



*Tackling the black economy*

# A sharing economy reporting regime

*A consultation paper in response to the  
Black Economy Taskforce Final Report*

January 2019

© Commonwealth of Australia 2019

This publication is available for your use under a [Creative Commons Attribution 3.0 Australia](http://creativecommons.org/licenses/by/3.0/au/legalcode) licence, with the exception of the Commonwealth Coat of Arms, the Treasury logo, photographs, images, signatures and where otherwise stated. The full licence terms are available from <http://creativecommons.org/licenses/by/3.0/au/legalcode>.



Use of Treasury material under a [Creative Commons Attribution 3.0 Australia](http://creativecommons.org/licenses/by/3.0/au/legalcode) licence requires you to attribute the work (but not in any way that suggests that the Treasury endorses you or your use of the work).

*Treasury material used 'as supplied'.*

Provided you have not modified or transformed Treasury material in any way including, for example, by changing the Treasury text; calculating percentage changes; graphing or charting data; or deriving new statistics from published Treasury statistics — then Treasury prefers the following attribution:

*Source: The Australian Government the Treasury.*

#### **Derivative material**

If you have modified or transformed Treasury material, or derived new material from those of the Treasury in any way, then Treasury prefers the following attribution:

*Based on The Australian Government the Treasury data.*

#### **Use of the Coat of Arms**

The terms under which the Coat of Arms can be used are set out on the Department of the Prime Minister and Cabinet website (see [www.pmc.gov.au/government/commonwealth-coat-arms](http://www.pmc.gov.au/government/commonwealth-coat-arms)).

#### **Other uses**

Enquiries regarding this licence and any other use of this document are welcome at:

Manager  
Media and Speeches Unit  
The Treasury  
Langton Crescent  
Parkes ACT 2600  
Email: [medialiaison@treasury.gov.au](mailto:medialiaison@treasury.gov.au)

# Contents

- Consultation Process .....1**
- Request for feedback and comments .....1
  
- A sharing economy reporting regime .....2**
- Background.....2
- Existing arrangements.....4
- What should a reporting regime for sharing economy platforms look like? .....7
  - Option 1: Reporting by sharing economy platforms.....7
  - Option 2: Reporting by Financial Institutions .....9
- Education and awareness initiatives .....10
- Options not considered in this consultation .....11
  - Bright line test: .....11
  - Withholding option: .....11
- Consolidated list of questions .....12

# Consultation Process

## Request for feedback and comments

The purpose of this paper is to seek views on the possible design characteristics of a reporting regime to provide information on Australians who receive an income from sharing economy websites.

Interested parties are invited to comment on the questions raised in this consultation paper.

Electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted.

If you would like part of your submission to remain in confidence, you should provide this information marked as such in a separate attachment. A request made under the *Freedom of Information Act 1982* (Cth) for a submission marked 'confidential' to be made available will be determined in accordance with that Act.

Closing date for submissions: 22 February 2019

Email                BlackEconomy@treasury.gov.au

Mail                 Black Economy Division  
                          The Treasury  
                          Langton Crescent  
                          PARKES ACT 2600

Enquiries           Enquiries can be initially directed to Kathleen de Kleuver

Phone                02 6263 3348

The issues canvassed in this paper are intended to facilitate consultation by Treasury and have not been endorsed by the Australian Government.

# A sharing economy reporting regime

## Background

### Introduction

The Black Economy Taskforce (the Taskforce) was established in December 2016 to develop a forward-looking, multi-pronged policy response to combat the black economy in Australia. The Black Economy Taskforce's final report (the Taskforce's report) highlighted the harm that the black economy causes to businesses and the community, penalising honest taxpayers, undermining the integrity of Australia's tax and welfare systems and creating an uneven playing field for the majority of small businesses doing the right thing. This impact is being felt by many businesses and consumers, including those in the sharing economy.

