NatCen
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Research on the Sharing Economy

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Glossary

Applications	Applications or ‘Apps’ are a form of online software downloaded by a user to run on an electronic or mobile device. Most Sharing Economy platforms are available as applications.
Employment status	This describes an individual’s employment class for tax, National Insurance and employment rights’ purposes. An individual is treated either as employed or self-employed[1] for tax purposes.
HMRC	Her Majesty's Revenue and Customs, the UK’s tax, payments, and customs authority. A non-ministerial department of the UK Government.
Income tax	A tax paid on various forms of income such as money earned through employment or self-employment, savings, pension and rental income. There is a personal allowance on income before income tax has to be paid[2].
National Insurance	National Insurance contributions are paid by people employed or self-employed in Great Britain or Northern Ireland, who earn or make profits above certain thresholds. These payments allow people to qualify for certain benefits, including the State Pension.[3]
Personal Allowance	This refers to the amount of income an individual can earn before they are required to pay Income Tax. This was set at £11,000 for the tax year 6 April 2016 to 5 April 2017, when this research took place.
Provider	The name used in this research for an individual engaged in formal, for profit, economic activity through Sharing Economy platforms in the previous 12 months. This does not include those involved in non-monetary, community exchanges.
Self-Assessment	The method by which HMRC collects Income Tax from people whose tax is not automatically deducted from wages, pensions, or, until 6 April 2016, savings. It is the responsibility of individuals and businesses to report their income in a tax return at the end of the tax year.
Sharing Economy	Defined in this research as economic activity facilitated by the internet, through digital platforms and applications (apps) that enable people or businesses to share, sell, or rent property, resources, time or skills. The Sharing Economy functions by matching suppliers and customers through common platforms.
Platforms	The type of digital portal that facilitates online exchanges between users and providers in the Sharing Economy. These platforms host the various business functions specifically related to Sharing Economy activity.

[1] For more information please visit: https://www.gov.uk/government/collections/employed-or-self-employed
[2] For more information please visit: https://www.gov.uk/income-tax-rates/current-rates-and-allowances
[3] For more information please visit: https://www.gov.uk/national-insurance/overview

Executive summary

This is a report of findings from research conducted into the Sharing Economy for HM Revenue and Customs (HMRC). The research had two key aims:

- To understand the extent and size of the Sharing Economy, both in terms of income generated by those who participate for profit (defined as 'providers'); and the number and characteristics of these 'providers';
- To understand the knowledge, attitude, and decision-making processes of providers in relation to taxation of income generated through the Sharing Economy.

A mixed method research design was used to meet these aims. The quantitative element combined three surveys: the NatCen Panel, and two online YouGov surveys. In addition, 30 in-depth interviews were conducted with providers to understand their circumstances and tax-related behaviours with greater depth.

The scale and profile of the Sharing Economy

The **Sharing Economy**, as defined for the purposes of this research, refers to **economic activity facilitated by the internet, through digital platforms and applications, that enables people or businesses to share, sell, or rent property, resources, time, or skills. A function of the Sharing Economy is that it brings together or 'matches' suppliers to customers through a common platform.**

While the Sharing Economy can include non-monetary exchanges, this research focuses on formal, for-profit, economic activity. It also focuses on individuals rather than companies. Those classified as providers for inclusion in this research participated in the Sharing Economy in the 12 months prior to the interviews, which were conducted in November-December 2016.

The size of the Sharing Economy was estimated both in terms of the number of people participating in it for profit (providers) and the income it generated. The research found that around **11 per cent of the working age population (5.3 million individuals) in Great Britain (GB)[4,5] participate in the Sharing Economy as providers[6]**. Individuals engaging in the Sharing Economy are predominantly young and living in urban areas, with the majority (73 per cent) earning a gross personal annual income of less than £40,000.

Based on the method of calculation used in this research, **the estimated total gross income generated by providers in Sharing Economy in GB is £8 billion annually**. The annual mean individual income providers earned through the Sharing Economy is approximately £1,700. These estimates must be considered in the context of the design of the survey questions for this research, which pose some limitations (see chapter 3 for further details).

The most common types of Sharing Economy activity that providers were involved in were buying items to resell, mentioned by 44 per cent of providers, followed by selling crafts (22 per cent), and renting out space (19 per cent).

Participation in the Sharing Economy was mainly driven by the opportunity to earn money, and the flexibility of work offered through the Sharing Economy. Paying or reporting tax on

[4] Northern Ireland was not covered by the survey.
[5] As there is no widely agreed definition of the Sharing Economy, the estimates given in this research may not be comparable to estimates given in other pieces of research.
[6] In the 12 months prior to the NatCen panel interviews, which took place in November and December 2016

Sharing Economy income did not seem to affect initial motivations for participating. Tax could however act as a deterrent for future participation, particularly if higher amounts are payable, if the amount payable is considered too high compared to the time / effort put in or profits made and if the reporting process is too complex.

Sharing Economy earnings and work

For the majority of providers, Sharing Economy activities were not a main source of income (77 per cent). Providers were most frequently (45 per cent of respondents) earning a total income of less than £250 a year from their Sharing Economy activities. Where individuals earned under £250, the activities they were most frequently involved in were buying to resell (58 per cent of those earned less than £250 from their Sharing Economy activities) and selling crafts (46 per cent). Activities that in more cases generated the highest incomes (over £11,000) were renting out space and performing short-term jobs.

Over half (54 per cent) saw their Sharing Economy activity as just a way of making some extra money, rather than as a formal employment status. Those that saw the activity in this way were most often buying goods to resell (65 per cent of those saw their activity as just a way of making some extra money), selling crafts (53 per cent), and renting out a vehicle (48 per cent). Individuals who did not associate their Sharing Economy activity with a formal employment status said that the activity did not involve any ‘work’; they saw the platform as a facilitator rather than an employer, and saw their Sharing Economy income as small and sporadic.

Twelve per cent of providers identified with being self-employed, while 21 per cent described themselves as being employees in relation to their Sharing Economy activities. Providers were more likely to perceive themselves as self-employed in the following scenarios: if they had control and autonomy over their work, owned the equipment needed, did not receive employee benefits; reported their income and were paid through and not by the platform. Some providers also described themselves as self-employed because their platform did.

Understanding of tax obligations

Over half (54 per cent) of providers did not see their Sharing Economy income as liable for tax. The likelihood of providers thinking they were required to pay tax on their Sharing Economy income nonetheless increased with earnings.

Over half of providers (51 per cent) said they knew enough to fulfil their tax obligations while 14 per cent said they knew something but need more information to be able to organise their tax in relation to their Sharing Economy income. A quarter (25 per cent) of all Sharing Economy providers said they knew very little or nothing at all about how their Sharing Economy income is taxed. Providers’ perceptions of their knowledge of tax requirements seemed to increase with the length of time they had been involved in the Sharing Economy.

Providers tended to turn to formal sources of information about their tax obligations, such as the HMRC website (36 per cent) and tools and calculators (24 per cent). Although in some cases they got help with record keeping, the majority (57 per cent) did not receive any assistance and 17 per cent said they did not keep any records on their income.

Those that had used government resources, such as the HMRC or Gov.uk websites, highlighted a need for more information and support with registering as self-employed and completing Self-Assessments. For those who could afford them, accountants were mentioned in qualitative interviews as a key source of information and support with reporting.

Tax-related behaviour of Sharing Economy providers

Over a third (35 per cent) of providers had notified or planned to notify HMRC about their Sharing Economy income. Nearly half (46 per cent) said that they earned less than an amount that needs to be reported. Another eight per cent said they had not notified or did not plan to notify HMRC for another reason.

The findings suggest that on the whole providers seek to comply with their tax requirements, with those earning higher levels through their Sharing Economy incomes alone being more likely to report or to plan to report their income. However, there is some lack of awareness around tax obligations in relation to Sharing Economy income. Whilst tax treatment would depend on the individual's other income streams, eleven per cent of providers earning over £11,000 through their Sharing Economy incomes alone said they earned less than what they believe needs to be reported. In addition, smaller but still sizeable proportions of those with gross personal incomes[7] of over £50,000 said they earned less from their Sharing Economy activities than what they believe needs to be reported. While it is possible in both cases that this income is covered by the allowances for savings and rental income where applicable, this suggests that some of these respondents may not have complied with their tax obligations.

Tax reporting varied considerably by type of Sharing Economy activity. Those providing transport or renting out a vehicle had usually notified or planned to notify HMRC of their Sharing Economy income (89 per cent and 82 per cent respectively). In comparison, only 31 per cent of those buying to resell had notified HMRC. This corresponds to the levels of income derived from these activities i.e. those buying to re-sell generally earned less.

Findings from the qualitative interviews indicate that the reasons for not reporting Sharing Economy income (or not planning to) included earning below the Personal Allowance (£11,000) or thresholds for existing allowances; a lack of understanding of tax liabilities and more exceptionally, financial pressures.

Those who had reported their Sharing Economy income usually defined themselves as self-employed. These people tended to be experienced in completing tax returns, had accountants to do this, or could draw on informal support. Those who planned to report their income included providers who were new to Self-Assessment and who were likely to need support with understanding their reporting obligations.

Suggestions for information and support

The most common types of support suggested were more straightforward tax regulations, and more support and information from HMRC and platforms around Sharing Economy tax obligations and the tax reporting process.

Attitudes towards platforms automatically sharing earnings information with HMRC were mixed. Over half of providers (51 per cent) were comfortable with the idea. A key reason for this was convenience, as it was thought to remove the need for reporting income.

Over a third (35 per cent) were not comfortable with this idea, most notably those who had not notified HMRC of their Sharing Economy income; those earning a lower Sharing Economy income (41 per cent of those earning less than £250 annually from their Sharing Economy activities were uncomfortable with the idea of their income information being shared, whilst the figure for those in the top income category of £11,000 and over was 21 per cent); and those who saw their Sharing Economy activities as just a way of making some extra money (Nearly half (47 per cent) of those who saw their Sharing Economy

[7] Annual personal income before tax and other deductions

activities as just an extra way of making money were uncomfortable with the idea of platforms sharing information with HMRC). This view was underpinned by the perception that it would be too invasive and could compromise confidentiality of earnings from HMRC, particularly small amounts; as well as concerns that platforms may introduce fees to cover additional costs.

1 Introduction

1.1 Background to the research

The Sharing Economy is rapidly expanding[8]. In their recent analysis for the European Commission, Pricewaterhouse Coopers (PwC) reported the value of transactions facilitated by Sharing Economy platforms in the UK to have grown by 87 per cent from £2.1 billion in 2013 to £3.9 billion in 2014, and then by 92 per cent to £7.4 billion in 2015[9]. Platforms' revenues have risen at a similar rate, reaching £850 million in 2015, and projected to reach £18 billion by 2025.

The Sharing Economy presents exciting opportunities for the UK government and economy. For example, it offers employment opportunities for individuals currently inactive in the labour market. A Department for Business, Innovation and Skills[10] (now part of the Department for Business, Energy and Industrial Strategy) independent review of the Sharing Economy suggests that task-based platforms provide an opportunity for jobseekers to build their skills and gain experience, for the under-employed to obtain more hours of employment, and for individuals to find flexible work that suits their needs. As a sector, the Sharing Economy has the potential not only to save money, but to promote sustainability for individual consumers, private businesses and public sector organisations, unlocking underused assets and avoiding waste and inefficiency[11,12].

Recognising the huge potential that lies in the Sharing Economy, the government has set out its ambition for the UK to become its 'natural home'.[13] Recent analysis for the European Commission suggests that the government has been successful in this mission to date, reporting that '*the UK has emerged as a hub for the Sharing Economy within the region*'[14]. A wide range of policy initiatives have sought to foster the growth of the Sharing Economy, including for example a peer-to-peer ISA wrapper (called the Innovative Finance ISA)[15, 16], the de-regulation of and tax breaks for short-term lets, updated guidance for Jobcentre Plus staff asking them to signpost jobseekers to opportunities in the Sharing Economy[17], and the rollout of two UK 'sharing city' pilots[18].

As a growing sector, the Sharing Economy is a significant potential source of tax revenues. At the same time, the growth of the Sharing Economy raises a number of challenges for government. The informal nature of much of the Sharing Economy poses challenges for the regulation of businesses, protection for consumers and industry representation. It also presents a risk of lost tax revenues due to the disruption of traditional business enterprise, and the non-declaration of income by 'providers' in the Sharing Economy who are not

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[8] http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/outlook-for-the-sharing-economy-in-the-uk-2016.html#
[9] Estimates may differ slightly due to the different methodologies and definitions used
[10] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378291/bis-14-1227-unlocking-the-sharing-economy-an-independent-review.pdf
[11] ibid.
[12] https://www.nesta.org.uk/sites/default/files/making_sense_of_the_uk_collaborative_economy_14.pdf
[13] https://www.gov.uk/government/news/move-to-make-uk-global-centre-for-sharing-economy
[14] http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/outlook-for-the-sharing-economy-in-the-uk-2016.html
[15] ibid.
[16] https://www.gov.uk/individual-savings-accounts/how-isas-work
[17] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414111/bis-15-172-government-response-to-the-independent-review-of-the-sharing-economy.pdf
[18] ibid.

aware of their tax liabilities[19,20]. More widely, the rapid growth and fluid nature of the Sharing Economy brings with it tax complexities, blurring the distinction between employment and self-employment, and creating new employment 'sectors' within which income can be difficult to categorise.

Existing research has attempted to establish the size of the Sharing Economy. For example, whilst Nesta[21] estimate that a quarter of the UK population participated either as providers or users in some element of the Sharing Economy in 2014, PwC's[22] analysis estimates a much lower figure of five per cent of the population participating, with a further 20 per cent having heard of the Sharing Economy but not directly participated. Much of this difference can be explained by the differing definitions of what constitutes the Sharing Economy.

Estimates of the scale of the Sharing Economy appear to be particularly sensitive to differences in definition and scope. The lack of an agreed definition presents methodological challenges and hinders the ability to draw comparisons between different studies.

Using a clear definition of the Sharing Economy, this research provides an up-to-date estimate of the size of the Sharing Economy, who it is that participates, and the income it generates. It also explores how providers understand their tax obligations and interact with the tax system.

1.2 How the Sharing Economy is defined in this research

For the purpose of this research, the Sharing Economy refers to economic activity facilitated by the internet, through digital platforms and applications (apps) that enable people or businesses to share, sell, or rent property, resources, time, or skills. An important function of the Sharing Economy is that it brings together or 'matches' suppliers to customers through a common platform.

Whilst the Sharing Economy can include non-monetary, community exchanges, for example through task swaps or car pools, this research focuses on providers engaged in formal, for-profit, economic activity. It also focuses on individuals rather than companies. Those classified as providers for inclusion in this research participated in the Sharing Economy in the past 12 months in the 'sectors' listed below[23] (this is illustrated in Figure 1.1 with platform examples):

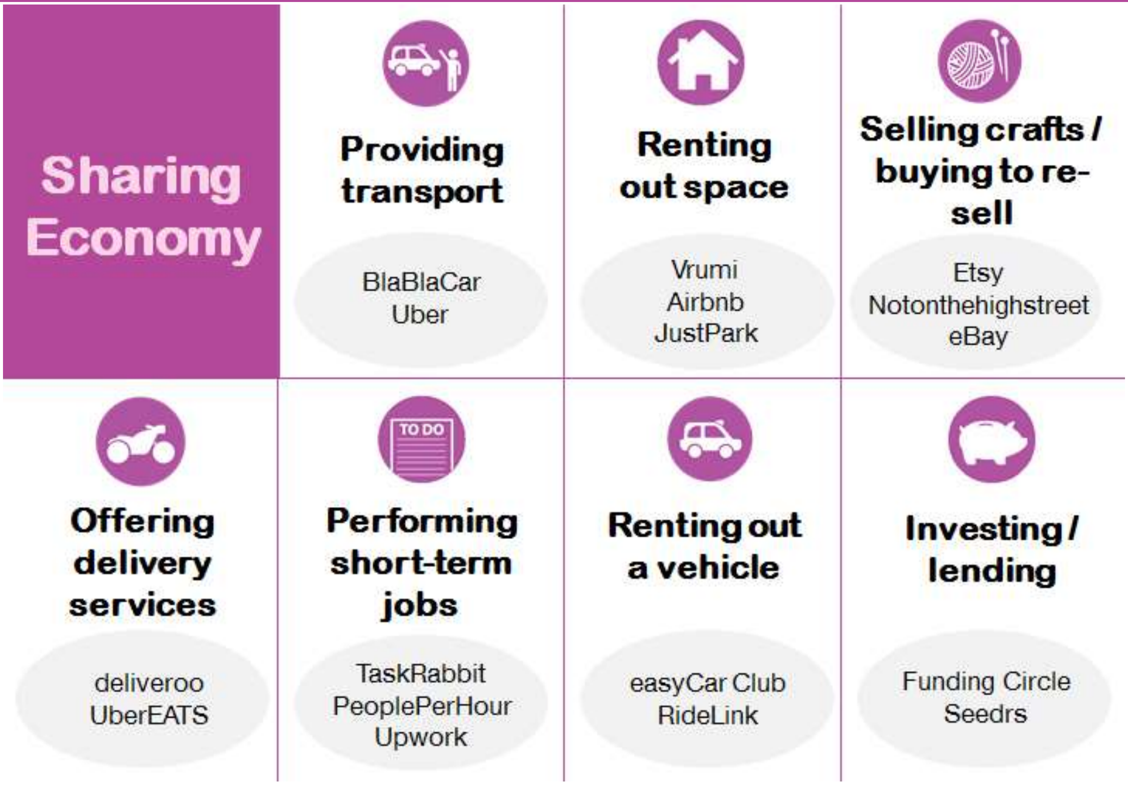
- Providing transport using a vehicle owned by the provider
- Renting out a space for a short-term stay
- Selling crafts
- Selling goods bought specifically to resell
- Offering delivery services
- Performing short-term jobs
- Renting out a vehicle

[19] ibid.
[20] https://www.ons.gov.uk/releases/thefeasibilityofmeasuringthesharingeconomy
[21] https://www.nesta.org.uk/sites/default/files/making_sense_of_the_uk_collaborative_economy_14.pdf
[22] http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/outlook-for-the-sharing-economy-in-the-uk-2016.html
[23] Please see technical annex for the questionnaires.

