

TAXATION AND THE PEER-TO-PEER (P2P) ECONOMY

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A QUICK INTRODUCTION TO THE P2P ECONOMY

WHAT IS IT? WHO IS IT?

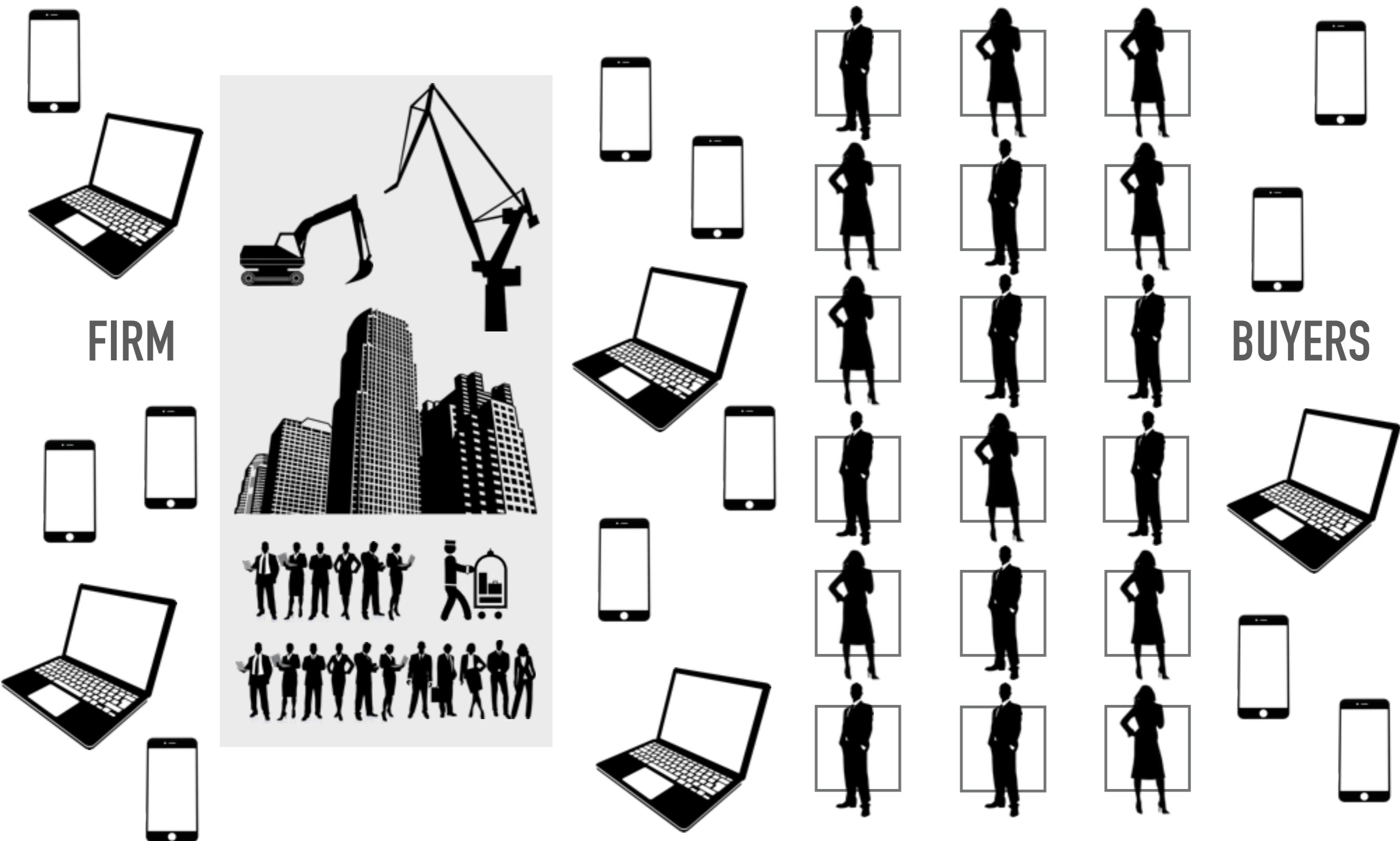
“TRADITIONAL” BUSINESS LANDSCAPE

FIRM



BUYERS

TECHNOLOGY REDUCES TRANSACTIONS COSTS



EMERGENCE OF THE P2P ECONOMY

.....

SELLERS



BUYERS



PLATFORM: SEARCH, MATCH, RATE, INTERMEDIATE

SELLERS



PLATFORM



VISA



BUYERS

WHO IS IN THE PEER-TO-PEER ECONOMY?



