



The Rt Hon Phillip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
Correspondence and Enquiry Unit  
1 Horse Guards Road  
London  
SW1A 2HQ

27 September 2018

Dear Chancellor,

## Sharing Economy UK Budget submission

Sharing Economy UK is the main trade body for sharing economy businesses in the UK launched in 2015 following a government commissioned independent review. We speak for a diverse range of sharing economy companies and providers to the industry. The sharing economy enables people to trade space, skills and stuff and we exist to celebrate to the common sense benefits of sharing. Sharing economy businesses use technology to empower people, better utilise resources and reduce waste.

It has been stressed that the UK should be a platform for innovation and our world leading sharing economy sector can play a crucial role in achieving this vision. HMRC found that **11% of the working age population (5.3 million individuals)**<sup>1</sup> already participate in the sharing economy as providers, and ONS estimates that **28% adults** have used an intermediary app to book accommodation from another private individual and **22%** had booked transport<sup>2</sup>.

Following the introduction of the world's first 'sharing economy tax breaks'<sup>3</sup> in November 2017, this Budget is an opportunity to bolster and cement the **UK's position as a global leader in the sharing economy**. Our representation sets out a series of measures HM Treasury should take to enable this most exciting sector of the UK economy to flourish. Sharing Economy UK calls on the Government to:

- Enable accommodation hosts to continue to benefit from uncomplicated tax free earnings
- Provide assistance to platform users to ensure they are able to meet their tax compliance obligations

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<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/658728/HMRC\\_Report\\_453\\_Sharing\\_Economy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/658728/HMRC_Report_453_Sharing_Economy.pdf)

<sup>2</sup><https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/thefeasibilityofmeasuringthesharingeconomy/november2017progressupdate>

<sup>3</sup> <https://www.gov.uk/government/publications/income-tax-new-tax-allowance-for-property-and-trading-income/income-tax-new-tax-allowance-for-property-and-trading-income>

- Find a long-term solution to modernise the international tax framework for digital businesses
- Further encourage participation in the sharing economy through a simplified tax system
- Incentivise shared mobility, the transition to electric vehicles and charging infrastructure
- Support a skills system to maximize the potential of the digital economy

### Enable accommodation hosts to continue to benefit from uncomplicated tax free earnings

Rent a room relief was introduced to incentivise individuals to make spare capacity in their homes available for rent, with income tax free up to **£7,500**. This relief has been a resounding success, allowing a diverse range of people to supplement their annual earnings in a simple and tax efficient manner, and in many cases now acts as a vital source of income. Airbnb's UK Insight report shows that from 1 July 2016 to 1 July 2017 a typical host earns **£3,000** annual earnings<sup>4</sup> and spare room hosts typically earn **£1,900** per year. Whilst we support the Government's decision to maintain the relief at the current level, a new 'shared occupancy test' has been suggested which could add unnecessary complexity to the tax system and it is currently unclear how the shared occupancy will be proved. We recommend that government carefully considers the legislation for the shared occupancy clause in the Finance Bill 2018 to 2019 to ensure that it continues the enablement of the rent a room relief as an easy to understand and straightforward tax relief. The test itself should be reconsidered to ensure that it will not disincentivise people to engage in occasional home sharing through the added administrative burden it may bring.

### Provide assistance to platform users to ensure they are able to meet their tax compliance obligations

The sharing economy is enabling greater transparency of transactions through online technology, providing opportunity for people to earn money and contribute tax. HMRC research found that the estimated total value of gross income generated by sharing economy providers is around **£8bn annually**.<sup>5</sup> The recommendations made in our response to HMRC and HM Treasury's call for evidence on the role of online platforms in ensuring tax compliance by their users should be acknowledged. Notably, **a short online information pack from HMRC with specific guidance for online platform users would help them meet their tax obligations**<sup>6</sup>. Government will need to carefully consider the definitions used to scope any proposed measure, including what constitutes an online platform and a user. The scope of marketplaces covered and the extent of any measures need to be carefully balanced with risks of displacement, in particular for online stores and marketplaces. Also, the challenges arising from 'multi-apping' should be considered when any proposal is being designed.

