Tax Issues Arise From a New Economic Model: Sharing Economy

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Abstract

Sharing economy or a collaborative economy is a new economic model that uses online platforms to share assets, resources, time, and talents that individuals possess at a scale not previously possible. It's a new concept, even in its definition has not been fully reconciled. Airbnb, Uber, TaskRabbit, Couchsurfing are platforms where this new economic model emerges. The fact that the sharing economy is a functioning economy through online platforms makes it difficult to evaluate it within the framework of taxation and legal legislation like the traditional economy. In this study, the difficulties the taxation of a new economic model, the sharing economy, will be featured and the effects of local taxation measures applied in EU countries will be evaluated.

Keywords: Sharing Economy, Taxation,Tax collection, Tax compliance

1. Definition and Concept

Especially after the 2008 economic crisis, the rapidly growing global economy entered the digitalization process and created new digital economic models.The internet and digital technologies have become more and more a leader in individuals and societies, and this transformation is reflected in the business world as information and communication technologies and modern, innovative economic systems.Another effect of the economic crisis experienced in 2008 on the household purchasing power was to change consumption patterns. Many people have tried to save money and find additional income. The development of the stock of underutilized assets that emerged during the crisis and the promotion of the additional income-based use of "bespoke services" through information technology practices has encouraged the rise of the new economy. These new economic models emerge at a significant scale and speed, especially with opportunities for employment.

The concept of sharing economy, which includes the use of the Internet, mobile phone applications, social media, and the resources and abilities of individuals, is one of the most remarkable occurrences of this process. The concept of "sharing" is not new, as it is known that in the history of humanity, trade preceded the invention of money and that goods and services were carried out in the form of exchange (even after the invention of money) such as bartering. The digital evolution that emerged as a result of rapid technological developments has brought this concept forward, creating opportunities for individuals to turn, their talents to money and benefit from underutilized resources. The sharing economy is becoming a phenomenon now, and it has been growing since 2008 in which digitalization is strongly felt. The limits of the concept of sharing economy, are becoming increasingly blurred and extended day by day, since its constantly on the media's agenda, because of its form of usage, making official definition is also difficult.

In this point, while describing the concept of sharing economy, the processes that prepare and facilitate the emergence of this phenomenon will be mentioned and briefly explained the different terms in the literature. Various institutions and studies on this subject soon established a very limited literature on this subject. It should also be noted that no definitive agreement has been reached on the definition of the “sharing economy.” This uncertainty of definition is one of the reasons for the problems of the sharing economy. It is therefore intended to capture the nuances of the different labels, including their meanings. It is also seen that the concept of collaborative economy and sharing economy is used instead of each other with being the most frequently used concepts.

However, acceptable terms for these terms do not yet exist. Besides these, it can be seen that the concepts of "collaborative consumption,""on-demand economy,""peer-to-peer economy" and "zero marginal cost economy" are also used for this economic model (Selloni;2017:15).

There is no consensus on the definition of these new economic models and even the name.Some institutions at the EU level prefer to call these economic models "sharing economy," while others prefer the term "collaborative economy."The use of the term "sharing economy" is more common.Because of the European Parliament and some other committees (e.g., the Committee of the Regions, the European Economic and Social Committee)prefer the concept of "sharing economy,"the concept of "collaborative economy" has only been used in the reports and documents published by the European Commission (EPRS,2016b).

The terms "collaborative economy" and "sharing economy" are often used interchangeably. However, there are no generally accepted definitions for both terms. The reason why this compromise cannot be achieved is that there are doubts at the point that these two terms represent the same concept. According to the European Commission, collaborative economy refers to "business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary use of goods or services often provided by private individuals." (EPRS,2016a)

In this definition made by the Commission, the collaborative economy includes three main actors.

"1) service providerswho share assets, resources, time and/or skills (private individuals offering services on an occasional basis – 'peers'– or professional services providers);
2) users of these services; and 3) 'collaborative platforms".
As mentioned earlier, the European Parliament uses the concept of sharing economy, which defines it as follows: "The use of digital platforms or portals to reduce the scale for viable hiring transactions or viable participation in consumer hiring markets (i.e. 'sharing' in the sense of hiring an asset) and thereby reduce the extent to which assets are under-utilised."
This definition describes the sharing economy mainly as a combination of two elements (EPRS,2016a):
1) In the case where the value of assets is not sufficiently utilized, the sharing economy evaluates this as an opportunity by using rental models.
2) Thanks to its technological infrastructure, this model has reduced transaction costs, and this new economic system has become accessible to more people
The definition by the European Parliament also states that the sharing economy may also include activities on platforms that provide access to;

- "Accommodation,"
- "Transport,"
- "Consumer durables,"
- "Labour and human capital,"
- "Intellectual property."

Also, a report organized by the European Parliament (EP;2015:18) has included the expression "sharing economy or collaborative consumption," and the same definition has been made for the two concepts."the sharing economy, or collaborative consumption, is a new socio-economic model that has taken off thanks to the technological revolution, with the internet connecting people through online platforms on which transactions involving goods and services can be conducted securely and transparently"(EP;2015:18)

Besides collaborative consumption has been defined as "a peer-to-peer-based activity of obtaining, giving, or sharing the access to goods and services, coordinated through community-based online services" (Hamari et al., Forthcoming;2015). The concept of collaborative consumption,which is often used by Botsman&Roger (2010;32), including bartering, leasing, lending, gifts, can be examined in three main categories:
-"product service systems" (access to products or services without need for owning the underlying assets),
-"redistribution markets" (i.e., re-allocation of goods), and
-"collaborative lifestyles" (i.e., exchange of intangible assets).
Within this definition, Botsman and Rogers suggest the following distinction for different forms of sharing economy: *"Collaborative consumption"*: It is defined as an economic model established to share, exchange, trade or lease products and services and to provide access through ownership.

This consumption model focuses not only on the consumption motive but also on how it is consumed. Collaborative consumption can be examined in three different systems: redistributive markets, collaborative lifestyle, product service systems. *"Collaborative economy"*: It is an economy that is defined as how individuals and communities that communicate with each other through common Internet networks can solve the issues of production, consumption, finance, and education in an alternative position against central institutions. There are four key components: production, consumption, finance, and education."Sharing economy": An economic model based on the sharing of miscellaneous items and underutilized assets, from space to skill for monetary or non-monetary benefits. It often finds use in P2P markets and also offers this opportunity in B2C models.

As seen in the last definition, the concept of P2P modeling is often used in definitions of sharing economics. In some studies, sharing economy is exemplified with platforms and explained using P2P economy concept. For this reason, it will be more accurate to give priority to a P2P economy concept.Bauwens (2006) defines the P2P economy as "a process that aims to promote the most common and equal participation of participants." The use-value is produced through the cooperation of independent producers with access to the distributed capital. This process is called third-party production mode or P2P production model and is different from profit-based enterprise entrepreneur models. The exchange value generated here is the use-value produced for the users of the community, not the market. For this reason, it can be called a sharing economy model. In this model "you can contribute what you can and take out what you need." (Bauwens;2006)

In some studies, the concept of sharing economy is exemplified by the platforms that are operating and explained using P2P economy concept. It is necessary to explain the sub-definitions of the different sharing economies developed by Pais and Provasi (2015) to complement this slight generalization of the sharing economy and the first initiatives to explain the P2P economy process.

