Larry Pascal in Latin America Advisor: Are new Housing Apps Hurting Latin America's Hotels'

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Haynes Boone Partner Larry Pascal contributed commentary to *Latin America Advisor* about the regulation of nontraditional housing platforms in Costa Rica.

Here are excerpts from the *Advisor*'s Featured Q&A:

Costa Rica will tax and regulate nontraditional housing platforms such as Airbnb in an effort to foster a more equal market between new services and traditional hotels, according to Tourism Minister María Amalia Revelo. To what extent has the entry of nontraditional housing platforms into markets in Latin America and the Caribbean altered countries' hospitality industries?

Larry B. Pascal, co-chair of the international practice group at Haynes Boone in Dallas, and Alejandro Antillón Appel, partner at EY Law in San José, Costa Rica: "The entry of nontraditional housing platforms into the Costa Rican market has affected the local hospitality industry in an important fashion. The Costa Rican Institute of Tourism (ICT) has noted that in recent years the number of tourists entering Costa Rica has increased annually by 9 percent. However, this growth has not been reflected in the occupancy numbers of the local hotel industry.

Analysts strongly suspect that tourists are electing to stay in non-hotel accommodations, and the local industry has criticized these more informal arrangements as an unfair practice. The bill that the Costa Rican Legislative Assembly recently approved seeks to regulate operational and financial aspects of the platforms and strengthen the local tourism industry by providing a more level playing field. For example, it requires the platforms to register with the ICT and imposes on them a single purpose tax of 5 percent over gross income.

The platforms have harshly criticized this tax because they view it as protectionist and discriminatory. They argue such measures will likely discourage Costa Rican homeowners from joining an online platform, which of course could negatively affect economic growth as tourists opt for less expensive destinations. Costa Rica is one of the first countries in Central America to adopt specific legislation directed at the platforms.

Although tourism represents an important component of local GDP, Costa Rica and its neighbors will have to work hard to strike the right balance between protecting consumers and the traditional hospitality sector on the one hand and being open to innovation and entrepreneurism on the other."

To read the full article, click here. (Subscription required)

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