Office of
Tax Simplification

Office of Tax Simplification
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# The 'Gig' economy

## An Office of Tax Simplification Focus paper

*The OTS has traditionally concentrated our efforts on studying particular areas of the tax system, producing reports with recommendations. We have also published occasional papers on wider aspects but with our increased statutory remit, we plan to do more work of this kind. In doing so we will seek to focus on issues of concern and plan to stimulate debate, hoping that others working in the areas concerned will find them helpful. These 'Focus papers' are informed by our evidence gathering and researches but are not presented as the product of the sort of full-scale evidence gathering that support our traditional reports.*

*This paper contains no recommendations, or questions seeking a response, but a number of issues are raised. We would welcome comments or contributions, especially in terms of any tax issues we have omitted. We may take up aspects into a more formal project in due course.*

### Introduction

The 'gig' economy (and its near-relative, the 'sharing' economy) has been much in the news this year. Most recently, the decision in the Uber tribunal case[1] on the rights of those working for the organisation has raised the profile of the issue further. Parliament's Business, Energy & Industrial Strategy Committee announced a project[2] and the Prime Minister has asked Matthew Taylor, Chief Executive of the RSA to carry out a study.[3]

The OTS does not seek to compete in any way with all these activities. The aim of this short paper is to raise some of the tax issues and implications that arise from the gig economy[4]. In doing so we are seeking to promote discussion on the issues and to ensure that tax aspects are not forgotten about in the understandable focus on employment rights and related matters. We will be bearing in mind these issues in our work and would welcome comments and observations.

### What is the gig economy…?

The gig economy is an environment in which temporary positions are common and organisations contract with independent workers for short-term or on-demand engagements.[5] A dictionary definition[6] is: 'A way of working that is based on people having temporary jobs or doing separate pieces of work, each paid separately, rather than working for an employer.'

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1 See https://www.judiciary.gov.uk/wp-content/uploads/2016/10/aslam-and-farrar-v-uber-reasons-20161028.pdf and articles such as http://www.bbc.co.uk/news/business-37802386

2 'Future world of work and rights of workers' enquiry: http://www.parliament.uk/business/committees/committees-a-z/commons-select/business-energy-industrial-strategy/inquiries/parliament-2015/the-future-world-of-work-and-rights-of-workers-16-17/

3 Review of 'Employment practices in the modern economy': https://www.thersa.org/about-us/media /2016/matthew-taylor-to-lead-independent-review-of-employment-practices-in-the-modern-economy and https://www.gov.uk/government/news/taylor-review-on-modern-employment-practices-launches

4 Our focus is gig rather than sharing but we will cover aspects of sharing in the tax section.

5 See for example http://whatis.techtarget.com/definition/gig-economy

6 http://dictionary.cambridge.org/dictionary/english/gig-economy

An individual, instead of having a permanent or part-time job, might alternatively or additionally carry out stints of work or 'gigs' by connecting to the public or other businesses through technology platforms. The dictionary definition noted above goes on to suggest: 'workers eke out a living in the gig economy, doing odd jobs whenever they can', but some comments suggest the gig economy can generate full incomes for those that want it.

The Crowd Working Survey[7] found that over a third of those who responded said that they rely on the source of income as their main or sole source of income; although the majority earn a modest income, 7% earn over £55,000[8] a year. The survey also reveals that around 11% of respondents said they had succeeded in finding work via the sharing economy platforms during the past year.[9] [10]

According to research by the McKinsey Global Institute, independent workers fit into four key segments:

- about 30% are "free agents," who actively choose independent work and derive their primary income from it
- approximately 40% are "casual earners," who use independent work for supplemental income and do so by choice
- the "reluctants" make their primary living from independent work, but would prefer traditional jobs; they make up 14%
- then there's the "financially strapped," who do supplemental independent work out of necessity, accounting for 16%

*Source:* http://www.mckinsey.com/global-themes/employment-and-growth/independent-work-choice-necessity-and-the-gig-economy

In recent years the gig economy has been used to describe where individuals might interact with a tech platform to get work that is local or offline. There is, however, a subset of the gig economy, the 'online' gig or 'on-demand' economy, where businesses and workers are increasingly using online platforms to engage in project or task based freelance work delivered over the internet, otherwise known as crowd or cloud labour or 'click work'.

