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BRIEFING PAPER
SHARING ECONOMY

In partnership with

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FOREWORD

GAGAN MOHINDRA MP
Member of Parliament for South West Hertfordshire

"These apps and platforms have not only changed the way consumers purchase goods and services but has also changed how businesses operate"

As a Member of Parliament, I feel responsible for ensuring businesses thrive and there is capacity for them to invest, resulting in innovation. Entrepreneurship and innovation are vital to the UK economy, creating or improving goods and services for consumers, as well as keeping markets competitive. This report sheds important light on the brilliant work that we must continue to support businesses in doing as we recover from the Covid-19 pandemic.

The APPG for Entrepreneurship has brought together a group of cross-party MPs who are committed to understanding entrepreneurship and business, informing us about different industries, innovations to improve business and the challenges faced by businesses. The APPG has continued to work tirelessly throughout the Covid-19 pandemic to comprehend the changing landscape businesses have had to adapt to as well as learn about the brilliant innovations' businesses have had to make so they can continue operations.

Sharing Economy platforms have become instrumental to the growth and success of small businesses in our digitalised economy. These apps and platforms have not only changed the way consumers purchase goods and services but has also changed how businesses operate, enabling them to outsource tasks, such as, delivery and marketing. Importantly, the sharing economy serves as an effective method of increasing entrepreneurship by removing barriers to entry in markets, reducing the number of tasks and capital expenditures businesses need to make to become viable.

Before becoming a Member of Parliament, I was a small business owner in the retail sector. I understand the challenges involved with running a business, including some of the time-consuming tasks that reduce productivity. The APPG fully supports entrepreneurship and innovation in this country, which the sharing economy permits. Utilising the sharing economy enables businesses to not only grow but invest in capital and hiring new staff, which further grows our national economy.

In my constituency of South West Hertfordshire alone there are nearly 7000 VAT and PAYE registered enterprises with a further 2.7 million businesses registered in the United Kingdom. I am strongly focused on helping businesses to build back better after the pandemic, which is why the work that the APPG Entrepreneurship have done in this report is so vital. I hope local, small-medium sized enterprises as well as larger enterprises can utilise the sharing economy to continue to recover and grow their businesses. This will benefit both the national economy and consumers, who will enjoy the increased quality and efficiency the sharing economy can deliver.

I welcome this APPG for Entrepreneurship report and the hard work that has been conducted by Sam and his team. The call for evidence collected data from a variety of sharing economy platforms, highlighting the diversity of the sharing economy and the wide range of UK businesses that operate in this space. The sharing economy can enhance a diverse range of businesses and the further development of this sector will enable yet more businesses to take advantage of these platforms.

The report suggests businesses desire a level-playing field in relation to taxes compared to offline businesses. The APPG supports the findings of this report, concluding that a fair and sustainable tax system would allow businesses on sharing economy platforms to compete, benefiting consumers. As legislators, work like this provides a vital reference point to continue to ensure the Government is on the right track to help entrepreneurs across the country thrive. We will use these recommendations to inform our decisions, with better knowledge of the practices as well as challenges that small businesses face.

EXECUTIVE SUMMARY

SAM DUMITRIU
Research Director, The Entrepreneurs Network.

- Nearly half of the UK population use sharing economy apps to access goods and services.
- Over the past decade, venture capitalists have invested £3.47bn in 465 sharing and on-demand economy businesses, according to data provider Beauhurst.
- The responses to our Call for Evidence highlight the diversity of businesses in this fast-growing sector – they range from the more ubiquitous ride-hailing and delivery operators, to services which connect freelancers to consumers in wellness and household services, to platforms which promote environmental sustainability by lending baby clothes.
- In many cases, sharing economy platforms formalise and digitise existing offline business and employment practices.

