



HM Revenue
& Customs

The role of online platforms in ensuring tax compliance by their users

Call for Evidence

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1. Introduction

About this call for evidence

- 1.1. Platforms enabling the sale and rent of goods and services online are growing intermediaries in the UK economy. This is part of a worldwide trend that has the potential to bring great benefits to businesses, individuals, and the wider economy.
- 1.2. Online platforms are facilitating new economic interactions, increasing market efficiency, lowering prices and providing more choice for suppliers and consumers. These business models bring opportunities to maximise effective use of assets, and allow people to engage with the labour market more flexibly. As the changing shape of the economy presents new opportunities, tax should not be a barrier or unnecessary burden.
- 1.3. The government wants to ensure that, where people have tax obligations because of these new opportunities, it is as easy as possible for them to comply. However, research suggests that some who provide goods or services through online platforms do not fully understand or are unaware of their tax obligations. For example, HMRC research¹ found a quarter of those operating in the sharing economy through online platforms are not confident about their knowledge of tax obligations. Many of those earning money through a platform may never have previously made money without an employer to act as an intermediary between them and HMRC. They may have no experience of reporting income directly to HMRC, and it is right that we explore how best to support them.
- 1.4. At the same time, there will always be those who seek to exploit opportunities to undermine the tax system. Some platform users will be existing businesses or individuals taking advantage of platforms to access new markets, and of those, as with the wider business population, there will be a minority who try to avoid paying their fair share.
- 1.5. We already work with online platforms in a number of areas. For example, we have taken measures to combat VAT fraud in online marketplaces. Following the recommendations of the Public Accounts Committee (PAC) in October 2017, HMRC is working with online marketplaces to develop a cooperation agreement that will include commitments for collaborative working arrangements, exchanges of data and timeliness of responses to evidence of non-compliance with the VAT rules.
- 1.6. HMRC plan to publish this agreement with a list of marketplaces that have signed up to it. However, we recognise that the opportunities and challenges presented by the growth of online marketplaces extend beyond VAT.

¹ <https://www.gov.uk/government/publications/sharing-economy-user-characteristics-and-tax-reporting-behaviour>

- 1.7. The government needs to minimise opportunities for people to exploit this area of the economy to evade their tax obligations, at the same time as supporting those who want to comply. It is keen to explore what role platforms could play in tax administration, in the way other intermediaries, such as employers, have done in the past and continue to do.
- 1.8. This call for evidence will explore how government can build on work already undertaken with online marketplaces. We want to understand how platforms interact with their users currently, what they know about them, and understand more about attitudes to tax among people earning money through platforms.
- 1.9. **Chapter 2** considers the scope of this work and sets out a number of areas where the government and HMRC have already undertaken work with online platforms.
- 1.10. **Chapter 3** examines what we know about the current landscape, including how easy it is for people working in this area to understand and comply with their tax obligations, and discusses the relationships between platforms and their users.
- 1.11. Various tax administrations across the world have taken steps in this area and **Chapter 4** explores the approaches taken in other countries.
- 1.12. Certain platforms are already taking steps to support their users in understanding their tax liabilities. Many users do not understand or struggle to comply with their obligations, and platforms' relationship with their users may mean they are best-placed to support users in understanding and meeting their tax obligations.
- 1.13. We're keen to hear from online platforms, their users (both individuals and businesses), tax and other representative bodies as well as anyone with views on the role online platforms could play in supporting the compliance of their users, to ensure that any action is informed by the broadest possible range of evidence.

2. Background

This chapter will set out the range of online platforms and behaviours that will be considered in this document, and explain some of the steps that government has already taken in this area.

Scope

2.1. The term ‘online platforms’ could be understood in several ways – the availability and exploitation of new technology has enabled the development of a wide range of businesses. For the purposes of this work, we are interested principally in platforms:

- that facilitate the sharing economy (e.g. by allowing people to earn money from resources they are not constantly using, such as cars or spare rooms);
- that facilitate the gig economy (e.g. by allowing people to use their time and resources to generate income); or
- that connect buyers with individuals or businesses offering services or goods for sale.