Further research[11] conducted by the University of Oxford has found that there has been a rapid increase in online gig working recently. The Oxford Internet Institute have launched the Online Labour Index (OLI) which gathered data on the online gig economy from sites and apps across the world between May and September 2016. The index shows growth in this period of 9%,

[7] An online survey of 2,238 UK adults aged 16-75 carried out by the University of Hertfordshire and Ipsos MORI – February 2016.
[8] Before tax and other deductions.
[9] The survey report extrapolates this 11% result to the whole population and suggests 4.9 million people have found such work – but the sample size seems small and this result would be very high compared with the size of the self-employed population.
[10] A survey of 4,579 US workers for various cleaning, delivery and taxi apps, conducted by the Pew Research Center, found that while 56% of gig economy workers classify their earnings as "essential or important" parts of their budget, 44% regard the gig money as just "nice to have" and not an essential element of total income: http://assets.pewresearch.org/wp-content/uploads/sites/14/2016/11/17161707/PI_2016.11.17_Gig-Workers_FINAL.pdf .
[11] The iLabour Project, Oxford Internet Institute, University of Oxford - http://ilabour.oii.ox.ac.uk/online-labour-index/ - The OLI is the first economic indicator that provides an online gig economy equivalent of conventional labour market statistics.

equivalent to an annual growth rate of 25%, the fastest being amongst UK employers who increased the amount of labour bought online over the period by nearly 14% in the period.[12]

The vast majority of respondents in the Crowd Working Survey said they were looking for work that can be carried out online at home. This is work that can be done from anywhere, so these freelancers are in a global marketplace where time and geographical location have no boundaries. Twelve per cent of UK adults surveyed were looking for work they could do offline and 7% said they were looking for work as drivers.

So, in some areas of the gig economy not only are jobs and location decoupled but, freelancers can select among temporary jobs and projects from around the world, while employers can select the best individuals for specific projects from a larger pool than that available in any given area.

## …and the sharing economy?

The sharing economy has been defined as a system built around the sharing of human, physical and intellectual resources. It is also known as collaborative consumption; a business concept that highlights the ability (and perhaps the preference) for individuals to rent or borrow goods rather than buy and own them[13]. It includes the shared creation, production, distribution, trade and consumption of goods and services by different people and organisations.[14]
The point about a sharing economy is that it allows individuals to generate money from assets that they do not fully utilise.

A report in 2014 on the 'collaborative economy'[15] found that:

- 25% of UK adults used internet technologies to share assets/resources or make use of such shared assets/resources over the last year
- the organisations operating in the collaborative economy are young (64% founded since 2010), can be found in each of the four pillars and have ambitious goals for what their organisation can achieve within, and for, society

## …or should we just say 'platform'?

Another term regularly used is the 'platform economy'[16]. Businesses such as Amazon, Etsy, Facebook, Google, Salesforce, and Uber have created online systems that facilitate a wide range of activities for people. These digital platforms are set up and operate in different ways. Google and Facebook are digital platforms that offer search and social media, but they also provide an infrastructure on which other platforms are built. Amazon is a marketplace for themselves and others, as are Etsy and eBay. Airbnb and Uber use platforms to enable a variety of links, markets and work arrangements.[17]

Digitalisation has opened up options and possibilities that were not readily available to as many people before. Inevitably software replaces some types of work and means that others take much less time. Another consequence, however, is that employers are getting work done by freelancers which would otherwise have been carried out by their employees. Human cloud platforms such as Upwork and PeopleperHour are used by businesses to outsource work to