- Receiving interest or dividends from money lent or invested in someone else's business or idea

It should be noted that selling second hand goods is excluded from this definition.

Figure 1.1 Sharing Economy activities and platform examples



1.3 Research aims and design

The research had two key aims:

- To understand the extent and size of the Sharing Economy, both in terms of income generated by, and the number and characteristics of, 'providers'; that is, those who participate for profit;
- To understand the knowledge, attitude, and decision-making processes of providers in relation to taxation of income generated through the Sharing Economy

This research used a mixed method design in order to meet these aims, combining quantitative and qualitative techniques.

1.3.1 Quantitative methodology

The quantitative component used three complementary surveys, which took place in November to December 2016.

The first of these surveys was the **NatCen Panel**, a representative sample of 2,373 respondents. The NatCen Panel is based on a random probability sample of respondents in GB, which does not include Northern Ireland. Panel members were recruited through the British Social Attitudes survey whose participants were selected at random. Unlike most online panels, the NatCen Panel is not based on an opt-in approach, which means it is a better reflection of the population. Panel members are first invited to participate online, and those who have not taken part are then contacted by telephone. In this way, the Panel is also inclusive of groups who typically suffer from digital exclusion.

The NatCen Panel was used to estimate the prevalence of Sharing Economy providers in the general population. While the Panel provides the best possible indication to date of the scale of the Sharing Economy, the small numbers involved present limitations in:

- Achieving a reliable estimate of the size of the Sharing Economy in monetary terms
- Understanding demographic characteristics, and
- Examining tax-related behaviours of Sharing Economy providers

Two further surveys were therefore used, both of which were online YouGov surveys. The first was the **YouGov Omnibus survey** which is weighted to be nationally representative of the population, taking into account a range of demographics. This survey was administered to 11,354 YouGov Panellists. Of these 1,292 were identified as Sharing Economy providers. The second was an online **bespoke YouGov survey** of 2,234 Sharing Economy providers looking at the attitudes and behaviour of providers in more depth. The Omnibus was used to produce weights for this survey.

NatCen developed survey questions in collaboration with HMRC. Cognitive testing[24] of the questions developed for the YouGov surveys was carried out in October 2016 to ensure the questions were understandable to the target audience. The testing was done through cognitive interviews with 10 individuals identified as providers within the Sharing Economy.

1.3.2 Qualitative methodology

Thirty in-depth interviews were carried out with providers of the Sharing Economy to investigate knowledge, attitude, and decision-making processes in relation to taxation of income generated through the Sharing Economy. The qualitative sample included a mix of providers across the following characteristics:

- **Sharing Economy activities** (as outlined in section 1.2)
- The **type of income** generated through Sharing Economy activities, i.e. primary, secondary or variable
- The **amount of income** generated through Sharing Economy activities
- **Tax reporting behaviours**; whether providers had reported their Sharing Economy earnings to HMRC, and
- **Demographic characteristics** such as age, gender, economic activity, and geographic location.

Participants were partly recruited among respondents to the NatCen Panel who agreed to be re-contacted, and partly by posting adverts on Facebook and therefore included participants who did not take part in the survey. A £50 cheque was paid to each participant as a thank you for their time and contribution.

Interviews were conducted by telephone in November to December 2016, lasting approximately 60 minutes each. Topic guides were used to steer the discussion in interviews and were designed in collaboration with HMRC. The interviews explored participants':

- Personal characteristics and circumstances
- Understanding of tax liabilities and reporting obligations

[24] Cognitive testing is used to assess the effectiveness of a survey question in eliciting the required information from its target respondents. Cognitive interviews are carried out as part of the developmental stage of the research process. Cognitive testing allows an investigation into the way people understand, mentally process and respond to the question and explores whether the question, response options and accompanying instructions are interpreted in the intended way.

- Perceptions of employment status
- Tax reporting behaviours, including motivations and barriers, and
- Awareness and experiences of available support and products

Further details about the qualitative methodology and sample can be found in the separate technical report for this research.

1.4 Interpreting the findings

1.4.1 Quantitative findings

The percentages in the tables and figures of this report generally sum to 100 unless survey questions allowed the selection of more than one answer or due to rounding.

Some questions were not answered by everyone. As a result, the unweighted sample size for tables and figures that refer to all Sharing Economy providers may be smaller than the total sample size.

Frequencies based on fewer than 50 cases are not robust and have not been included in the report. Bases with fewer than 50 cases have been marked with square brackets (e.g. [30]).

Where comparative statements have been made in the text, these have been significance tested to a 95 per cent confidence level. This means we are 95 per cent confident that the statements we are making are true of the population.

The surveys used in this research covered Great Britain only (i.e. excluding Northern Ireland) due to the lack of suitable surveys with UK coverage. The findings from this research, particularly the prevalence estimates for the size and value of the Sharing Economy, therefore cannot be generalised to the whole of the UK, which includes Northern Ireland. This limitation is important to note given that HMRC's and HM Treasury's remit in this policy area covers the whole of UK.

1.4.2 Qualitative findings

The reporting of qualitative findings deliberately avoids giving numerical values, since qualitative research cannot support numerical analysis. This is because purposive sampling seeks to achieve range and diversity among sample members rather than to build a statistically representative sample, and because the questioning methods used are designed to explore issues in depth within individual contexts rather than to generate data that can be analysed numerically.

Verbatim quotations and case illustrations are used to illuminate findings. They are labelled to indicate the Sharing Economy activity. Further information is not given in order to protect the anonymity of research participants. Quotes are drawn from across the sample and a unique serial number is provided in the quote label for each participant.

2 The scale and profile of the Sharing Economy

This chapter provides an up to date estimate of the size of the Sharing Economy both in terms of the number of people participating in it for profit (providers), and the income it generates for these providers. It profiles the demographic characteristics of the Sharing Economy provider population, before exploring the nature of provider's participation. Finally, the chapter discusses providers' motivations for getting involved in the Sharing Economy.

Key findings

- Around 11 per cent of the working age population, (5.3 million individuals in Great Britain[25]) were found to be part of the Sharing Economy as providers.
- The estimated total gross **income generated by providers** in the Sharing Economy was approximately £8bn[26] in the 12 months before November-December 2016. The annual mean individual income generated through the Sharing Economy was usually small (around £1,700). These estimates should be treated with a degree of caution and should be viewed in the context of the survey question and response options as explained in 2.1.1.
- Buying items to resell was the most common type of Sharing Economy activity, mentioned by 44 per cent of providers, followed by selling crafts (22 per cent) and renting out space (19 per cent).
- Individuals engaging in the Sharing Economy were predominantly young (aged 34 or under) and urban, with the majority (73 per cent) earning a gross personal annual income of less than £40,000.
- Participation in the Sharing Economy was mainly driven by the opportunity to earn money, and the flexibility of work. Other motivations include achieving future goals; enjoyment of the activities; and the reputation and benefits of different platforms.
- Tax did not affect motivations to take part in the Sharing Economy because providers did not think about it or accepted that it would have to be paid.

2.1 Scale of the Sharing Economy

2.1.1 Prevalence of Sharing Economy providers

A key aim of this study was to estimate the proportion of the general population in Great Britain (GB) who act as providers in the Sharing Economy. The NatCen Panel found that **11 per cent of the population had worked as providers in the Sharing Economy in the last 12 months**.

Confidence intervals show the range within which a population estimate lies. In this case a 95 per cent confidence interval has been used. This means that it can be stated with 95 per cent confidence that the corresponding value in the wider population lies between 9.1 per cent and 12.4 per cent.

[25] Based on Office of National Statistics population estimates: MYE2: Population Estimates by single year of age and sex for local authorities in the UK, mid-2015. Date published: 23 June 2016. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2015/relateddata

[26] This is based on self-reported incomes before deductions given by individuals. It is not possible to say for certain whether individuals have referred to net or gross figures when reporting their income.

Based on this population prevalence estimate, 5.3 million people in GB are involved in the Sharing Economy as providers. Using the same confidence intervals, this means the true value lies between 4.5 and 6.1 million people. It is important to note that as this estimate is based on GB it does not include Northern Ireland, and cannot be grossed up to the UK.

2.1.2 Income generated through the Sharing Economy

Table 2.1 shows population and income estimates based on the full banded answer scale presented to respondents. The population frequency estimates within each income band were created by multiplying the proportion of responses in each category by 2015 GB population estimates[27]. The mid-value of each Sharing Economy income band was then multiplied by the estimated population within each band. The estimate in the highest income band is based on its lowest value (£83,000).

Table 2.1 Sharing Economy income: Population estimates

Base: All respondents ((Omnibus)

SE income category	% of responses*	Population frequency estimate	Value estimate**
Less than £250	45	2,404,491	£300,560,000
At least £250 but less than £500	14	766,277	£287,350,000
At least £500 but less than £1,000	10	541,474	£406,110,000
At least £1,000 but less than £2,000	6	340,351	£510,530,000
At least £2,000 but less than £5,000	4	203,506	£712,270,000
At least £5,000 but less than £11,000	2	97,709	£781,670,000
At least £11,000 but less than £20,000	2	90,184	£1,397,860,000
At least £20,000 but less than £30,000	1	49,835	£1,245,870,000
At least £30,000 but less than £50,000	1	28,420	£1,136,810,000
At least £50,000 but less than £83,000	0	13,822	£919,190,000
More than £83,000	0	2,373	£196,970,000
Total		**5,308,255**	**£7,895,190,000**

*NB. The proportions exclude those who answered don't know or prefer not to say.
**NB. Value estimate figures have been rounded

These Sharing Economy income estimates are based on an ordinal answer scale in which respondents were asked to select the income band which corresponded to their total Sharing Economy income from the past 12 months. The use of an ordinal scale inevitably makes any income estimates less precise because the responses can fall anywhere within the income band. In addition, rather than even intervals the income bands were narrower at the lower end of the answer scale. This makes the estimate on the lower end of the scale more precise than the upper end where the income bands were set with less frequent intervals. <u>Given these limitations, any average or aggregate estimates on the value of the Sharing Economy should be treated with a degree of caution and should be viewed in the context of the survey question and response options.</u>

[27] Office of National Statistics population estimates: MYE2: Population Estimates by single year of age and sex for local authorities in the UK, mid-2015. Date published: 23 June 2016. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2015/relateddata

Based on this method of calculation, the estimated total gross **income generated by providers in the Sharing Economy was approximately £8bn**[28] in the 12 months before November-December 2016. The annual mean income providers earn through the Sharing Economy is approximately £1,700.

Further details of the Sharing Economy income are presented in chapter 3.

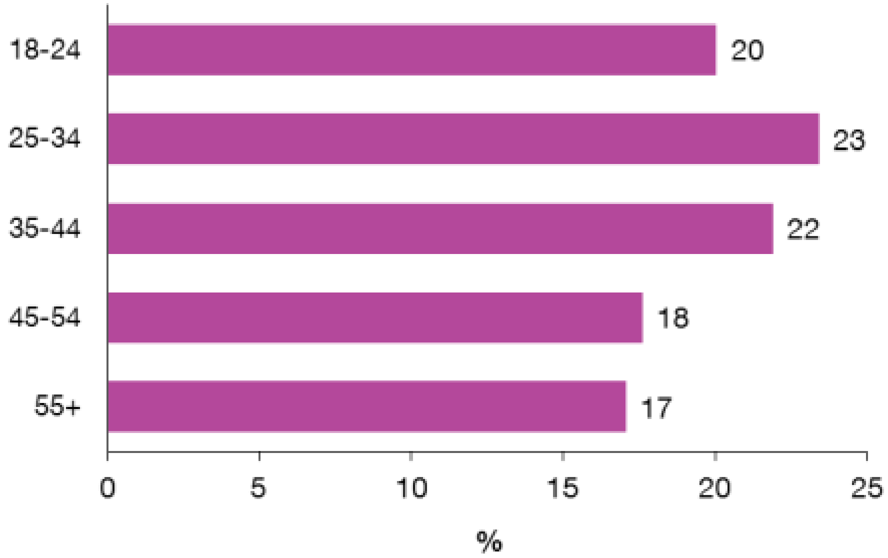
2.2 Profile of the Sharing Economy

2.2.1 Demographic profile of Sharing Economy providers

This section describes the characteristics of Sharing Economy providers. It focuses on features that are particularly relevant for understanding the Sharing Economy, such as income, age and working status.

- **Gender:** Equal proportions (50 per cent) of men and women participate in the Sharing Economy (Appendix Table 2.1).
- **Age:** Overall, the age composition of Sharing Economy providers was skewed towards those aged 34 or under (43 per cent). A further 22 per cent were aged 35-44. Those aged 45 and over constituted 35 per cent of providers. Figure 2.1 illustrates this age distribution.

Figure 2.1 Demographic profile of SE providers: Age



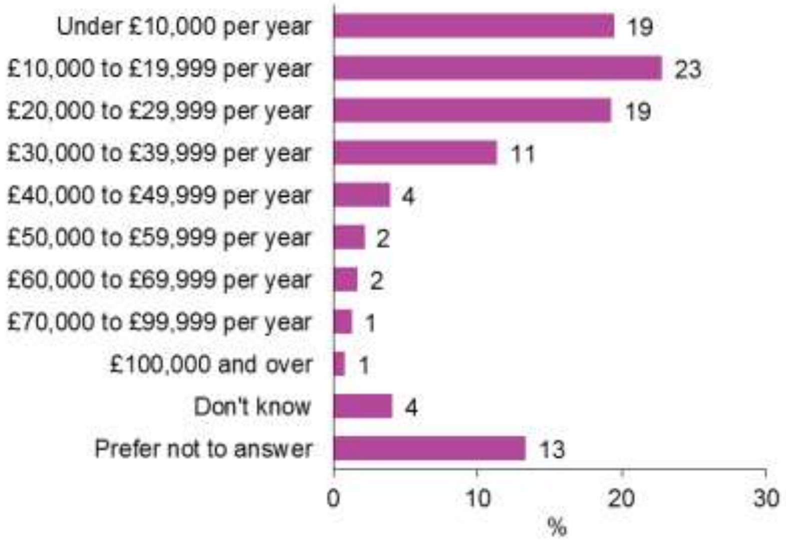
Unweighted base (Omnibus): All SE providers (n=1,292)

- **Urbanicity:** Providers were predominantly urban: 83 per cent were living in urban areas. Eight per cent resided in towns and fringes while eight per cent lived in rural areas (Appendix Table 2.2).
- **Region:** Providers were geographically spread, but with higher concentration in London (15 per cent) and the South East (13 per cent). Providers were least prevalent in the North East and Wales (each four per cent) (Appendix Table 2.3).

[28] This is based on self-reported incomes before deductions given by individuals. It is not possible to say for certain whether individuals have referred to net or gross figures when reporting their income.

- **Gross personal income[29]:** Figure 2.2 shows how the gross personal income of Sharing Economy providers was distributed. For the majority, their personal income fell between <£10,000 to £39,999 a year. In fact, 73 per cent earned less than £40,000 annually.