WORLDWIDE PHENOMENON

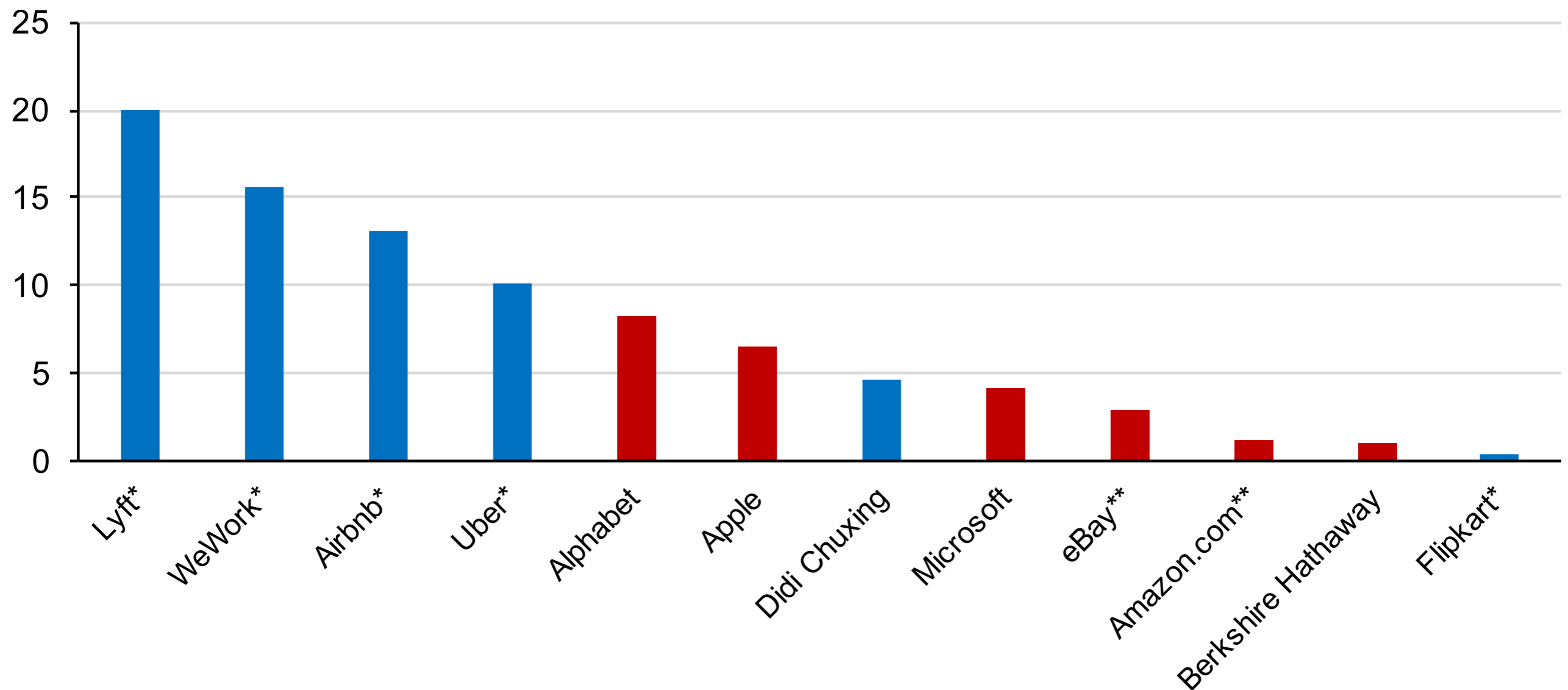


NUMBER OF USERS ON SOME OF THE LARGEST P2P PLATFORMS

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Company	Headquarters	Service	Reported Users (millions)
Airbnb	United States	Tourism	100
Alibaba	China	Commercial Marketplaces	440
Amazon	United States	Commercial Marketplaces	300
BlaBlaCar	France	Ridesharing	40
DiDi Chuxing	China	Ridesharing	400
Ebay	United States	Commercial Marketplaces	170
Lyft	United States	Ridesharing	40
Uber	United States	Ridesharing	40
Sources: Forbes, Fortune, Orbis, Reuters, and Wall Street Journal.			

STRIKING VALUATIONS PER EMPLOYEE



Sources: Dow Jones VentureSource, Orbis, Wall Street Journal, and IMF staff calculations.

Note: (*) denotes closely-held, venture-backed P2P businesses. (**) denotes listed P2P businesses. Red bars denote listed businesses; yellow bars are for listed P2P businesses.

MAKING HEADLINES

Inside the Hotel Industry's Plan to Combat Airbnb
approaches \$7bn valuation

Uber faces legal challenge on paying VAT

Business travellers have all but

The Gig Economy: A Ticking Tax Bomb?

kept in UK
40% annually

When Will Labor Laws
Catch Up With the Gig
Economy?

growing

HOW 3,000

TAXIS AND CUB

NEW YORK TRAFFIC

The Downside of Ride-Hailing: More New York City Gridlock

QUESTIONS

- What are implications of the structure and development of the P2P economy for current tax policy and administration?
- Does the P2P business model suggest an alternative system of taxation or simplification of existing taxes?

TAX-RELEVANT CHARACTERISTICS OF P2P BUSINESSES

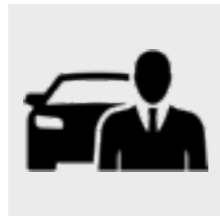
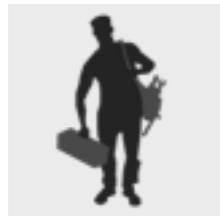
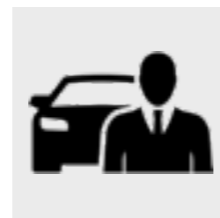
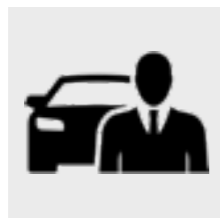
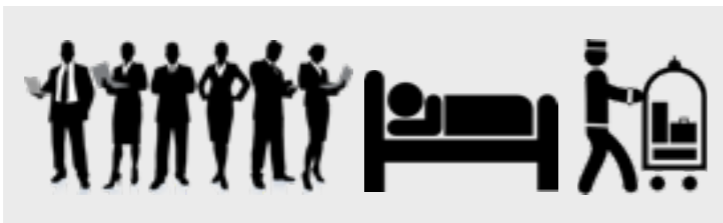
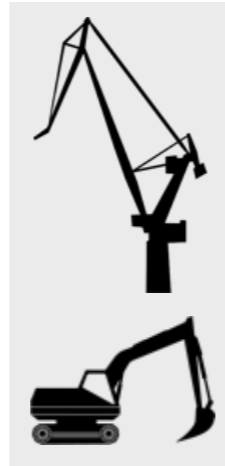
P2P BUSINESS MODEL