[12] These are percentage growths rather than absolute figures.
[13] http://searchcio.techtarget.com/definition/sharing-economy
[14] The People Who Share Blog http://www.thepeoplewhoshare.com/blog/what-is-the-sharing-economy/
[15] Nesta: 'Making sense of the UK Collaborative Economy' http://www.nesta.org.uk/publications/making-sense-uk-collaborative-economy?gclid=CIbVlIydh9ACFYUK0wod8Z0L_w
[16] See for example http://issues.org/32-3/the-rise-of-the-platform-economy/
[17] See for example The Rise of the Platform Economy – A global survey http://www.thecge.net/wp-content/uploads/2016/01/PDF-WEB-Platform-Survey_01_12.pdf

individuals or teams of freelancers. This may be a project or an entire department but, these are jobs that could have previously been carried out by employees who were on the payroll.[18] [19]

For the moment it is worth bearing in mind three broad scenarios:

- self-employed people may well use the gig economy as a way of securing work as well as using traditional routes
- some employees (part- or full-time) will use the gig as a way of supplementing their income
- some people will regard the gig economy as their main or preferred source of income

*Multiple income streams*
Recent research[20] shows that whereas incomes from multiple employments has fallen to an all-time low over the 24 year period, income from mixing employment and self-employment and multiple self-employments has grown over the past decade. The proportion mixing employment and self-employment has grown by 20% and multiple self-employments has grown by 28% though the report goes on to point out that the proportion of the workforce with multiple jobs in the broadest sense is still only around 4%. This growth is broadly in line with the rise in single job self-employment, which has risen by 24% since a low in 2001. The report states that there is "a strong case that the tax system must be made to better reflect this shift towards self-employment and mixing employment with self-employment."

One issue that may arise from multiple income streams, especially being employed and self-employed is that the individual may overpay NICs through paying both Class 1 (employed) and Class 4 (self-employed). There is an annual maximum reconciliation but it can be complex and many individuals will be unfamiliar with it.

## Are these new ways of working or earning money?

The 'gig' way of working is in one sense nothing new. Dockworkers queuing for a day's work were a feature of the operation of ports for much of the 19th century and into the 20th century; similarly the agricultural sector has always used day labour. The construction and hospitality sectors still have significant contingents of short-term workers, often hired on an event by event basis and often referred to as 'casuals'. A glance in many traditional newsagents shop windows will still reveal examples of people trying to connect to others to do small amounts of work.[21]

As with gig working, sharing is not a new concept: the newsagent's window will likewise reveal examples of the traditional way of sharing, as will the 'small ads' in local newspapers. Much sharing took place – and certainly still does – through word of mouth.

This way of working or generating income doesn't have to be supported by a technology platform, but these platforms are thought to be the cause of the increase in this type of working. They have enabled the connection of the 'worker' to the 'work' (or the 'sharer' to the 'user', or of course workers and sharers to each other) to be much quicker and more efficient (and indeed extend over a much wider geographic area).

Both gig and sharing can be means of generating income using the internet but they are not interchangeable labels, even though they are sometimes used interchangeably. Although an

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[18] *Online Labour Index: Measuring the Online Gig Economy for Policy and Research* – Otto Kassi & Vili Lehdonvirta, Oxford Internet Institute, University of Oxford, published Sept 2016
[19] As an example, Rated People currently reports that it connects '…50,000 homeowners with quality tradesmen…' ; this resulted in more than £1bn of work being contracted through them last year; it estimates that some 20% of the work of their tradesmen is obtained by using them.
[20] Resolution Foundation – *Double Take Workers with multiple jobs and reforms to National Insurance* - November 2016
[21] Indeed the origins may be older: consider the parable of the vineyard workers, *Matthew 20:1–16*

individual may earn money through the sharing economy, it is more likely to be asset-based than the gig economy.[22]

## The rise of the flexible workforce

In one sense the gig economy further develops a trend away from the traditional pattern of working that has been developing for some years. Workers have traditionally been regarded as in one of two categories for tax:

- employees (traditionally full-time) paying PAYE and Class 1 NICs
- self-employed (traditionally tradespeople such as carpenters and plumbers also some professionals such as barristers and accountants and more recently some IT and systems experts) paying income tax and Class 2 & 4 NICs[23]

As the OTS has recorded in our Employment Status Review[24], there has been significant growth in self-employment and this sector is continuing to grow[25]. An important factor is an expansion of the work force by those both in employment and self-employment. But perhaps the most important driver has been the emergence of a 'flexible' or 'on-demand' workforce of freelancers and contractors, sometimes regarded as a 'third way' of working.