Taxation

- There is a broad consensus between sharing economy entrepreneurs and groups representing or working with them that there should be a level-playing field on taxation between sharing economy platforms and traditional offline businesses.
- The reaction from sharing economy entrepreneurs to HM Treasury's consultation on applying VAT as standard to all sharing economy transactions, not merely the transaction fee the platform charges, was uniformly negative.
- It was believed that applying VAT would put platforms at a significant disadvantage compared to offline competitors who sold their services directly to consumers and were under the VAT turnover threshold. One entrepreneur said the change would 'essentially kill [their] business model." Another argued this could be a net-revenue loser for HMRC as it could push people away from platforms to the grey 'cash-in-hand' economy.
- There was support, however, for increased requirements for platforms to report the income of sellers on their platform to tax authorities, with the caveat that any reporting requirements were determined in line with the OECD process and were consistent globally.
- Concerns were raised around the process of self-assessment. Workers in the sharing or gig economy are often unfamiliar with the system, struggle to budget for it correctly, and risk fines for late or incorrect payments. To address this problem, HMRC should use creative solutions by trialling initiatives such as a specialist helpline and checklist

for sharing economy workers.

- The model used by the Estonian authorities was highlighted positively by multiple respondents. Online platforms work with tax authorities allowing prepopulation of returns, making it much easier for those users to confirm their income. Workers can open special business bank accounts that include automatic reporting and payments, which means they then do not have to register with the Estonian Tax and Customs board.
- Multiple entrepreneurs told us they believe the Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS) have "played a huge part in driving the startup ecosystem" and would not change them. However, one entrepreneur told us that many sharing economy businesses are effectively banned from accessing the reliefs as asset leasing is an excluded qualifying activity. This makes it significantly harder for sharing economy startups with a sustainability focus to access capital.
- HM Treasury should consult on revising the definition of asset leasing to allow sustainability-focused businesses to access venture capital reliefs, while still excluding non-innovative businesses with low-risk-to-capital such as ship chartering from access the reliefs.

Regulation

- Most respondents believed the UK's historic approach to regulating the sharing economy has been positive. By adopting a light-touch approach that does not impose additional obligations on digital businesses, the sector has been able to flourish.
- However, many entrepreneurs were keen to stress that it was a myth the sector was unregulated and highlighted the many obligations that platforms and third-parties had to engage with.
- There were concerns that the UK's regime was being undermined by uncertainty over future regulation. One entrepreneur suggested "extreme caution is necessary to avoid [new] regulation destroying [the] significant innovation, growth and value that the sharing economy has created for both buyers and sellers." Additionally, we received reports that investors believed a lack of clarity over regulation and legislation was a reason not to invest.
- The key concern for entrepreneurs was around employment classification. Some were concerned that the increased tax liabilities from worker status would drive independent workers to the cash-in-hand economy, where they had fewer protections.
- Others told us that they were reluctant to act on matters of professional standards and service quality in unregulated trades for fear of incurring additional tax liabilities.
- There was no clear consensus on whether the employment status of gig workers should be determined through law. The Coalition for a Digital

Economy (Coadec) argued that legislation would resolve uncertainty, while Sharing Economy UK opposed it as they believed it would restrict the flexibility people value and create additional barriers to the labour market, rather than increase clarity for businesses and individuals.

Startup Ecosystem

- The UK's startup ecosystem is generally favorable to sharing economy entrepreneurs with high levels of access to capital.
- However, access to talent is an issue at both the high-and low-skilled level. This is likely to have been exacerbated by the UK's exit from the European Union and the pandemic.
- In some cases, this has led startups to move part of their operations overseas, with obvious knock-on impacts to the UK economy, and working against the Government's ambition to grow more start-ups to IPO in the UK.

Recommendations

- Maintain a level-playing field in taxation between online and offline businesses by rejecting any initiatives that impose a higher VAT burden if a service is booked through an online platform rather than offline with pen and paper.
- The Government should work with the OECD to develop new fair third-party reporting requirements for sharing economy platforms.
- The Government should ensure all genuinely innovative businesses where there is risk to capital can access venture capital tax breaks such as EIS and SEIS by reforming asset leasing rules.
- The Government should actively investigate implementing an Estonian-style tax system for workers in the on-demand economy.
- The Government should not make any changes to employment status that risk undermining the flexibility that attracts workers to platforms.
- The Government should ensure that high visa fees do not act as a barrier to startups hiring international talent.