The sharing economy has grown significantly in recent years, facilitating innovation, job growth and more choice for consumers. During its consultations, the Taskforce heard that as the sharing economy grows there is an increasing risk that sellers (participants selling goods and services via sharing economy platforms) may not be paying the right amount of tax. This potential underpayment of tax undermines the benefits of the sharing economy to consumers and businesses, and creates an unfair playing field for those doing the right thing.

The ATO has entered into arrangements with some platforms to provide information under its existing information gathering powers. Data collection in the ride sourcing sector has enabled the ATO to undertake preventative activities that help drivers to understand and comply with their obligations. However, a more comprehensive regime is needed to more broadly improve compliance in this area.

To combat this issue, the Taskforce's report recommended that a compulsory reporting regime be established:

*'Operators of designated sharing ('gig') economy websites should be required to report payments made to their users to the Australian Taxation Office (ATO), Department of Social Services (DSS) and other government agencies as appropriate. The Government should also continue to raise users' awareness about the potential tax obligations from participation in sharing economy activities.'*

As part of the 2018-19 Federal Budget the Government responded to the Taskforce's report, agreeing that there should be greater transparency of payments made through sharing economy websites and announcing that it would consult on how this recommendation could be implemented. In agreeing with this recommendation, the Government noted that innovation in business models should be supported by Government and the community, and regulatory changes should aim to minimise the regulatory burden, and support a level playing field with existing, compliant businesses.

This consultation paper is seeking input on the design of a new reporting regime for sharing economy activities.

The Taskforce's report noted that there is a risk that sharing economy sellers may not be paying the right amount of tax either due to a lack of awareness of associated tax obligations, or because they are deliberately under reporting their activities in the sharing economy. For those sellers with a lack of awareness as to their tax obligations, this is often because they may have been traditional employees in the past subject to the PAYG (Pay-as-you-go) withholding system. Hence, they may not be familiar with the tax obligations that can apply if they begin earning income from the sharing economy where they may not be considered to be an employee. While the Taskforce recognised that education initiatives play an important role in helping taxpayers meet their tax obligations, it should be supported by a reporting mechanism.

Effective tax systems are generally underpinned by a reporting regime which captures, efficiently and seamlessly, all taxable economic activities. Reporting should not stifle economic activity and entrepreneurship. Rather, it has the potential to make it easier for those receiving income from third parties to meet their tax obligations.

The ATO has already begun to improve reporting in the sharing economy, working with ride sharing and accommodation platforms and developing education and awareness campaigns. To date in the ride sourcing sector, this has improved GST registration rates from 54 per cent to 77 per cent. However as this reporting is not in a standardised format, and does not capture all online platforms in the sharing economy, a universal regime for reporting transactions is still necessary. Unlike many black economy activities which rely on mechanisms to avoid being traceable, sharing economy platforms are based on electronic systems, hence many businesses in this industry could benefit from improved reporting processes, with a minimal regulatory impact.

## The sharing economy

There is no universally accepted definition of the sharing economy, and understanding its scope is a key objective of this consultation process. While difficult to clearly define, examples of the sharing economy would include ride sharing or short-term accommodation services that are facilitated through a website or application software (app) operated by the platform provider. This usually involves the consumer and online seller getting into contact with each other and entering into an agreement for the online seller to provide a service and/or good online and then payment by the consumer being facilitated by the platform.

Basic sharing economy activities have been in existence for many years, such as bartering goods and services. Other examples of sharing economy transactions include renting out parking spaces, providing personal services (odd jobs, errands, deliveries, trades). These examples demonstrate that the sharing economy is based on the idea of ‘access over ownership’. Other platforms facilitate marketplaces, i.e. the selling of goods (or a combination of goods and services). Some platforms facilitate the payment arrangements, others work more as an introductory service.