Figure 2.2 Demographic profile of SE providers: Gross personal income



Unweighted base (Omnibus): All SE providers (n=1,292)

- **Gross household income[30]:** Providers' household income was between £10,000 to £19,999 per year in 23 per cent of cases (this was the most numerous among the income groups respondents could choose from). While household income varied, overall it was most often less than £49,999 per year (Appendix Table 2.4).
- **Education:** A third (33 per cent) were educated to degree-level. A further 41 per cent had obtained A-levels or higher education qualifications below degree level. Only four per cent had no formal qualifications (Appendix Table 2.5).
- **General work status:** Half of providers (50 per cent) said they worked full-time and 20 per cent part-time. One in ten (10 per cent) were retired, and nine per cent were full-time students (Appendix Table 2.6).
- **Work sector:** Most frequently providers said they worked in the private sector (43 per cent). Twenty-four per cent were public sector workers, and six per cent worked in the third sector (Appendix Table 2.7).
- **Number of children in household:** The majority (58 per cent) did not have any children in the household. Nineteen per cent had one child living in the household, and 20 per cent mentioned two or more (Appendix Table 2.8).
- **Tenure:** The majority (56 per cent) were homeowners, whether outright, with the help of a mortgage, or through a shared ownership scheme. Just over a quarter (28 per cent) rented their accommodation. The remaining 19 per cent lived with parents and/or friends, either paying some rent or rent-free, or had other living arrangements (Appendix Table 2.9).

When Sharing Economy providers were **compared against the general population**, they were generally more likely to:

[29] The distribution remains similar when calculated excluding refusals to answer the question.

[30] Household income is a measure of the combined incomes of all people sharing a particular household.

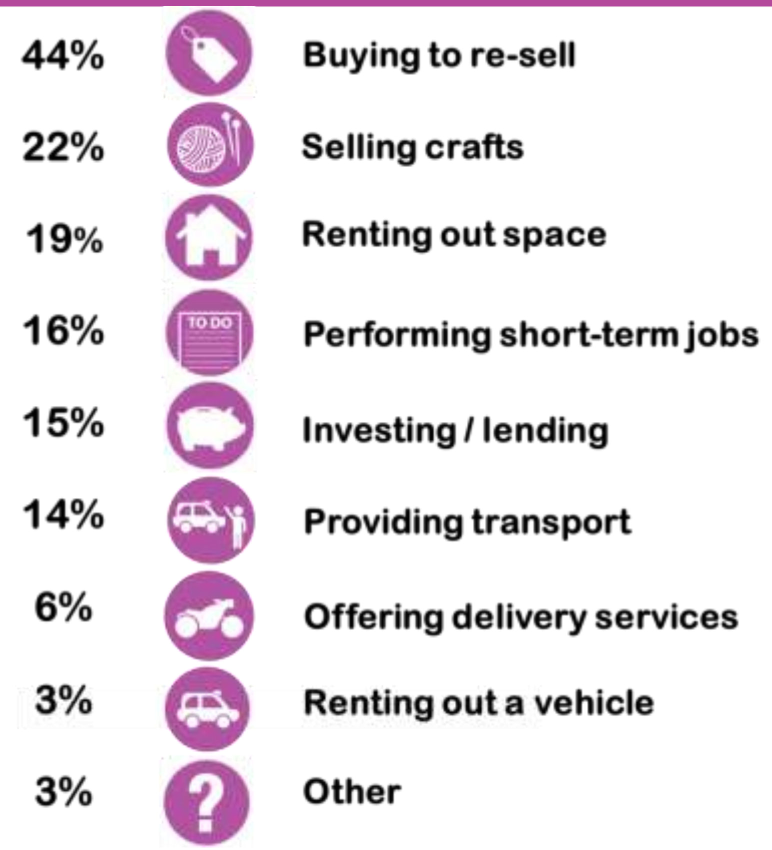
- Be young (Appendix Table 2.10)
- Be educated to degree-level or have a CSE qualification or equivalent (Appendix Table 2.11)
- Have no children in the household (Appendix Table 2.12), and to
- Live with parents, family or friends and pay rent (Appendix Table 2.13).

No other statistically significant differences were found.

2.2.2 Nature of Sharing Economy activities

Figure 2.3 shows the proportion of providers by different Sharing Economy activities. The most common activity, selected by 44 per cent, was buying items to resell. Selling crafts and renting out space were also commonly mentioned (22 per cent and 19 per cent respectively) as well as performing short term jobs (16 per cent) and investing/lending (15 per cent). The 'Other' category consisted of a variety of responses which could not be coded into any of the existing answer categories.

Figure 2.3 Type of SE activity



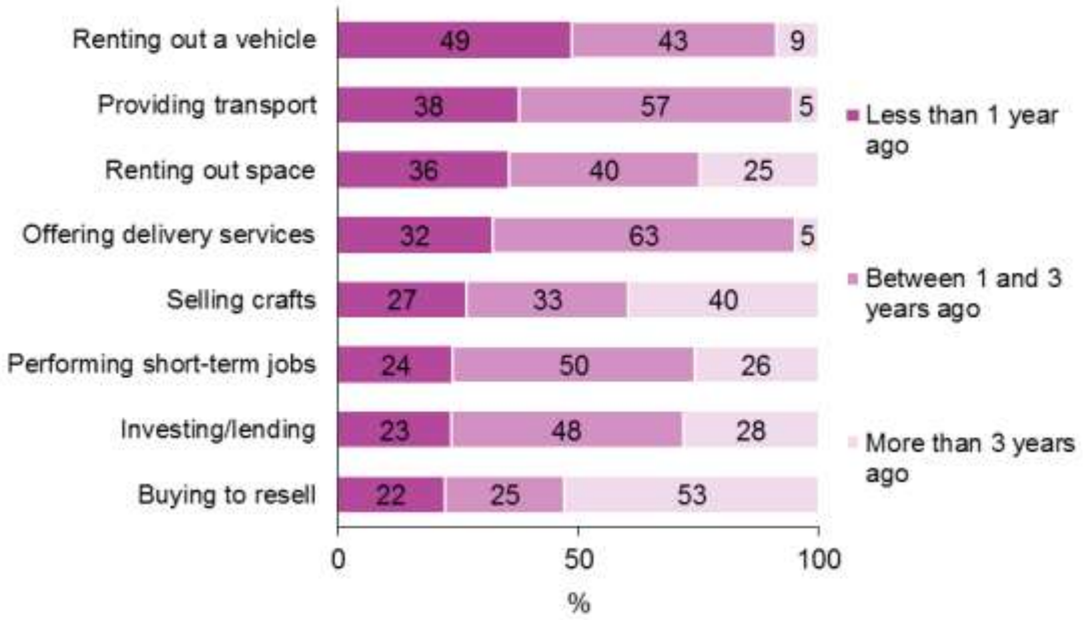
Unweighted base (NatCen Panel): All SE providers (n=251)
Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

The majority of providers (76 per cent) were involved in one type of activity only, whilst 24 per cent were working across more than one activity (Appendix Table 2.14).

When asked how long providers had been involved in Sharing Economy activities, 39 per cent said that they had first started their Sharing Economy activities over three years ago. A further 28 per cent said they had first started between one to three years ago, and 21 per cent had done so more recently; within the last year. Eleven per cent did not know or could not remember (Appendix Table 2.15).

Figure 2.4 shows length of participation by Sharing Economy activity type. Renting out a vehicle was more often taken up recently; nearly half (49 per cent) of these providers had started out within the last year. Buying to resell and selling crafts were more established activities. Involvement was more long-term in these categories, often having lasted for more than three years.

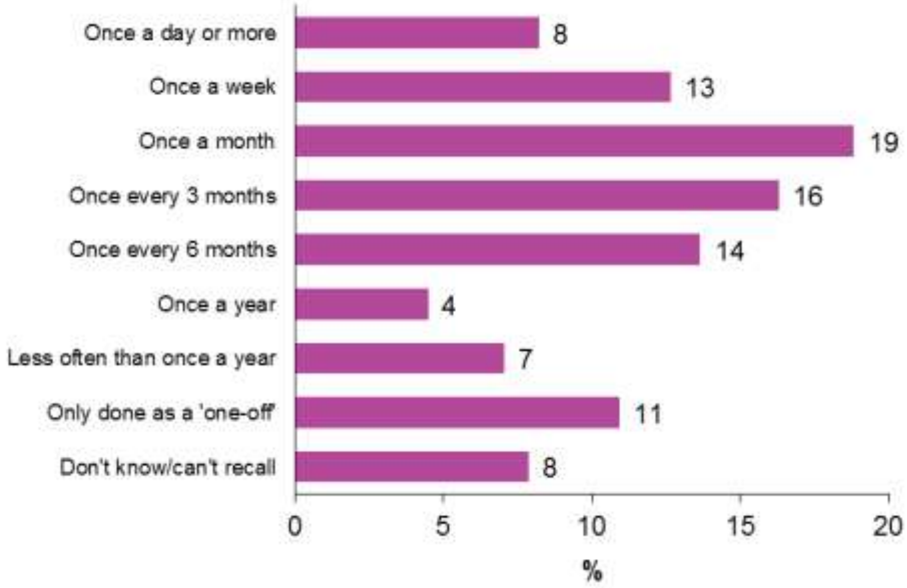
Figure 2.4 How long ago first started by type of SE provider



Unweighted base (Provider): All providers renting out a vehicle (n=21), providing transport (n=49), renting out space (n=66), offering delivery services (n=55), selling crafts (n=161), performing short-term jobs (n=91), investing/lending (n=154), buying to resell (n=909)

For 40 per cent of providers, involvement in the Sharing Economy was relatively frequent, happening at least once a month or even more frequently than that. Amongst these, eight per cent said they provided goods and services in the Sharing Economy daily. A further 41 per cent offered goods and services through online platforms once every three months to less than once a year, and 11 per cent said that their involvement had been one-off (Figure 2.5).

Figure 2.5 How frequently provides goods/services in SE

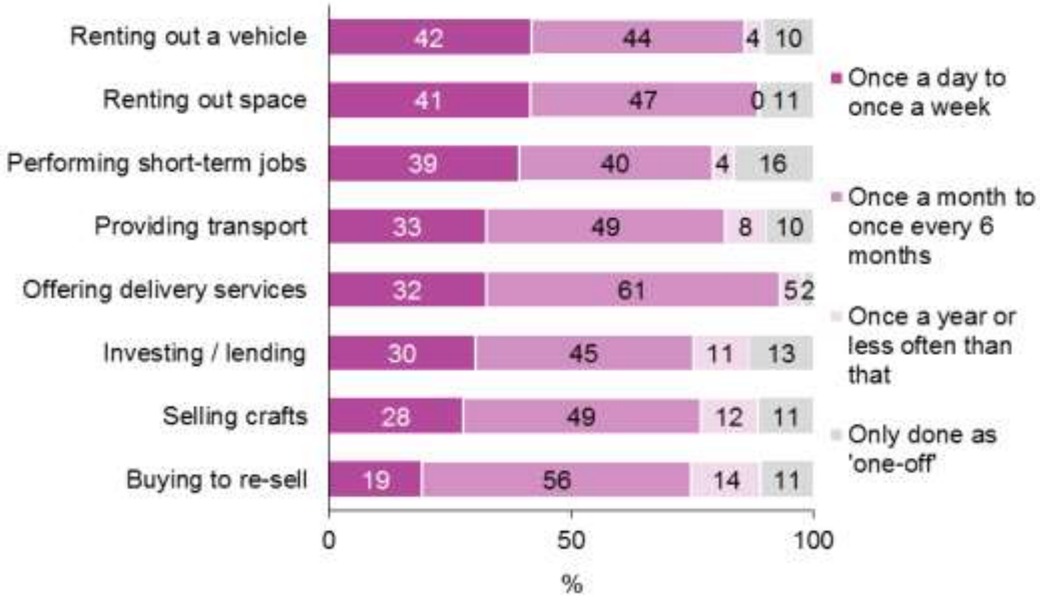


Unweighted base (Omnibus): All SE providers (n=1,292)

Involvement tended to be most frequent amongst those renting out a vehicle, with 42 per cent being involved once a day to once a week (Figure 2.6). This could be explained by providers renting out their vehicle on an almost daily basis. One participant in the qualitative interviews rented her car out when she was working Monday to Friday in London, and spent time listing her car most evenings.

Renting out space and performing short-term jobs were both done on a daily or weekly basis (Figure 2.6). The qualitative interviews suggest that frequent involvement of both these groups could be explained by some providers including responses to enquiries or new business activities in their estimation of frequency. Those performing short-term jobs described regularly searching for clients and making bids for pieces of work. This was particularly the case for people whose main source of income was professional freelance work who used Sharing Economy platforms to find clients and build relationships. Those renting out a space spoke of the need to build a rapport with clients and respond quickly to enquiries or risk clients finding alternative accommodation.

Figure 2.6 How frequently provides goods/services in SE by type of provider



Unweighted base (Omnibus): All renting out a vehicle (n=19), renting out space (n=62), performing short-term jobs (n=83), providing transport (n=46), offering delivery services (n=51), investing/lending (n=129), selling crafts (n=151), buying to resell (n=837)

Often, providers offered the same goods and services on more than one platform (for example by renting the same room on different platforms). Over half (54 per cent) said that they offered goods and services on multiple platforms even if this happened rarely (11 per cent said they only rarely used multiple platforms). However, a sizeable proportion (42 per cent) focussed on a single platform (Appendix Table 2.16).

Those renting out a vehicle, providing transport and offering delivery services most often said they would provide the goods/services on multiple platforms. In comparison, those investing or lending and those buying to resell tended to focus their Sharing Economy activities on one platform or app only (Appendix Table 2.17).

2.3 Motivations for getting involved in the Sharing Economy

The qualitative interviews found that participation in the Sharing Economy was mainly driven by the opportunity to earn money, and the flexibility of Sharing Economy work. Other reasons for participating include achieving future goals; enjoyment of the activities involved; and the reputation and benefits of different Sharing Economy platforms.

2.3.1 Financial motivations

The ability to earn money, whether in small or large amounts, was a key motivation for becoming involved in the Sharing Economy.

Those who had other primary sources of income were motivated by earning a small extra cash flow. This was particularly the case for those with saving goals, such as buying a property, and whose household income was lower than usual, for instance whilst on maternity leave or during a lull in other work opportunities (see Case illustration 2.1).

Another motivation was that the Sharing Economy made it possible to make the best financial use of resources. For those involved in renting out either space or a vehicle, this motivation was linked to the desire to avoid wasting an unused resource that could be making profit, for instance an empty house. One participant, who engaged in multiple

Sharing Economy activities, was mainly motivated by a desire to utilise his idle assets, rather than because he desperately needed additional income:

> *"…I'm going away; my car's going to be sitting there depreciating on my drive; my house is going to remain empty. There are loads of people in the world who'd probably like to stay there. Why don't I just give it to them for a fair price?"*
> (Renting out a vehicle, renting out space and performing short-term jobs, SE24)

Case illustration 2.1 Performing multiple Sharing Economy activities whilst temporarily unemployed (SE47)

A recently unemployed participant used the Sharing Economy to provide extra income while she searched for a new job, and to continue her hobby of producing beauty products. She was also engaging in temping work. Her main Sharing Economy activity was to provide services such as social media management and website design through a short-term job platform, through which she has made £2,500 in three months. She also used the Sharing Economy to sell beauty products and occasionally to rent out her property. At the time of interview, she earned £250 per week from temporary work, living mostly off her savings.

Those who were using the Sharing Economy to lend to or invest in someone else's business or idea were motivated by a desire to make the best use of their savings (see Case illustration 2.2). Peer to peer investments were attractive because they provided a higher interest rate than the banks offered, but with a lower level of risk than other options.

Another financial motivation for engaging in the Sharing Economy was to make money from activities that providers enjoy doing, for instance the freedom and exercise that is involved in a bike delivery role, or the ability to earn income through a hobby.

Case illustration 2.2 Investing in someone else's business or idea to make the best use of savings (SE68)

A freelance PR consultant and writer engaged in the Sharing Economy by using peer-to-peer investment platforms. After she was made redundant four years ago she wanted her redundancy pay to accrue a higher rate of interest than the banks offer so she tried out peer to peer investments. She was making £750 a year in this way, and over £43,000 from her freelance work. She used the platform once a week, and was increasing her investments. She explained that the Sharing Economy is the only place where she can currently make a significant amount of interest on her savings "*…* [T]*here isn't really anywhere you can put money these days that makes money, apart from peer-to-peer I've discovered."*

2.3.2 Flexibility

Another key motivation for participation in the Sharing Economy was the flexibility of the work in that providers could decide when, where and how much work was done. Flexibility was a key motivation for those with children (see Case illustrations 2.3), as parents could be available to take their children to school; avoid the costs of childcare by working from home; and spend more time with their children.

Case illustration 2.3 Gaining greater flexibility by providing transport using a personal vehicle (SE154)

One participant provided a taxi driving service through the Sharing Economy as his main form of employment. He had been doing this for three months and worked 55-60 hours a week in this role. He earns roughly £25,000 a year through the Sharing Economy. He was previously working as full-time as a distribution manager, but chose to work in the Sharing Economy as it provided him with greater flexibility. He is now able to drop his daughter off at school in the mornings.

Flexibility was also a motivation for those with other commitments such as studies or another job. Sharing Economy work could fit around studies or other work commitments, because providers could work remotely and choose when to work.