PLATFORM



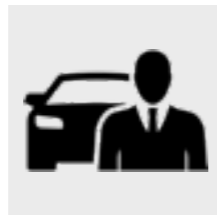
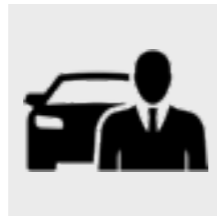
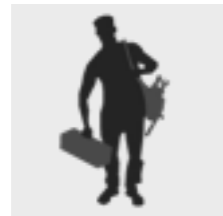
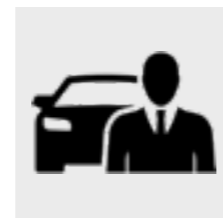
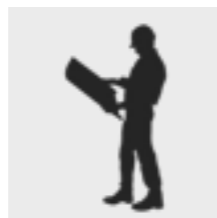
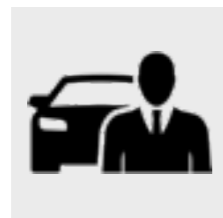
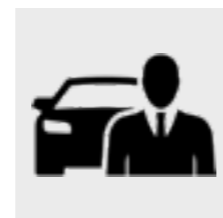
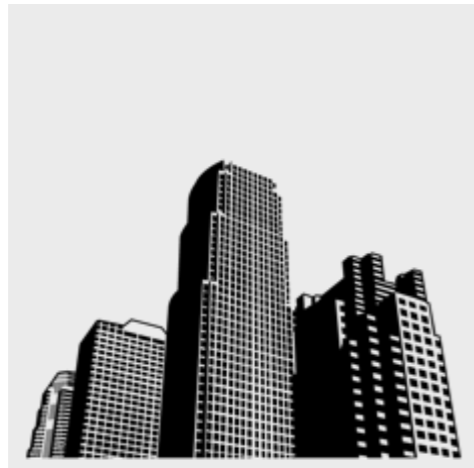
CURRENT BUSINESS LANDSCAPE



PLATFORM



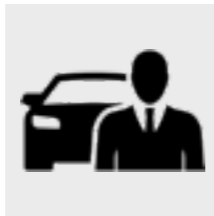
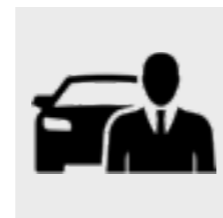
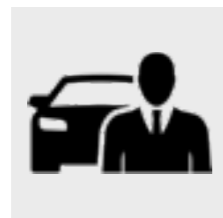
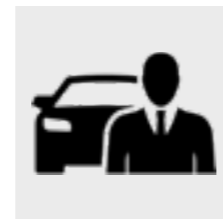
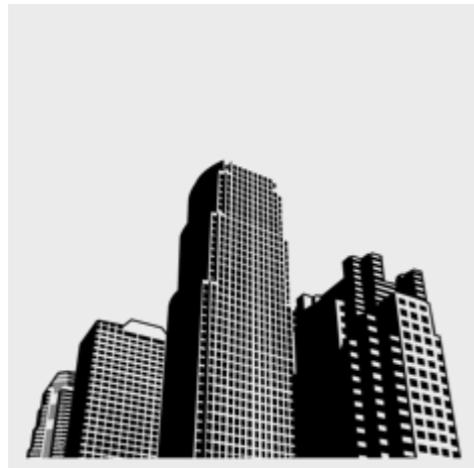
1) COMPETITION, LOW PRICES, DISPLACEMENT