The sharing economy can also be referred to the ‘gig economy’ where the online seller is predominately offering a service on a short term basis. In 2018, the Organisation for Economic Co-operation and Development (OECD) described the ‘gig economy’ as:

*‘a labour market characterised by the prevalence of short-term and often non-standard contracts or freelance work as opposed to permanent jobs and standard labour contracts’.*<sup>1</sup>

The lowering of barriers to entry brought about by sharing economy platforms has resulted in the rapid rise of work in the ‘gig’ economy.

**Example:** The following observation of a day in the life of a ‘gigger’ was made by the Black Economy Taskforce in their final report (page 138):

*Spend the morning dog sitting through ‘mad paws’ app  
Spend afternoon putting together furniture together from Airtasker apps.  
Deliver food in the evening with 2 or 3 food delivery apps.(Uber eats, Menulog, Deliveroo)  
Drive for Uber on Friday night when demand is high.*

<sup>1</sup> OECD, ‘Tax Challenges Arising from Digitalisation – Interim Report’ (2018) <<http://www.oecd.org/ctp/tax-challenges-arising-from-digitalisation-interim-report-9789264293083-en.htm>>.

The sharing economy is difficult to quantify, however it has been suggested that:

- Australia's sharing economy was worth approximately \$15.1 billion in February 2017.<sup>2</sup>
- An estimated 10.8 million Australians were predicted to earn extra money from sharing economy services from July to December 2017.<sup>3</sup>
- The sharing economy is growing quickly. Deloitte estimated that revenue generated by the collaborative economy in New South Wales alone increased approximately 68 per cent between 2014-15 and 2015-16, with an increase in users of 108 per cent.<sup>4</sup>

The focus of this consultation paper is on the recent high levels of growth in sharing economy activity following the emergence of sharing economy platforms. The impact and use of the sharing economy has grown dramatically in recent years in Australia and other countries, with increasing availability and affordability of internet access, especially via smart phones.

## Existing arrangements

Currently, there is often a lack of information and transparency in relation to tax matters in the sharing economy. This makes it difficult for the ATO to understand if sellers are underreporting their income, either deliberately or due to lack of awareness. In consultations, the Taskforce heard that lack of awareness is often cited as the cause of the problem.

A reason for this lack of awareness is that sharing economy sellers may not be working in traditional employment relationships, but instead as independent contractors or self-employed principals that fall outside the existing reporting regimes. This means that tax may not be withheld from the income they generate on the platform, and platforms may have no obligation to report information on payments made to users to the ATO.

The informal nature of sharing economy activities also makes it less likely that sellers will understand how such activities may affect their tax position. Sharing economy sellers may incorrectly consider that the income they earn from sharing economy activities is not taxable as it is hobby income, or that they are carrying out sharing economy activities in the short term or very occasionally and therefore do not have to pay tax. If sharing economy sellers do not understand their obligations it is more difficult for them to comply.

As a result of the above, the ATO has limited information about the income of sharing economy sellers. This transparency gap where many sellers are not familiar with their tax obligations is not a desirable outcome. In a self-assessment tax system like ours, while education and guidance on tax obligations is important, the absence of a comprehensive reporting framework for workers poses risks of non-compliance.

Gaps in existing reporting regimes are not necessarily new, often being a feature of short term employment arrangements and arrangements between private individuals for the use of assets. New technologies have meant that connections between sharing economy buyers and sellers can be more easily facilitated, often exacerbating gaps in existing reporting regimes. However, these new

---

<sup>2</sup> Canstar, '2 in 3 Aussies use shared economy (Uber, eBay, Airbnb, and more)' (2017) <<https://www.canstar.com.au/news-articles/2-3-aussies-use-shared-economy-uber-ebay-airbnb/>>.

<sup>3</sup> Board of Taxation, 'Tax and the Sharing Economy: A Report to the Government' (2017). <<https://cdn.tspace.gov.au/uploads/sites/70/2018/06/180529-RPT-Tax-and-Sharing-Economy-Final-Report.pdf>>.