2.2. The government recognises that this a broad area, covering a diverse range of businesses, taxes and behaviours.

2.3. The work will initially consider platforms that can play a formal role in transactions through which users could incur a tax liability, rather than those trading their own goods or services through their own website, or platforms which are more akin to advertisers.

2.4. The government intends to focus this work principally on direct tax in the first instance. However, it recognises that there may be similar challenges and opportunities in the wider tax system. The government will consider in due course whether the outcomes of this work could be applied more widely.

HMRC’s approach to compliance and intermediaries, and other actions in this area

2.5. HMRC aims to promote compliance and prevent non-compliance as early as possible in each customer’s relationship with them. Different intermediaries, for example employers and financial institutions, already play various roles in the administration of the tax system. HMRC’s strategy² is to support intermediaries to play an active role in collecting tax on behalf of, and providing data to, HMRC.

² <https://www.gov.uk/government/publications/hmrc-strategy/our-strategy>

2.6. We are keen to understand more about the role online platforms could play as intermediaries between HMRC and their users. In some connected areas the government is already considering action, or has recently implemented changes.

2.7. Bulk data powers

HMRC already has powers to obtain data to identify and tackle tax non-compliance from a variety of businesses and other data holders. For example, following changes introduced in Finance Act 2016, data may be obtained from business intermediaries (businesses helping to facilitate trade by typically introducing buyers to sellers, and facilitating orders or bookings on behalf of the seller); and electronic payment providers who operate digital wallets.

2.8. The business model used by an online platform may mean that the particular intermediary sits outside the UK and that the relevant data, unlike that held by a wholly UK based business, cannot be easily obtained using HMRC's powers. One potential response to this challenge would be to ensure that the data can be accessed by HMRC whatever the online platform's business model.

2.9. International cooperation

In an effort to find solutions for tackling the tax issues connected to online platforms HMRC have agreed to co-sponsor (with the Italian tax authority) an OECD Forum on Tax Administration project. The intention is to shape a more coherent compliance response across tax administrations to the sharing and gig economy. The OECD will publish the results of this project later this year.

2.10. Conditionality

In addition, the government has recently consulted on 'conditionality' measures to tackle the hidden economy. This would make compliance with certain tax obligations a condition of holding some public sector licences, and introduce checks on applicants' tax-registration status as part of licensing processes.

2.11. The current proposals relate to public sector licenses, but there is the potential for them to act as a first step in a longer-term roadmap. This could, in time, see simple tax checks integrated digitally into more of the services or platforms that businesses use to trade. The information obtained through this call for evidence will provide more context and background to the longer-term development of these proposals.

2.12. VAT and online marketplaces

As noted in Chapter 1, we have taken a number of measures to tackle an increased risk of loss of domestic VAT from overseas sellers based outside the EU that sell goods direct to UK consumers via online marketplaces. Budget 2016 and Autumn Budget 2017 included measures to make online marketplaces jointly and severally liable for the VAT of non-compliant overseas businesses in certain circumstances, as well as a requirement to display a valid VAT number when they are provided with one by a business selling through the marketplace. These measures are now being implemented, with HMRC taking actions (such as issuing notices) consistently based on a risk assessment of all online marketplaces.

2.13. In addition the government is exploring alternative collection mechanisms for VAT, including the use of technology to tackle non-compliance from overseas businesses trading via online marketplaces. Following the Call for Evidence for VAT Split Payments, and the response published at Autumn Budget 2017, a consultation on this has been published at Spring Statement 2018³.

2.14. **The Taylor Review**

Although not solely concerned with tax, the Matthew Taylor Review of modern employment practices also has connections to this work. The government recently published its response to the Taylor Review. As part of this the government has launched four consultations, including one on employment status. This examines options for providing greater clarity and certainty on the rights people are entitled to, particularly those working through platforms in the gig economy, and the employment taxes individuals and businesses should pay. The review also examines whether the rules on what constitutes working time for National Minimum Wage and National Living Wage purposes for workers using digital platforms can be made simpler and easier to enforce.