PLATFORM



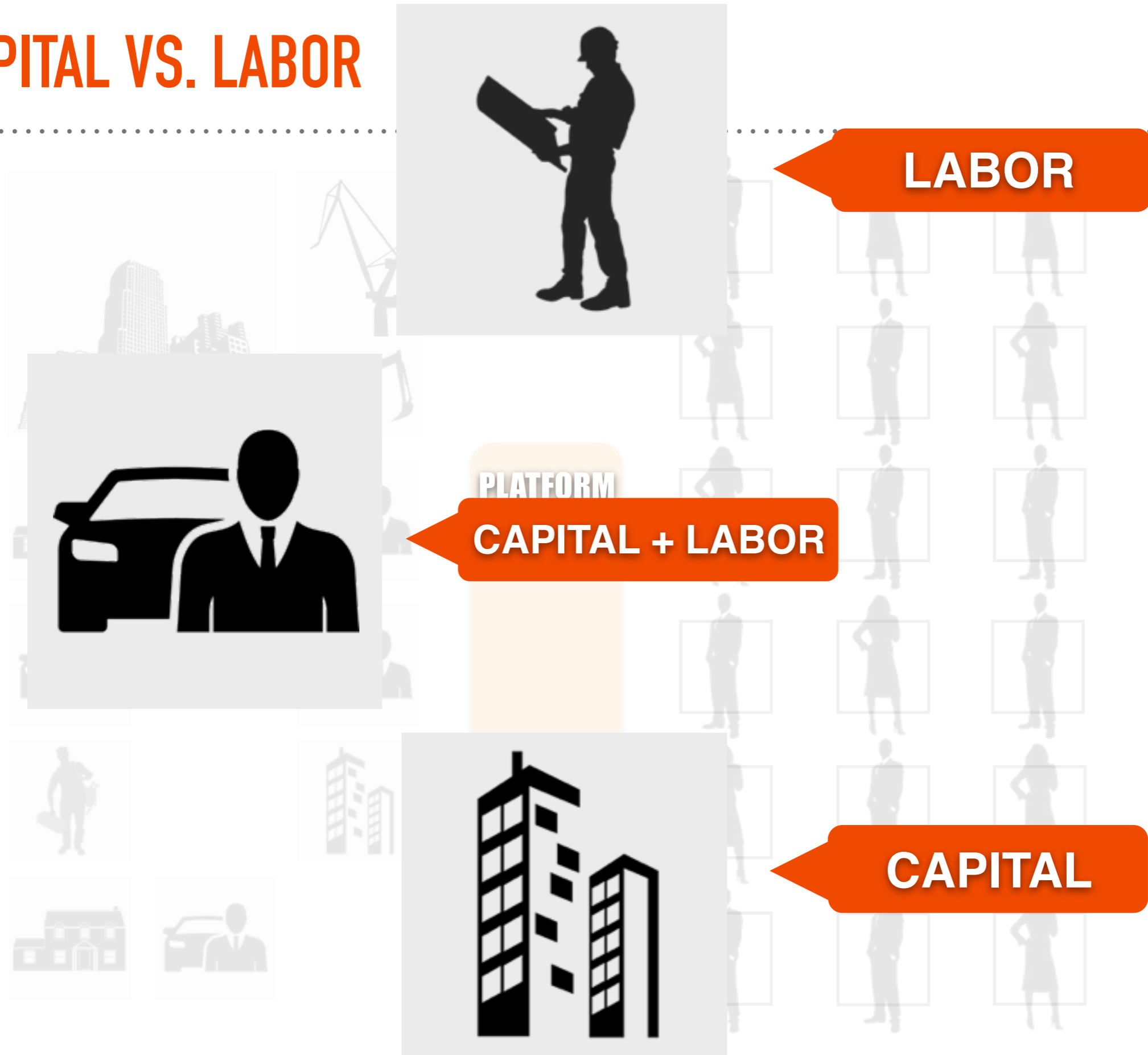
2) FLEXIBLE, LOW FREQUENCY, CASUAL PARTICIPATION



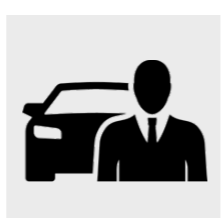
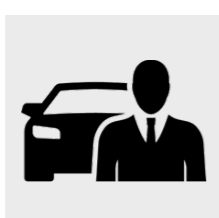
PLATFORM



3) CAPITAL VS. LABOR



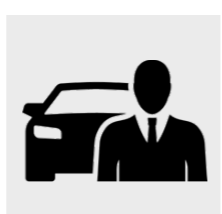
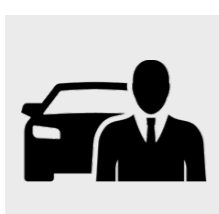
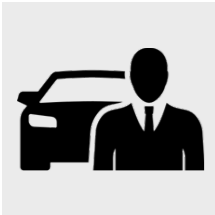
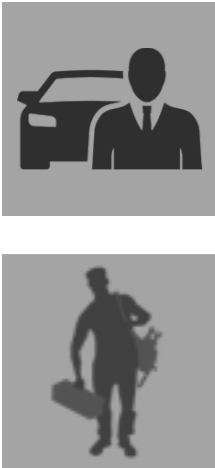
4) FORMALIZATION OF ACTIVITY (EXTERNALITIES)