Providers were also encouraged to participate in the Sharing Economy when it allowed them to maintain the lifestyle they desired. This was particularly important for people who wanted to be geographically flexible (see Case illustration 2.4); but was also a motivation for those who wanted flexibility in deciding when and how much they worked. For instance participants who were renting out a space spoke of the flexibility to rent only when it fit around their other arrangements such as holidays or work trips, and the flexibility to stop renting when they wanted a break. This was contrasted with the restrictions that would be placed on them if they had a lodger.

Case illustration 2.4 Performing flexible short-term jobs to maintain a desired lifestyle (SE13)

A participant who had been working in a corporate office job in London quit her job less than a year ago and started working as a digital marketing consultant through the Sharing Economy. Her main motivation was that she could work remotely which would allow her to travel the world with her fiancé and leave behind the corporate commuting life. She was also able to significantly reduce the hours she worked, as she is able to charge a significantly higher rate for her work on a Sharing Economy platform. She currently earns around £1,500 a month working 10-15 hours a week through the Sharing Economy, which is her main source of income.

2.3.3 Future prospects

Another motivation for participating in the Sharing Economy was to achieve future goals, whether these were goals about participants' income, careers, or businesses.

Building up a presence and good reviews on Sharing Economy platforms were goals for individuals who hoped to increase their income through the Sharing Economy in the future. These participants hoped that the Sharing Economy would become a more significant income stream, though they did not necessarily expect it to become their main source of income. One participant rented out a space online so that she could build up good reviews for the future when she hoped to live abroad and get an income from renting her house.

Those whose participation involved activities they wanted to base a career on in the future hoped to use the Sharing Economy to build experience in the area they were interested in working (see Case illustration 2.5).

Case illustration 2.5 Buying to resell through the Sharing Economy to develop career skills (SE39)

A photographer and nanny had been buying and reselling vintage clothes through the Sharing Economy for the last year. Before that, she had been working in retail, while doing photography work on the side. She did not consider her Sharing Economy work her main income currently, but wanted to develop it in the future to be a secondary source of income rather than just a hobby. Using the Sharing Economy was helping her to understand how to develop her brand and expand her customer base. She currently earns roughly £150 a month through the Sharing Economy, and earns £11,000 - £19,000 a year overall.

Providers also engaged in the Sharing Economy to build up their businesses and business contacts. Short-term work platforms allowed them to demonstrate their skills via the Sharing Economy and develop relationships with clients. This then led to work opportunities outside of the Sharing Economy. The Sharing Economy also provided an avenue for small businesses to build a customer base. This was particularly a motivation for providers who were not yet able to commit full-time to their business venture. For example, one participant had a small business buying products wholesale from suppliers and then selling the products online. Currently she works full-time, but she and her business partner are using their website and the Sharing Economy to grow their business, and hope to reach a point where they can quit their jobs and work on the business full-time.

2.3.4 Enjoyment of Sharing Economy activities

Enjoyment of Sharing Economy activities was a reason for participation aside from the financial gain. Providers who were working in an area they considered a hobby were motivated by enjoying the activity there were engaged in. For instance, one provider designed and sold t-shirts as a therapeutic hobby. Another used the Sharing Economy to explore her interest in vintage fashion:

> *"I do it for the love of it, 'cause I appreciate sort of the history and I like the challenge of finding collectible pieces. I mean, I like the - it gives me a reason to develop my knowledge into, like, you know, old style…"*
>
> (Selling crafts, SE39)

Providers were also motivated by the social and community benefits of some Sharing Economy activities. For example, a provider who rented out her property enjoyed the opportunity to meet new people. Another motivation was helping to provide people in the community access to resources they may not otherwise have, such as cars, or short-term accommodation.

2.3.5 The reputation and benefits of particular Sharing Economy platforms

Providers cited the positive reputation or the benefits of particular platforms as a reason for engaging in the Sharing Economy. Participants had heard of a platform, and were impressed by its innovative approach or ability to help people earn extra money.

> *"I said to myself you know what, I see a lot of people making quite a bit of money on this and thought I wanted to get myself in on the business."*
>
> (Buying to resell, SE25)

The reputation and benefits of certain platforms was also given as a motivation to engage with one platform rather than another. Factors that contributed to the positive reputation of platforms in the eyes of participants were their low fees; the limited restrictions they placed on providers; or the perceived safety and security of the platform.

Some participants were also encouraged to participate due to the recommendations of others. This was particularly the case if the participant and the person who had recommended them received a financial incentive.

> "*At the moment [platform] is offering a referral bonus so if you refer a friend on then you get £50 each once they sign up and lend like, I think its £1,000 within the first month or something like that. And this friend is quite savvy so he referred me on so he'd get the £50. We both get £50 each...*"
>
> (Lending/investing, SE61)

2.3.6 Extent to which paying tax affected decisions to get involved in the Sharing Economy

The qualitative interviews indicated that paying tax, or reporting income for tax purposes did not affect motivations for participating. In some cases providers sought information on the reporting process and on tax thresholds but this did not affect their decisions to become providers.

A reason given for why tax did not influence decisions was that participants accepted that it would need to be paid irrespective of how providers earned their income, so paying tax on Sharing Economy income was not a deterrent. Providers who did not feel they would be taxed too highly were also not deterred. Other reasons were that providers did not know how much they would make and therefore how much would be payable in tax; and the perception that it would not be right to work in the UK and not pay tax.

> "*I don't think its right to work in the UK and not pay tax, so like morally, so I don't see it as an option to bypass*.
>
> (Performing short-term jobs, SE13)

While the reporting process was not mentioned as a barrier to getting involved in the Sharing Economy, some participants were waiting to experience the process before deciding whether to continue being a provider. Some participants who were already self-employed said they did not see the reporting process as a barrier because they were already accustomed to it and did it anyway.

Those who were currently discouraged from continuing to participate in the Sharing Economy due to tax referenced the amount of tax they were paying in relation to how much they earned.

Tax was often described by providers as something that might discourage participation in the Sharing Economy in the future if something changed, such as their tax liabilities increasing (see section 5.1.4 for further discussion of this).

3 Sharing Economy earnings and work

This chapter discusses the income providers generated through Sharing Economy activities and the way they perceived and used their Sharing Economy earnings, as this has implications for tax-related behaviour. The chapter then explores how providers categorised their employment status in relation to Sharing Economy activities and the reasons underpinning this.

Key findings:

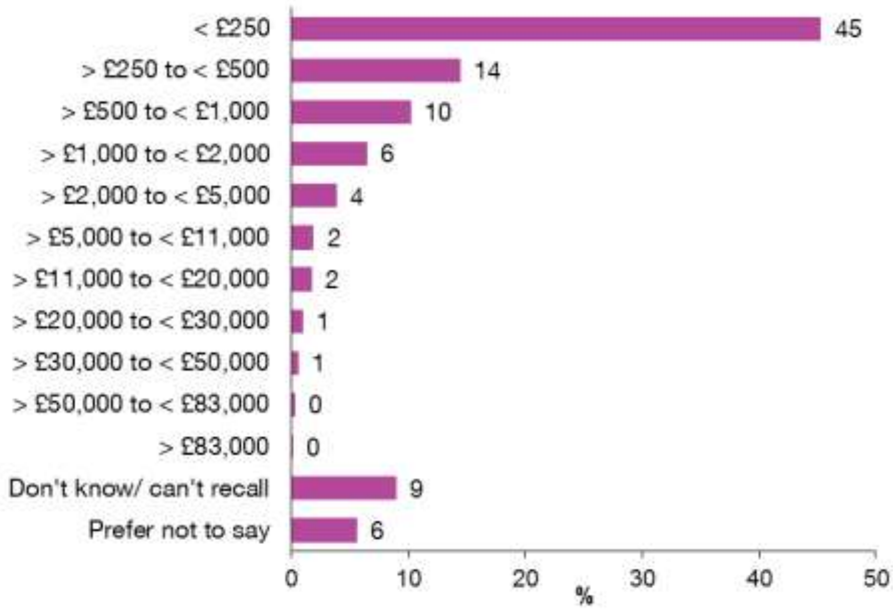
- The total income each provider earned from their Sharing Economy activities was most frequently less than £250 (45 per cent).
- Sharing Economy activities most frequently generating the lowest income (under £250) were buying to resell and selling crafts. Activities that most often generated the highest incomes (over £11,000) were renting out space and performing short-term jobs.
- People aged over 45 were most likely to have earned less than £250, whereas the age groups most commonly earning higher incomes (above £11,000) were aged between 25 and 44.
- For the majority of people (77 per cent), Sharing Economy activities were not a main source of income.
- Over half (54 per cent) saw their Sharing Economy activity as just a way of making some extra money, rather than as a formal employment status. Those that saw the activity in this way were most often buying goods to resell, selling crafts and renting out a vehicle.
- Providers perceived themselves as self-employed if they had control and autonomy over their work, owned the equipment needed, did not receive employee benefits; reported their income and were paid through and not by the platform. Some providers also described themselves as self-employed because their platform did.
- Providers who did not identify with an employment status in relation to their Sharing Economy activities said their activity did not involve any 'labour' or 'work'; saw the platform as a facilitator rather than an employer and saw their Sharing Economy income as too small and sporadic.
- Some of these participants were officially registered as self-employed but self-identified more as employees due to their working conditions being reportedly more similar to those of employees. Wearing a uniform and being assigned shifts were given as examples.

3.1 Income generated through the Sharing Economy

To understand the income being generated through the Sharing Economy, providers were asked how much money they had made in total from all their Sharing Economy activities in the last 12 months before any deductions. As shown in Figure 3.1 the answer categories provided ranged from less than £250 to over £83,000.

The total earnings from providers' Sharing Economy activities combined were most frequently less than £250 (45 per cent). Around eight in ten providers (81 per cent) earned a total Sharing Economy income of below the Personal Allowance of £11,000 through their Sharing Economy activities alone. In contrast, only four per cent reported earning a total Sharing Economy income that exceeded the Personal Allowance threshold (Figure 3.1).

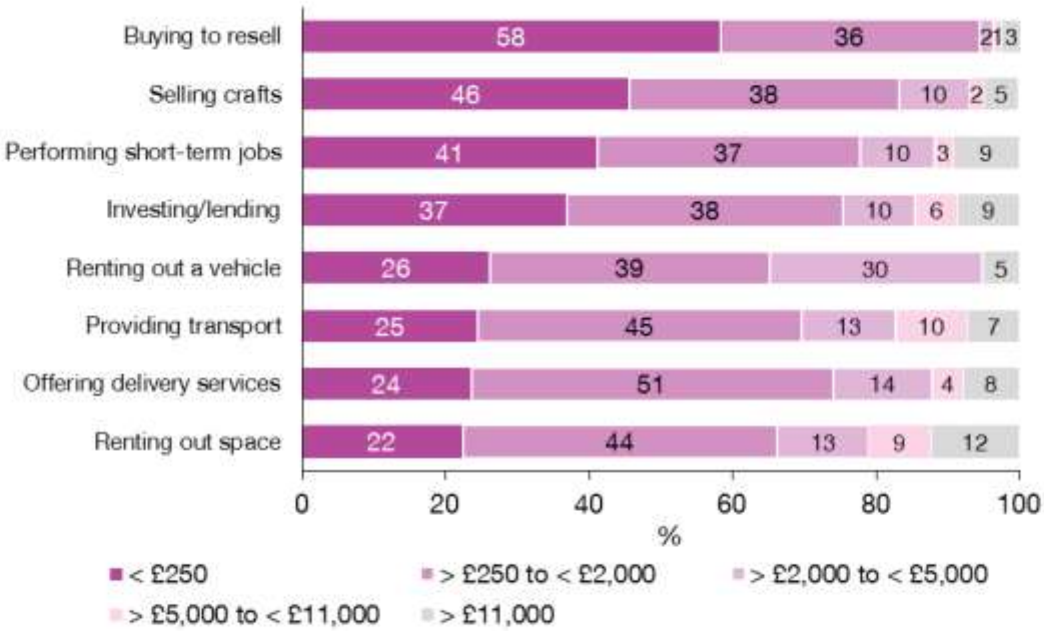
Figure 3.1 Total SE income



Unweighted base (Omnibus): All SE providers (n=1,292)

As shown in Figure 3.2 the Sharing Economy activities most often generating the lowest income (under £250) were buying to resell (58 per cent) and selling crafts (46 per cent). The activities that in more cases generated the highest Sharing Economy incomes, over £11,000, were renting out space (12 per cent), performing short-term jobs and investing/lending (nine per cent).

Figure 3.2 Total SE income by type of activity



Unweighted base (Omnibus): All SE providers buying to resell (n=43), selling crafts (n=145), performing short-term jobs (n=80) investing/ lending (n=135), offering delivery service (n=44), providing transport (n= 43), renting out space (n=52), renting out a vehicle (n=[19])

Providers earning the highest Sharing Economy incomes (above £11,000) were engaged more frequently, providing services once a day to once a week (six per cent). Providers that were earning smaller Sharing Economy incomes (below £250) tended to provide services less frequently, as a 'one-off' (79 per cent), and once a year or less often than that (77 per cent) (Appendix Table 3.1).

3.1.1 Sharing Economy income by demographic profile

Providers' Sharing Economy income was explored against demographics to gain an understanding of the variation in income generated.

Figure 3.3 shows that earnings were fairly similar across all age groups with the vast majority of people from all age groups earning less than £2,000 in the last 12 months. The age groups most commonly earning above £11,000 were 25-34 and 35-44 (6 per cent), while those aged over 45 were most likely to have earned less than £250.

This may suggest that older people are engaging in the Sharing Economy as more of a hobby or income supplement while younger people are more dependent on the Sharing Economy as source of income. Indeed, those that saw their activity as just a way of making some extra money (rather than a formal employment status) were most likely to be aged over 55 (68 per cent). This group was also least likely to associate their Sharing Economy activity with a formal employment status (19 per cent) (Appendix Table 3.2).

Figure 3.3 Total SE income by age

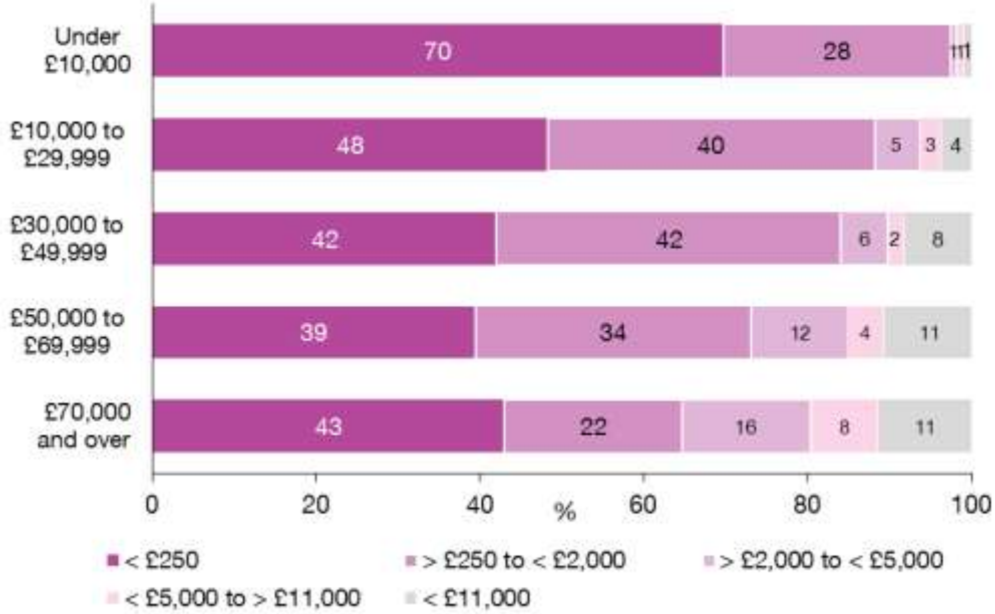
Unweighted base (Omnibus): Once a day to once a week (n=233), Once a month to once every 6 months (n=556), Once a year or less often than that (n=161), only done as 'one-off' (n=119)

Significant differences were found in the total earnings made from Sharing Economy activities by the following characteristics:

- **Gender.** Men were slightly more likely to have earned higher Sharing Economy incomes, over £11,000 (five per cent) compared with three per cent of females. In contrast, women were most likely to have earned a smaller Sharing Economy income, below £250 (59 per cent), compared to 47 per cent of males (Appendix Table 3.3).
- **Education.** Providers most likely to be earning a lower Sharing Economy income (less than £250), were those with a GCSE-level (grades A-C) or O-level equivalent (56 per cent); followed by those with an A-level or equivalent (55 per cent). Those earning higher Sharing Economy incomes (above £11,000) were most likely to have a Certificate of Secondary Education/GCSE (grades D-F) or equivalent qualifications (nine per cent) or Higher Education below degree (seven per cent) (Appendix Table 3.4).