INTRODUCTION

In his book, Tomorrow 3.0: Transaction Costs and The Sharing Economy, economist Michael Munger makes the observation:[1]

> "Right now, we own stuff. I do, you do, the people across the street who can't get their car in the garage do . . . we own a ton of stuff. But people don't fundamentally want stuff. What they want is the stream of services that stuff provides over time. So if people own stuff—clothes, tools, cars, houses—rather than rent that stuff, it is because owning secures services more reliably and at lower transaction costs than renting."

"Over the past decade, venture capitalists have invested £3.47bn in 465 sharing and on-demand economy businesses."

What makes the sharing economy revolutionary is the way digital platforms have enabled us to access the benefits of owning "stuff" without actually owning anything. This has unlocked a myriad of benefits, from saving consumers money (e.g. why pay to own power tools when you only use them once a year), expanded choice, and less impact on the environment.

It also doesn't just apply to stuff, but work too. It has allowed more people to enjoy the flexibility and freedom of earning independently, without the hassle of networking, negotiating, or renting premises. There are productivity benefits too, by better matching buyers and sellers, workers are able to earn more by doing more jobs in the same amount of time and spend less time waiting around.

The APPG for Entrepreneurship's call for evidence and roundtable discussion on the sharing economy highlights the sector's diversity and its potential to transform almost every industry. Respondents to the APPG's Call for Evidence span sectors from beauty and wellbeing to travel and tourism, and almost everything in between. We even encountered a sustainability-focused startup which allowed parents to share baby clothes.

The Sharing Economy has been a key growth pillar for the UK economy. Over the past decade, venture capitalists have invested £3.47bn in 465 sharing and on-demand economy businesses, according to data provider Beauhurst.[2] Polling conducted by Public First, on behalf of startup industry group Coadec , found that almost half of the British public use sharing economy apps to access goods and services.[3]

Sharing economy businesses, which for the purposes of this research will

1 Munger, M. C. (2018). Tomorrow 3.0: Transaction costs and the sharing economy. Cambridge University Press.

2 Beauhurst, authors' analysis.

3 Submission, Coadec.

be defined broadly to include on-demand and gig economy businesses such as Uber, Deliveroo, and Fiverr, digitise and formalise existing offline business practices. For example, one submission to the APPG's Call for Evidence pointed out that in the beauty industry workers are traditionally self-employed and many salons operate on a seat-rental model where practitioners rent a space or agree to a form of profit sharing.[4] Sharing economy apps build upon these pre-existing business models, using matching algorithms and network effects to match buyers with sellers of goods or services. In many cases, bookings made before the advent of sharing economy apps would be processed via pen-and-paper. It is clear to understand the benefit of this digitisation for the Exchequer, as fewer businesses rely on traditional admin and cash in hand payments, which are harder for HMRC to track and tax correctly.

Although the sector has grown rapidly in the UK - and offers clear benefits for the Treasury, consumers and for access to earnings opportunities - sharing economy entrepreneurs are expressing concerns about the direction of policy. In particular, changes to tax and regulatory policy could have a significant impact on investment in the sector.

This APPG for Entrepreneurship report sets out the key issues that entrepreneurs in the sharing economy are concerned about. It advocates for a continued level-playing field on tax and for preserving the regulatory environment that has allowed the sector to flourish, while also empowering platforms to prioritise standards.

Taxation

In the responses to our Call for Evidence, there was a broad consensus between sharing economy entrepreneurs and groups that represent or work with them that there should be a level-playing field on taxation between sharing economy platforms and their offline competitors.