<sup>4</sup> Deloitte Access Economics, 'Developments in the Collaborative Economy in New South Wales: NSW Department of Finance, Services and Innovation' (2017) <[https://www.finance.nsw.gov.au/sites/default/files/Deloitte\\_Report\\_Review\\_Collaborative\\_Economy.pdf](https://www.finance.nsw.gov.au/sites/default/files/Deloitte_Report_Review_Collaborative_Economy.pdf)>.

technologies and the role of platforms and marketplaces in the sharing economy also present a significant opportunity. Unlike previous decentralised arrangements, the role of a centralised operator means that it is far more feasible to collect information similar to what is gathered through other existing reporting regimes. Similar to existing reporting regimes, this would enable the ATO to data match reported income from individuals and businesses with income reported from other sources. It would also create opportunities to make it easier to meet tax obligations where pre-filing of tax returns is possible.

The ATO has already begun to work with businesses on a reporting regime, obtaining information from some ride-sourcing providers and accommodation providers under its formal information gathering powers contained in section 353-10 of Schedule 1 to the *Taxation Administration Act 1953* (TAA 1953). Under this provision the ATO requests vehicle registration details and details of payments received by drivers from ride-sourcing platforms,<sup>5</sup> and information from rental platforms to identify entities who rent their property on a short term basis but may not be meeting their registration, reporting, lodgement and/or payment obligations.<sup>6</sup>

**Example:** Following ATO data matching, guidance on tax obligations and education campaigns, in ride-sourcing, GST registrations of active drivers has increased from 52 per cent in the first quarter of 2016 to 73 per cent in the first quarter of 2018, with ABN registration rates now at approximately 82 per cent.

Data matching activities have been successful in improving taxpayer compliance, which could be further improved with:

- consistency in how data from platforms is formatted and presented to the ATO, to reduce manual intervention to upload into the ATO's system;
- broader application to all platforms to provide a more level playing field; and
- better identification of sellers to reduce the need for verification with taxpayers.

**Questions:**

1. Does there need to be changes to existing reporting requirements as they relate to sellers in the sharing economy? Is a separate reporting regime required?
2. In what circumstances would it be appropriate to require sharing economy platforms to regularly report information about the activities of platform sellers to the ATO?
3. Should marketplaces, including those for goods, be included in a reporting regime for the sharing economy?

## The International Experience

The impact of digitalisation and the expansion of the sharing economy on regulation, including tax and superannuation, is by no means an Australia-only phenomenon. Jurisdictions across the globe have responded in different ways to implement compliance practices for the sharing economy. For example, in Portugal, sharing economy platforms have agreed to collect and remit the necessary taxes on behalf of their sellers. In the United States, there are no applicable existing regulations,

<sup>5</sup> ATO, 'Ride-Sourcing: 2015–16 to 2018–19 data matching program protocol' (2017) <<https://www.ato.gov.au/General/Gen/Ride-sourcing-2016-19-data-matching-protocol/>>.

<sup>6</sup> ATO, 'Sharing economy accommodation: 2016-17 to 2019-20 financial years data matching program protocol' (2018) <<https://www.ato.gov.au/General/Gen/Sharing-Economy-Accommodation-2016-17-to-2019-20-financial-years-data-matching-protocol/>>.



resulting in some cities individually partnering with platforms to collect and remit taxes on behalf of the city. These approaches are in contrast to the Taskforce which did not recommend a withholding tax solution unless there is prolonged non-compliance.

In 2017, the OECD suggested the sharing economy raises three fundamental tax issues<sup>7</sup>:

- uncertainty amongst platform sellers on what their tax obligations are;
- lack of visibility to tax administrations, due to the non-traditional nature of payments; and
- the platform provider may not be in the same jurisdiction as the platform seller, and therefore it may be difficult to get information compared to a provider located domestically.

The OECD Report went on to note that:

- sharing economy platforms present an opportunity to facilitate integration of sellers into the formal economy (e.g. through platform-level tax reporting);
- the sharing economy has the potential to drive growth and increase revenues for governments;
- it will be important for governments to understand the tax implications of the shared economy in the context of the changing nature of work; and
- governments must consider the balance between fostering growth and introducing regulation.