1. "Rental economy": It is the exploitation of the property that users have the right to private ownership, but which they rarely use, in such a way that they include lease plans by specialized companies (example: car sharing such as Zipcar).
2. "Peer-to-peer economy": Along with being an economy related to the re-use of under used goods, in this model goods are presented directly by their owners.(platforms such as Airbnb).
3. "On-demand economy": Using a personal service provided by professional and non-professionals as a broker, a familiar economy with its use platforms (platforms such us Uber, Blablacar or TaskRabbit).
4. "Time banking and local exchange trading system": Although it is similar to the previous situation regarding the services provided, it is a fundamental difference to use time-based clearing forms instead of currency for the exchange of goods or services in this model. (platforms such as TimeRepublik).
5. "FLOSS—free/libre open source software": This model is the oldest form of sharing economy, experiencing free or open source software programs produced by experienced developers and user communities. (Linux).
6. "Social lending and crowdfunding": It is a financial model that helps increase the capital needed to support the development of new ideas, including direct loans, among potentially interested people and platforms with the sharing economy. (platforms such as Kick starter).

This categorization by Pais and Provasi (2015) summarizes the boundaries of the sharing economy by sampling today's digital economic models and platforms and provides guidance on providing some indications of the magnitude of this continuously evolving phenomenon.

In another study (Dubois et al., 2014; Schor, 2014, 2015; Schor & Fitzmaurice, 2015; Schor et al., 2014) defining the sharing economy by categorizing it, it is defined "digitally connected economy" and the economic activities are related to the platforms as follows:

"-recirculation of goods (i.e. Craigslist, eBay);
-increased utilization of durable assets (i.e., Zipcar, Relay Rides, Uber, CouchSurfing, Airbnb);
-exchange of services (i.e., Time banking,TaskRabbit, Zaarly);
-sharing of productive assets; and building of social connections (i.e., Mama Bake, Soup Sharing, and EatWithMe)"

Another term used for sharing economy is; 'access-based consumption' defined as "transactions that can be market-mediated but where no transfer of ownership takes place and differ from both ownership and sharing" (Bardhi & Eckhardt, 2012).

In a similar discussion, the sharing economy is defined as follows; “consumers (or firms) granting each other temporary access to their under-utilized physical assets ("idle capacity"), possibly for money” (Frenken et al., 2015; Meelen & Frenken, 2015).

The OECD (2015) does not present a proper definition, apart from referring to a variety of online platforms specialized in “matching demand and supply in specific markets, enabling peer-to-peer (P2P) sales and rentals”. It determines three types:
“a) P2P selling (examples: eBay and Etsy);
b) P2P sharing (examples: Airbnb, Uber, TaskRabbit); and
c) crowdsourcing (examples: Mechanical Turks, Kickstarter, AngelList)”
In the definition made by PriceWaterhouseCoopers (PwC); “sharing economy uses digital platforms to allow customers to have access to, rather than ownership of, tangible and intangible assets” (Vaughan & Hawksworth, 2014).

2. Economic Potential and Future Expectations

There are surveys conducted by various organizations about the sharing economy, economic potential, current and future revenue estimates of platforms involved in this economic model. The sharing economy has a significant potential, and the annual growth rate exceeds 25%. According to EU Commission estimates, the gross income of this economy, created by collaborative economy-based platforms and providers in 2015, has reached 28 billion Euros (details about it will be explained in the following paragraphs) across the EU countries (EU, 2013).

A study analyzing the economic development of collaborative economic platforms was prepared by the PWC (2016) for the European Commission (2016). In this study, findings on the development and economic effects of the five critical collaborative economic sectors in the EU since 2013 are reported. In the study, the five top economist sectors of the economy were determined as follows:

- “Peer-to-peer accommodation”;
- “Peer-to-peer transportation";
- “On-demand household services”;
- “On-demand professional services”;
- “Collaborative finance.”

For a clearer understanding of the aims and contents of the areas, a short brief of the definitions of these sectors has been given.“Peer-to-peer accommodation: households sharing access to unused space in their home or renting out a holiday home to travelers. Peer-to-peer transportation: individuals sharing a ride, car or parking space with others. On-demand household services: freelancer marketplaces enabling households to access on-demand support with household tasks such as food delivery and DIY. On-demand professional services: freelancer marketplaces enabling businesses to access on-demand support with skills such as administration, consultancy, and accountancy. Collaborative finance: individuals and businesses who invest, lend and borrow directly from each other, such as crowd-funding and peer-to-peer lending.”

It is estimated that the collaborative platforms that operate in the five top sectors generated EUR 3.6 billion revenues in the EU in 2015.When looked at the transferred gross income to suppliers and platforms, it is estimated that collaborative platforms mediate the transaction volume of 28 billion euros in the EU in 2015 (EC; 2016a:8).

One of the important determinations of the study is; largest collaborative income-based economy sector to work as a peer-to-peer transportation sector, including driving services, car sharing networks and car road sharing models. However, according to the total transaction value, the largest sector appears to be peer to peer accommodation, including peer to peer rental platforms, vacation rental platforms, and home clearing platforms(EC; 2016a:8).

The study prepared by PWC Consulting is included in the EU commission report (EC; 2016a:9). In this report, it is stated that on average 85% of the revenue generated by the sharing economy platforms goes to the service providers. More specifically, the revenues of the platforms are mostly composed fixed or variable rate commissions. This rate is 1-2% for peer-to-peer services and up to 20% for ride-sharing services. The estimated gross revenues of these five sectors represent approximately 0.2% of the EU GDP.

However, the net contribution of the sharing economy to economic output will be more inferior than if it is relatively dependent on the current demand. On the other hand, the report states that for some industries, such as tourism, the degree of substitution is limited. The sharing economy plays a major role in the innovation of the European Commission and in promoting small and medium-sized businesses (SMEs) and in creating new opportunities in the European economy. The IMCO committee of the European Parliament has in general prepared a report entitled “Cost of Non-Europe,” foreseeing that the collaborative economy leads to lower prices and higher quality of service (EPRS, 2016). In this report, it is stated that the sharing economy can create new opportunities for goods and service providers at the expense of compromising traditional employment. It is estimated that the short-term economic gain, which can be achieved as a result of better utilization of the capacities of the co-operation economies, can reach up to € 572 billion, in the long run, starting from €160 billion. Due to the existence of regulatory barriers between the Member States, it may not be possible to take full advantage of the beneficences provided by this new economic model. These regulatory barriers may lead to significant reductions in estimated short and long-term gains (EEA,2016).

It is stated that this estimated amount (€ 572 billion) is theoretically as a result of the under-utilization of some resources under the available potential, but this potential cannot be used due to some obstacles. In the “Cost of Non-Europe in Sharing Economy” report prepared by European Parliament (2016), distribution of this amount is based on the important sectors forming the sharing economy as follows:

-In the 28 EU countries, the estimated loss value of the workforce result of its under-utilization is 309 billion Euros.
- For 28 EU countries, the average under-utilization of accommodation is around %3. The estimated value of it is around 35 billion euros.
- In EU-28, car consumption is € 500 per person and the total value is € 254 billion. To be able to determine the lower limit of the estimated interval as 60%, it is estimated that a value of € 152 billion of annual consumption corresponds to under-utilization.
-Looking at other sectors, it is estimated that the total under-utilization of EU-wide use will range between 38 and 76 billion euros, depending on different sectors.