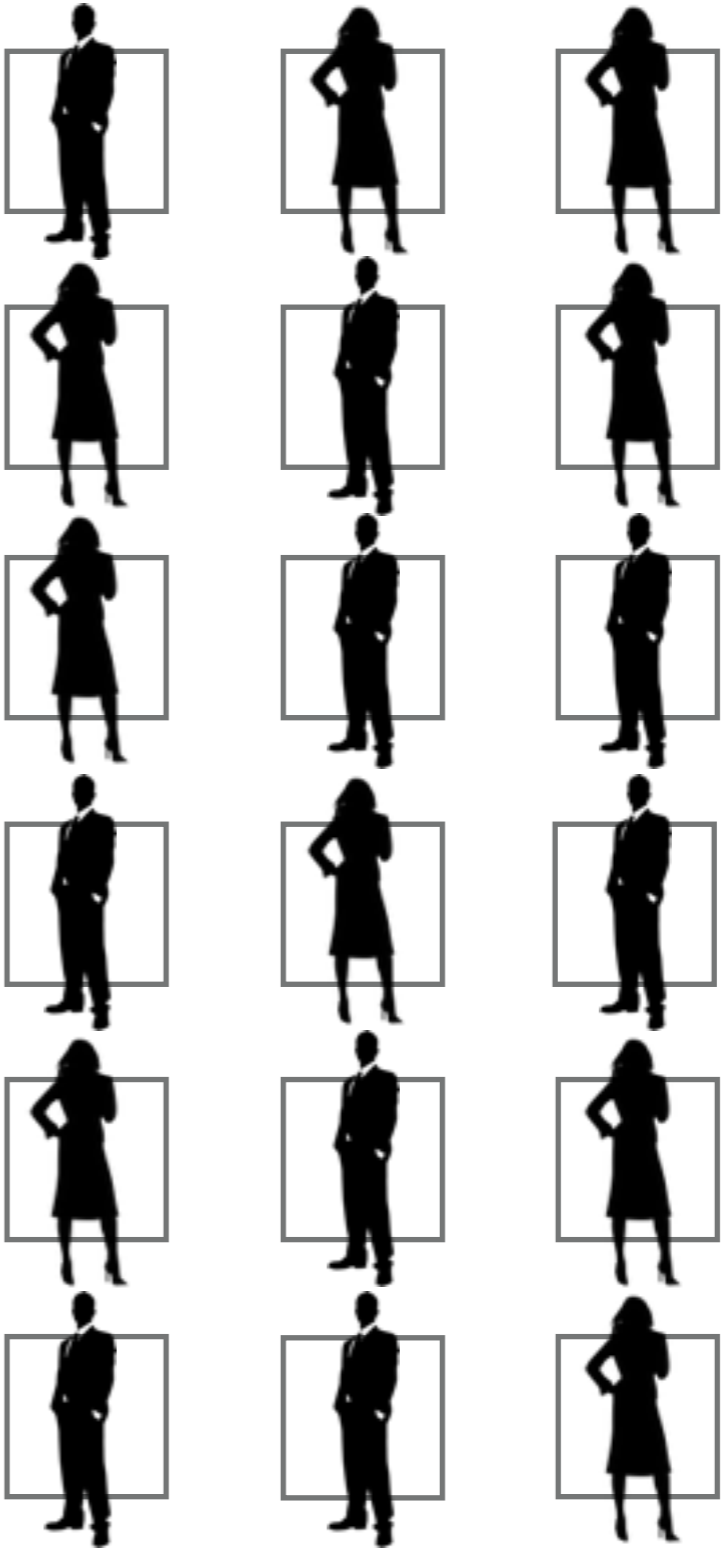
PLATFORM



5) ROLE OF THE PLATFORM: RECORDING TRANSACTIONS

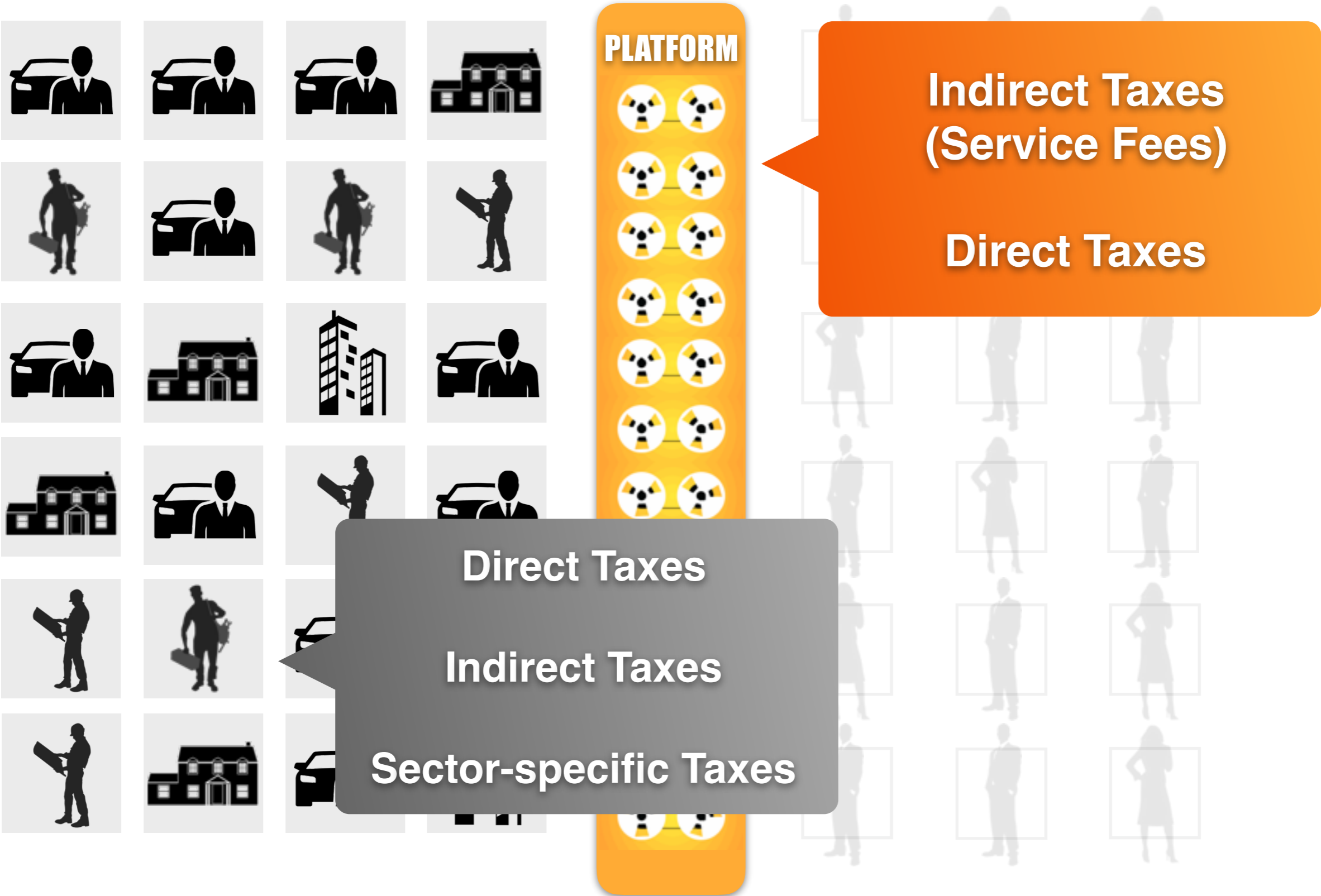


PLATFORM

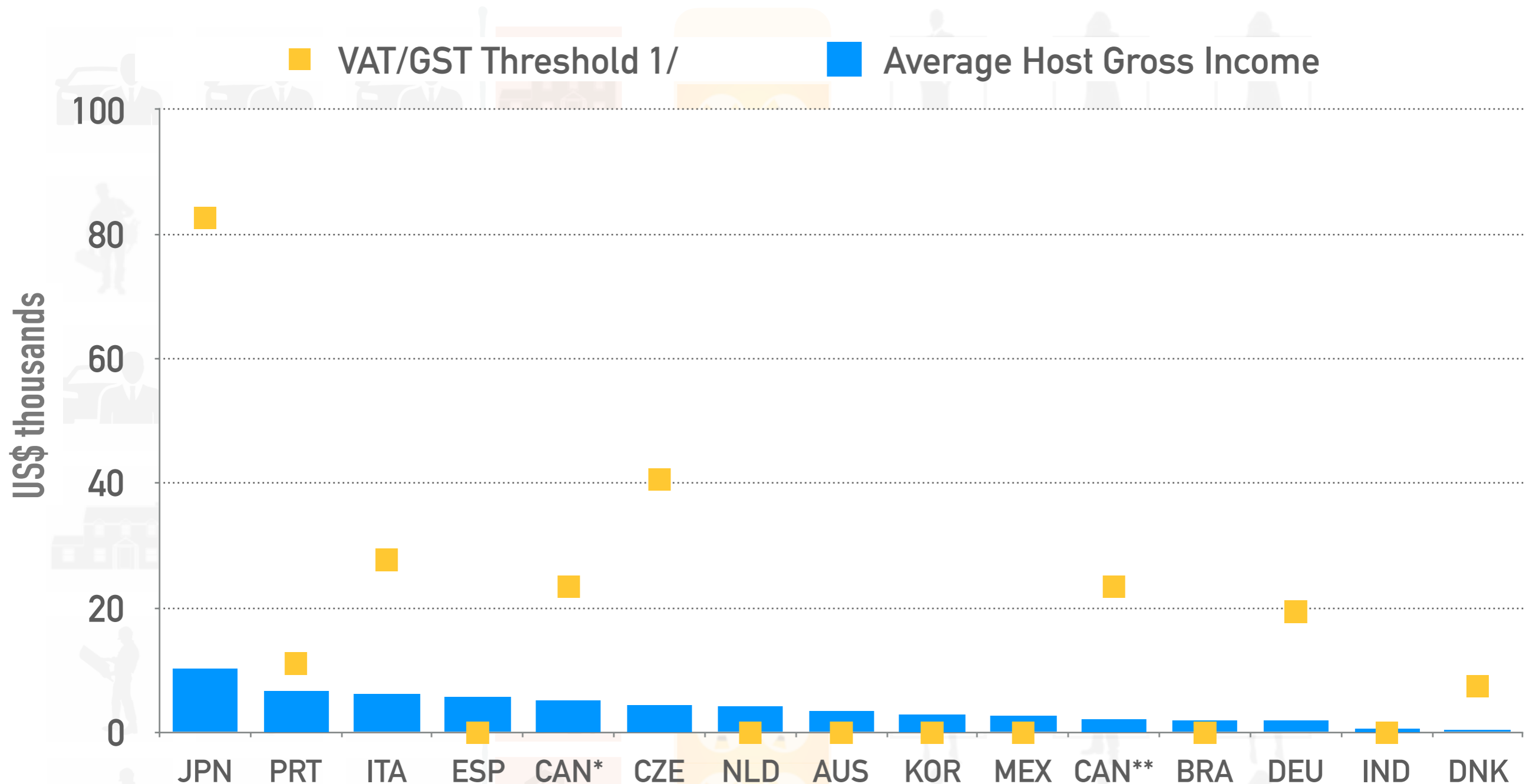