- **Household income.** Those earning smaller Sharing Economy incomes, (less than £250) were also most likely to have smaller household incomes, earning under £10,000 a year (66 per cent). Those earning higher Sharing Economy incomes (above £11,000) tended to be those with higher household incomes, of between £70,000 and £99,999 (11 per cent) (Appendix Table 3.5).
- **Gross personal income.** Sharing Economy earnings tended to mirror gross personal income. Those with a low gross personal income were also likely to have a low Sharing Economy income (Figure 3.4). Nearly three quarters (70 per cent) with a gross personal income of under £9,999 earned less than £250 and 98 per cent earned less than £2,000. Individuals with higher gross personal incomes were more likely to be making larger amounts from Sharing Economy activities. Providers earning over £11,000 from their Sharing Economy activities were most likely to be earning between £50,000 to £69,999 and £70,000 and over (11 per cent).

Figure 3.4 Total SE income by gross personal income

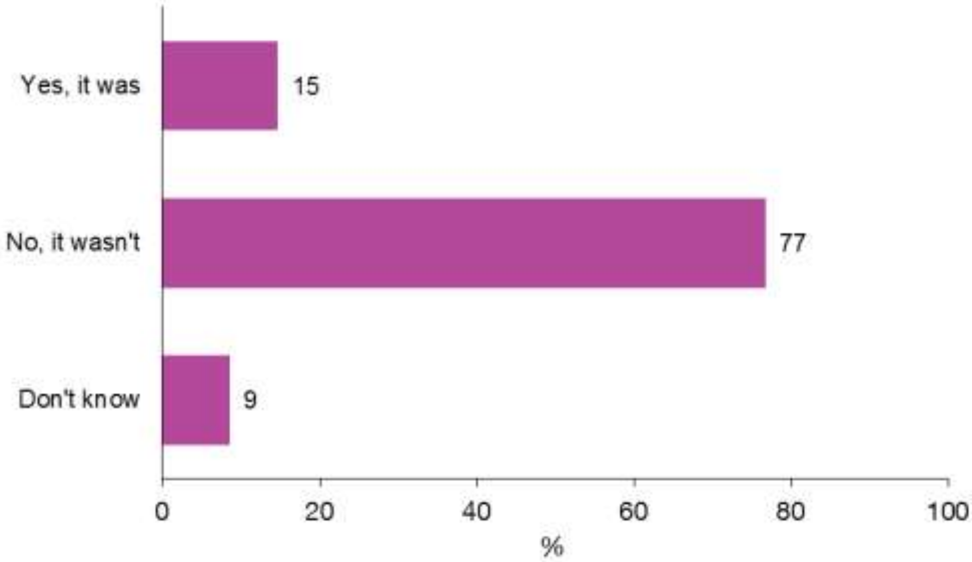


Unweighted base (Omnibus): Under £10,000 (n=242), £10,000 to £29,999 (n= 477), £40,000 to £49,999 (n=188), £50,000 to £69,999 (n=46), £70,000 and over (n=[29])

3.1.2 Sharing Economy income as the main source of income

Providers were asked if the money they had made through the Sharing Economy was their largest source of income during the last 12 months. Figure 3.5 shows that for 15 per cent of respondents Sharing Economy activities generated their main source of income, whereas for over three quarters (77 per cent) it did not.

Figure 3.5 Whether SE income was respondents' main source of income



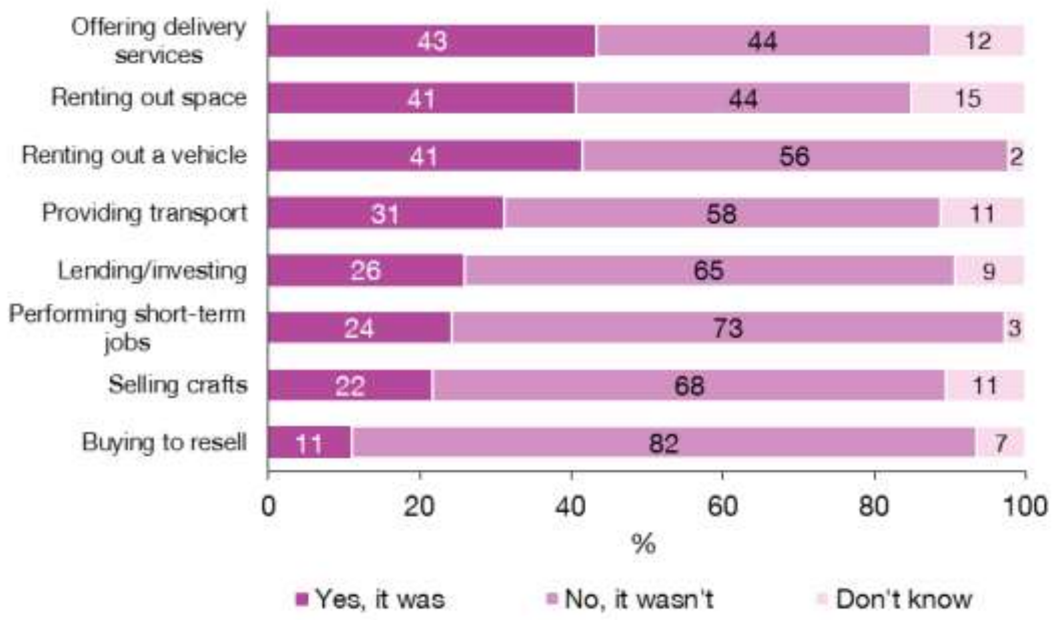
Unweighted base (Omnibus): All SE providers (n=1,292)

As shown in Figure 3.6, providers who described their Sharing Economy activities as their main source of income were most likely to be providing the following activities: offering a delivery service (43 per cent), renting out space (41 per cent), or renting out a vehicle (41 per cent). The high proportion of those offering a delivery service earning a main income through the Sharing Economy could be explained to some extent by qualitative interviews in which people who were offering a delivery service were doing this activity around their studies and were living at home with their parents.

Where Sharing Economy activities did not generate the main source of income, providers were most frequently buying items to resell (82 per cent), or performing short-term jobs (73 per cent).

This ties in with the findings around frequency of engagement in section 2.2.2, which shows that those who were involved in the Sharing Economy most frequently, once a day to once a week, were most likely to be renting out a vehicle or renting out space. However, as shown in Figure 2.6, those offering a delivery service were less frequently involved in the Sharing Economy, once a month to every 6 months (61 per cent). This may be due to these providers fitting their Sharing Economy work around other commitments such as studying, as indicated by the qualitative interviews.

Figure 3.6 Whether SE income was respondents main source of income



Unweighted base (Omnibus): Offering delivery service (n=55), renting out space (n= 66), renting out a vehicle (n=[21]), providing transport (n=49), lending/investing (n=154), performing short-term jobs (n=91), selling crafts (n=161), buying to resell (n=909)

3.1.3 Use and importance of Sharing Economy incomes

The qualitative research found that providers placed varying levels of importance on their Sharing Economy incomes, and took a number of factors into account. This section describes the characteristics and circumstances of Providers who generated primary, secondary, and supplementary incomes from Sharing Economy activities:

Sharing Economy as a primary income

Providers who considered the money they made through the Sharing Economy as their primary source of income were wide-ranging, both in terms of the amount of money they made and the activities they engaged in. Providers under this category are divided into four income groups below:

- **Providers earning over £11,000 per year[31].** For these providers the Sharing Economy was the only personal income source and they were only involved in one Sharing Economy activity. The activities they were engaged in included providing transport and performing short-term jobs. Providers were self-employed[32] and involved in the activity on a daily basis. For these individuals, their Sharing Economy income was essential; it was used to pay for everyday living costs, such as rent, food, and bills.
- **Providers earning between £5,000 and £11,000.** The Sharing Economy activities that providers in this group were involved in included offering a delivery service, performing short-term jobs and selling crafts. These providers engaged in their Sharing Economy

[31] Qualitative interviewees were purposively sampled to cover a variety of circumstances, but do not reflect the statistical composition of the overall provider population. These findings describe the characteristics of the interview sample and cannot be extrapolated more widely.

[32] Generally, a person is self-employed if they carry on business on their own account and take responsibility for its success or failure. Self-employed workers are not paid through PAYE, and they do not have the employment rights and responsibilities of employees. HMRC guidance provides that the self-employed register and complete self-assessment tax returns each tax year.

activities on a daily basis or every other day; however not necessarily full-time. Where providers were not involved in other activities and the Sharing Economy was their only source of personal income, they were supported by other household income streams. In cases such as this, income earned by other people in the household was deemed more important than their own. For example, a person who was providing transport and earned around £7,000 a year, was also studying to become a taxi driver and considered his partner's income to be the household's primary income source. For other providers in this group, Sharing Economy activities were among a number of income streams.

- **Providers earning between £2,000 and £5,000** were involved in Sharing Economy activities such as performing short-term jobs and selling crafts. They were also earning money through other sources. One participant for example had recently become unemployed and was looking for full-time work, but in the meantime was earning money by performing short-term Sharing Economy jobs as well as off-line temporary jobs.
- **Providers earning between £250 and £2,000.** One provider in the qualitative sample had earned between £250 and £2,000 as a primary income (to date). He was aged 18-29 and offered a delivery service, usually three evenings a week. The Sharing Economy income in this case was not considered overly important and was used to pay for leisure activities or non-essential goods, as this participant was living at home with parents.

Sharing Economy as a secondary income

Incomes generated by providers who considered their Sharing Economy income as secondary also varied, between £250 and over £11,000. The Sharing Economy activities that providers were involved in included performing short-term jobs and selling crafts. These providers tended to engage less frequently than those who considered their Sharing Economy incomes as primary, participating on a weekly or monthly basis.

For those that considered their Sharing Economy income as secondary, it provided a back-up when their primary source of income was variable, temporary or part-time. For example a participant performed short-term jobs online when there was a shortage of work through their primary source of income which involved transcription work, as described in Case illustration 3.1 below.

Supplementary income

For this group, money made from Sharing Economy activities was seen as an extra, non-essential income. The Sharing Economy earnings in this group were nonetheless wide-ranging, with values of between £250 and £11,000. Gross personal incomes for people in this category were generally larger than those for whom Sharing Economy income was secondary and these providers were usually making money from other occupations. They tended to have full-time positions and earned upwards of £30,000. In some cases, providers had full-time permanent positions but were on reduced salaries, due for example to being on maternity leave. As with secondary incomes, the money earned through the Sharing Economy was considered additional and was not seen as overly important. These earnings were used for savings or to pay for holidays and non-essential goods.

Case illustration 3.1 Performing short-term jobs to supplement a reduced income (SE28)

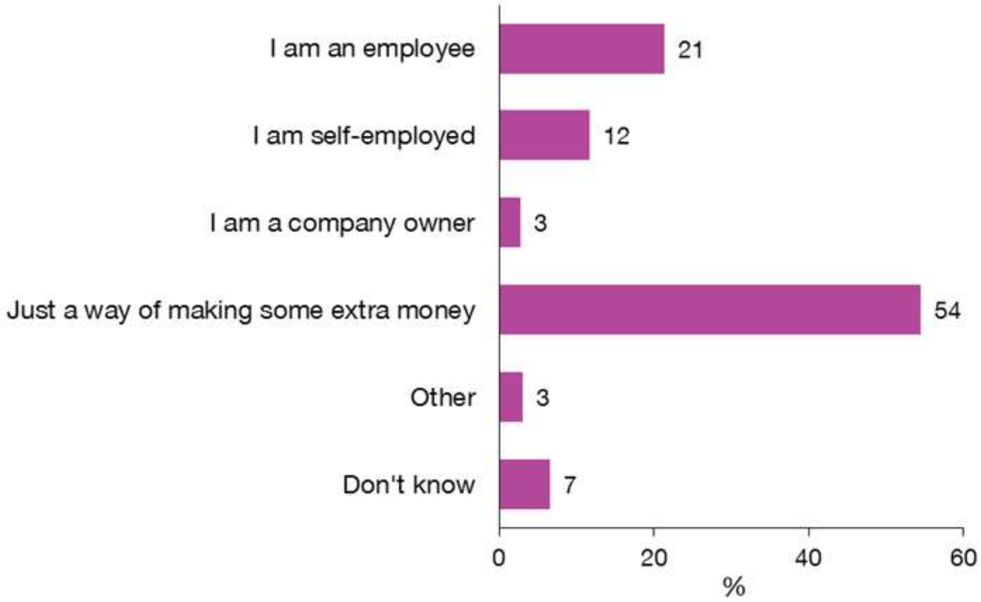
A provider's main income came from working as a self-employed technical transcriptionist specialising in academic and clinical work, earning less than £11,000 a year. Her work varied seasonally and when there was a lull, she used Sharing Economy platforms to provide a supplementary income by offering transcription and proofreading services. She had been doing this for just over six months, and has earned £300 through the Sharing Economy so far. She submitted 50 proposals a week on her platform of choice, and secured an average of five or six small jobs a week from those.

3.2 Perceived Sharing Economy employment status

Individuals' employment status affects their employment rights, employers' responsibilities, and the level of income tax and National Insurance Contributions payable by individuals. The legal distinction between being self-employed and employed is complex and based largely on case law. It may therefore not always be clear whether an individual should be an employee,[33] and subject to PAYE[34] rules, or self-employed.

Providers were asked how they perceived their employment status in relation to their Sharing Economy activities. Over half (54 per cent) did not identify with a formal employment status and instead considered their Sharing Economy activity as 'just a way of making some extra money'. Another 21 per cent saw themselves an employee and 12 per cent as self-employed (Figure 3.7).

Figure 3.7 Perceived employment status



Unweighted base (Omnibus): All SE providers (n=1,292)

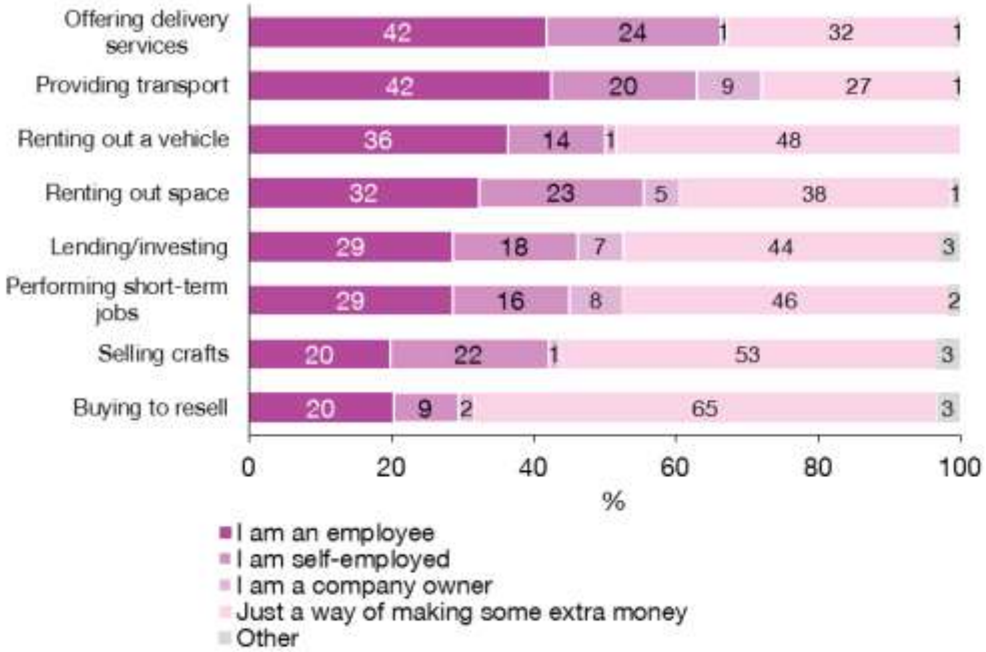
As shown in Figure 3.8 providers who were most likely to consider themselves to be employees in relation to their Sharing Economy activities were people offering delivery services (42 per cent) and providing transport (42 per cent). Providers engaged in such activities were also most likely to consider themselves as self-employed (offering delivery services (24 per cent) and providing transport (20 per cent) alongside those renting out space (23 per cent).

Those who saw their Sharing Economy activity as just another way of making some money were most often buying goods to resell (65 per cent), selling crafts (53 per cent) or renting out a vehicle (48 per cent).

[33] Someone who works under an employment contract for wages or salary. Employees are entitled to full employment rights and benefits covered by employer responsibilities. They pay tax and National Insurance contributions through PAYE.

[34] Pay As You Earn. A mechanism for collecting tax used with employees, where the employer deducts income tax and National Insurance contributions from an individual's wages before payment of wages. Employers must currently operate a PAYE scheme if any of their employees earn more than £112 a week, receive benefits or expenses, have another job, or receive a pension. Employers pay amounts deducted and from individual's wages and employer's National Insurance contributions to HMRC through the PAYE system.