There was a general agreement that, outside of a few exceptions, the status quo was broadly fair. This is significant because HM Treasury recently consulted on major changes to the way VAT is applied to sharing economy platforms.[5]

Under the current system, online platforms are required to pay VAT on their transaction fee, while people providing a service on the platform (e.g. a minicab driver, host, or cleaner) pay VAT on the remainder of the transaction. As self-employed workers often have trading incomes below the £85,000 VAT registration threshold, this will leave the majority of the transaction untaxed.

HM Treasury's consultation on VAT was a response to concerns that the rise of the sharing economy is narrowing the tax base. In theory, this would

4 Evidence Submission, Jack Tang - Urban.

5 VAT and the Sharing Economy: Summary of Responses, HM Treasury.

be possible if a freelancer was previously providing the same service as an employee of a company above the VAT registration threshold. However, in many cases sharing economy platforms engage freelancers or sellers who would not otherwise be above the VAT registration threshold of £85,000. For example, a cleaner or childcare professional who uses an app to arrange their services is typically in competition with offline businesses who are also below the VAT registration threshold. Changing the status quo would result in an unlevel playing field for Sharing Economy businesses.

"Changing the status quo would result in an unlevel playing field for Sharing Economy businesses."

Multiple entrepreneurs who responded to our consultation believed that applying VAT to the entire transaction would also put them at a competitive disadvantage to their primary competitors, who would still be below the registration threshold for VAT.[6]

Although consumers use sharing economy apps for multiple reasons, including choice and convenience, price is a major factor. Polling commissioned by Coadec found that 39% of consumers agreed "If Gig Economy apps were more expensive than the alternative, I would stop using them", while just 9% disagreed.[7]

One entrepreneur told us the change would "essentially kill our business model", while another said costs would "be passed onto the consumers and practitioners. This would destroy the value of our platform and all the benefits and opportunities created."[8] There is also a risk that this move could push trade towards the grey or cash-in-hand economy, which could have negative revenue implications by increasing opportunities for evasion.

The Institute for Fiscal Studies' Stuart Adam argues that tax should aim to be neutral across different legal and commercial arrangements. Ultimately, he argues, questions such as 'Is the worker employed or self-employed?' or 'Is the platform providing the service to the customer, or merely connecting the customer to the service provider?' should be irrelevant to tax. In the long run, the only way to make this possible would be to reduce the tax incentives for businesses to fragment (e.g. by outsourcing employee roles to external contractors).[9] This would involve aligning business and individual tax rates, as well as reducing the VAT threshold. In practice, this would be politically difficult and in the absence of structural reform, *ad hoc* changes targeting innovative business models are ill-advised.

At the most recent Budget, it was announced that HM Treasury would consult on the arguments for and against implementing an Online Sales Tax. Any revenue raised from the tax under consideration would be used to reduce Business Rates. A key difficulty for any Online Sales Tax would be limiting its impact on independent and freelance users of online platforms. Past attempts to tax online platforms such as the Digital Services

6 Evidence Submission, Avin Rabheru - Housekeep.

7 Evidence Submission, Coadec.

8 Evidence Submission, Avin Rabheru - Housekeep and Jack Tang - Urban.

9 Stuart Adam (2020). "How should platforms and gig economy workers be taxed?" Institute for Fiscal Studies.

Tax have been passed on to SMEs and consumers. Additionally, many of the arguments against unilaterally applying VAT to sharing economy transactions apply equally to proposals to levy an Online Sales Tax.

There was, however, support for increased requirements for platforms to report sellers' income to tax authorities in order to prevent tax evasion. However, as many sharing economy businesses trade in multiple markets, any new requirements should be developed at the OECD level.[10]

Greater cooperation between tax authorities and sharing economy platforms could also have benefits for the self-employed. One respondent, the Low Incomes Tax Reform Group (LITRG), noted the sharing economy has led to a rise in the number of individuals who are required to file self-assessment tax returns. Individuals who have traditionally paid their taxes through withholding (PAYE) are often unfamiliar with the system.[11] As a result, they can struggle to budget for tax payments, not seek independent professional advice, and in some cases, fail to register at all.This can lead to penalties for late payment.