³ <https://www.gov.uk/government/consultations/alternative-method-of-vat-collection-split-payment>

3. Understanding the current landscape - users of online platforms and tax

- 3.1. The existing system of tax reporting has well-established methods of administration for both employees and small businesses. Pay As You Earn (PAYE) provides a positive experience for millions of employees who need no direct contact with HMRC. Of those individuals and businesses reporting directly to HMRC, the vast majority recognise and want to comply with the obligation to keep good records and submit timely and accurate returns.
- 3.2. However, we need to ensure that the administration of the tax system adapts to fit the way people are working. This chapter will examine what we understand about tax compliance by people earning income through platforms, and ask several questions intended to explore the case for measures to address any problems.
- 3.3. Not all users of digital platforms will have an immediate tax liability from economic activity using those platforms, especially in light of the two £1,000 sharing economy allowances introduced in April 2017. However, the government wants to ensure that they understand their obligations – arriving at the understanding that you do not have a tax liability should be an informed process. For those users who do have tax obligations, the government wants to ensure they are supported to comply with these.

Trading and Property Income Allowances

From 6 April 2017, individuals can get up to £1,000 a year in tax-free allowances for property or trading income. If they have both types of income, they can get a £1,000 allowance for each. Although individuals must keep a record, there's no need to register for Self-Assessment to declare this income on a tax return if the total amount of trading or property income is £1,000 or less, before any allowances or expenses. Those who already complete a tax return can claim the allowances by deducting them from gross property or trading income.

- 3.4. We want to consider the range of behaviours people might exhibit. The government knows that the majority of people want to comply with their obligations, but may struggle to understand how to report income earned in this way, particularly if it is new to them and they do not have easy access to helpful information.

- 3.5. Others may genuinely not understand that money earned this way can attract a tax liability - HMRC's recent research⁴ found over half (54%) saw their sharing economy activity as just a way of making some extra money rather than employment or self-employment, suggesting many may not recognise this as a potentially taxable activity.
- 3.6. At the other end of the scale, there will always be a dishonest minority who seek deliberately to avoid or evade their tax liabilities. In reviewing whether HMRC's approach to administering tax is appropriate for this new and growing area of the economy, it is right to consider this issue.

How easy is it for people to understand and comply with their liabilities?

- 3.7. Online platforms offer a range of opportunities for people to make money. Some of these may not attract any tax liability - for example simply selling unwanted possessions. However, individuals could move into activities that would fall within the legal definition of trading without understanding that their activities have become taxable.
- 3.8. In addition, confusion can arise because different rules and allowances can apply for income received from property (such as renting rooms on a short-term basis, or offering parking on a driveway during sporting events) to those that apply to trading income from selling goods. Simple or clear-cut guidance cannot cover the full range of transactions possible through online platforms, which means users may struggle to find advice that fits their situation. HMRC research suggests that only half of those earning money through the sharing economy believe they know enough to fulfil their tax obligations.
- 3.9. Other jurisdictions have taken action to make it easier for users of these platforms to report their liabilities, providing information based on the transactions undertaken by the individual. This indicates other countries have found it can be challenging for some people to understand what they need to do to comply without additional help.
- 3.10. The vast majority of people want to comply with their tax obligations. The government should look to ensure that the whole system, including platforms through which people are earning money, makes that as simple as possible.

Can platforms create opportunities for evasion and deliberate non-compliance?

- 3.11. The available evidence does not suggest that tax evasion among small businesses is more prevalent where they use online platforms as part of their business model than it is in other areas of the economy.