Figure 3.8 Perceived employment status by Sharing Economy activity

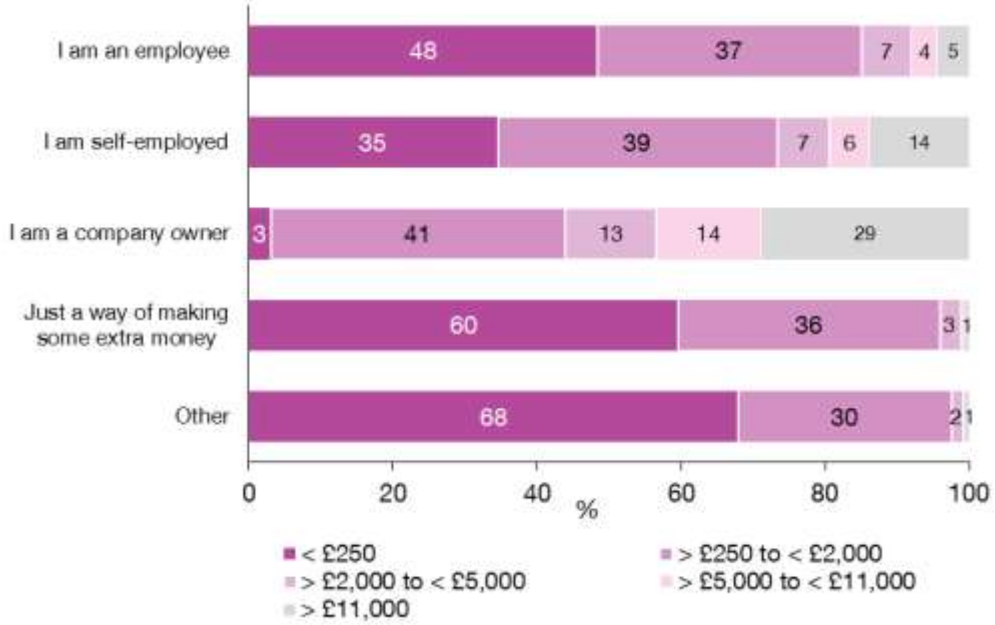


Unweighted base (Omnibus): Offering delivery service (n=51), providing transport (n= 46), renting out a vehicle (n=[18]), renting out space (n=62), lending/investing (n=140), performing short-term jobs (n=87) selling crafts (n=157), buying to resell (n=850)

As shown in Figure 3.9, when Sharing Economy income was broken down by perceived employment status it showed that the majority of those who saw their SE activity as just a way of making some extra money had earned less than £2,000 in the last 12 months. Nearly three quarters (74 per cent) of respondents who considered themselves to be self-employed were earning less than £2,000. Those that earned higher Sharing Economy incomes of more than £11,000 were most likely to call themselves a company owner[35] (29 per cent) or self-employed (14 per cent).

[35] An individual who owns and has decision-making capacity over a company. This individual usually has the first right to any profits generated from the successful operation of the company.

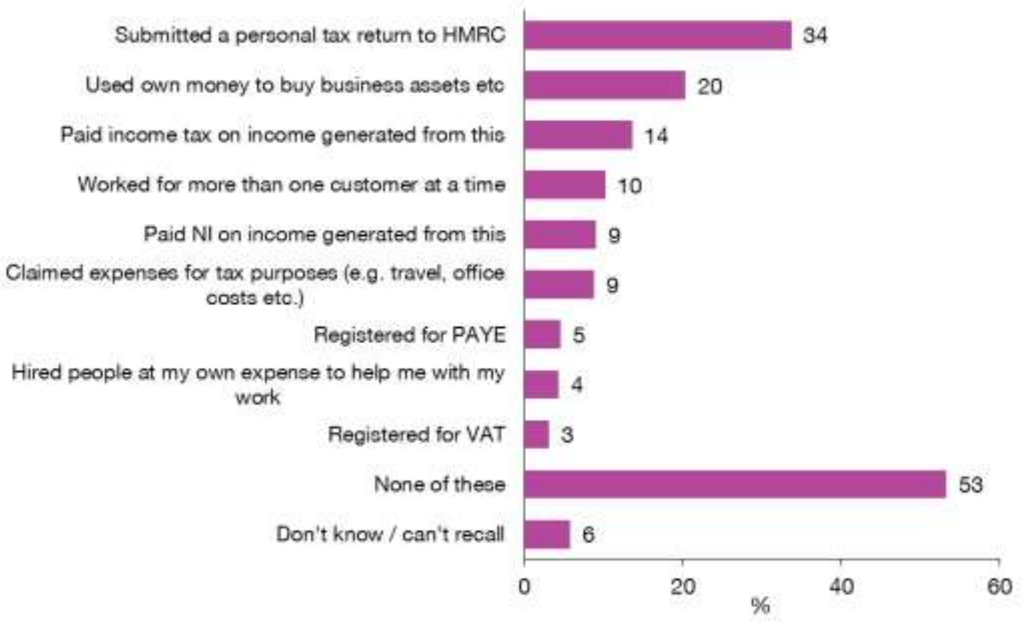
Figure 3.9 Perceived employment status by Sharing Economy income



Unweighted base (Omnibus): I am an employee (n=216), I am self-employed (n=117), I am a company owner (n=31), Just a way of making some extra money (n=666), other (n=43)

To explore perceptions of employment status further, providers were asked which, if any, of a number of statements they had done in the past 12 months, each of which indicate self-employment. It is important to note that this was not a formal assessment but was used as an indication of the kinds of behaviour that could signal self-employment. Figure 3.10 shows that over half of respondents (53 per cent) did not report performing any activities that indicate self-employment. The most common activities were the submission of a personal tax return to HMRC (34 per cent), use of their own money to buy business assets, cover running costs and/or provide tools and equipment for their work (20 per cent), followed by paying income tax on their Sharing Economy income (14 per cent). Three per cent said they had registered for VAT.

Figure 3.10 Self-employment assessment



Unweighted base (Provider): All SE providers (n=2,268)

Providers' Sharing Economy employment status was broken down by the activities above that indicate self-employment. Those who saw themselves as self-employed or company owners were most likely to see the activities as applicable to them. The vast majority of those who categorised themselves as self-employed or company owners (80 per cent and 86 per cent respectively) had submitted a personal tax return. In addition, 44 per cent of those self-employed and 38 per cent of company owners had used their own money to buy business assets, to cover running costs or provide tools or equipment for work purposes.

Perceived employment status was also explored in qualitative interviews. As described below, providers saw their Sharing Economy activities in three different ways:

Providers who saw themselves as self-employed

These providers were involved in performing short-term jobs, providing transport, offering delivery services and selling crafts online. They identified with a self-employed status for one or more of the following reasons:

- **Control and autonomy over work.** Participants mentioned having flexibility over the hours that they work, and not working for anyone but themselves, or that there was little involvement from the platform in their work.
- **Ownership of equipment.** Participants also mentioned owning their own equipment, for example somebody who was providing their own transport owned their own car which was essential for the job.
- **Industry perception.** Some providers identified with being self-employed due to the classification being the industry standard or in reference to the platform's categorisation. A participant who provided transport, for instance, said it had been stipulated in the contract, but did not necessarily agree with it himself.

  "Definitely self-employed. They don't accept any other form"

  (Providing transport, SE154)
- **No employee benefits.** Participants who said they were self-employed mentioned that they did not receive the same benefits as an employee would, for example a pension.

- **Being paid through and not by the platform.** Some providers associated with being self-employed due to seeing the platform less as an employer that paid them directly and more as a means of connecting to paying customers. The relationship was described in a number of different ways. Those performing short-term jobs saw the platform as 'a classified advertising system' while those who mentioned paying a service fee saw themselves as a resource for the platform.

  > *"They would see me as - as a resource, I guess, just providing them a service and then taking their cut"*
  >
  > (Performing short term jobs, SE19)

- **Reporting income through Self-Assessments.** A further reason for providers identifying as self-employed was submitting Self-Assessment tax returns.

Providers who did not identify with an employment status

Participants who did not identify with an employment status in relation to their Sharing Economy activities included those who had rented out a place for a short term stay, rented out their vehicle or lent or invested in someone else's business or idea.

Providers in this group did not identify with an employment status for the following reasons:

- **The activity did not involve any 'labour' or 'work'.** Sharing Economy activities were not associated with a formal employment status if providers did not perceive any work to be involved. For example, for people renting out space or a vehicle, once the initial profile had been set up it was a case of replying to email requests and this was not considered as 'work' in the traditional sense. Meanwhile, participants who were investing/ lending simply allowed their money to build up without actively doing anything.
- **The Sharing Economy platform was seen as a facilitator rather than an employer.** As discussed above, providers did not identify with an employment status if they did not see their platform as an employer and instead saw them as a way of connecting to potential clients.

  > *"I see them as sort of just a sort of facilitator rather than a sort of supplier. They just sort of, you know are the link between you."*
  >
  > (Lending/investing, SE61)

- **Sharing Economy income considered too small and sporadic.** Providers who saw their Sharing Economy income as small and irregular and thought of the activity more as a hobby did not associate it with a formal employment status. These were people that were renting out a place for a short-term stay, renting out a vehicle and selling crafts. This category is likely to incorporate the 54 per cent in Figure 3.7, who reported that they saw their Sharing Economy income as just a way of making some extra money.

Providers who were registered as self-employed but saw themselves as employees

A final group of participants, often those offering a delivery service and providing transport, were officially registered as self-employed but self-identified more as employees. This perception was underpinned by the belief that their working conditions were more similar to those of employees.

Participants cited characteristics that they associated with being an employee for example having to wear a uniform, and being assigned shifts. One participant who had been offering a delivery service referred to the lack of flexibility; that they were provided with a rota, that they had to commit to certain days and would have to inform the platform when they wanted to take annual leave and have it signed off in advance.

> *“Oh, we're all freelance and we're using this app to get our work; however, we are paid an hourly rate by *, we have shifts, we have, you know, we have responsibility to do it rather than choosing”*

(Offering a delivery service, SE153).

Providers also felt like employees because they had little control over pay and fares, because for example they were paid an hourly rate. For those providing transport the platform was said to set the fees and to control the jobs drivers took, without giving drivers a say in whether they could accept or refuse a customer,

> *“You, you really feel like, like you're working for them 'cause they really call the shots and everything and you don't really have a say. If you turn your app on then they're in control. When you turn your app off you're in control, you know, like that's - you're not working for them, but yeah that's why it feels like that”*

(Provided transport, SE155)

4 Awareness and understanding of tax requirements

This chapter presents findings on providers' awareness and understanding of tax obligations in relation to Sharing Economy income and identifies which groups might be struggling to understand their tax requirements. It also discusses the sources of information providers consult about tax issues before exploring how easy they think it is to find out about tax obligations and how easy they are to understand.

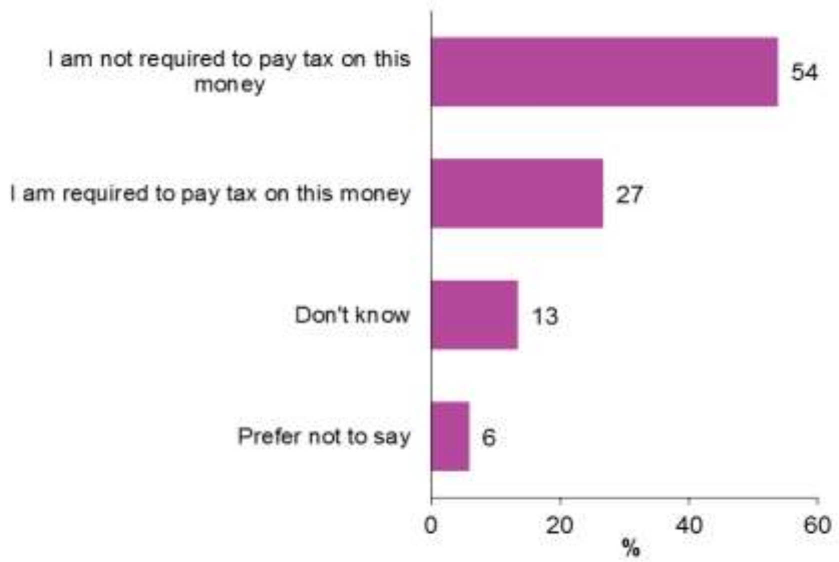
Key findings:

- Over half (54 per cent) of providers did not see their Sharing Economy income as liable for tax. The majority of those with a total annual income under £10,000 per year (72 per cent) thought they were not liable to pay tax on the Sharing Economy income, whilst just over a third (37 per cent) thought so in the highest income category, earning £70,000 and over.
- Most providers turned to formal sources of information about their tax obligations, such as the HMRC website (36 per cent) and tools and calculators (24 per cent).
- The qualitative interviews indicate that views of these information sources were mixed. Experiences of government support highlighted a need for more information and support with registering as self-employed and completing Self-Assessments. For those who could afford them, accountants were a key source of information and support with reporting, while some but not all platforms offered information on tax.

4.1 Understanding of tax requirements

Providers were asked if they saw their Sharing Economy income as liable for tax deductions. Just over half of providers (54 per cent) thought that they were not required to pay tax on the money they had made from the Sharing Economy while only 27 per cent did (Figure 4.1).

Figure 4.1 Whether thinks SE income is liable to tax



Unweighted base (Provider): All SE providers (n=2,268)

Those who viewed their employment status in more formal terms, i.e. to be company owners, self-employed or employees, were more likely to think they are required to pay tax on their Sharing Economy income. For example, 65 per cent of those who identified themselves as company owners thought they were required to pay tax on the income compared to only 18 per cent of those who viewed the activity as just a way of making some extra money (Appendix Table 4.1).

The likelihood of providers thinking they are required to pay tax on their Sharing Economy income increased with Sharing Economy earnings. While 16 per cent of providers earning less than £250 from their activities annually thought they are required to pay tax on the income, this figure had increased to 83 per cent amongst those earning £11,000 and over. However 13 per cent of those earning £11,000 and over believed their Sharing Economy incomes were not liable to tax (Appendix Table 4.2).[36]

A similar pattern emerges for gross personal income whereby **the higher the income the more likely providers were to think they were required to pay tax on their Sharing Economy income**. The majority of those with a personal income under £10,000 per year (72 per cent) thought they were not liable to pay tax on the Sharing Economy income, whilst just over a third (37 per cent) thought so in the highest income category, £70,000 and over (Appendix Table 4.3). Findings from the qualitative interviews suggest that those earning under £10,000 did not think their Sharing Economy earnings were liable for tax deductions because:

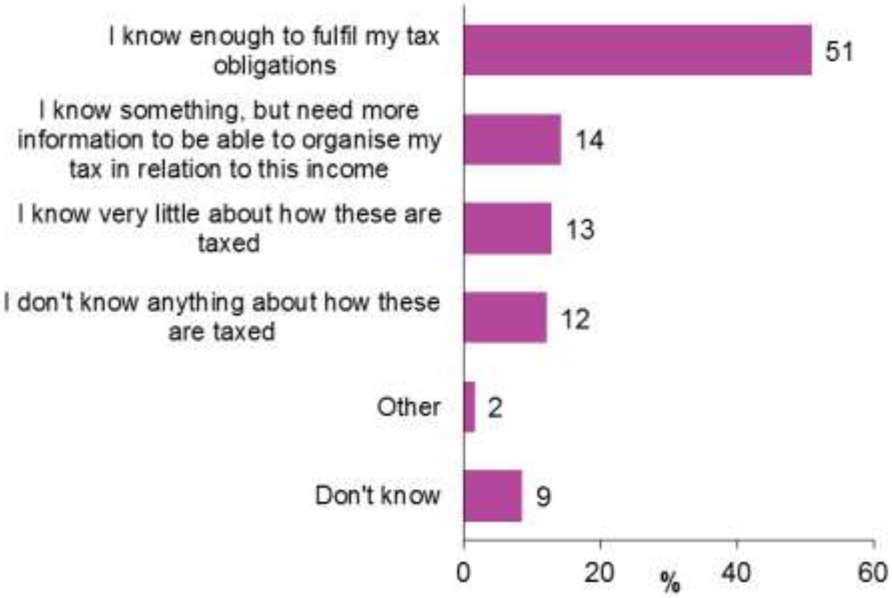
- they misunderstood tax rules;
- believed Sharing Economy activities were not liable for tax, saw this income as a discrete pot of money with its own Personal Allowance; or;
- saw their Sharing Economy income as too small, too sporadic or as part of a hobby.

The findings suggest that **those who got involved in the Sharing Economy earlier, more than three years ago, were the least likely to think of their Sharing Economy income as liable for tax deductions** while those who had first got involved between one to three years ago were the most likely group to think that it was (Appendix Table 4.4). As discussed earlier, those renting out a vehicle or providing transport were most likely to have first started offering services in the Sharing Economy between one to three years ago whilst those buying to resell had commonly been involved for over three years.