### Find a long-term solution to modernise the international tax framework for digital businesses

The government published an updated UK position paper on tax and the digital economy at Spring statement on 13 March 2018, following Autumn Budget 2017. The door has been left open for an interim UK tax on digital services revenues which the government could implement in isolation from multinational partners such as the European Commission and Organisation for Economic Cooperation and Development. **Acting in isolation would put the UK out of step with the rest of the world and damage the competitiveness of larger sharing economy businesses and firms alike.** It also sends a signal that the UK is not committed to being a technology focused economy.

<sup>4</sup> [https://www.airbnbucitizen.com/wp-content/uploads/sites/48/2017/09/Airbnb-UK-Insights-Report\\_Final\\_Digital\\_v3.pdf](https://www.airbnbucitizen.com/wp-content/uploads/sites/48/2017/09/Airbnb-UK-Insights-Report_Final_Digital_v3.pdf)

<sup>5</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/658728/HMRC\\_Report\\_453\\_Sharing\\_Economy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/658728/HMRC_Report_453_Sharing_Economy.pdf)

<sup>6</sup> <http://www.sharingeconomyuk.com/perch/resources/hmrc-call-for-evidence-cbi-sharing-economy-uk-response.pdf>

We want the UK to be the best place to start, grow and scale a tech business, and therefore urge the government to proceed with caution when considering options for new taxes targeting the digital economy. Considering the increasing digitisation of the global economy, the focus should be on finding a long-term measure to modernise the international tax framework for digital businesses by working in cooperation with companies. This is a challenge for governments and businesses within and outside the UK and Sharing Economy UK would welcome the opportunity to work with government on finding a workable solution.

### Further encourage participation in the sharing economy through a simplified tax system

We call on the government to build on the success of the world's first '**sharing economy tax allowance**,' the two annual tax allowances for individuals of £1,000 each (one for trading and one for property income), **by increasing the threshold to £3,000 each**. This support would further incentivise individuals and micro-entrepreneurs to share their assets, goods and services and earn extra occasional income by doing so. It also supports the government's objective to simplify the tax system and help the UK become world leaders in the digital and sharing economy. The annual mean income providers earn is approximately **£1,700<sup>7</sup>**, above both the current £1,000 limits. The government should be encouraging the nation to increase their own personal productivity by engaging in the sharing economy. For occasional sharers, participating in the sharing economy should be made simple and hassle free and an increase in the tax allowance threshold would remove the need to file a tax return for small amounts of income earned.

### Incentivise shared mobility, the transition to electric vehicles and charging infrastructure

Technological innovation is crucial to economic prosperity and success. The government recognises that we are on the cusp of a profound change in how people, goods and services move around the country, driven by new business models such as ride sharing, peer-to-peer car rental services and shared bikes. We ask that the government incentivises and works with local authorities to support shared mobility, electric vehicles and charging infrastructure which makes better use of limited urban space and reduces congestion and emissions. The number of users of online platforms bringing together passengers and drivers is expected to grow from **7.6 million in 2017** to **11.2 million in 2022<sup>8</sup>** in the UK. Government could promote the adoption of more HOV (High Occupancy Vehicle) lanes in high congestion areas and encourage road usage charging to incentivise ride sharing. Bringing forward planned changes to the company car tax regime that motivate businesses to invest in clean vehicles with low emissions will also help.

### Support a skills system to maximize the potential of the digital economy

It is vital for businesses in the modern economy to have access to people with the right skills and talent to build their growth. The government should **outline how smaller and start-up businesses can better access programmes through the apprenticeship levy**. The levy should encourage employers to invest in high quality apprenticeships which support greater digital skills, help people receive training, and make sure learners get the skills they need. To make this a reality, the levy needs urgent reform to reverse the c.40% fall in apprenticeship starts since introduction in April 2017. Digital inclusion programmes invested in by the government should incorporate training for participants on how to work with the range of innovative sharing economy platforms.

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<sup>7</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/658728/HMRC\\_Report\\_453\\_Sharing\\_Economy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/658728/HMRC_Report_453_Sharing_Economy.pdf)

<sup>8</sup><https://www.statista.com/statistics/815459/etravel-ride-sharing-users-digital-market-outlook-uk/>

I hope the government will adopt our recommendations of how to ensure that the UK's already world leading sharing economy sector can continue to grow and help drive innovation and increase productivity across the UK. I would welcome the opportunity to discuss these recommendations in more detail with yourself or a member of your team.

Yours sincerely,

*Richard Laughton*

**Richard Laughton**

Sharing Economy UK Chair and CEO of easyCar