⁴ <https://www.gov.uk/government/publications/sharing-economy-user-characteristics-and-tax-reporting-behaviour>

- 3.12. Businesses not registering with HMRC, or individuals failing to declare any of a secondary source of income to HMRC, are not a new problem for the tax system. This behaviour occurs in the traditional economy, as highlighted in HMRC's research into the hidden economy⁵. This research found that only 36% of those operating in the hidden economy used any form of web-based advertising, including both platforms and marketplaces as well as social media or their own website.
- 3.13. However, the growth of online platforms makes it significantly easier for people to earn secondary sources of income. There is therefore a potential opportunity for the dishonest minority to seek to evade paying tax, and government should explore whether there are ways it can work with platforms to limit dishonest behaviour of this kind.

Relationships between platforms, users and HMRC

- 3.14. We are aware that this area is still developing, and comprises a diverse set of businesses. As such, there is a wide range of different models for the ways platforms engage with their users. Understanding more about how they interact with people and businesses who earn money through them will be helpful for building a picture of what interventions might be appropriate and proportionate to support tax compliance.
- 3.15. Certain businesses are already taking steps to support their users in understanding their tax obligations. This is positive, and the government would like to know more about why these platforms have decided to do so and how they identified the appropriate intervention.

Questions

Question 1: What helps users of online platforms to understand their tax obligations? Where do users currently seek help?

Question 2: To what extent do users seek help from online platforms themselves? What evidence is available on how this support is used?

Question 3: What potential barriers do you think there are to users of online platforms in understanding their tax obligations? What evidence do you have about the impact of these barriers?

⁵ <https://www.gov.uk/government/publications/the-hidden-economy-in-great-britain>

Question 4: In what ways do online platforms create new opportunities for individuals or businesses to deliberately avoid paying tax?

Question 5: In what ways do the above issues differ for users who think of themselves as being in business compared to those who do not?

Question 6: What further opportunities exist for platforms to work together with HMRC to help users understand and meet their tax obligations?

Question 7: What data do online platforms hold about their users and their activities on platforms? How could this data be used to help users to understand when they might incur a tax liability from their activity on the platform?

Question 8: What opportunities or challenges are created by users working across multiple platforms or working with platforms indirectly through intermediaries? To what extent does this occur?

4. Other countries and potential approaches

- 4.1. Other countries have taken a variety of steps aimed at making it easier for people trading or working through platforms to comply with their obligations. This chapter examines a few of these examples. It asks for views on these measures and for any information on how businesses with a presence in those countries have adapted their operating models there.
- 4.2. The UK is also exploring relevant actions taken by tax authorities overseas through its co-sponsorship of a Forum on Tax Administration project that will be published by the OECD later this year.

Action taken in other countries

- 4.3. The actions taken by different countries vary – some involve encouraging or compelling platforms to provide certain data to the users of the platforms, some provide voluntary or compulsory systems for reporting details about the users and their incomes directly to the tax authorities. Others have introduced withholding systems, requiring some platforms to collect a proportion of the money earned by users on behalf of the tax authority.
- 4.4. For example, in **France**, platforms must provide users with a description of their obligations in relation to each transaction (e.g. the tax applicable to the amounts charged by users through the platform, reporting and payment obligations) as well as providing the user with an annual statement of gross income. Further action has been taken that will require online platforms to report similar information directly to tax authorities from 2019.
- 4.5. **Estonia** has enabled voluntary reporting from some online platforms, allowing users to opt in to having data sent to the Tax and Customs Board to allow pre-population of returns, making it much easier for those users to confirm their income. Further action has been taken to allow users to open special business bank accounts that will include automatic reporting and payments (20% below 25,000 euros and 40% above that level) to cover income tax, social tax and mandatory pension contributions. Those taking advantage of this service will not need to register with the Estonian Tax and Customs Board or complete returns.
- 4.6. For those providing services (rather than goods or access to property), **Belgium** has introduced a new tax rate for those making less than 5,000 euros. The rate is nominally set at 20%, but the rules for expenses and deductions mean that the effective rate is 10%. Platforms that are eligible withhold 10% of gross payments to those who qualify. The users are not then required to register as a business, and will receive an annual statement from the platform showing the services provided as well as the gross income and the amount withheld.