In their submission, LITRG drew attention to the Construction Industry Scheme where invoiced payments made to self-employed construction workers are withheld at a rate of either 20% or 30%. The withheld payments are sent to HMRC as an advance for the worker. A similar scheme targeted at the freelancers in the gig and sharing economies would have merit as it would reduce individual tax compliance costs and ensure the correct amount of tax is paid.[12]

There is international precedence for this approach. For example, Estonia has enabled voluntary reporting from some online platforms, allowing users to opt in to having data sent to the Tax and Customs Board.[13] This allows for pre-populated tax returns reducing compliance burdens. Gig workers in Estonia can also open special business bank accounts with automatic reporting of payments and withholding for income tax, social tax, and mandatory pension contributions. As a result, freelancers who opt into this regime do not have to register for the Estonian equivalent of self-assessment.

Given the potential compliance benefits, both in terms of simplicity and accuracy, HMRC should actively investigate the feasibility of implementing an opt-in system based on the Estonian model. In the short term, HMRC should update guidance and create a checklist of issues that first-time participants in gig economy work should be aware of, containing links and cross references to more detailed material. Sharing economy platforms could then distribute the guides to sellers using their platform. This approach should be proactive. For example, HMRC should employ people

10 Evidence Submission, Airbnb.

11 Evidence Submission, Low Incomes Tax Reform Group.

12 What is the Construction Industry Scheme (CIS)?, Low Incomes Tax Research Group.

13 Evidence Submission, Sharing Economy UK.

to scan online discussion forums used by sharing economy workers and sellers to identify common issues and complications.

“It is a myth that the sharing economy is unregulated.”

Multiple entrepreneurs told us they believed venture capital tax reliefs such as the Enterprise Investment Scheme and the Seed Enterprise Investment Scheme “played a huge part in driving the startup ecosystem”. There was also support for the Enterprise Management Incentive, which offers relief on startup employee share options. On balance, most entrepreneurs who responded would not fundamentally change them and most believed the level of support provided was sufficient. However, in some cases, rules designed to prevent abuse of the reliefs (e.g. to exclude investments where the risk to capital was extremely low) inadvertently excluded some sharing economy startups as asset leasing is an excluded qualifying activity. This rule is designed to prevent low-risk activities such as leasing ships from gaining relief designed for innovative and high-risk businesses. Unfortunately, it poses problems for innovative sharing economy businesses with a sustainability focus. [14]

For instance, Bundlee is the UK’s first baby clothing rental subscription, it allows parents to rent quality baby clothes and conveniently swap outgrown clothes for the next size up. This is associated with a significant reduction in greenhouse gas emissions and resource use. Bundlee’s investors were not eligible to claim SEIS on their investment as Bundlee was considered to be an excluded leasing business. As a result, businesses like Bundlee face significant difficulties in accessing additional financing and attracting staff by offering equity. By contrast, an e-commerce business that sold the same clothing would qualify for the reliefs.

A potential solution would be to amend the excluded trades list to only exclude leasing businesses who are leasing high-value and long-lived assets such as ships or property. This would allow sharing and circular economy businesses to access additional capital and test their sustainable option in the marketplace.

Regulation

By adopting an approach which does not impose any specific additional regulatory obligations on businesses, the sharing economy has grown rapidly and flourished in the UK.

It is a myth that the sharing economy is *unregulated*. In reality, sharing economy platforms are required to comply with the same laws as offline businesses. Where regulation has been controversial, it has typically been a result of the sharing economy making smaller operations more viable relative to larger regulated operations.

There were, however, concerns about the direction of travel. Multiple

14 Evidence Submission, Eve Kekheh - Bundlee.

entrepreneurs listed uncertainty around the legislation determining employment status as a key barrier to expansion and investment. For example, Jack Tang, co-founder of Urban, a beauty and wellness app, stressed that "extreme caution is necessary to avoid regulation destroying [the] significant innovation, growth and value that the sharing economy has created for both buyers and sellers."[15]

"extreme caution is necessary to avoid regulation destroying [the] significant innovation, growth and value that the sharing economy has created for both buyers and sellers."

