

Taxation and the collaborative economy: the need for a fair, simple and unified regime

Key facts about the collaborative economy

€ 28 billion in 2015:
the value of transactions via
collaborative platforms in
Europe (x2 since 2014)

€ 570 billion by 2025



TRANSPORTATION

- 40 % of the 18-35 registered on *Blablacar* for car sharing.
- € 1,750 per year: average revenue for a *Heetch* driver, using his own private car.
- 22,000 private hire drivers in France with *Uber*, *Chauffeur-Privé* etc.



RENTALS

- € 700 per year: average annual earnings for an individual renting their car on *Ouicar* or *Drivy*
- 700 item categories for rent on *Zilok*



SERVICES

- € 350 per year: average revenue of the 800,000 *Stootie* members (household and DIY services).
- 42,000 highly qualified freelancers on *Hopwork*, serving 22,000 customers.



ACCOMMODATION

- € 2,100 per year: average revenue for the *Airbnb* typical host in France.
- 350,000 listings on *Airbnb* in France, with 60,000 in Paris alone.



C2C SALES

- € 21 billion: the value of transactions on *Leboncoin* in 2016, with 18 million users.
- 1 million users on *Vide-dressing*, mostly private individuals.

The massive development of the collaborative economy is an opportunity for millions of people to exchange new goods and services. However, because it blurs the traditional distinctions between private individuals, amateurs and professionals, it is also an unprecedented challenge to our taxation and social security system. This system is based on a set of rules that have remained largely unchanged for a long period of time:

- **Taxation:** all income is taxable on the first euro, whatever its origin or category. There is no such thing as a “grey area”, as it is often believed, but just a few, very restrictive exemptions (second-hand sales, cost-sharing).
- **Social Security:** affiliation to the social security regime for self-employed workers (RSI) is mandatory for all activities carried out on a professional basis... but there are no simple and objective criteria for distinguishing between professionals and private individuals.

These rules have been designed for a “physical” world, that of occasional car boot sales and DIY services between neighbours. They were where they were accepted... simply because they were not really enforced. They are obviously unfit and outdated in a “digital world”, where peer-to-peer exchanges have become massive, standard, and fully traceable.

A few hours of baby-sitting or DIY services once in a while, a couple of guitar lessons or home-made cakes sold online...

Should people be taxed on the very first euro they make, even if they're just covering their expenses? • Should they be required to register as self-employed professionals and pay Social Security contributions and local corporate taxes accordingly? • Should they comply with all sector-specific regulations and qualifications for an occasional activity?

The time has come to provide online platform users with an adapted framework, in order to:

- ⇒ Exempt low-stake, occasional earnings made by private individuals through online platforms
- ⇒ Ensure fair and effective taxation as long as activities are carried on a professional basis

A general exemption based on a single € 3,000 threshold

Establish a fixed tax allowance of EUR 3,000 on all income received by individuals via online platforms and automatically reported by these platforms, so that occasional and secondary income can be exempted without creating any economic distortion. For the first time, this single and simple criterion will allow a distinction between private individuals and professionals. The € 3,000 annual threshold corresponds to an additional revenue of € 250 per month or € 60 per week.

I earn less than € 3,000 per year through online platforms

- I am exempted from income tax: my occasional and supplementary activities will no longer be taxed, while today each euro must in principle be declared.
- I don't have to pay Social Security contributions: whatever my activity, I am never regarded a professional – unless I voluntarily choose to affiliate myself to the regime of the self-employed workers (RSI) or to the general regime, in order to benefit from social security protection.
- I don't have any tax returns to fill or additional paperwork to do. The automatic reporting scheme is a guarantee that I am compliant with my tax obligations.

Ride-sharing, cost-sharing and second-hand sales are always non-taxable, even if the amount exceeds € 3,000

I can opt for the micro-entrepreneur regime, if my gross annual income is lower than € 82,800 per year (goods) or € 33,100 per year (services). Under these thresholds, I am not subject to VAT.