A "Flash Eurobarometer" survey was conducted by the European Commission (2016b) to provide data on the scope of activities within the sharing economy and on the frequentness of use of sharing economy platforms. This survey was conducted by the TNS Political and Social Network in 28 EU Member States on 15 and 16 March 2016 and total of 14 050 responses were obtained in it.

According to the results of the survey, more than half of the participants (52%) are aware of the existence of sharing economy platforms. Approximately one in five of the participants (17%) stated that they used the services of these platforms at the lowest calculation once (EC, 2016b:5).It should be noted that the percentage of participants, who are aware of sharing economy platforms is higher among individuals with certain characteristics. Conformingly to the results obtained, the most likely user groups of sharing economy platform services are categorized as follows(EC, 2016b:12):

-“aged between 25 and 39 years group (%27)”,
-“finishing education after the age of 20 (%27)”
-“living in a large or small/mid-sized town”; and
-“self-employed (%26), employees (%25)” and “manual workers (%14)”,
-“offering services on a collaborative platform at least once (%35)”.

Considering these characteristics; younger and more highly educated respondents who live in more urban areas and self-employed or employees are much more likely than the average citizen to be aware of collaborative platforms (63%) and to have used the services of these platforms at least once (32%) is stated in the survey (EC,2016b:12).

The trend in awareness of the services offered by the sharing economy platforms varies from country to country. While in France (35%) and Ireland (36%) more than one- third of the participants using platforms, it seems the least usage of platforms in Cyprus (2%), Malta (4%) and Czech Republic (7%) (EC, 2016b:6).Approximately one-third (32%) of participants using collaborative platforms services indicated that they provided at least one service on such a platform. Such a rate indicates that a significant number of users are likely to act as service providers.

Participants of collaborative economy were asked about advantages and disadvantages compared to the traditional economy. Participants are aware of the sharing economy platforms listed the main advantages as follows(EC, 2016b:15):

-"The access to services is organized in a more convenient way" (%41)
-"It's cheaper than traditional services or free" (%33)
-"The ability to exchange products or services instead of paying with money" (%25)
-"It offers new or different services" (%24)
Four major disadvantages have been noted by participants (EC, 2016b:21):
-"Not knowing who is responsible in case a problem arises"
-"Not trusting the internet transactions in general,"
-"Not trusting the provider or seller,"
-"Being disappointed because the services and goods do not meet expectations,"

ING International Survey conducted an internet-based survey of the sharing economy between January 16 and February 2, 2015, examining the participation of 15 countries (12 EU members) in these new economic models. This research can be considered as the study with the largest sample group by coverage regarding the sharing economy both in European countries and in the USA and Australia. Except from Luxembourg (500), around 1000 respondents from each region responded to the survey. The total sample size of the study is 14,829.

According to the survey, about two-thirds of individuals in Europe are aware of the existence of sharing economy (ING;2015:3).This ratio reached the highest level in Turkey with 52%, the lowest level in Austria with17% and Austria with 19%.However, participation in the sharing economy is much lower. A significant part of the participants have heard of the sharing economy but has not yet participated this economic model. For example, in Turkey, 43% of respondents said that they heard "sharing economy," while 9% said they participated in this model. It becomes clear that as more people familiar with the concept and the information becomes more interactive compared to previous years, and the sharing economy will grow larger(ING; 2015:4).

Participants in the sharing economy are often under 35 years old and well-educated. According to the survey results; this group of participants is open to trying new payment technologies, and it is possible to say that economic conditions have increased their costs in the last three months. While the number of participants who are considering becoming involved in the sharing economy in older age groups - especially those aged 55 years or less - is decreasing (24%), the ratio of participants who do not have information about this economic model is increasing (30%) (ING; 2015:6).

One of the important results of the survey is about which elements are tended to share the most among individuals. At this point, one of the most popular sharing economy platforms Airbnb has had positive and negative impacts around the world, creating an offensive force over the traditional resort accommodation model. This platform is only one of the many room sharing organizations in the last 12 months, where property owners in Europe can explain the possibility of sharing their residences when they are not using them. Also, almost half or 49% of holiday accommodation owners plan to share their housing for money within the next 12 months (ING, 2015:7).Although cars are seen as the most lent assets in Europe over the last 12 months (9%), it can be said that holiday accommodation will prevent this from looking at future projections.

The sharing economy is still a small source of income for many people who participate in this economy in Europe. The vast majority of people in Europe who share something, including this new economic model, earn 1,000 euros or less in the last 12 months. According to the responses to the questionnaire, the earnings from sharing economy vary from 1 euro to 50.000 euros. When the participation responses are evaluated, it is possible to reach the result that on the average the sharing economy earns around 2,500 euros. On the other hand, a more realistic gain for the majority in this economy is 300 euro in the middle term(ING,2015:9).

The four factors that affect participation in the share market are "it saves money," "an easy way to make extra money," "it is good for the environment," and "it builds communities" listed in the positive direction, and their impact level is asked to participate. Advantages of saving affect the increase in participation in the sharing economy in Europe, United States, and Australia. One of the four positive effects of the sharing economy is that "it saves money," is the most often expressed statement by the participant (ING, 2015:10).

One of the positive effects of the sharing economy is "it is good for the environment," %53 of European consumers think this factor is influential. Besides, many participants viewed the sharing economy as “an easy way to earn extra money" (%52 of European consumers).

Aspects such as expanding the relationship between borrowers and lenders or helping to strengthen communication between societies are less important in many countries. The countries where this factor is most considered are Turkey (67%), Italy (64%) and Poland (63%).Turkey, Poland, and Italy also point to countries where all positive factors have a vast majority of people who think that the impact of participation in the sharing economy is high (ING, 2015:10).

Three factors affect the participation of individuals in the sharing economy in the negative direction. Participants were asked to indicate the extent to which these factors were affecting the degree of involving in the sharing economy. The most influential factor is “I don’t like other people using my property” in Europe (%56), US (%64) and Australian (%63) consumers. Concerns about insurance are common in Spain (60%), France (57%) and Belgium (54%). Concerns about the quality of sharing items are less common, but in Austria, Poland, Turkey and the US, the rate for this issue increases to 50% (ING, 2015:11).

3. Taxation Problems about Sharing Economy and Relationship with Informal Economy

The main aim of tax collection is to secure public revenues for the financing of common goods, welfare schemes, and other social functions. The size of the public revenues obtained depends on the breadth of the tax base and the compliance with the applicable tax laws. The following aspects are particularly important in assessing the tax rules: Equal treatment of taxpayers and equality in incentives, optimization of administrative costs for both taxpayers and authorities, and effective use of public revenues. Tax collection is a persistent question, especially in many sectors where the sharing economy platforms are active. Tax authorities are worried that the sharing economy may cause a decrease in tax revenues (Baker, 2014).Unless the service providers are required to make a clear determination of the tax, the growth of the sharing economy platforms may mean that pressures on tax reform on European Union member states will increase.

If it is thought that service providers are not declaring their income, for example, if they are concerned about tax evasion, then if the platforms are reporting the data they obtain from the transactions, the growth of the sharing economy could be a significant improvement for tax compliance (as already happens in Amsterdam and some US jurisdictions (Sullivan, 2015).

Tax compliance is stronger in economies where electronic payments are more effective and widespread. Cash transactions always leave fewer traces, and therefore the records they create are difficult to track and are less likely to be reported. According to Schneider (2013), because of cash-based payments cannot be followed, they facilitate the informal economy. Cash-based transactions are almost as fuel for an informal economy. In the wholesale and retail trade, hotel and restaurant sectors, the average of the shadow economy is nearly 20 percent of GDP. The size of the informal economy in the transport, storage and communication sectors reaches 15 percent of GDP. The companies operating in these sectors are the sectors that can interact with the consumer and whose individual transactions are usually small in size and which can change the position of the registered transactions and cash transactions and thus raise the sharing economy platforms reporting automatically to the authorities of the revenue administration.