He emphasises that before the advent of the Gig Economy, there were already high levels of self-employment in the beauty and wellness industry. Classifying the freelancers who use apps such as Urban as workers or employees would generate additional employment obligations and put his business at an unfair disadvantage.

Similarly, Coadec notes that public market investors have stated uncertainty about the legislation surrounding employment status as a reason not to invest in British sharing economy businesses.

Often fears around employment classification were driven by concerns around taxation. Whilst there are three categories for employment status (employed, self-employed and worker) - there are only two categories for taxation (employed and self-employed).

As employees typically face higher taxes than the self-employed, there were fears that decisions around employment classification could put online platforms at a significant cost-disadvantage. Avin Rabheru, founder of Housekeep, argues that the only real solution to prevent companies deliberately structuring around self-employment was to move to a single system of tax law independent of employment status.

Paradoxically, uncertainty around employment classification may actually lead to fewer protections and benefits for workers, and weaker enforcement of standards for consumers. For example, Jack Tang, founder of on-demand wellness app Urban, told us it is difficult for platforms to enforce trading standards and professional conduct in unregulated professions such as massages or beauty without asserting control and opening their business up to legal recourse surrounding employment status.

This also applies to benefits for workers and freelancers, for example Deliveroo founder Will Shu noted in a Times op-ed that "if Deliveroo unilaterally offer[ed] riders benefits today the consequence would be that they would likely be reclassified as "workers" by courts and, subsequently, they would have to operate in fixed shifts exclusively for us."[16]

Reclassification to employer models, or receiving legal rulings which led to shift setting would be an issue as it would undermine the flexibility that attracts many workers to the sharing economy. For example, almost half (42%) of 18-24 year olds agree with the statement "If I could make my

15 Evidence Submission, Jack Tang - Urban.

16 Shu, W. (2018). A chance to deliver a new way of working. The Times.

current job flexible like a gig economy job I would."[17] Additionally, a survey of Uber drivers by Public First, chosen as a representative sample of gig workers, found that they valued flexibility three times more than members of the general population.[18]

However, not all platforms believe 'worker' classification necessitates a reduction in flexibility and the imposition of fixed shifts. In response to a Supreme Court ruling, Uber moved to treat its 70,000 UK drivers as workers, providing them with holiday pay, a pensions scheme, and a guarantee of the National Living Wage for time spent driving. Referring to the judgment, Uber said "it gave the clarity we - and the private hire industry - needed to move forward to provide drivers with protections without jeopardising the two way flexibility which drivers consistently tell us is a priority."[19]

In their submission to the APPG for Entrepreneurship's Call for Evidence, Uber drew attention to a recommendation from Public First's *Good Work* research into the gig economy.[20] The report proposes new legislation to transform 'Worker' status as 'Flexible Worker'. This new status would apply to individuals who have the ability to work for multiple companies (multi-homing), and have complete choice over their hours (i.e. no fixed shifts). Under this system, Flexible Workers would be treated as self-employed for tax purposes and would be entitled to the national minimum wage, holiday pay and pension contributions, in proportion to the time they spend working through the app. Platforms would be allowed to offer their users additional benefits such as sick pay, insurance, parental leave, and training, without being at risk of employment status reclassification.

There was some disagreement over whether legislation over employment status would be welcome. Some groups such as Coadec believed that legislation would resolve uncertainty, while others such as Sharing Economy UK opposed it as they believe it could restrict the flexibility that many people value rather than increasing clarity.

Startup Ecosystem

There was a general consensus that there was sufficient access to equity finance for sharing economy entrepreneurs. However, some raised concerns that investors were overlooking innovative business models in favour of businesses using buzzwords such as AI and Blockchain compared to a few years ago.