CURRENT TAX TREATMENT OF P2P BUSINESSES

P2P TAX TREATMENT



THRESHOLDS VS. AVERAGE HOST GROSS INCOME

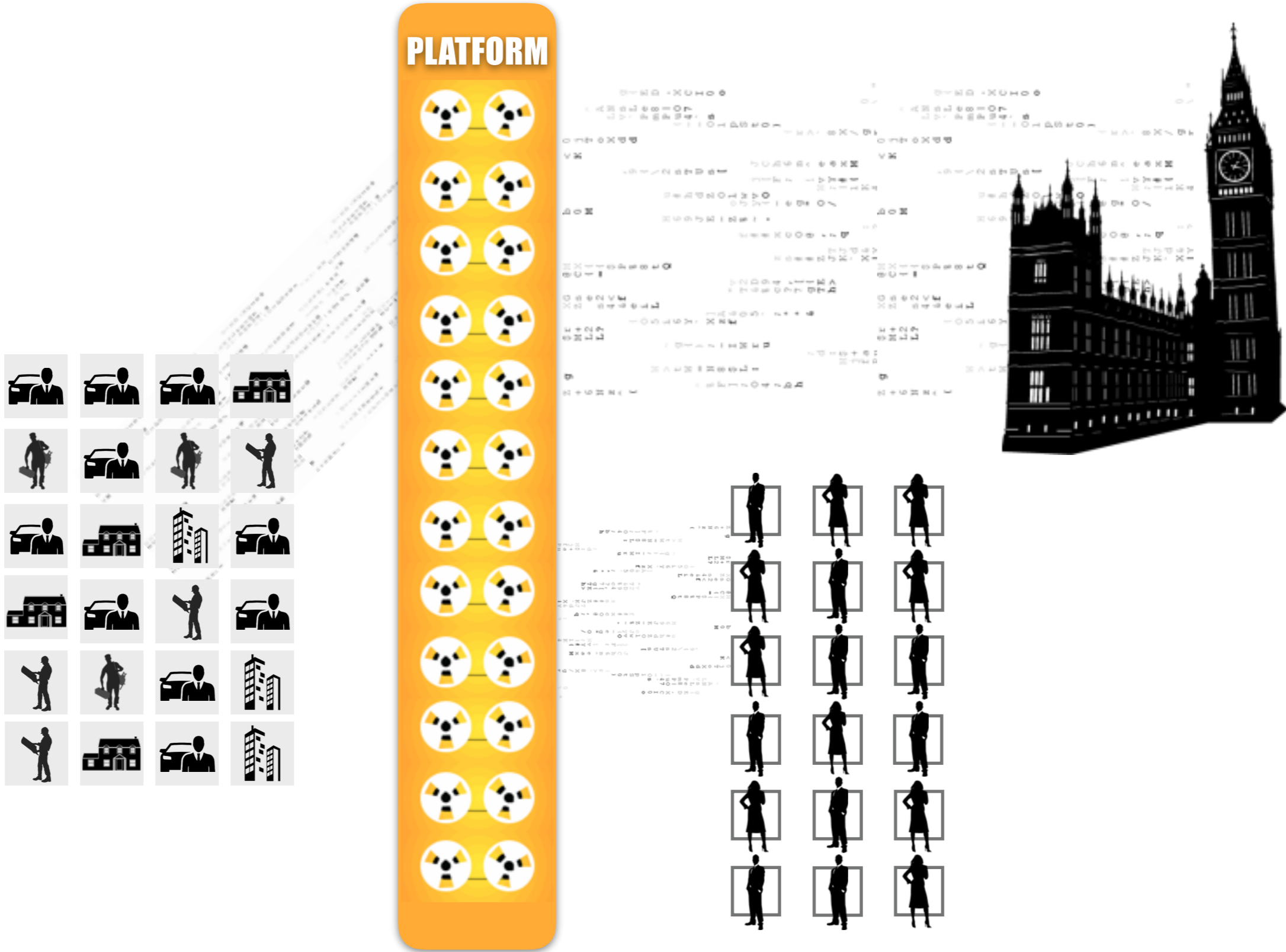


Sources: Airbnb Citizen and International Bureau of Fiscal Documentation.

Note: (*) Vancouver; (**) Montreal. Data for each country can be either a national average or for a major city.

1/ VAT = value-added tax; GST = goods and services tax.