The tax may be a theoretical limit for those governments if they have reached a point where providers and consumers have used a sharing economy platform to find each other, cancel their transactions and then continue on a cash basis. Platforms may adopt a strong incentive to prevent this situation, or they may lose the benefits they have achieved as a result of transactions. Principally, similar activities and income derived from there must be taxed equally nonetheless it is considered inappropriate to adopt special rules for the taxation of the sharing economy.

The sharing economy is subject to existing taxes such as VAT, income tax. However, if new business models and activities are to grow in the coming years, the sharing economy will have the potential to weaken tax revenues. Most of the issues relevant to the sharing economy are related to taxation in general, including the taxation of multinational corporations(EC,2015:8).The Norwegian Sharing Economy Committee has identified four basic tax challenges that are specifically concerned with the sharing economy (NOU, 2017:10).

-Service providers in the sharing economy are mostly private individuals with limited experience in tax rules and experience in taking part in business activities.
-Activity in the sharing economy; at the same time it can be active in more than one market and enables a small number of individuals who consistently would be able to do these activities to earn small incomes.
-New production facilities provided by the sharing economy may in some cases cause undesirable degradation of resources due to existing exceptions, restrictions or rate structures.
-The sharing economy has the potential to expand the tax base with more resources in the economy. On the other hand, if the activities are simply shifted from the traditional economy to sharing economy, the tax base may weaken when the tax system does not cover the sharing economy. Because regarding public revenues, three sources of income are very critical: income tax, social security contribution of the employer and value-added tax.
Although the relation of the sharing economy with tax compliance is mentioned earlier, some tax policy practices may negatively affect the development of the sharing economy (EPRS,2016a:22)
-The high taxes on the gains from the establishment of the Sharing Economy platforms lead to the establishment of fewer platforms. This situation may lead to slowing the development of new digital economy models and reducing competition among platforms.
-High and complex tax rates reduce the motivation of service providers and reduce supply. This may lead to a decrease in producer and consumer surplus.
-If tax rates do not show a neutral feature and if it only applies to some platforms or services, it will disrupt the development of the sharing economy and prevent access to full capacity.

According to the optimal taxation theory; further taxation of certain activities, regardless of a valid cause, will result in loss of economic efficiency. This may arise if some activities are taxed while some activities are not taxed. As mentioned earlier, the sectors in which the sharing economy platforms operate are the areas where the informal economy and consequently cash use is high. These activities are geographically dispersed, transactions are usually cash, and not to be reported, is an expected situation because it may be in the interest of both parties. This situation can change with sharing-economy platforms where transactions are made electronically, reported to the market when the transaction happen.EU member states cannot make full use of the growth potential of the sharing economy platforms and the data derived from their routine operations. While it is necessary to obtain data delicately to comply with data collection rules, this is an outstanding opportunity to obtain information from platforms.

Sharing economy companies operate to a significant extent in sectors where traditional businesses have a duty such as "third party disclosure duty"(NOU; 2017, 11).By “third party disclosure duty,” it is meant that information obtained from service providers is declared or reported in the context of legal obligations. Because, within the scope of the sharing economy, a significant number of individuals operating through digital platforms do not have experience in holding accounts and documents and declaring their income. As the sharing economy's participants using goods for both private consumption and economic activity the limits of personal consumption and commercial activities may be uncertain and may differ from other free commercial activities. This situation makes the tax declarations of the individuals operating in the sharing economy complicated. In most cases, service providers are not aware of when they are obliged to pay taxes.

Private individuals who are engaged in commercial activity for both EU and US to generate revenue by selling over a certain amount per year (the limits and restrictions can be changed from the country by country) must submit an income statement with a tax declaration and a statement by VAT records. When a digital platform provides connectivity between service providers and customers, service providers must fulfill their tax obligations. Therefore, the activities carried out in the sharing economy are suitable for declaration and taxation, but studies are continuing how to tax those who operate in this economic model.

Taking advantage of platforms at this point can be suggested as an alternative way to taxation. At present, there is not a single legal authority for all of the EU countries to effectively disclose the revenue generated by service providers to the sharing-economy companies. However, since the instructions between service providers, customers, and sharing economy companies (platforms) take place digitally, it is technically possible to prepare a simple report from the platform to the tax authorities. Here is the report; the “third party disclosure duty.”

The commission created by the Norwegian Government (NOU;2017, 11) believes that the third party disclosure duty must be implemented to gainer of rental income through digital platforms, and service/service providers those who facilitate the provision of this service. The boundaries of this information duty should be considered more thoroughly, and the content of the duty should be adapted to each sector or service.

Many national authorities are worried that as the use of the sharing economy increases, the tax base shrinks (EEA, 2016:3). This is because; the rise of individual entrepreneurship, the fact that the activity takes place in an informal economy, it's hard to monitor and control. Some of the concerns are also related to the taxation of platform providers themselves. Especially since most of them are outside of Europe and are not taxed in the national markets in Europe, it is often uncertain whether they will be taxed or not or how to be taxed.

Since it may be considered challenging and expensive for public authorities to provide tax-based control over the sharing economy, some of this burden may need to be sharing with the platforms. Although compliance with tax and other legal obligations and prevention of illegal activity are problems of public authorities, platforms are at the best point regarding ensuring compliance with users or service providers (EEA,2016:4).

According to the European Commission (EPRS,2016b:166), sharing economy platforms must be proactive in collaborating with national tax authorities to establish parameters used to exchange information on tax liabilities and at the same time comply with EU legislation on the protection of personal information. At this point, each country should make the reasonable effort to guide simplification, reduction of administrative burden, transparency and tax codes to be applied to new digital economic models.

4. Regulations in EU Countries about Taxation of Sharing Economy and Policy Proposals

The rapid development of the sharing economy attracted the attention of the EU Member States, which saw it as a challenge or opportunity or combination of both (EC, 2016a: 26). The attitudes of the EU member states towards the sharing economy vary from explicit support to prohibition of certain activities. Moreover, these reactions vary from region to region or from municipal to municipal, depending on the sector.

4.1 The Importance of Distinction between Individual Service Providers and Professional Service Providers

The distinction between an occasional service provider and a professional provider of service is important in that it is decisive in a wide range of jurisdictions, from the granting of authority to the protection or taxation of the consumer. Many legal obligations apply to only one of these categories (EC, 2016a: 27).For example: About to authorization and licensing requirements, taxation of activities and establishment of an employment relationship
There are different implementations in the EU member countries to these issues, depending on the sectors in which the sharing economy platforms operate. Many countries have established thresholds to define the service provider as a person (also user) who provides service occasionally or as a professional service provider. The user is exposed to more legal obligations as these thresholds are exceeded. The threshold has been developed mainly on the sector basis and includes the contribution of allowance, tax and social security contributions (EC, 2016a: 27).