The OECD policy note published in October 2018 noted options to address challenges associated with the sharing or gig economy, including: improving taxpayer education and self-reporting, improving information accessible to tax administrations, and exploring a multilateral agreement between countries to facilitate access and exchange of information on a more consistent basis. This 'might require all platforms carrying out particular types of activity to provide information in a standardised format on platform users, transactions and income to the tax authority in their jurisdiction for exchange, through appropriate legal gateways, to the jurisdiction of tax residency of the user'.<sup>8</sup>

**Questions:**

4. *Are there reporting regimes or elements of reporting regimes from other countries that should be considered in the Australian context? If so, why?*
5. *Are there other lessons that can be learnt from experiences in other jurisdictions?*

---

<sup>7</sup> OECD, 'Shining light on the shadow economy: opportunities and threats' (2017) <<http://www.oecd.org/tax/crime/shining-light-on-the-shadow-economy-opportunities-and-threats.pdf>>.

<sup>8</sup> OECD, Policy note on tax and digitalisation (2018) <<http://www.oecd.org/going-digital/topics/tax/tax-and-digitalisation-policy-note.pdf>>.

## What should a reporting regime for sharing economy platforms look like?

The Taskforce's report recommended that operators of sharing economy platforms should be required to submit data on payments made through the platform to their sellers, which could be used to pre-fill tax returns. The Taskforce did not otherwise go into detail on the proposed characteristics or design parameters of a sharing economy reporting regime.

Important factors to consider in relation to any new reporting regime or specific requirement include:

- Promotes a positive user experience – The reporting regime should make it easier for those receiving income from sharing economy platforms to meet a range of tax obligations, such as income tax and GST through improved information sharing and sharing of data collected by the ATO across other agencies, as needed. It should reduce the need for verification with taxpayers, complements but does not duplicate existing reporting arrangements, and provides the potential for future pre-filling of tax returns. As a result, it will make it easier for sellers to pay tax, making them consistent with individuals already doing the right thing.
- Influences behavioural change in reporting taxable income – The reporting regime should be a catalyst for higher tax compliance where sharing economy platform sellers have greater awareness of their taxation obligations.
- Adopts a light touch regulatory approach – The reporting regime should impose the least amount of costs on targeted entities in order for them to meet their reporting obligations, while still being compatible with the Government's data input requirements.
- Ensures a level playing field – The reporting regime should not discriminate against platforms of various sizes, locations, or different business models (for example, whether payments are handled internally or by an outsourced payment provider). The reporting regime should also result in a level playing field when compared to traditional businesses that have existing reporting obligations.
- Ensures sufficient and reliable information is periodically received by the Government in a standardised format – The reporting regime should contribute to ensuring the integrity of the tax system and efficient use of data. This would involve reporting information sufficient to identify the taxpayer, provide key details of sharing economy transactions and assist with periodic reporting cycles, such as the Business Activity Statements (BAS) quarterly reporting cycle.

### Questions:

6. Are these factors relevant considerations in the design of a sharing economy reporting regime?
7. Are there any other factors that should be considered in the design of a sharing economy reporting regime?
8. What information should be provided to the ATO and potentially shared with other agencies by the ATO?

### Option 1: Reporting by sharing economy platforms

The Taskforce recommended that reporting arrangements should apply to sharing economy platforms which capture all activities undertaken through the platform. Operators of sharing economy platforms should be required to collect and report to the ATO key information such as identity details and income received by their sellers based in Australia. Some platforms may already provide transaction information on a regular basis to their sellers which assists the sellers to meet their tax or other obligations.

The reported information could be used by the ATO for income matching and potentially to pre-fill tax returns. This will contribute to reducing the compliance burden on taxpayers. Consistent with the factors outlined above, collected information should also be shared with other government agencies by the ATO. This option would require sharing economy platforms to regularly report information about sellers' transactions in a specified format, which would be accompanied with a compliance framework.

