comes from users' participation in the digital activities that some platforms enable, commonly described as "user value creation". This is perhaps the biggest challenge in the debate.

Efforts to reach a multilateral consensus on the changes needed to address these issues are ongoing, with initiatives underway at the Organisation for Economic Cooperation and Development ("OECD") and the European Union ("EU"), although work within the latter has stalled of late.

OECD/ The Inclusive Framework on Base Erosion and Profit Shifting (BEPS IF)

In October 2015 the OECD published its final report on BEPS Action 1 (the "Action 1 Report") addressing the taxation of the digital economy. The Action 1 Report concluded that the digital economy should not be ring-fenced – it focused on ways to "fully address BEPS in the digital economy", rather than developing a specific approach to taxing the digital economy on a standalone basis. The Action 1 Report acknowledged that there were questions around whether established principles of nexus based on physical presence remained appropriate. However, it did not go so far as to propose solutions to this.

Action on multilateral initiatives has not been fast enough for some countries, as evidenced by announcements of unilateral measures, including, but not limited to, digital services taxes ("DSTs"). These are largely intended as interim measures which would be unwound should a suitable multilateral solution be achieved. Further explanation and detail on these unilateral measures is set out below.

The Inclusive Framework on Base Erosion and Profit Shifting (BEPS IF) responded to these unilateral measures by publishing a policy note on 29 January 2019 titled "Addressing the Tax Challenges of the Digitalisation of the Economy".⁵⁰ This follows the agreement of members to examine proposals involving two pillars: one pillar that focusses on the allocation of taxing rights and a second pillar that addresses remaining BEPS issues. This policy note outlined a commitment to step up efforts to reach a multilateral consensus for a long-term solution on taxing digital by 2020, with an update in 2019.

1. The first pillar focuses on how existing international tax rules, including transfer-pricing rules and the arm's length principle, could be modified to take into account the changes that digitalisation has brought. This involves a re-examination of 'nexus' rules and how much profit should be allocated. In doing so, the BEPS IF will look at proposals based on the concepts of marketing intangibles, user contribution and significant economic presence, and how they can be used to modernise the international tax system to address the tax challenges of digitalisation.

⁴⁹ European Commission (2018), A Proposal for a Common System of digital services tax resulting for the provision of certain digital services, Brussels: COM 148 Final.

⁵⁰ The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) was founded in 2016 and brings together over 125 countries and jurisdictions to collaborate on the implementation of 2016 and brings together over 125 countries and jurisdictions to collaborate on the implementation of the BEPS Package

Appendix E: Background on the OECD's Base Erosion and Profit Shifting project in relation to the digital economy (Action 1)

2. The second pillar is an 'anti-BEPS' measure and explores two sets of rules designed to give jurisdictions a remedy in cases where income is subject to no or only very low tax – an income inclusion rules and an anti-base eroding rule, effectively amounting to a global minimum corporate tax.

On 13 February 2019, the OECD/20 Inclusive Framework published its consultation document on possible solutions to the challenges arising from the digitalisation of the economy. It includes more detail on the two pillars mentioned in the policy note. Comments on the consultation have now been published. The Inclusive Framework also held a public consultation on 13 and 14 March 2019 in Paris.

In March 2019, the OECD issued a new policy note on tax and digitalisation. The policy note does not provide new information but sets out why there is a need to act to tackle the challenges of the digital economy and summarises the IF's tax proposals as they seek to reach a consensus.

The consultation document sets out a number of proposals which could form part of a long-term solution to the broader challenges arising from the digitalisation of the economy and BEPS issues remaining after the BEPS project. The proposals are at the policy design phase and, therefore, their description has been kept at a high level.



Appendix F: Sources used

Research Category	Description	Source/Author
Economic Impact	Report: Belize National Sustainable Tourism Master Plan -2030	Europraxis Consulting
Economic Impact	Report: Updating the National Tourism Policy of Belize- Assessment Report	Richard Denman
Economic Impact	Report: National Tourism Policy of Belize	Unknown
Economic Impact	Report: Travel and Tourism Economic Impact 2017	World Trade Council
Economic Impact	Report: Travel and Tourism Economic Impact 2018	World Trade Council
Economic Impact	Report: Sustainable Tourism in Belize	IDB
Economic Impact	Report: Towards a Sustainable and Efficient State- The Development Agenda of Belize	IDB
Statistical Analysis	Belize tourism industry performance statistics - various categories ('08-'18)	Statistical Institute of Belize
Statistical Analysis	Caribbean and LatAm region tourism performance statistics - various categories ('08-'18)	Caribbean Tourism Organisation
Statistical Analysis	Airbnb and other home-sharing platform statistics for Belize (Airbnb signed a Memorandum of Understanding with the World Bank Group viz information sharing)	AirBnB/World Bank Group
Statistical Analysis	Airbnb and other home-sharing platform statistics for Caribbean & LatAm regions (Airbnb signed a Memorandum of Understanding with the World Bank Group viz information sharing)	AirBnB/World Bank Group
Statistical Analysis	Belize economic performance statistics - various categories ('08-'18)	Statistical Institute of Belize
Statistical Analysis	Central Bank of Belize Annual Reports (2013-2017)	Central Bank of Belize
Legal/Policy Framework	Belize Tourism Board Act, Chapter 275(s), Subsidiary Laws (revised 2003)	Laws of Belize
Legal/Policy Framework	Hotels and Tourist Accommodation Act, Chapter 285 (revised May 2003)	Laws of Belize
Legal/Policy Framework	Hotels and Tourist Accommodation Act, Chapter 285 (s), Subsidiary Laws (revised October 2003)	Laws of Belize
Legal/Policy Framework	Timeshare Act of Belize	Laws of Belize
Legal/Policy Framework	Hotels and Tourist Accommodations Requirement	Belize Tourist Board
Legal/Policy Framework	Policy actions/reactions to impact of home sharing from Caribbean & LatAm countries	News agencies, NGO's
Legal/Policy Framework	Report: Tourism and the Sharing Economy: Policy & Potential of Sustainable Peer-to-Peer Accommodation	World Bank Group



IDB

Inter-American
Development Bank