Some Member States distinguish between professional services and peer-to-peer as they specify license necessities. For example, in the transportation sector, some countries (such as Ireland, Spain, and France) especially demand that profits that make up much of the share of the cost of a trip can only be earned by licensed taxi drivers or rental car drivers. Furthermore, other countries, like Finland, intend to exempt small-scale passenger transport and goods transport driving licenses, and the limit for exempt from these activities is EUR 10.000 annual turnover (EC,2016a: 27).The frequency of activity in the accommodation sector (i.e., the number of days in which short-term lease of the first housing is subject to the minimum) is used as one of the means of distinguishing between provided by professional services and occasional services in some Member States. For example UK, Netherlands, and France

4.2. ***Assessment of the Problems Caused by the Non-Participation of the Sharing Economy in Legal Regulations Regarding Transport and Accommodation Sector***

In most of the member states, both the transport and accommodation sectors do not have legal arrangements for the sharing economy.

The fact that the legal nature of the services offered by the sharing economy platforms is not determined and the related legal regulations are not included in the legislation is of importance concerning taxation of such platforms. In this section, briefly, the drafting and implementing sharing economy regimes for the transport and accommodation sector, planned for EU member countries, will be featured. In general, EU Member States do not have any specific legislation governing the transport sector, which is one of the industries in which the sharing economy platforms operate most. The general trend is therefore to apply the existing transport legislation (for taxis and private rental vehicles' for PHVs)(EC,2016a: 27).In general, the regulations for the transport sector include the requirements for private road transport services provided for wages, but not for profit-oriented transport services. In the absence of any enlightening case-law on which to provide remuneration for share-based economy activities, most Member States tend to exclude transport activities involving real cost sharing from sectoral arrangements involving economic activities in these areas. For example, in Poland, Romania, and the United Kingdom, transport legislation does not have a particular focus on non-profit private passenger transport services (EC,2016a: 28).

Rules governing taxis and PHVs vary considerably between the Member States. Because the general legal system differs in each member state, the rules governing taxis and PHVs also include changes in this direction (EC, 2016a: 28).In many countries, tariffs and tariffs for PHVs as well as quantitative restrictions such as competency requirements for drivers, qualitative criteria for size and soundness for automobiles as well as insurance and traffic accident liabilities are applied(EC,2016a: 29).

In some EU countries, national courts have used the current transportation legislation about unlicensed automobile drivers and the legal status of business models that act as currency for passenger transport. This situation has caused the prohibition of such services. In some of the cases, the sharing economy is prohibited by the justification that business models constitute unfair competition against taxi drivers, vehicles in private car rental companies or transport operators. In some cases, the prohibition decision was made because technical requirements were not respected (EC,2016a: 29).

The access to telecom operators and payment service providers to Uber application in Spain has been hampered by the fact that it would be unfair to licensed taxi drivers. On a request from the Barcelona Commercial Court (Case C-434/15), CJEU was expected to issue a preliminary ruling on the nature of the services provided by Uber and the clarification of the applicable legislation (CJEU, 2017).In the case; the decision of whether the services provided by the Uber platform will be evaluated as "transportation services" has been moved to the court, based on the principle of freedom of service as "information society services" or whether the member states are within the transportation area regulated by law. In the first case, the licenses and permits that Barcelona has requested for Uber's activities may be incompatible with the principle of freedom to provide services, whereas in the latter case Member States are in principle free to regulate Uber's activities.

There may be times when a holistic service can be thought of as a part of the concept of information society service;“(1) the procurement not made by electronic tools means economically independent of the service provided by such means (e.g., intermediary)”; (2) “Provider is provided to provide all services (that is, the part provided by both electronic means and the other means) or to have a decisive influence on the conditions of that part, to form an integral whole of the two services; This requirement applies when the main component (or all of the essential components of the process) is provided electronically (for example, as if the goods were sold online)”.

According to the prosecutor's office, Uber's service does not comply with both of these two conditions. In this context, “it is observed that drivers operating on the Uber platform do not follow a free activity independent of the platform. On the contrary, this activity is only due to the presence of the platform, and without the platform, it seems that the activities do not make sense. It is stated that Uber's platform service also controls the economically important aspects of the urban transport service” (CJEU, 2017).

As a result, the service offered by Uber cannot be classified as 'information society service.' Instead, the service means the organization and management of a comprehensive system for on-demand urban transport. Moreover, Uber is not considered a ride-sharing service because the destination is determined by the passenger at the destination and the payment made to the driver includes an amount more than the costs incurred(CJEU, 2017).

From an economic point of view, it is accepted that smartphone application is a secondary component of the interconnection of passengers and drivers, taking into account the fact that the supply of transport is the main component economically. In this respect, the Court's assesses is that the service provided by the Uber platform should be classified as 'transportation service'(CJEU, 2017).

From this interpretation, it is stated that “Uber's activity is not subject to the principle of freedom of service in the context of 'information society services' and therefore may be subject to regulations concerning the transport services of non-resident carriers in member states.”Decisions were also made by national courts in France, Belgium and Germany to prohibit passenger transport business models of the sharing economy (EC, 2016a: 29).In some cases, courts have held platforms responsible for the potential illegitimacy of drivers who serve sharing-economy platforms. Many courts in Germany have used the use of a software application to make and receive reservations as an integral part of a general service, including a transport service (EC, 2016a: 29).Therefore, the platform may be held responsible for the illegality of the provision of transport services. Some member states, such as the United Kingdom and Ireland, are requesting prior permission to operate in the transport sector from platforms providing intermediary services (EC, 2016a: 29).

In the Netherlands, a reform of the taxi service and driver and car rental sector is being considered. Sweden has initiated a survey to assess taxi and driving sharing services within the framework of existing legislation. In this context, possible proposals for the review and correction of applicable rules for ride-sharing are evaluated(EC, 2016a: 30).

In Finland, there is a comprehensive reform of the Transportation Act. The guidance to be prepared is intended to facilitate quantitative restrictions for taxi licenses as well as facilitate access to the paddle for all operators and to adjust existing rules to the new business models to enable non-professional small passenger transport with non-digital means to a certain fixed yearly cost.

As in the case of Uber, Airbnb, which offers vacation home/room rentals, has also faced increasing pressure from city authorities. Airbnb operates as an intermediary platform that allows individuals to rent their homes, rooms or apartments online for visitors. Although the activity itself is not illegal, in many cases there is a violation of local housing laws and financial obligations that must be fulfilled due to the content of the activity. This leads to complaints from unfair competition by businesses that pay taxes such as hotels, bed & breakfast motels operating in the traditional economy and subject to many legal arrangements. Because property owners who rent their homes through platforms such as Airbnb do not usually have any record of this activity, do not pay taxes and do not comply with any regulation.

The decrease in rented areas of the city and the increase in rents are another complaint among citizens. Since the rental of tourist apartments and rooms is becoming more and more profitable, some of the Airbnb offers are given to a few tourists looking for apartments at the same time. This situation naturally reduces the chances of locals seeking to rent the same apartment. As a result, the identification of the nature of the services offered by the platforms in both the hospitality and transportation sectors is important to make legal arrangements, especially regarding determining financial obligations. The concept of information society services and the scope of this concept, the category of service covers a wide range of activities, from online information services to online sales to professional services. In this context, different sharing economics platforms are pursuing different goals and difficulties in spreading the services they offer in a certain category.