It suits many businesses to have a large body of temporary or flexible workers, sometimes called contingent labour. These people are not taken on as employees; the organisation may regard them as self-employed, though tax factors start to influence exactly how these individuals are engaged.[26] One response to this has been that the individual provides their services through a Personal Service Company (PSC)[27] [28] or an umbrella company.

Another group of workers in this 'flexible' arena that should be noted is those who are engaged on zero-hours contracts. In most cases they are employees for employment rights and employees for tax but, they could also be classified as workers with only basic employment rights and self-employed for tax, it all depends on the wording of the contract and how they work in practice. Although technology may play a part in facilitating the hours they work and this issue falls outside of the 'gig economy', it is another part of a future trend towards the on-demand rather than permanent workforce.

## Employment status and rights

Although there are only two status categories for tax purposes, there are three status categories for employment rights purposes (both 'worker' categories are counted as one here):

- employed – entitled to full employment rights after 24 months
- 'worker' – broadly an individual with a contract but who is not an employee but who has some rights[29]
- self-employed – no entitlement (other than perhaps in discrimination law)

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[22] Of course others might say that sharing is a refined form of barter – another very old way of operating.
[23] Although, Class 2 is soon to be abolished.
[24] Published in March 2015 - https://www.gov.uk/government/publications/employment-status-review
[25] In 1975, the self-employed workforce was 8.7%, in 2015 it has risen to 15% at nearly 5m.
[26] Traditionally the organisation was concerned about taking on someone who was self-employed in case the tax authority reclassified them as an employee with consequent exposure to PAYE and employer NICs.
[27] A Personal Service Company has no statutory definition but, it usually refers to a one-man limited company which provides the services of an individual, more often than not through an agency.
[28] See s.48 ITEPA 2003, the so called intermediaries legislation or IR35.
[29] This is more correctly defined as:

- Limb (a) worker – an individual with a contract of employment but, who is not an employee; and
- Limb (b) worker – an individual with a contract other than a contract of employment who is entitled to basic employment rights including national minimum wage but not unfair dismissal

Much of the debate seems to revolve around 'Limb (b) workers

In the gig economy, there are a number of different contractual arrangements but, payments are usually made to the tech platform by the customer and the tech platform then pays the worker having deducted their fee, which is usually in percentage terms. The individual is usually contracted to the technology platform through a contract for services as a self-employed sole trader.

Those working in the gig economy have traditionally not been regarded as employees by the organisations who engage them but as self-employed. This view has recently been challenged by those individuals providing the services to claim that they should be reclassified as 'workers', either limb (a) or limb (b). The main purpose of the reclassification for the individual is to receive the national minimum wage and holiday and possibly sick pay although as a worker, and not an employee, they would not have rights to unfair dismissal, for example.

The reclassification for employment rights purposes, however, does not provide an automatic determination for tax purposes. So, the individual may well be a worker for employment rights, but will still pay tax as self-employed. It can also be unclear what the tax position is for a limb (a) worker, who has a contract of employment.[30]

Although the Uber case[31] gave a judgement that the individuals were limb (b) workers it was widely reported that they were employees and that Uber would have to pay PAYE, which is not currently the case. There are more tribunal cases expected in the next few months[32], but this will not answer the question of how a 'worker' should be taxed. A recent review[33] carried out for BIS (as it was then) recommended that: "…the government should clarify the employment status of people who use online platforms to find freelance work."[34] Uncertainty, as always, is a problem for business investment so it seems more clarification is needed.[35]

## Tax issues

The gig economy accentuates a number of current tax issues for the parties:

- the individual worker who contracts for a gig
- the platform operator
- the individual or company who is offering the gig (hirer)
- HMRC
- the Exchequer

[30] In *Autoclenz v. Belcher* [2011] UKSC 41 the individuals were held to have a contract of employment and be limb (a) workers but, were not employees. In a previous audit by HMRC, these same workers were considered to be self-employed for tax purposes.