Respondents were provided with statements used to self-assess their knowledge of tax requirements. Over half of providers (51 per cent) said they knew enough to fulfil their tax obligations while 14 per cent said they knew something but need more information to be able to organise their tax in relation to their Sharing Economy income. While these two groups felt relatively knowledgeable, a quarter (25 per cent) of all Sharing Economy providers said they knew very little or nothing at all about how their Sharing Economy income is taxed (Appendix Figure 4.2).

[36] There is currently no threshold below which self-employed income does not need to be reported. https://www.gov.uk/log-in-file-self-assessment-tax-return/register-if-youre-self-employed

Figure 4.2 Knowledge of tax requirements



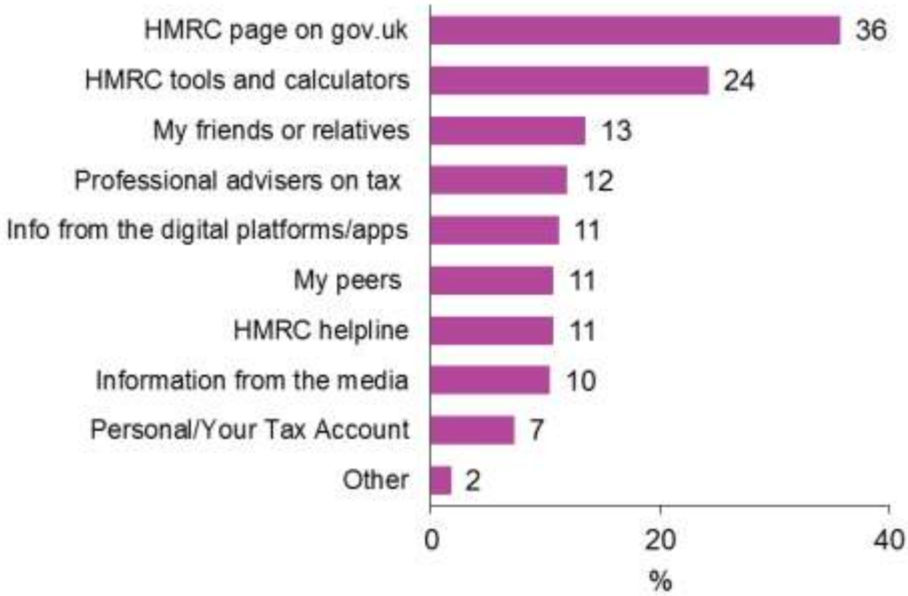
Unweighted base (Provider): All SE providers who had sought information (n=2,268)

Providers' perceptions of their knowledge of tax requirements seemed to increase with the length of time they had been involved in the Sharing Economy. Fifty one per cent of those who had first become involved in the Sharing Economy less than a year ago said that they knew enough to fulfil their tax obligations whereas amongst those who had been involved for more than three years 60 per cent thought so (Appendix Table 4.5). However, those involved longer were most likely to think their Sharing Economy income was not liable to tax, which suggests a degree of false self-confidence.

4.1.1 Sources of information consulted about tax requirements

To understand better what informs tax-related behaviour in relation to Sharing Economy income, providers were asked what sources of information they had consulted to find out about their tax obligations. The responses to this question show that most providers tend to rely on formal sources of information when it comes to tax. HMRC pages on gov.uk and HMRC tools and calculators were mentioned by 60 per cent. Information from friends or relatives and peers also played a role and were mentioned by 13 per cent and 11 per cent respectively (Figure 4.3).

Figure 4.3 Sources of information consulted to find out about tax obligations



Unweighted base (Provider): All SE providers (n=2,268)
Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Information and support was sought by Sharing Economy providers participating in the qualitative interviews in the following areas:

- Tax liabilities for Sharing Economy income
- How to report Sharing Economy income for tax purposes
- How to register as self-employed in relation to their Sharing Economy activity, and
- How to treat multiple income streams for tax purposes.

Reflecting the survey findings above, a range of information sources were consulted in relation to these issues, each of which are discussed in more detail below. A variety of government sources were used, including the HMRC website, HMRC helpline, HMRC webinars, and HMRC correspondence. Information about self-employment was also received through a Jobcentre Plus course. Non-government sources of information included accountants, friends and family, and Sharing Economy platforms.

In some instances, those who used a combination of sources had experienced difficulties using HMRC online forms such as the VAT[37] registration form or had experienced difficulty completing a tax return and therefore sought support from other sources including the HMRC helpline, friends, and accountants.

Government sources of support

HMRC website
Providers had mixed views about the helpfulness of the HMRC website, though the issues experienced were also noted in relation to non-Sharing Economy income streams. Difficulties with the website centred around the completion of forms such as the VAT registration form and Self-Assessment tax returns. Using the HMRC website to register as self-employed was also found to be challenging,

[37] Value Added Tax, a taxation applied to consumer expenditure on goods and services.

"So, I Googled, 'How to register as self-employed UK tax', and came to a number of web pages that were official HMRC and went through a number of routes through the website to try and achieve this task, and almost gave up because […] I couldn't actually get to the point where I registered."

(Performing short-term jobs, SE13)

Providers with more positive views of the HMRC website said the information they were looking for was easy to find; that the information was clear and not too complicated, for example in relation to the Rent-a-Room scheme and Self-Assessments. A provider who felt that it was easy to get general information about Self-Assessments did however say that there was a gap in more specific information about completing Self-Assessments for their particular trade,

"I think it's, it's easy to get information about like self-assessments in general, but I think it's harder to get information about doing self-assessments for your specific trade like being a mini cab driver."

(Providing transport, SE155)

HMRC helpline

While there were positive experiences of the HMRC helpline, with providers commenting on advisers being courteous, responsive and knowledgeable, several issues with the HMRC helpline were reported recurrently. While in the main providers were contacting the helpline for general taxation issues rather than their Sharing Economy income specifically, the issues experienced were similar for both types of query. These included:

- Lengthy waiting times[38]
- Cost, particularly from mobile numbers, and
- Advice not being given in lay terms.

These issues could create a barrier to contacting HMRC about Sharing Economy income issues, as described in Case illustration 4.1 below.

Another provider expressed a preference for using the HMRC helpline for support with completing a tax return. This provider preferred phone calls to the webpages, feeling that the webpages are aimed at people who understand tax. They had not however contacted the helpline, due to previous experiences of the length of the wait, and sought advice from an accountant friend instead. Others in a similar situation consulted the HMRC website.

Case illustration 4.1 HMRC helpline creating barrier to reporting income (SE37)

A provider had contacted the HMRC helpline about a general tax issue. He preferred to call the helpline in order to interact with a person and to query the information given. He had experienced difficulty with other sources of information in the past, such as the Online Tax Calculator. During this contact, the provider informed HMRC about his Sharing Economy income to find out if he was required to pay tax on it. At this stage the provider had earned a minimal income from this activity and consequently HMRC had advised him to monitor his income and report it back to HMRC at a later date. However the provider did not re-contact HMRC due to the call waiting times and expense of calling from a mobile, but also because he believed his Sharing Economy income to fall below the threshold an existing allowance. "*So I think like for the time they've taken away any tax that I might owe, like I've given it them in the cost of the phone call anyway, that's my logic anyway*."

[38] As fieldwork occurred prior to the 2017 self-assessment peak, and may have covered busy periods earlier in the year, these experiences may not reflect the current situation.

HMRC webinar
A provider with Sharing Economy and other income streams, including earnings generated from employment and self-employment, used a webinar to determine the tax obligations for these different income streams. The participant found the webinar helpful in that it highlighted that other people were experiencing similar issues but did not think the webinar was comprehensive enough to be useful.

> *“I think they could have just said if you're earning money this way, this is what you need to do, A, B and C, but it didn't. It - it was very confusing in terms of - 'cause what I wanted to know is how you sort of added it up and submitted it if you've also got a taxed income and - and a taxable income, and I didn't find the answer for that easily at all……I can't work out how the two of those combine”*
>
> (Renting out space, SE17)

Jobcentre Plus course
A final source of government information and support was a free Jobcentre Plus course that was part of the Department for Work and Pensions New Enterprise Allowance scheme. The one provider that had attended this course felt that it was very helpful and provided information about tax liabilities and other business topics, for example the process of setting up as a sole trader and voluntary contributions.

Non-government sources of support

Accountants
Providers that used an accountant were self-employed, in relation to either their Sharing Economy activity or other work, and had been involved in the Sharing Economy for varying lengths of time. In general, providers hired an accountant on a regular basis (quarterly or yearly) and in some instances consulted accountants who were friends, regularly or as required. Accountants were used as a source of information about the tax reporting process or to report tax on providers’ behalf. Accountants were seen, even among those who could not afford one, as a reliable source of information on tax rules and developments,

> *“I routinely check on the HMRC website, just to see if there have been any changes to any other thresholds or anything else I need to know. There's not a huge amount of information there, and I'd probably be better served if I had an accountant who, who could keep me updated on these things on a more personal level, but I can't afford it, you know.”*
>
> (Performing short term jobs, SE28)

Friends and family
Some providers sought information on Sharing Economy tax obligations and the reporting process from friends, colleagues, and family. For example, a participant who was providing transport found out about the need to complete a Self-Assessment tax return through friends, noting an absence of this sort of information from the platform. Others received help completing self-assessments from partners or family members who were themselves self-employed.

Sharing Economy platforms
As discussed further in section 4.1.2 providers generally thought that there was limited information available from platforms about tax obligations. There were nonetheless exceptions to this, for instance a participant providing transport thought that their platform was proactive in informing providers about tax responsibilities. Some providers presumed that because some platforms are international they do not always have accurate or up to date information for all the countries that they operate in and may encourage you to follow your own tax laws. However, one provider, who was renting out space for a short-term stay,

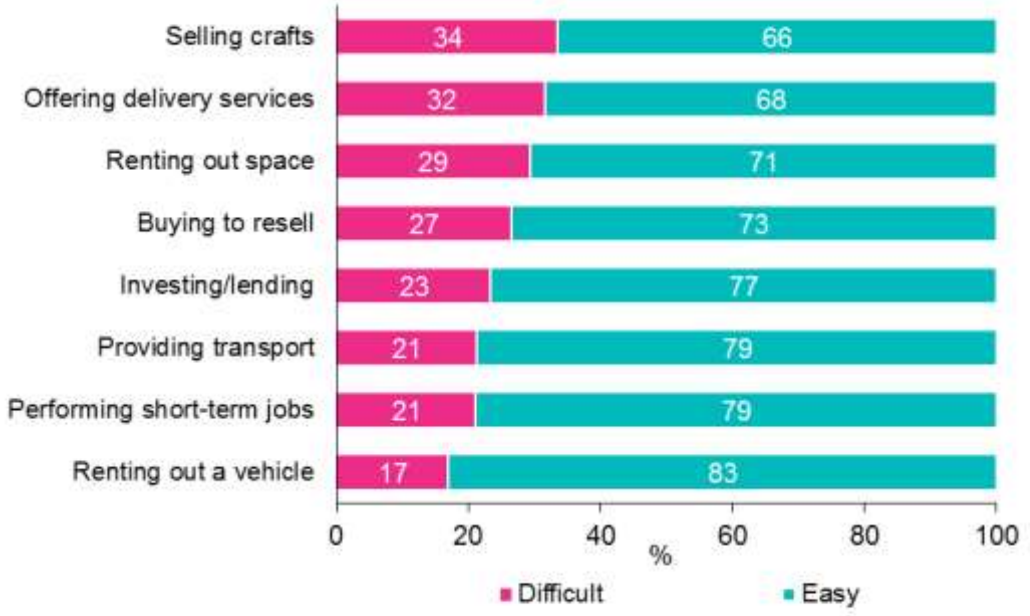
received emails from the platform informing them of relevant rule changes and found these updates very helpful.

4.1.2 Views on how easy it is to find out about tax obligations

When asked how easy or difficult it is to find about tax obligations in relation to Sharing Economy earnings, just over half (51 per cent) thought that it was very easy or easy, while one in five saw it as fairly or very difficult[39] (Appendix Table 4.6).

Considering the proportions of those who found it easy or difficult to find out about their tax obligations amongst the different types of Sharing Economy providers, those selling crafts and offering delivery services found it most difficult (34 per cent and 32 per cent respectively). Those renting out a vehicle and those performing short-term jobs found it least difficult to ascertain information about tax. The full breakdown of responses can be seen in Figure 4.4.

Figure 4.4 How easy or difficult to find out about tax obligations by SE activity



Unweighted base (Provider): All SE providers selling crafts (n=349), offering delivery services (n=65), renting out space (n=216), investing/lending (n=401), providing transport (n=50), performing short-term jobs (n=169), buying to resell (n=911), renting out a vehicle (n=42).

Those identifying as employees, self-employed or company owners in relation to their Sharing Economy activities were more likely to consider it easy to find out about tax. While the vast majority (82 per cent) of those who saw themselves as self-employed found it easy, two thirds (67 per cent) of providers who saw their Sharing Economy activities as just a way of making some extra money found it easy to find out about tax (Appendix Table 4.7).

Those who said it was difficult to find out about their tax obligations were subsequently asked what impact, if any, the difficulties had on their participation in the Sharing Economy. Most commonly, mentioned by 43 per cent, the difficulties had made providers nervous that they were doing something wrong. A further 18 per cent said it discouraged them from finding out more information about their tax obligations. In addition, 16 per cent said it

[39] NB: Answer categories 'Don't know' and 'Not applicable' have been omitted from the cross-tabulations.

discouraged them from offering their goods and services on the platforms or apps. Nearly a quarter (24 per cent) said it did not have any impact on them (Appendix Table 4.8).

4.1.3 Views of how straightforward tax rules are to understand

The in-depth interviews explored participants' views on how straightforward or complicated they regard tax rules overall. Views on tax rules varied, but overall they were seen as complicated in relation to Sharing Economy income streams.

Participants who had professional help with their taxes felt the tax rules were straightforward, as did a number of participants who had been self-employed for a significant amount of time. Among those who found tax rules straightforward there were positive experiences of submitting tax returns in the past.

Those who felt the tax rules were complicated gave a number of reasons for their view. One key issue was combining PAYE work with self-employed work. Participants felt this added an extra level of difficulty to understanding how much tax they should pay, especially if the self-employed work provided a variable level of income.

> *"I find it complicated thinking about mixing what I earn on my taxed income and what I earn on my taxable income and how to put that all together and see what I need to pay."*
>
> (Renting out space, SE17)

Negative personal experiences with completing tax returns also informed this view, as well similarly difficult experiences of others.

> *"I'm quite practical and good with numbers and I still find tax quite baffling especially - I live with a lot of freelancers and their self-assessment tax returns are terrifying, you know?"*
>
> (Performing short term jobs, SE50)

A lack of confidence was widely reported in relation to participants' perceptions of their abilities to deal with tax. Those who found tax rules complicated were also not confident in their ability to deal with tax. Key reasons for a lack of confidence were not understanding tax rules, and not having completed a tax return before. Assistance from someone who knew more about taxes increased participant's confidence, whether this was through a friend, or a professional arrangement such as an accountant.

5 Tax-reporting behaviour

This chapter focuses on providers' tax reporting behaviours in relation to their Sharing Economy incomes. Using survey data, it first looks at providers' actual and planned behaviour and then reports qualitative findings on the reasons underpinning this behaviour, including facilitators and obstacles to reporting Sharing Economy income.

Key findings:

- Just over a third (35 per cent) of providers had notified or planned to notify HMRC about their Sharing Economy income. Nearly half (46 per cent) said that they earn less than what needs to be reported. Another eight per cent said they had not notified or did not plan to notify HMRC for another reason. The proportion of those who had not notified HMRC for another reason was largest amongst those with higher gross personal incomes (between £50,000 and £69,999).
- Tax reporting varied considerably by the type of activity in which providers were involved. Those providing transport or renting out a vehicle had usually notified or planned to notify HMRC of their income (89 per cent and 82 per cent respectively). In comparison, only 30 per cent of those buying to resell had notified HMRC. This corresponds to the levels of income derived from the activities i.e. those buying to re-sell generally earned less. It also varied depending on level of earnings.
- Participants of the qualitative interviews who had not reported their income, or did not plan to, include those who earned below the Personal Allowance or thresholds for existing allowances; providers who did not understand their tax liabilities and more exceptionally, providers who cited financial pressures as a barrier.
- Providers who had reported their Sharing Economy income were usually self-employed and were experienced in completing tax returns, had accountants to do this or could draw on informal support. Those who planned to report their income included those who were new to Self-Assessments and who were likely to need support with understanding their liabilities and with reporting income.
- Seventeen per cent of providers said they did not keep any records on their income. The majority (57 per cent) did not receive any assistance in record-keeping.