At this point, there is a view that sharing-economy platforms are only IP-supported services that combine service providers with consumers, and therefore should be exempt from any obligation by the specific liability regime set by the e-commerce directive(EPRS,2016a:175).Taking this view into account, with the emergence of a legal situation against traditional trading companies, they insist on taking advantage of this exemption, claiming that new business models supported by technological opportunities offer "information society services."Therefore, it is important to classify the platforms so that the tax liabilities of the platforms can be determined and appropriate tax regimes can be formed. This is also the case where the service/service providers operating on the platforms are taxed, cooperating with the platforms, and the models in which the taxes those are taken from the service providers are cut off by the platforms and transferred to the tax administration. In this respect, it is critical to determine the level of responsibility for the control-level sharing-economy platforms that the platform imposes on its users. In some cases, platforms claim that there is no employment relationship with the service/service providers and that there is no material interest in the actual transactions.

Sharing economy platforms usually seek out ways to minimize their responsibilities by advocating that their service level is close to the level of message boards(EPRS,2016a:175).Concerning determining the legal nature of the service provided by the platforms, it may be useful to create a system in the platform classification as a service provider or electronic mediator. Because, as mentioned before, there are platforms operating in different sectors of the sharing economy.

4.3. *Regulations on Taxation of Sharing Economy in EU Countries*

Platforms operating in the sharing economy are mainly concentrated in three sectors: accommodation, transport and professional services. The accommodation and transport sector is being used more intensively. In the previous section, the nuance gap between the hospitality sector and transportation was legally revealed when the problems of determining the characteristic of the services by sectors were mentioned. Therefore, a significant part of regulations that are already tried to be implemented in the part of the EU countries regarding the sharing economy is hospitality sector orientated. This section will be clarified applications for taxation of sharing economy in different EU countries. There is a tendency to cooperate with platforms while not implementing a common policy in the member countries of the Union. Another common point is that platforms are given responsibility for collecting taxes.In the following sections, the regulations on the taxation of the sharing economy in the Netherlands, Spain, France, Italy, and England are explained.

4.3.1. *Netherlands*

The most interesting model for the taxation of the sharing economy among the EU countries is the Amsterdam Municipality's model with the Airbnb in Netherlands. The arrangement made with the Amsterdam Municipality model demonstrates how the advantage of using the underlying technologies of sharing economy platforms can have positive results. The City Council and Airbnb signed a contract -including also other details- that includes the aggregation of Airbnb's collecting the city's tourism tax on behalf of service providers. By doing so, the tax compliance of service providers will be increased (theoretically 100%), and the administrative burden will be reduced. In fact, with this method, the city administration has made it possible for the platforms to organize the service providers in the administrative direction. Verification of correspondence and compliance at the platform level is possible where the data are centralized and can be tested much more easily.

Such an arrangement in which the tax burden is assumed by the service provider can provide benefits to many areas(EPRS,2016a:113).

- Recording and identification of market participants
- Current records when market participants need to be scanned for criminal records
- Requesting or providing appropriate insurance
- Verification of tax records can provide information for authorities to check the tax records of service providers, and platforms can help service providers to report tax incidents in the first place (Ex: By sending a clear statement to the taxpayer about where to enter the information to be entered on the tax forms)
- With such a system it is possible to theoretically move closer to the real-time collection of tax and other social contributions on a regular basis.

However, the common principle is that the Airbnb and Amsterdam contract, as well as the lowest cost instrument to determine reasonable legal requirements and then ensure that platform providers (and consumers) meet these requirements. Such a principle can be applied to other sectors and the EU as a whole.Amsterdam is one of the European cities with the highest density of Airbnb apartments. In a city with a population less than one million, more than 7.000 rented 13,000 rooms/apartment are rented by Airbnb(EPRS,2016a:161).

On February 14, 2014, the Amsterdam City Council created a new category of accommodation that makes it legal for city dwellers to rent their homes from time to time for tourists. The new "private rental" category offers private residents the ability to put their homes on the list, such as Airbnb, without worrying about penalties. However, this system requires compliance with some rules (EPRS,2016a:161).

1. Residents can only give the house they live in or have the right to use the area they rent. If the area they rent to rent is themselves a tenant, they must obtain permission from their landlords.
2. In addition to the income they will pay for the income from short-term leaseholds, the house owners also have to pay the tourist tax (5%) of the accommodation fee.
3. Up to 4 persons are allowed to rent a house at the same time, and residents cannot rent their house for more than four consecutive nights

4.Renting a maximum of 60 days in a year is possible. Renting homes for over 60 days will be considered as commercial abuse.
5.Tourists should not cause any discomfort during the stay. The house, however, must meet safety requirements like fire.

With this new arrangement; Amsterdam is the first European city to allow "Airbnb-friendly law" to support the sharing economy under certain conditions. A memorandum of understanding signed between Airbnb and the Amsterdam city council in December 2014 states that Airbnb will help to collect 5% of tourist taxes(EPRS,2016a:161). Short-term rentals for city dwellings will be allowed without the competence of the City Council. Airbnb will inform you of the violation of the rules set by the city council upon request. However, the City Council has not issued any memorandum or any diary on the details of the cooperation. Both sides of the settlement decided that no legal proceedings should be initiated during the first annual trial period. Since the new regulation has come into force, it has practically solved the problems, and the city council has been satisfied with the practice. Especially, checking for more than 100,000 proposals is more expensive and complex than expected. In December 2015, the platform removed 170 Amsterdam-related advertisements because that the hosts did not comply with the rules(EPRS,2016b:161).

4.3.2.*France*

The formation of platforms such as the Airbnb, the French legislature, intervened with the adoption of an arrangement called 'Loi ALUR' (EPRS,2016a:153). Occasional users who want to rent a room are subject to clear rules; for this reason, it is not necessary to request a permit or authorization. In this context, a difference is made between primary and secondary housing. Short-term rentals for city dwellings are allowed without the competence of the City Council. If the owner of the property is the secondary residence of the owner, he is entitled to rent for a short time, but in cities where more than 200.000 people live, prior permission must obtain from the municipal council(EPRS,2016a:153). Otherwise, short-term regular leases falling within the scope of commercial activity will be subject to general legal and tax regulations. Violation of these rules requires a fine of up to 25,000 Euros and the French courts apply these rules in an efficient manner(EPRS,2016a:154). Therefore, it is legal for homeowners to use Airbnb and other similar platforms, provided that the hotel owners' are comply with the current regulation, including tax legislation to which they are subject. For example, on May 5, 2015, the French Government adopted an ordinance that puts tourist taxation into this situation, and a mechanism was set up for the collection of tax by Airbnb on behalf of the city council (EPRS,2016a:154). This mechanism operates primarily in Paris but will gradually expand to other French cities.

However, the legislation has not been fully elucidated. In particular, there is no clarity about the threshold that the house has become a commercial unit and has been defined as a professional activity using the Airbnb. On the other hand, a tax exemption of up to 5000 euros is being discussed by national authorities for income from the sharing economy (Bouvard et al.,2015). The common financial and legal provisions will apply to transactions that take place on this threshold. In any case, care must be taken that the Law does not make any changes concerning the authorization.

4.3.3. *Spain*

Since 2013 in Spain, tourist accommodation arrangements are being carried out at the regional level. In response to the emergence of Airbnb-like platforms, several measures have been taken in Spain, particularly in the Catalonia region. According to Catalan tourism legislation, hotels and tourist apartments are subject to a license fee. Also, it is forbidden to rent a single room in a private apartment (EPRS,2016a:156). As of July 2014, Airbnb was one of the eight rental sites punished by the Catalan government for "serious violations" of the current legislation (30,000 euros fine)(Kassam,2014). The long battle against private leases has become a package, not against only the Airbnb. While hotel owners complain about unfair competition from these sites, neighborhood associations indicate that in addition to increasing housing prices, neighboring to a constantly changing list of tourists in the central districts tends to move to less touristy areas in individuals.