[31] See Note 1

[32] Four cycle couriers working for City Sprint, Addison Lee, eCourier and Excel are bringing a claim for workers' rights, expected in November. Couriers for Deliveroo have also announced that they will be taking action.

[33] *Unlocking the Sharing Economy – An independent Review* by Debbie Wosskow, November 2014.

[34] Recommendation 2.21

[35] As a result of the four tribunal claims for worker classification against it, Homejoy closed in the US in July 2015. The uncertainty over worker classification contributed to the reluctance of investors to fund a further round of funding.

## The individuals

Gig economy services may add new income streams to an individual's gross yearly earnings.[36] An individual does not need to pay Income Tax on money received from occasionally selling personal possessions but may need to pay Capital Gains Tax. The problem is establishing when occasionally selling personal items changes from a hobby into a trade, at which point the individual should be paying tax on profit. It is yet another area that is fraught with complexity and governed by case law, as there is no statutory test to establish "badges of trade".

For tax purposes there are essentially two types of platform, capital (where money is made by renting out an owned asset) and labour (where money is made by working), with differing tax treatments. Both generate income and individuals may have multiple gig/sharing income streams.

Income from each endeavour could be small, but combined it will mean taxable income for those it takes into the income tax net. Of course for those with existing activities who are in the tax net already it will, in principle, all be taxable income. The individual will either pay tax as a self-employed individual (i.e. income tax and Class 4 NICs as a tax on profits[37]); or channeling the income through a limited company and using a remuneration strategy such as salary up to the personal allowance, with the rest of the income distributed as dividends, subject to the dividend tax. VAT registration may also become relevant.

However, this presupposes that the individual is declaring their gig income or indeed realises that it is subject to tax. In Budget 2016, the Chancellor announced the introduction of £1,000 'sharing allowances', one for property income (for example through AirBnb and similar room rental propositions) and a second to cover trading income.[38] [39] Interest income may also be relevant for peer-to-peer lending sites (like Zopa): the first £1,000 of interest earned is tax free for basic rate taxpayers (£500 for higher rate).[40]

For people sharing their primary home, the Rent-a-Room Allowance[41] can apply and some activities may be entirely exempt but, calculating exactly how much tax they need to pay is complicated. Not to mention that for people in receipt of benefits or tax credits, declaring their additional income can result in them losing their benefits. As a result of this, it was recommended in a recent review[42] that HMRC and HMT should create a guide to tax in the sharing economy and an online calculator to help users of services easily work out how much tax they are liable to pay.

Renting out a driveway or garage, using services like JustPark, falls under the category of income made from land or property, rather than self-employment income and is taxable. This counts as a new income stream, so a separate tax return will have to be filled out. For car sharing services

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[36] https://www.gov.uk/income-from-selling-services-online
[37] Class 2 soon to be abolished
[38] The announcement in para 1.170 of the Budget 2016 'Red Book' reads: "The rapid growth of the digital and sharing economy means it is becoming easier for more and more people to become 'micro-entrepreneurs'. However, for those making only small amounts of income from trading or property, the current tax rules can seem daunting or complex. To help make the tax position more certain and simple for these individuals, **from April 2017 the Budget introduces two new £1,000 allowances for property and trading income**. Individuals with property income or trading income below the level of allowance will no longer need to declare or pay tax on that income. Those with relevant incomes above £1,000 can benefit by simply deducting the allowance instead of calculating their exact expenses." The introduction of the allowances was confirmed in the November Autumn Statement: see para 4.14 of the AS document.
[39] It has been much debated whether this will cost the amount in the Red Book (£235m in 2018-19, its first full year of operation) or, as some argue, will actually raise money by prompting many to realise such income is taxable.
[40] S4 FA2016, inserting Ss12A-12B Income Tax Act 2007.
[41] Tax free allowance increased from £4,250 to £7,500 pa in April 2016
[42] Recommendation 1.24 *Unlocking the Sharing Economy – An independent Review* by Debbie Wosskow, November 2014.

like BlaBlacar or Lyft, if the driver is covering just mileage costs with their earnings and do not drive over 10,000 miles pa, they make no taxable income[43].