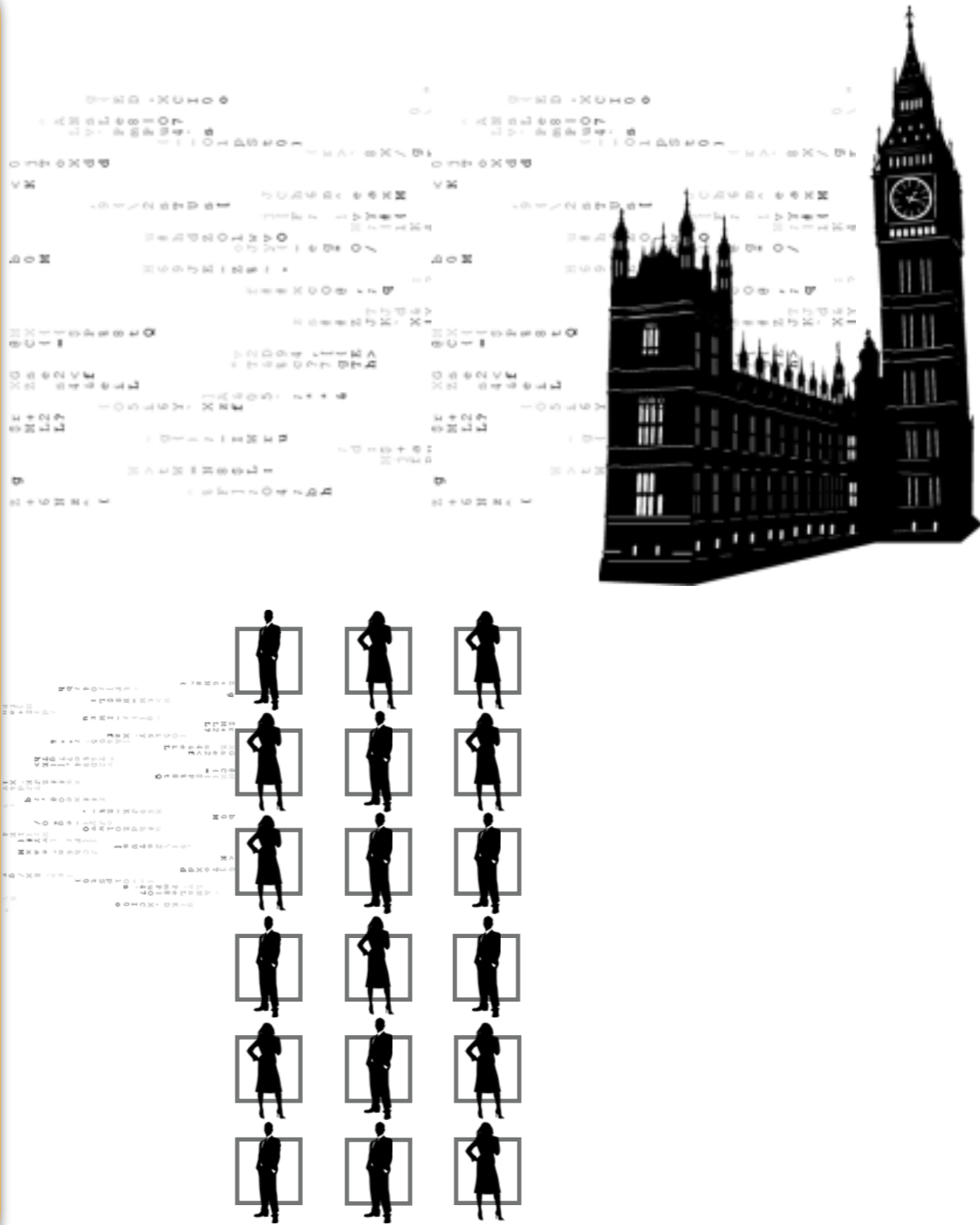
ROLE OF PLATFORM: THIRD PARTY REPORTER



ROLE OF PLATFORM: WITHHOLDING AGENT



Voluntary or Involuntary?



HOW TO TAX P2P BUSINESSES

TAX-RELEVANT P2P CHARACTERISTICS

- Increase in number of small businesses.
 - Small %GDP; Large %GDP ?
 - Low incomes (low frequency, irregularity, casual) ; Rents.
 - Competition (low prices, displacement).
- Combination of both capital and labor income.
 - Personal capital used (e.g., cars, houses).
 - K/L ratio.
- Platforms record information.
- Externalities ; Formalization.

POLICY OPTIONS

~~NO CHANGE~~

Small %GDP

Large %GDP

Competition

Rents

Formalization

Low incomes

Externalities

K/L ratio

POLICY OPTIONS

~~NO CHANGE~~

LEVEL THE PLAYING FIELD

Small %GDP

Large %GDP

Competition

Rents

Formalization

Low incomes

Externalities

K/L ratio

POLICY OPTIONS

~~NO CHANGE~~

LEVEL THE PLAYING FIELD

ACTIVE? POLICY

Small %GDP

Large %GDP

Competition

Rents

Formalization

Low incomes

Externalities

K/L ratio

FAMILIAR SMALL BUSINESS PROBLEMS

- Already long-standing debate on how to deal with small businesses.
 - Policy; Administration.
 - Special schemes in many countries already.
 - Presumptive taxation systems (blunt instrument).
- P2P treatment could be more complicated, for example, treatment of capital.
 - Variation in capital treatment already broad-ranging: depends on different factors, e.g., organizational form, asset type, etc.
 - Added apportionment issue of increased personal asset use.
 - Standard business deduction?

WHAT'S DIFFERENT WITH THE P2P BUSINESS MODEL?

- Platforms.
 - Intermediating and recording transaction information.
 - Overcome information asymmetry and simplify enforcement.
- Revenue-compliance trade-off behind thresholds could improve: lower thresholds? (just for P2P?)
 - More information, better/easier compliance.
 - Revenue gains unclear ($Q \uparrow$, $P \downarrow$); could be larger for economies (and sectors) where P2P businesses beginning to dominate, e.g., tourism in small economies.

POLICY AND ADMINISTRATION LANDSCAPE STILL DEVELOPING

- Be careful not to overstate gains at this stage.
- Third-party reporting: information on consumption (buyer), income (seller) but only partial (needs to be combined with all other data sources to present full taxpayer profile).
- Withholding: only really useful for transactions (indirect taxes).
- As information improves...
 - ...can help overcome administrative issues...
 - ...and can then focus on policy options (which are functions of increasing information).