The main rationale for this option is that existing reporting regimes have had some success in promoting greater tax compliance. However, existing reporting regimes such as the taxable payment reporting system (TPRS), Single Touch Payroll (STP), and the general information gathering powers of the Commissioner under section 353-10 of Schedule 1 to the TAA 1953, are unlikely to be suitable models for the reporting of robust data on sharing economy activities. Hence, a sharing economy specific regime is needed.

TPRS currently applies to the high-risk industries of building, construction, cleaners and courier services<sup>9</sup>, and requires entities annually to report payments to contractors for providing services on their behalf to the ATO. This model only applies to contractors who hold ABNs, which may limit application if extended to sharing economy platforms where the seller may not be a contractor. TPRS is limited in the content, frequency and format of its data requirements, which would constrain the information required by the ATO for sharing economy activities and potential future international reporting standards.

STP currently requires employers with 20 or more employees to report payments such as salaries and wages from their payroll system to the ATO. However, many sharing economy sellers may not be classified as employees and therefore outside the scope of STP obligations.

While requesting information under section 353-10 of Schedule 1 to the TAA 1953 can identify sharing economy activity, the ATO cannot enforce the quality of data provided nor its format. Consequently data received can be difficult to match to existing ATO information and systems.

Consideration should also be given to an appropriate approach for situations where sharing economy activities are already subject to existing reporting mechanisms, such as TPRS.

### Exemptions

Creating exemptions, such as sharing economy platforms of a small size, turnover, seller numbers, jurisdiction or business model, will place some sharing economy participants on an uneven basis with more traditional sectors where reporting regimes already apply. Having said this, stakeholder views are requested on whether "start-ups" in the sharing economy should be given a grace period from reporting obligations. This may reduce their regulatory compliance burden in the early stages of their business, minimising barriers to entry and encouraging more innovators to enter the sector. This paper seeks sector views on the potential scope of such an exemption.

### Issues considered

**Compliance burden on platforms:** The reporting regime would require platforms to provide a set of sellers' identification and transaction data in a standard format. The platform would also need to ensure accuracy of the collected data. This may require infrastructure changes and may impose other compliance cost on businesses.

However, transition of reporting requirements from ad hoc to systematic periodic reporting may provide sharing economy platforms with a stronger case for streamlining and automating data collection and reporting to the ATO. This may lower the compliance burden on the platforms in the

---

<sup>9</sup> The TPRS will expand to IT, road freight and security, investigation or surveillance services from 1 July 2019.

long run. It would also allow a reduction in compliance costs for a larger number of sharing economy sellers.

**Data privacy concerns:** Data privacy is an important aspect of operating in the sharing economy as it involves sellers' data being shared with both platforms and buyers. This is based on a peer-to-peer trust model where sellers make a choice regarding the level of information they provide about themselves. Some platform operators already collect significant personal data upon sellers' registration such as driver licences and other government issued identification documents. Information held by Government agencies is kept secure in accordance with privacy law and the Australian Privacy Principles.

**Level playing field with overseas platforms:** While overseas platforms generally have a good history of compliance with their reporting obligations, they may not feel compelled to comply with these additional obligations, resulting in varying levels of compliance from overseas-based sharing economy platforms. The data protection requirements that apply in other jurisdictions may also create an additional challenge for sharing economy platforms in meeting the reporting obligations under Australia's potential sharing economy reporting regime. This would create an uneven level playing field between domestic and international platform operators. Many countries are grappling with the issue of access to information by overseas platforms. The OECD is exploring a possibility of a multilateral instrument to facilitate access and exchange of information between countries on a more consistent basis.

**Compliance:** Option 1 relies on quality and timely information being provided by platforms to the ATO. Effective incentives such as warning notices and consequences may need to be developed to ensure compliance.