Many of those engaging in the gig economy may not have engaged with the tax system, probably being dealt with through PAYE. Recent research found that one of the biggest challenges for those who profit from the sharing economy was managing their taxes[44]. Many will not traditionally have had to fill in a tax return before and where the amount earned in this way is low, they are unlikely to engage an accountant. As a consequence, these individuals would have to navigate the complexities on their own, which may result in non-compliance or under-reporting.

Would simpler tax reporting help? If so, in what way? This could logically be an aspect of the Making Tax Digital reforms. Another option could be a private/public sector joint initiative to provide cloud based accounting and tax software; and a third option is for low revenues earned in this way to be considered using a simpler process. In France, for example, the only requirement for rentals is to report to the tax authorities the gross revenue, provided it is under a certain amount.[45]

## The platform operators

These will be businesses with normal tax consequences, though the innate international basis of much of the technology platform environment will bring tax issues of the sort that the BEPS project is highlighting. They would be expected to register for VAT and charge fees + VAT in many cases.

As far as their users are concerned, the platform operator will not expect any tax consequences – certainly no PAYE/NICs obligations.

However, and as highlighted above, there are some real issues for individuals and taxation which warrant further consideration. Could or should the platforms assist their users as far as tax is concerned? Do there need to be more accounting packages or cloud-based systems for these users to help them keep track of income and expenditure, perhaps designed with gig workers in mind? Any such involvement with their users, however, is likely to concern the platform operators that it might act as at a pointer towards employee status.

Somewhere lurking in the background is the 'employment intermediaries' legislation[46]. This extends to legislation drafted for recruitment agencies to prevent false self-employment. The legislation is drafted widely so includes most tripartite agreements, i.e. where a third party supplies an individual to a client or consumer and takes a profit. It is certainly not aimed at platform operators but could some situations start to fall within its range in any way? [47]

In many ways more interesting is whether a platform should have the obligation to report who is using its services to HMRC and so assist facilitating the fair payment of tax. The reporting requirements under the employment intermediaries legislation would mean that the platform operator would have to report to HMRC quarterly on all payments made to workers' where PAYE was not operated.[48]

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[43] This is based on the driver not receiving payments in excess of HMRC's Approved Mileage Payment Allowance, so no profit is made. When drivers do no more than covering running costs, and do not drive over 10,000 miles per annum, they make no taxable profits.
[44] By Intuit (Rich Preece, Vice President and MD of Intuit QuickBooks)
[45] In the UK the 'three line accounts' return is a simple route but one not available to all.
[46] S.44 Income Tax (Earnings and Pensions) Act 2003 (ITEPA)
[47] In all of this the location of the platform operator may well be a factor: if they are not based in the UK, or have no locus in the UK, can any requirements be enforced?
[48] The Income Tax (Pay As You Earn)(Amendment No. 2) Regulations 2015

## The hirer

The hirer simply wants their task carrying out and is willing to pay a 'fee' for the work. They will expect to pay that fee gross[49] and not have to operate PAYE/NICs. They will believe that any and all tax implications are for the individual or organisation that undertakes the work, and would no doubt never consider or contemplate that the worker is an employee of the hirer for the task being carried out.

There are no reporting requirements for the hirer. Would any be appropriate? The risk is that they would be burdensome – especially if the hirer is not otherwise involved with the tax system.

## HMRC

The tax authority is faced with a potentially significant compliance issue. The income accrued by the gig worker is taxable: but how to collect it? Clearly the existing tax system has mechanisms to assess and collect tax on such income but they were not designed with burgeoning gig income in mind and may simply not be the simplest or most efficient routes today. Reference has already been made to the Budget announcement of the 'sharing allowances'.

