

# Taxation of the collaborative economy requires genuine European cooperation

**EU Member States must work together and make every effort to achieve common international regulations for truly digital businesses**

The EESC calls on the European Commission and the Member States to apply existing fiscal regulatory systems and tax regimes to the collaborative/digital economy. “The legal framework must lead to a **fair and balanced tax system for all** economic activities and business models, without limiting the collaborative economy’s potential to provide jobs and growth,” says **Giuseppe Guerini**, rapporteur of the EESC opinion on taxation of the collaborative economy, which was adopted at the October plenary session.

The collaborative economy is growing rapidly, finding its way into more and more business sectors. However, current tax regulations do not properly take new business models and economic activities into account. This creates legal and tax-related uncertainty, distorts competitiveness, and leads to tax avoidance and revenue loss for EU Member States. To tackle these issues, the EESC urges national authorities to **step up their cooperation and adapt their regulations** to the new economic environment, providing a clear set of rules on tax obligations.

At the same time, from the Committee’s point of view, only a **genuinely European approach** – one that creates a common and integrated legal framework with coordinated and harmonised regulations – will be able to properly address the digital economy since its actors often operate across borders or even without an established organisation in Europe. A common framework would also strengthen the European single market.

“Tax regulation must be in line with the Commission’s overall objective to **tax profits where they are made**. Businesses in the **collaborative economy should be taxed the same way** as other businesses in the Member States. European authorities must establish channels of cooperation beyond Europe in order to lay down some ground rules for a truly digital economy,” says **Krister Andersson**, co-rapporteur of the EESC opinion.

In its opinion, the Committee examines direct and indirect taxes. It believes that the introduction of a reasonable income threshold could help to regulate the taxation of revenue and considers that **more information about tax obligations** should be communicated to the general public.

Moreover, the advisory body urges EU and national legislators to follow the **principle of neutrality** in order to guarantee market access and fair conditions for conventional and new forms of businesses. Although new technologies facilitate and boost the collaborative economy, the EESC thinks it is important to assess it in its entirety, without equating it with the digital economy.

“When it comes to adapting current regulations, we must not forget that the collaborative economy involves different actors and business models with different activities and payment methods,” says **Krister Andersson**, referring, for example, to the fact that the collaborative economy involves professionals and non-professionals as well as monetary and non-monetary transactions.

**Giuseppe Guerini** further explains that “on the one hand there are big players like **Google** that trade with collected data and advertisements on digital platforms, and intermediary platforms like **Uber** that match demand and supply, creating benefits for service providers and the platform itself. On the other hand, you have **peer-to-peer activity**, such as the exchange of goods, which normally does not imply a monetary transaction. It is **important to make a clear distinction** between businesses in the collaborative economy that merely make use of existing value and those that actually create shared social value by increasing citizen participation.”

The diversity of the collaborative economy is a challenge not only for tax and fiscal law but also for labour law and social security systems. EU policy-makers and legislators have to **ensure that consumers, workers and service providers – as well as privacy and personal data – are protected**. The EESC recommends involving civil society and relevant stakeholders in further debates on these issues. The Committee itself aims to further assess tax policy requirements, as well as the impact and outcomes of the taxation of the digital economy.

## **Background**

The EESC uses the term “collaborative economy” to refer to business models where activities are facilitated by collaborative platforms that enable the temporary use of goods or services, often provided by private individuals. Its transactions generally do not involve a change of ownership and can be carried out on a for-profit or not-for-profit basis.

The collaborative economy has already transformed various sectors such as short- and long-distance transport, together with the hotel sector and house and room rental management. Other sectors, such as certain financial services, personal care and health services, are also increasingly falling within its scope. More sectors are expected to join in the coming years. In 2015, income related to the collaborative economy in the EU was estimated at some EUR 28 billion. The previous year, it stood at only half that amount. It is estimated that in future, the collaborative economy could create turnover of between EUR 160 billion and 572 billion across the EU.

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