I earn more than € 3,000 per year through online platforms

I am subject to income tax, but I continue to benefit from a regressive tax advantage as long as the € 3,000 allowance remains a better option than the provisions of ordinary law (i.e. a proportional tax allowance of the "micro-BIC/micro-BNC" regimes). I benefit from the € 3,000 tax allowance up to:

- € 4,225 of annual income for sale of goods
Handmade items in a virtual market place...
- € 6,000 of annual income for industrial and commercial services
DIY or gardening, passenger transportation, apartment or car rental...
- € 8,824 of annual income for intellectual and artistic services
Home schooling, yoga classes, graphic design, translation

Beyond these thresholds, the tax advantage has no effect: I am on all my income, from the first euro, with the full application of ordinary rules. As a consequence, if my activity is carried on a professional basis, the first € 3,000 I make will not be exempted.

Depending on my activity, I could be regarded as a professional worker as regards Social Security. In this case, I pay social security contributions and benefit from social security protection (medical care, pension).

Note: since 1 January 2017, affiliation to Social Security is mandatory from:

- € 7,846 per year for rental of assets (car, etc.)
- € 23,000 per year for rental of furnished property.

An automatic income reporting system for platform users

To simplify paperwork for users, secure tax revenue for the State, and guarantee fair competition among professionals.

1

When registering on a platform, I agree that my revenue will automatically be reported to the tax administration. I provide my name and identification number, and nothing else.



I agree that my earnings on the platform will be declared on my behalf to the tax authority.

In return, I benefit from a fixed € 3,000 tax allowance on my taxable income from online platforms.

NOTE: reporting my earnings does not necessarily imply that the income is taxable.

I am exempted if I earn less than €3,000 per year on these online platforms, but also if I am not liable to income tax in general, or if my earnings are exempted because of their nature (second-hand sales, cost sharing).

2

Once a year, the platform declares the gross amount of my earnings to the tax authority, and the broad category of the revenue (sale of goods or provision of services).

3

My total income from online platforms is reported on a pre-filled tax return, just like that of employees. I can always change the information reported on the tax return.

4

If my total income from online platforms exceeds €3,000 per year, my tax is automatically calculated after application of the tax allowance. My income is then taxed under ordinary rules, with a progressive tax rate depending on the total income of my household.

5

In the case of a Social Security affiliation, the platform can complete the registration process on my behalf and with my consent. The platform can also collect my Social Security contributions and even my income tax if I choose the micro-entrepreneur regime (this regime implies a proportional tax rate instead of a progressive tax rate, which makes it possible for the platform to withhold the tax).

Automatic reporting: it's already working



In France, *Airbnb* declares and collects "tourist tax" in Paris on behalf of hosts since 201 – and now in more than 50 cities. Automatic income reporting will enter into force in 2018 for Social Security and in 2019 for Income Tax.

In Estonia, the Tax Administration signed an agreement with Uber to automatically report drivers' revenue. The system has been implemented since 2016 and should be extended to all platforms in 2018.

In the United States, online platforms have to report amounts paid to their users through the 1099-K Form to the Internal Revenue Service, at the federal level. Several cities, including San Francisco, also have similar obligations.

SHARED CONCERNS AND SIMILAR INITIATIVES



Belgium (2016):

< € 5,000 per year

10 % flat tax

> € 5,000 per year

Ordinary law

United Kingdom (2016):

< £ 1,000 per year (sales)

< £ 1,000 per year (accommodation)

Exemption

> £ 1,000 per year (sales)

> £ 1,000 per year (accommodation)

Ordinary law

Italy (2016) (proposal):

< € 10,000 per year

10 % flat tax

> € 10,000 per year

Ordinary law

Online simulator

*I rent my apartment or car through a platform and **earn:***

€ 4,200 per year

*Today, I am taxed on my entire income and I **pay:***

€ 126 in tax.

With the proposal of the Senate, I would benefit from a:

€ 3,000 tax allowance

And I would pay only:

€ 72 in tax.

How about your situation?

Scan this code =>

or visit senat.fr



The Working Group of the Finance Committee of the French Senate on taxation and tax collection in the digital economy

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