Questions

Question 9: Do you have any experience of these approaches? What evidence do you have about the impact of these interventions?

Question 10: Are any of these international examples particularly promising for the UK? How could they be designed most helpfully for a UK context?

Question 11: Are you aware of any platforms that have changed their operating model to account for any changes?

Question 12: Are you aware of any problems or challenges that have been presented by these policies? How could these be overcome?

Question 13: Do you think these policies are effectively targeted? Do you think they apply to the right set of online platforms?

Question 14: Are you aware of additional international evidence or examples? What can we learn from these?

5. Summary of Questions

Question 1: What helps users of online platforms to understand their tax obligations? Where do users currently seek help?

Question 2: To what extent do users seek help from online platforms themselves? What evidence is available on how this support is used?

Question 3: What potential barriers do you think there are to users of online platforms in understanding their tax obligations? What evidence do you have about the impact of these barriers?

Question 4: In what ways do online platforms create new opportunities for individuals or businesses to deliberately avoid paying tax?

Question 5: In what ways do the above issues differ for users who think of themselves as being in business compared to those who do not?

Question 6: What further opportunities exist for platforms to work together with HMRC to help users understand and meet their tax obligations?

Question 7: What data do online platforms hold about their users and their activities on platforms? How could this data be used to help users to understand when they might incur a tax liability from their activity on the platform?

Question 8: What opportunities or challenges are created by users working across multiple platforms or working with platforms indirectly through intermediaries?

Question 9: Do you have any experience of these approaches? What evidence do you have about the impact of these interventions?

Question 10: Are any of these international examples particularly promising for the UK? How could they be designed most helpfully for a UK context?

Question 11: Are you aware of any platforms that have changed their operating model to account for any changes?

Question 12: Are you aware of any problems or challenges that have been presented by these policies? How could these be overcome?

Question 13: Do you think these policies are effectively targeted? Do you think they apply to the right set of online platforms?

Question 14: Are you aware of additional international evidence or examples? What can we learn from these?

6. Responding to this call for evidence

How to respond

A summary of the questions in this call for evidence is included at chapter 5.

Responses should be sent by 8 June 2018, by email to onlineplatforms.callforevidence@hmrc.gsi.gov.uk or by post to:

Alistair Sutcliffe
HMRC
100 Parliament Street
London
SW1A 2BQ.

Telephone enquiries 03000 536097 (from a text phone prefix this number with 18001)

Please do not send responses to the Consultation Coordinator.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC's GOV.UK pages](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act, General Data Protection Regulation (GDPR) and the Environmental Information Regulations 2004

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue & Customs.

Consultation Privacy Notice

This notice sets out how we will use your personal data, and your rights. It is made under Articles 13 and/or 14 of the General Data Protection Regulation (GDPR). Please return this form with your response to the consultation.

Your Data

The data

We will process the following personal data:

Name
Email address
Postal address
Phone number
Job title

Purpose

The purpose(s) for which we are processing your personal data is:
Public consultation on the role of online platforms in ensuring tax compliance by their users.

Legal basis of processing

The legal basis for processing your personal data is that the process is necessary for the exercise of a function of a government department.

Recipients

Your personal data will be shared by us with HM Treasury.

Retention

Your personal data will be kept by us for six years and will then be deleted.

Your Rights

- You have the right to request information about how your personal data are processed, and to request a copy of that personal data.
- You have the right to request that any inaccuracies in your personal data are rectified without delay.
- You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.
- You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.
- You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.

Complaints

If you consider that your personal data has been misused or mishandled, you may make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF
0303 123 1113
casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact Details

The data controller for your personal data is HM Revenue & Customs. The contact details for the data controller are:

HMRC
100 Parliament Street
Westminster
London SW1A 2BQ

The contact details for the data controller's Data Protection Officer (DPO) are:

DPO
HM Revenue & Customs
9th Floor, 10 South Colonnade
Canary Wharf
London E14 4PU

Consultation Principles

This call for evidence is being run in accordance with the government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.