The first stage is that it seems that HMRC has a significant communications issue as a result of the gig economy: the need to inform the worker about their tax obligations and then help educate them in complying with the obligations.

That leads to the second stage, potentially of more significance: the risk of non-compliance. It is possible that the gig economy contributes to an increase in the hidden economy. This underscores the comments made earlier in the paper about making paying the right taxes as simple as possible.

There is then a practical issue for HMRC. Rather than dealing with one employer who employed (say) 100 people, the gig economy may mean they now employ 5 people, with 95 operating as 'giggers'. HMRC had a single point of contact for the 100 individuals and their PAYE/NICs; they now have to deal with 95 individuals plus the rump organisation.

All of this suggests that HMRC is going to have to continue to review its information gathering powers and practices.[50] Could it start by requiring platform operators to check that all its worker users have a relationship with HMRC? Could the platform offer a service, at a reasonable charge, of making returns for those that engage with it? Could there be a requirement for those engaging workers through platforms to report activities? Or even require either of these to apply some form of withholding tax more widely?[51]

The more that gig and the use of platforms grow, the more there needs to be a well understood framework in which they operate and an easy means for workers to fulfil their tax obligations.

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[49] Plus VAT if the supplier is registered, of course.

[50] HMRC already have broad compliance information powers, including further extending data gathering powers to online intermediaries, and the current Making Tax Digital consultations includes one on the use and sources of third party information:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545691/Making_Tax_Digital-Transforming_the_tax_system_through_the_better_use_of_information-consultation.pdf

[51] The OTS suggested in its Employment Status Review that widening requirements for deduction at source – a sort of 'CIS writ large', but intended as a simpler flat rate withholding – could be a way of helping manage compliance in this area. We had in mind the key driver of providing certainty for hirers.

### The Exchequer

Finally, the growth of the gig economy has potentially significant implications for the Exchequer.[52] The replacement of a company with employees by a platform using the self-employed will not only result in much lower/nil employers' national insurance but, it also has removed the company's role in collecting PAYE/NICs. The platform itself may not be based in the UK.

The risk of non-compliance has already been noted. A switch from traditional employment to getting the work done through gig engagement, however, means less tax will be generated, principally employers' NICs.[53]

In the US, the Internal Revenue Service (IRS) has just launched the new Sharing Economy Resource Centre[54] on IRS.gov working in conjunction with the National Tax Advocate. The web page has been designed to help taxpayers involved in the sharing economy quickly locate the resources they need to help them meet their tax obligations.

## Conclusions & the role of the OTS

As noted at the start, the aim of this paper is to promote discussion of some of the tax issues and implications arising from the gig economy and the sharing economy. We hope this papers will stimulate others to look at the issues that we have identified and indeed identify others. We do not see this paper as a consultation document so have not posed formal questions. We would, though, welcome contributions and observations.

The OTS's role is to look at aspects of the tax system and develop recommendations for simplification. In the context of the gig economy, a key issue is how such workers interact with the tax system and how that interaction can be made as simple as possible. Considerations have to include:

- individuals with multiple income streams from different 'gigs'
- facilitating – indeed encouraging – tax payments on gig incomes
- designing a system to help the taxpayer pay the correct tax
- the involvement of the engager
- whether 'employment taxes' are due

Pensions will also be a big issue. These are cross government issues, impacting on employment status, tax status, pensions and welfare.

The OTS will have regard to the impact of the gig economy in our future projects and may carry out further work in the area. Comments received will inform any such work.

The Office of Tax Simplification

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[52] See OBR estimates for the Autumn Statement 2016 which suggest the Gig economy will costs the Exchequer £3.5bn in 2020-21: http://cdn.budgetresponsibility.org.uk/Nov2016EFO.pdf and BBC article http://www.bbc.co.uk/news/business-38082535.

[53] The BBC article covering the launch of the Taylor review (see note 3) also refers to the OBR's estimate of the impact of the gig economy on the Exchequer http://www.bbc.co.uk/news/business-38147489 .

[54] https://www.irs.gov/uac/irs-launches-new-sharing-economy-resource-center-on-irsgov