More pressing were issues around access to talent at all skill levels. The dual shocks of Brexit and the Covid-19 pandemic have created substantial talent

17 Evidence Submission, Coadec.

18 Good Work – Balancing Flexibility and Fairness in the Gig Economy, Public First.

19 Evidence Submission, Uber.

20 Good Work – Balancing Flexibility and Fairness in the Gig Economy, Public First.

bottlenecks. As one entrepreneur put it: “We have struggled to recruit top talent, a lot of great people I’ve seen have relocated to other European countries or back to their home country.” As a result, he has now shifted half of his workforce overseas.[21] Another entrepreneur raised questions about the lack of clear strategy from the Government on talent and skills.

“There’s a war for talent both at high-skilled (e.g. software engineers) and low-skilled levels (e.g. tradespeople). This has resulted in huge wage inflation which will filter through to pricing. The government should be more explicit about whether this is an intentional or unintentional side effect of the EU exit.”[22]

Recent announcements such as the Scale-Up visa, High Potential Individual visa and Global Business Mobility visa, alongside the new Skilled Worker visa (replacing the Tier 2 General Visa) should help at the higher-skilled end, although high visa fees and the associated costs of sponsorship still act as a barrier for businesses.

The restrictions at lower-skilled levels post-freedom of movement combined with emigration during the pandemic have created an unexpected tightening, contributing to short to medium term shortages affecting platforms.

If shortages continue they risk undermining the government’s wider objectives of supporting entrepreneurship, attracting investment, and having more innovative businesses IPO in the UK. In light of this, there should be a renewed debate over creating new visa routes for workers at ‘lower-skill’ levels.

“There’s a war for talent both at high-skilled (e.g. software engineers) and low-skilled levels (e.g. tradespeople). This has resulted in huge wage inflation which will filter through to pricing.”

Conclusion & Recommendations

Ultimately, the health of the ecosystem for sharing economy businesses will depend upon the tax and regulatory environment. Our historic approach has given us advantages over EU nations where employment and tax legislation has been punitive. The sector is now widely used by the British public and is a key driver of investment into the UK. In the future, the sector’s growth will depend on sensible regulation and taxation that maintains and strengthens a level-playing field for all businesses.

With that in mind, we make the following recommendations on taxation, regulation, and the wider-startup ecosystem:

1. **Maintain a level-playing field in taxation between online and offline businesses.** HM Treasury should maintain their existing treatment of VAT for Sharing Economy businesses and reject any initiatives that impose a higher VAT burden

21 Evidence Submission, Jack Tang - Urban.

22 Evidence Submission, Avin Rabheru - Housekeep.

if a service is booked through an online platform rather than offline with pen and paper.

2. **The Government should develop new fair third-party reporting requirements for sharing economy platforms.** This should take place at the OECDlevel to avoid creating excessive burdens and ensure a level-playing field internationally.

3. **The Government should ensure all genuinely innovative businesses where there is risk to capital can access venture capital tax breaks such as EIS and SEIS.** HM Treasury should review the asset leasing restriction and create an exemption for low-value assets to allow sustainability-focused sharing economy businesses to utilise the schemes.

4. **The Government should actively investigate implementing an Estonian-style tax system for workers in the on-demand economy.** This would allow gig workers to opt-out of the self-assessment process and instead report their earnings and pay taxes automatically. In the short-term, specialised online advice and helplines should be created to improve the process of self-assessment for sharing economy workers.

5. **The Government should not make any changes to employment status that risk undermining the flexibility that attracts workers to platforms.** They should investigate solutions such as renaming the category of 'worker' to 'flexible worker', and clarifying that worker protections are offered, while maintaining flexibility in work and remaining self-employed for tax purposes, ahead of the upcoming Employment Bill.

6. **The Government should ensure that high visa fees do not act as a barrier to startups hiring international talent.** This could be done by waiving all visa fees (including the immigration health surcharge) for the new scale-up visa.

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- Uber

About the APPG for Entrepreneurship

The All Party Parliamentary Group for Entrepreneurship was set up to encourage, support and promote entrepreneurship. It also ensures that Parliament is kept up-to-date on what is needed to create and sustain the most favourable conditions for entrepreneurship.

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