As a result, the Catalan government has created a set of rules that must be met by property owners who present their apartments and rooms to the market for rent. Property owners can rent apartments under the following conditions(EPRS,2016a:157):

- Property owners must live in the apartment for the duration of the rental and before renting
- Rental period cannot be more than 31 days, and rooms can be rented for up to 4 months a year

- Maximum 2 rooms available for rent in one apartment
- Municipalities will be able to determine in which city areas this activity will take place
- Property owners are obliged to collect a tourist tax (€ 0.65 in Barcelona, € 0.45 in Catalonia per night)
- For property owners wishing to rent all apartments, the Catalan Government will require that its facilities be included in the tourism register of Catalonia and have a tourist license.

Also, local authorities in Barcelona have imposed strict measures for the detection of illegal apartments and issued a fine of € 60,000 to the Airbnb in December 2015(EPRS,2016a:157). Officials noted that the Airbnb had advertised rooms with no registration number, contrary to Catalan legislation. Airbnb has announced that he will appeal against the decision.

4.3.4. *Italy*

Italy is the first European country to implement a general legal framework tailored to the sharing economy, rather than applying the existing legal regulations. The bill aims to guarantee, "transparency," "fair taxation" and compensation as well as consumer protection. In the draft, the definition of a "collaborative economy" that sets the boundary between the service provider and the platform is laid down, and the asset value must be taken over entirely by the former owner (EEA,2016:5). To follow the activities, a system has been established in which all digital platforms must be registered. Thus, the platforms will have to delete them if there are prohibited substances in the contracts they have made with the users. Not being registered or not following this system is punishable. Taxation is the part of the bill that aims to provide judicial financial income. Income earned up to 10,000 euros within the scope of the sharing economy must be declared as it will be subject to 10% tax(Tentori,2016). Revenues over this amount are subject to the rates applied to the professional income of service providers. This solution specifies the platform as a withholding obligation at the point of responsibility for the service providers' taxation to the state, thus ensuring that the provider has a permanent and broader presence in Italy(Tentori,2016).

The bill may be important as the first official acceptance of the collaborative economy, but some commentators are interested in EU legal compliance, especially in the "country of origin principle" (Article 3 of the E-Commerce Directive). This principle aims to prevent information society services from being detained by providing services in other Member States by restricting their provider's activities. In this case, restrictions should be necessary and proportionate to (i) contain serious grounds (e.g., public policy or consumer protection), and/or (ii) protection of these great interests. The concern is that this regulation, which Italy has taken to protect local values, can be regarded as an over-restriction, according to the provisions in question(The IPKat;2016).

With the bill, the task of monitoring the activities of the sharing economy platforms was awarded to the AGCM (Italian Competition Authority/Autorita Garanta Della Concorrenza e del Mercato) (Tentori,2016). In order to legally deal in Italy, digital platforms need to be registered in a new, accessible, public and public "Electronic National Register of Sharing Economy’s Digital Platforms." To register with this system, the platforms need to submit a "Company’s Policy Document" for AGCM's review and approval. Among other things, this document will include provisions for contracts with users of the platform, which will not contain any of the prohibitions set out in point 4 (e.g., obligatory fixed rates of the platform or regulations permitting users to establish a special procurement relationship)(The IPKat;2016).

Ironically, the platforms will meet the costs faced by AGCM due to the new monitoring task with a tax (at least partially) of 0.08% of their possible national turnover (The IPKat;2016). AGCM will suspend the activities of the platforms running without fulfilling the stated registration obligation and will be given instructions to fulfill the registration obligation. If the platform does not comply with this order, AGCM might issue a penalty which can reach 25% of the income originating from the period of activity carried out lacking registration (The IPKat;2016).

*“Sharing Tax Revolution”:*First, the bill requires users to show up as brand new entries as income from "non-professional sharing economy activities," which is the income they earn from sharing economy activities. Annual revenues up to 10,000 euros will be subject to a rate of 10% and revenues greater than 10,000 euros will be applied to the user's professional income(Tentori,2016). Another important point of the bill is that it uses the platforms as an intermediary, that is, it collects the taxes (10%) from the users and transfers them from the platforms to the state. At this point, the bill is similar to the Amsterdam model regarding its responsibility to the platforms. The bill states that the sharing economy platforms must have a permanent workplace in Italy so that it can be done.

The Italian MPs who drafted the plan think that the tax revenue of 150 million Euros can be obtained as a result of these measures(Tentori,2016). All these developments constitute a good example of the fact that different and potentially conflicting national and statutory rules governing businesses in the sharing economy may lead to undesirable fragmentation of the structure of the Single Market(EC,2009).

4.3.5. *United Kingdom*

The UK is the first country to encourage individuals to stay in the system by imposing tax exemptions on their sharing economy practices. The British government, by its law in 2015, has lifted the practice of permitting from the municipality as long as it does not exceed 90 days in a calendar year in short-stay accommodation in London, the most livable district concerning accommodation (EC,2016a:32). With the arrangement made, the owner of the rent must pay the municipal tax about the income derived from the property. With this policy, the government states that it aims to help residents and not to provide opportunities for the commercial sector(EPRS,2016a:158).
The UK Government has issued a “Rent a Room Scheme” which provides tax-free from residents' earnings up to £ 4,250 per year from 2015 to 2016 and up to a limit of £ 7,500 as of 6 April 2016, if the residents furnish their home furnished accommodation. If individuals share their income with their spouses or others, the limit is reduced by half(EPRS,2016a:159).

There are also cases where income from the sharing economy is obtained, except for the accommodation service. The British government excluded a portion of the annual income of £ 1.000 from the purchase of goods, services or other assets. It is stated that this discount will not be applied in addition to the exemption as mentioned above. The measure includes two new annual incomes of £ 1,000 each, separately for commercial income and property income. These discount amounts will be valid for fiscal years 2017 and 2018(HMRC,2017).

If the income is equal to or less than the income (pre-cost) earned by the individual, the UK government-provided discounts (£ 1,000 or £ 7,500), then the person will not be present in the tax declaration(EPRS,2016a:159). Those with higher incomes have the right to choose the deductions paid from their receipts rather than deduct the actual allowable costs when calculating their taxable earnings. With this change, the individual will no longer have to decide whether the activity they are doing is suitable for a trade, and the complexity of the tax declaration for some individuals will be less.

Conclusion

The sharing economy has created new business opportunities in the digital world with unlimited possibilities, even for the smallest economic players expressed as households and small businesses. Sharing economy is designated by many small actors (suppliers and consumers) and proportionately few platforms The size of the contribution made by the sharing economy platforms to the economy is being watched closely by economists and policymakers.In particular, the services provided through the sharing economy platforms in the transportation and hospitality sectors have the significant influence on the economy. The lack of consensus on the definition of the sharing economy makes it difficult to determine the position in a legal sense, and this leads to problems regarding taxation and the legalization of the legislation (regarding EU law). In such an important, effective and growing model for the economy; having clarity of concepts seems to be a precondition for reaching the Single Market from the EU point of view. There is no compromise in the definition of sharing economy even in the EU dimension. While the European Commission does not use the definition of sharing economy, the concept of collaborative economy is used instead. Other EU institutions such as European Parliament, however, use the concept of sharing economy. Nuance discrepancies exist not only in concepts but also in definitions.Ensuring certainty from a legal point of view and making the necessary legislative arrangements to comply with a general definition for the formation of legislation that will meet the requirements of this new economic model will benefit national authorities, businesses, and citizens. The categorization of the quality of the services of the sharing economy is a legally important issue. The point that is questioned here is whether the quality of services will be evaluated within the scope of "information society services." To be able to make legal regulations and to determine tax liabilities, it is important to determine which category of services the sharing economy platforms belong to and the criteria related to them.The preliminary decision made by CJEU regarding Uber has clarified the legal requirements and the regulation applied to these platforms by the interpretation. However, it is still difficult to assess the scope of the service provided. It is unclear whether this ambiguity will only affect ridesharing platforms or all sharing economy platforms.