**Questions:**

9. Does Option 1 address the factors listed on page 7?
10. What types of activities and transactions undertaken through a sharing economy platform should be reported? Should it be the responsibility of the platform to report this information?
11. What transaction and identification details may need to be included in a reporting regime?
12. When and how should reporting by platforms take place? Is there any particular consideration that needs to be given to arrangements for specific industries or business models?
13. Should it be a requirement that sharing economy platforms also provide this information to their sellers?
14. What would make it easier for sharing economy platforms to provide accurate information in a standard format?
15. Would having no exemptions be a desirable outcome? If not, what exemption(s) would be appropriate and why? What benefits would they bring and what risks or issues would need to be considered?
16. Is there a need for an exemption for businesses in the "start-up phase" of their development? If so, how could this be implemented?
17. Would a reporting regime as described in Option 1 give rise to any issues beyond those identified?
18. What type of compliance framework would be appropriate for the reporting obligations? Should financial penalties be imposed? What penalties should apply for aggravated non-compliance?

## Option 2: Reporting by Financial Institutions

An alternative model to requiring reporting by platform operators would be to place a requirement on financial institutions such as banks or payment processors to provide sharing economy platform transaction data to the ATO for data matching and pre-filing purposes. Financial institutions are already required to report to the ATO on a number of different transactions to meet various legislative obligations, such as interest paid to account holders and investors. Matching payments to an individual or entity could be assisted by the fact that many bank account holders supply their tax file numbers to the financial institution. This option could reduce the impact on sharing economy platforms.

## Issues considered

While this option might result in lower compliance costs for sharing economy platforms, costs would be incurred by financial institutions.

For a reporting obligation on financial institutions to be a workable option, it would be necessary for data regarding the source, timing and amount of payments to be collected efficiently. While some information regarding source might be available from Know Your Customer checks and Anti-Money Laundering rules, it would need to be available in a format that would facilitate efficient access to data.

This option was recently discussed by the Board of Taxation, which noted that obtaining appropriate data from banks was not a desirable option because suitable datasets may not be available, or only provide low quality personal identifiers. The Board of Taxation also considered that data provided by banks or payment processors is comingled with a significant amount of other data making it difficult to identify income from sharing economy platforms.<sup>10</sup> This aligns with feedback received from the banking industry, indicating there would be obstacles in isolating transactions with a sufficient level of detail to enable sharing economy reporting.

While these issues might currently present a challenge, this option could be viable in the future, or information from financial institutions could be used to support the reporting provided by platforms as outlined in Option 1.

### Questions:

19. Does Option 2 address the factors listed on page 7?
20. Would Option 2 be an efficient alternative to Option 1 (reporting by sharing economy platforms)?
21. Is it possible to overcome the issues identified with Option 2, or are there other reasons why it may be preferable?
22. What other reporting regime options could be utilised to input into the ATO's data matching activities?

## Education and awareness initiatives

The Taskforce's report recommendation also considered that the Government should continue to raise users' awareness about potential tax obligations from participation in sharing economy activities.

### Observations

- Platforms, advisers and overseas jurisdictions have praised the quality of ATO guidance, which is considered the benchmark in terms of guidance provided by tax authorities on the sharing economy worldwide. Platforms often refer sellers to the ATO's website to assist sellers to understand their tax obligations, and include web links to ATO guidance materials on their websites.
- Platforms undertake various initiatives in collaboration with tax professionals such as organising information sessions and providing discounted tax services to sharing economy sellers' to encourage engagement with the tax system.

<sup>10</sup> Board of Taxation, 'Tax and the Sharing Economy: A Report to the Government' (2017). <<https://cdn.tspace.gov.au/uploads/sites/70/2018/06/180529-RPT-Tax-and-Sharing-Economy-Final-Report.pdf>>.