Therefore, given the distinctive characteristics of the sharing economy, it is necessary to distinguish platforms that have sectoral-specific criteria as information society services.However, even though the services offered by the sharing economy platforms are considered to be "information society services," it appears that the current regulatory framework is not suitable for the e-commerce directive and needs to be modernized to adopt changes related to the sharing economy. The current situation does not provide a clear framework regarding taxation, so problems are also experienced in this issue.

Namely; the gap in legislation applicable to traditional and online services and the lack of legal and tax regimes for new digital economic models such as the sharing economy in online services are considered to promote unfair competition and companies only resort to an online platform to avoid fulfilling their obligations. For this reason, the creation of hybrid categories of "information society services" will present a more legal regime. Such modernization is crucial to the abolition of unfair competition between traditional and online services. Because the sharing economy is a developing economic model with technology, it is not enough to determine the nature of the services provided by the platforms.

Therefore, there are many areas that need to be regulated both in legal and taxation terms. In particular, concerning taxation, it is important to determine the distinction between those who offer services as occasionally and those who professionally provide services, in the framework of those who provide services to platforms. Guidelines should be published that contain limits (service frequency or revenue) that determine which services provided on platforms for sharing economies will be taxed under professional services. Setting these thresholds or setting up income limits will determine the failure or professional nature of the activity and contribute to the establishment of taxation rules. By looking at the applications analyzed in different European countries, it is possible to observe the models and results that the legislator can cooperate with platforms in determining common level market regulations. In these country examples, there are income thresholds as well as limits including service frequency and area boundaries. Although the reports on which the indicators related to the sharing economy are included are welcomed at the EU level regarding establishing a common framework, it is more appropriate to include them in the guidelines that each country itself can prepare, as the income limits for living standards vary from country to country.

At this point, the cooperation of platforms and public authorities importance has emerged. At the point of ensuring compliance with legal obligations and financial legislation, it is possible to use self-regulation, i.e., to share some financial responsibilities with platforms. It may be appropriate to transfer some of this burden to the platforms, as it can be assumed that it’s hard and expensive for public authorities to provide the control of new digital economic models such as the sharing economy. The proposal for the amendment of the e-commerce directive will facilitate the implementation of the legislation, but it is also necessary to consider the role of self-regulation in this regard. Also, some illegal activities can be detected and prevented by encouraging platforms to self-organize themselves. At this point, the solution may be to carry out some legislative and control functions through outsourcing, i.e., through platforms. Although compliance with tax and other legal obligations and prevention of illegal activity is a problem of public authorities, platforms are in the best position regarding ensuring the legal compliance of users and service providers. In fact, platforms are ideally positioned to enable service providers to meet their legal obligations. Because all information is already centralized on platforms.
The model between Amsterdam city and Airbnb, which collects taxes on behalf of platform accommodation providers, is a good example of this. At the point of declaration and collection of taxes, there are means to facilitate compliance with legislation thanks to the cooperation between the sharing economy platforms and the public authorities. An example of this is in France, where the platforms transfer annual tax returns to the automated declaration system, which specifies how much the service providers must declare. It can be said that such self-regulation by platforms is relatively successful. The most important example of this is the removal of approximately 170 Amsterdam advertisements by Airbnb, as the result of the application in Amsterdam is that the hosts do not comply with the rules. As a result, it seems that the control of legislative appropriateness and the means for this can be implemented much more easily.

At this point, the guiding principle should be: to fulfill reasonable legal requirements and to adapt existing legislation as much as possible. The platforms should then check with the competent authorities that they meet the requirements of the users (both service providers and consumers) by making partnership agreements. Depending on the type of this platform, it can be realized in different shapes.

Other countries where both EU and sharing economy platforms operate can develop a certification program for sharing economy initiatives and practices with a multi-level collaborative approach and can be inspired by exciting initiatives launched in different European cities. In this framework, it is possible to take an example of the Italy model, covering all sectors and platforms and creating a new law specific to the sharing economy, rather than using the existing legal regulation. To be able to register all platforms which are legitimate in this model to be registered in the "Electronic Economy Sharing Platform," it is necessary to submit "Company Policy Documents" to the Italian Competition Authority which undertakes the duty of supervision of the system. While platforms that do not comply with this obligation face criminal liability, the taxation of service providers are linked to a tariff of 10% up to 10,000 euros and incomes which are above this threshold will be taxed such as professional incomes. After a holistic analysis in a coordinated manner by institutions such as the Competition Authority in this example, certificates may be issued to service providers that meet the standards set by the sectors. If the same coordination is carried out by EU institutions, it is possible to become the certificates valid at EU level. Platform-level compliance of specified rules can be controlled, implementations encouraged and supported.

For traditional commercial modeled platforms, the licensing approach can be proposed. The licensing model, which Catalan tourism legislation applies to hotels and tourist offices, is responsible for collecting taxes on the platforms if the facilities that meet certain conditions are included in the records. At this point, using licenses is a more competitive approach than working with licenses. Professional licensing can be a way to prevent traditional companies entering the market for new entrants. Countries should always be aware of such a risk and consider this when taking precautions.

As a result; a new model of taxation should be established to ensure that participants in the new digital economic model, the sharing economy, are subject to legal regulations on the same level as traditional economic participants and that they are not subject to tax payments and unfair competition claims:

- Revenue administrations should develop a guide that explains the tax regulations related to participants in the sharing economy and updates it by the evolving conditions. Such a guide should be posted on the tax authorities' website and added to the comprehensive portal with key information, information about the sharing economy.
- Because the sharing economy is a digital economic model, digital technology must be used to control it, guide the user and report it. In this process, tax authorities should actively engage with the participants in the sharing economy to assess opportunities.
- A declaration of obligation for service providers to provide accommodation and driving sharing services or professional services through platforms.
- To facilitate the disclosure obligations of service providers, tax administrators should cooperate with platforms. Because platforms can access all the information of service providers.
- It is important to clarify legal concepts during the taxation of service providers. Time and/or income limits should be set to determine whether the service provided is occasionally or professional, and a taxation model should be established accordingly.
- A similar situation is a case for sharing-economy platforms. Once a consensus has been reached on the concept of a sharing economy, each country can control the activities and contracts of the platforms with a licensing mechanism within a parent organization that controls the platforms (Example of Italy). Taxation can be designed as a withholding tax in the form of a percentage of revenue generated by the service providers by the platforms, as well as transfer to the automatic declaration system by declaration form (Amsterdam and France model).

Sharing economy taxation is difficult but not impossible. Different country examples show that reaching full tax base is very difficult, but the only way to achieve tax revenue in this new economic model and not to create informal economic income is to make tax administrators work in cooperation with platforms and to make conscious of the individuals who provide service to these platforms.

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