- Public campaigns may also encourage compliance with obligations. The ATO has a dedicated webpage on the sharing economy and tax, which provides a general overview of the potential income tax obligations for those participating in sharing economy activities. Additional guidance is also available in relation to ride-sourcing and using a home to produce income. The ATO has also been active in engagement campaigns across sharing economy sectors including direct contact, media releases, social media and some radio advertising.
- Platforms have noted a lack of awareness among sharing economy sellers about their tax obligations associated with sharing economy activities. There has also been limited awareness of guidance materials among sharing economy sellers.

**Questions:**

23. *What further engagement campaign activity could be done to raise awareness amongst sharing economy sellers about their tax obligations?*
24. *What else could be done to educate sellers in the sharing economy to better understand their tax obligations?*

## Options not considered in this consultation

The following two options were not supported by the Taskforce, and are not considered for the purpose of this consultation, which concerns a reporting mechanism.

### Bright line test:

The Taskforce's report considered but did not recommend an income tax exemption for income from sharing economy activities up to a specified threshold. This was intended to provide a bright line test specifically for the sharing economy to help distinguish between hobby and business activities in order to provide more certainty when considering if income earned from sharing economy platforms is taxable or not. The Board of Taxation also considered this issue and noted that the ATO view is, broadly, that sharing economy participants' activities will give rise to assessable income.

Income tax exemptions are out of scope of this paper which is intended to deal with reporting.

### Withholding option:

The Taskforce's report noted that this option should be considered only if non-compliance remains a problem despite introduction of a reporting obligation. This arrangement would require sharing economy platforms to deduct income tax from payments made to sellers, which would be remitted to the ATO. The Taskforce's report found that a withholding regime for sharing economy platforms would be relatively onerous.

A withholding regime is out of scope for this paper, which is intended to deal with reporting.

## Consolidated list of questions

1. *Does there need to be changes to existing reporting requirements as they relate to sellers in the sharing economy? Is a separate reporting regime required?*
2. *In what circumstances would it be appropriate to require sharing economy platforms to regularly report information about the activities of platform sellers to the ATO?*
3. *Should marketplaces, including those for goods, be included in a reporting regime for the sharing economy?*
4. *Are there reporting regimes or elements of reporting regimes from other countries that should be considered in the Australian context? If so, why?*
5. *Are there other lessons that can be learnt from experiences in other jurisdictions?*
6. *Are these factors relevant considerations in the design of a sharing economy reporting regime?*
7. *Are there any other factors that should be considered in the design of a sharing economy reporting regime?*
8. *What information should be provided to the ATO and potentially shared with other agencies by the ATO?*
9. *Does Option 1 address the factors listed on page 7?*
10. *What types of activities and transactions undertaken through a sharing economy platform should be reported? Should it be the responsibility of the platform to report this information?*
11. *What transaction and identification details may need to be included in a reporting regime?*
12. *When and how should reporting by platforms take place? Is there any particular consideration that needs to be given to arrangements for specific industries or business models?*
13. *Should it be a requirement that sharing economy platforms also provide this information to their sellers?*
14. *What would make it easier for sharing economy platforms to provide accurate information in a standard format?*
15. *Would having no exemptions be a desirable outcome? If not, what exemption(s) would be appropriate and why? What benefits would they bring and what risks or issues would need to be considered?*
16. *Is there a need for an exemption for businesses in the “start-up phase” of their development? If so, how could this be implemented?*
17. *Would a reporting regime as described in Option 1 give rise to any issues beyond those identified?*
18. *What type of compliance framework would be appropriate for the reporting obligations? Should financial penalties be imposed? What penalties should apply for aggravated non-compliance?*
19. *Does Option 2 address the factors listed on page 7?*
20. *Would Option 2 be an efficient alternative to Option 1 (reporting by sharing economy platforms)?*
21. *Is it possible to overcome the issues identified with Option 2, or are there other reasons why it may be preferable?*
22. *What other reporting regime options could be utilised to input into the ATO’s data matching activities?*
23. *What further engagement campaign activity could be done to raise awareness amongst sharing economy sellers about their tax obligations?*
24. *What else could be done to educate sellers in the sharing economy to better understand their tax obligations?*