5.1 Reporting of Sharing Economy income for tax purposes

As part of the survey, providers were asked about their actual and planned tax reporting behaviour. Those who had been involved in the Sharing Economy for longer than a year were asked whether they had reported their Sharing Economy income to HMRC. Those who had been involved for less than a year, and therefore would not have had to complete an annual Self-Assessment form yet, were asked whether they planned to notify HMRC in future.[40]

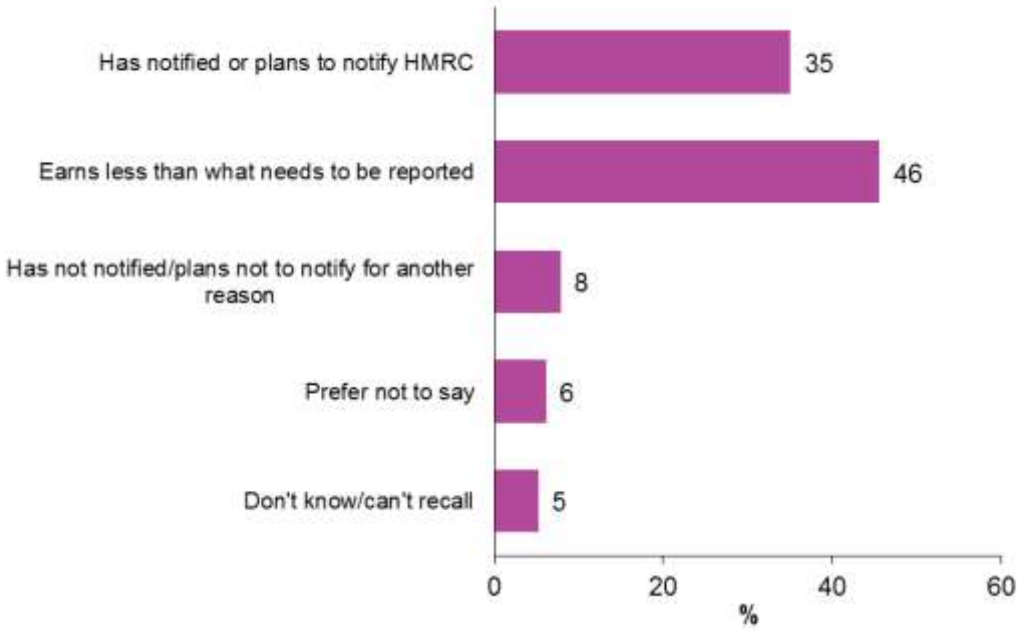
The actual and planned tax reporting behaviour in both groups was very similar; 34 per cent of providers had submitted a tax return and 39 per cent were planning to do so. Forty-seven per cent had not and 42 per cent were not planning to notify HMRC about the money because they earned less than needs to be reported (Appendix Table 5.1 and Appendix

[40] Self-assessment form needs to be filled in after the end of the tax year (5 April) it applies to. Those involved in SE for less than a full tax year may have not had to fill in one by the time of the interview. GOV.UK, https://www.gov.uk/self-assessment-tax-returns/overview, accessed 24th February 2017

Table 5.2). Therefore the two measures were combined into one to provide a more robust measure for both planned and actual tax reporting behaviour.

With the two measures combined, just over a third (35 per cent) had notified or planned to notify HMRC about their Sharing Economy income. Nearly half, 46 per cent of providers said that they earn less than what needs to be reported. Another eight per cent said they had not notified or planned not to notify HMRC for another reason. The full breakdown of responses can be seen on Figure 5.1.

Figure 5.1 Whether has reported/plans to report SE income to HMRC



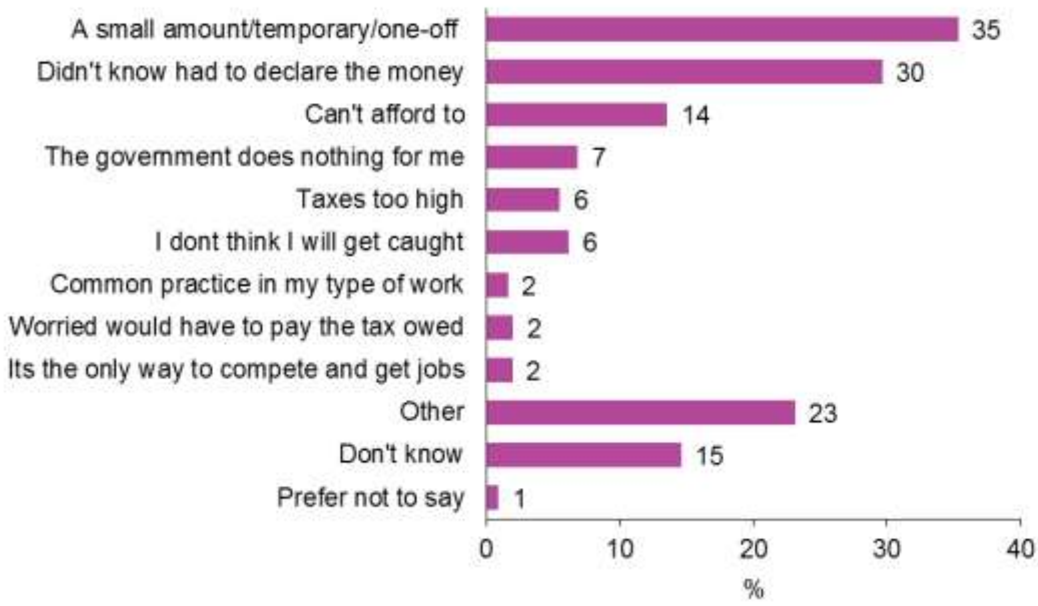
Unweighted base (Provider): All SE providers (n=2,210)

Providers who had not or were not planning to report their Sharing Economy income were asked the reasons why. The most common reason (35 per cent) was that the amount was too small or one-off so was not worth the hassle. In addition, 30 per cent said that they did not know they had to declare this money. Being unable to afford tax (14 per cent) was also amongst one of the most common reasons that were given[41]. Figure 5.2 lists the breakdown of reasons.

Providers who had notified HMRC about their income were also asked whether the money they reported included all the money they had earned from their Sharing Economy activities in the last 12 months. The majority (86 per cent) said that it had included all sources of income, whereas 13 cent that had only included some of them (Appendix Table 5.3).

[41] A high proportion (23 per cent) of 'Other' responses were given for this question. The reasons given were wide-ranging and were specific to individual circumstances. These responses have been grouped under this category since they did not correspond with the list of existing response options.

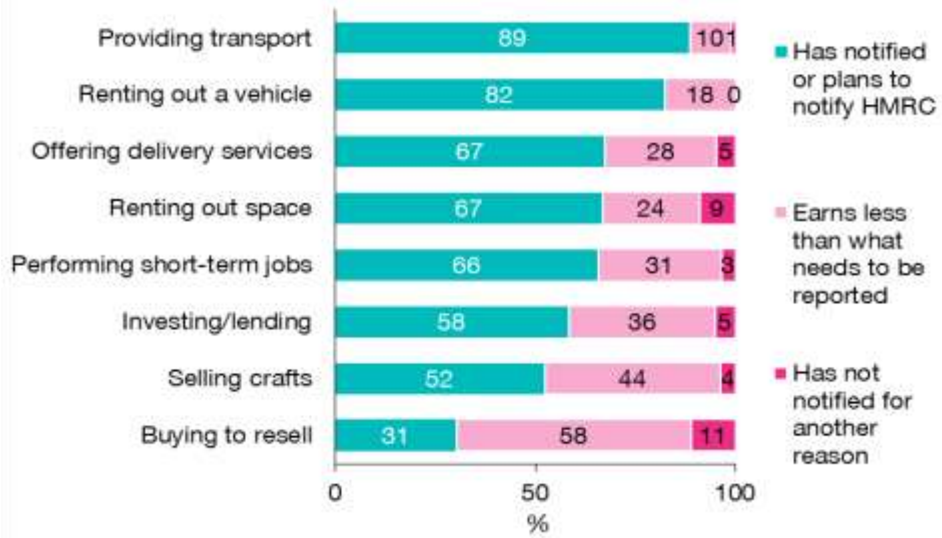
Figure 5.2 Reasons for not reporting SE income to HMRC



Unweighted base (Provider): All SE providers who had not notified or did not plan to HMRC about SE income for another reason (n=171)

Tax reporting varied considerably by the type of activity in which providers were involved. Those providing transport or renting out a vehicle had usually notified or planned to notify HMRC of their income (89 per cent and 82 per cent respectively). In comparison, only 31 per cent of those buying to resell had notified HMRC. Indeed, the average Sharing Economy earnings were amongst the lowest in this group (Figure 3.2) and over half of these providers (58 per cent) said that they earn less than what needs to be reported. The full breakdown of tax reporting behaviour by different Sharing Economy activity types can be seen in Figure 5.3.

Figure 5.3 Whether has reported/plans to report SE income by SE provider type



Unweighted base (Provider): All SE providers providing transport (n=47), renting out vehicle (n=40), selling crafts (n=379), buying to resell (n=1,146), renting out space (n=218), performing short-term jobs (n=174), offering delivery services (n=59), investing/lending (n=421)

Figure 5.4 shows that those earning higher levels of income from their Sharing Economy activities were more likely to say that they had reported their earnings or planned to do so. In the lowest Sharing Economy income bracket two-thirds (66 per cent) thought that they earned less than what needs to be reported. While the pattern of responses suggests that, on the whole, providers try to comply with their tax requirements, it is important to remember that tax liabilities are based on income from all sources. Therefore, some of those earning what looks like a smaller income may be still liable for tax on their Sharing Economy income when it is combined with other income streams.

Figure 5.4 Whether has reported/plans to report SE income by SE income

Unweighted base (Provider): All SE providers earning £11,000 and over (n=82), £5,000 to £11,000 (n=71), £2,000 to £5,000 (n=166), £250 to £2,000 (n=764), less than £250 (n=758) from Sharing Economy

Although less pronounced, a similar pattern emerged when reporting behaviour was broken down by gross personal income. Nearly a third (31 per cent) of those in the lowest income bracket with an annual income of <£10,000 per year said they had notified HMRC about their Sharing Economy income. This rose to 49 per cent for those in the highest income brackets.

Interestingly, the proportion of those who had not notified HMRC for another reason was largest among highest earners; 16 per cent of those with an annual gross personal income of £70,000 or more and 18 per cent of those earning £50,000 to £69,999 said they had not notified HMRC for another reason (see Figure 5.2 for details of the reasons given). The full breakdown of reporting behaviour by gross personal income can be seen in Figure 5.5.

Participants fitting this description in the qualitative sample chose not to report their Sharing Economy incomes because they did not think these incomes were or should be taxable. This view stemmed from perceptions that they were too variable, too small and part of a hobby or due to misunderstanding of Sharing Economy tax rules. See Case illustrations 5.1 and 5.2 for more details.

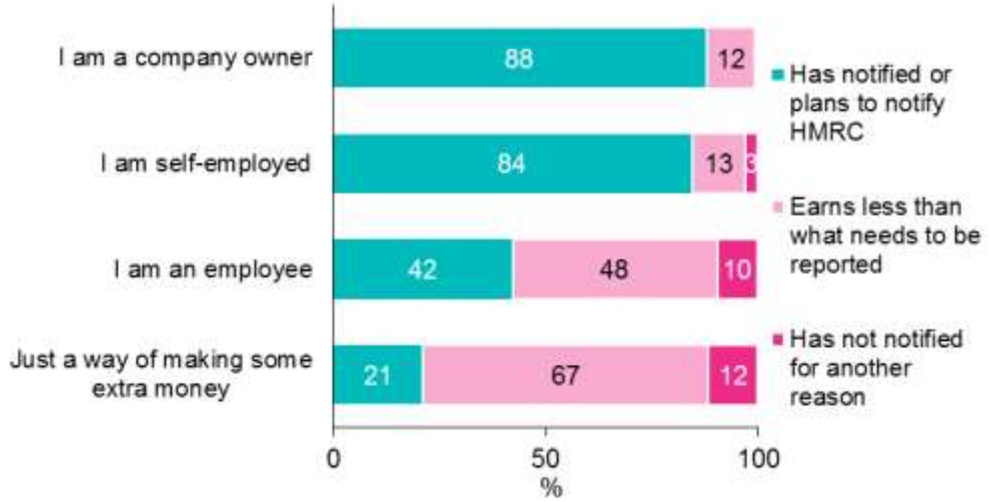
Figure 5.5 Whether has reported/plans to report SE income by personal income

Unweighted base (Provider): All SE providers earning under £10,000 per year (n=427), £10,000 to £29,999 per year (n=796), £30,000 to £49,999 per year (n=346), £50,000 to £69,999 per year (n=76), £70,000 and over (n=83)

As Figure 5.6 shows, those who saw themselves as company owners had in the majority of cases (88 per cent) notified or planned to notify HMRC about their Sharing Economy income, as had those who saw themselves as self-employed (84 per cent). In contrast, those who saw their Sharing Economy activities as just a way of making some extra money were most likely to think they earned less than what needs to be reported[42]. Similarly, the majority of providers who said they had paid National Insurance or had registered for VAT in relation to their Sharing Economy activities said they had notified or planned to notify HMRC of their earnings (Appendix Table 5.4).

[42] The Rent a Room scheme allowance might explain why many of those renting a space thought they earn less than what needs to be reported whilst earning a higher income from the Sharing Economy

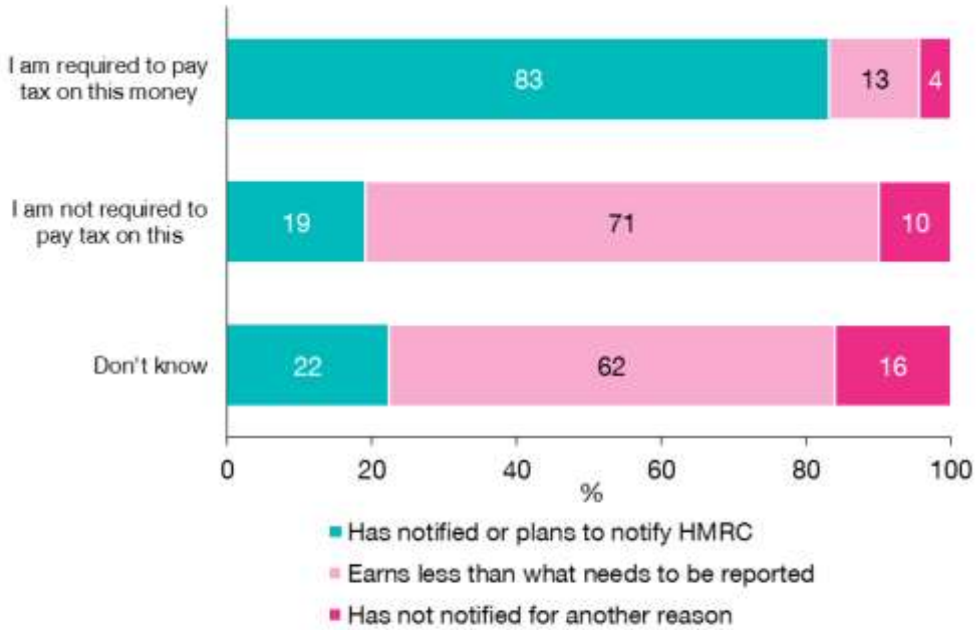
Figure 5.6 Whether has reported/plans to report SE income by perceived employment status



Unweighted base (Provider): All SE providers who said they were company owners (n=87), self-employed (n=396), employee (n=235) and for whom SE activities are just a way of making some extra money (n=1,070).

As shown in Figure 5.7, perceptions of tax requirements largely matched providers' actual and planned tax-reporting behaviour. Eighty-three per cent of those who thought they were required to pay tax on their earnings had reported or were planning to report their income to HMRC. In comparison, 71 per cent of those who thought they were not required to pay tax on their Sharing Economy income said they earned less than what needs to be reported, and 10 per cent had not notified or were not going to notify HMRC for another reason.

Figure 5.7 Whether has reported/plans to report SE income by whether thinks is required to pay tax on the SE income



Unweighted base (Provider): All SE providers who thought they were required to pay tax on the SE income (n=651) they were not required to pay tax on the SE income (n=1,047), didn't know (n=203)

The length of time since providers first started in Sharing Economy did not increase the likelihood of reporting earnings to HMRC. In fact, the group which had first got involved more than three years ago were the least likely to have notified HMRC about their Sharing Economy income (Appendix Table 5.5). This mirrors findings in section 4.1 about whether providers thought their Sharing Economy income was liable to tax.

Those who had notified or planned to notify HMRC of their Sharing Economy income (76 per cent) also found finding out about requirements easier in comparison to those who did not, including those who said they did not earn enough (49 per cent and 35 per cent respectively). In addition, the proportion of those who had not sought any information on their tax obligations formed a substantial proportion of those who had not reported and did not plan to their income or earned less than what needs to be reported (Appendix Table 5.6).

Furthermore, providers who felt like they benefitted from paying taxes were also more likely to report their Sharing Economy income. Over half (52 per cent) of those who said they benefitted a lot had reported or planned to report their income whilst amongst those who thought they do not benefit at all only 28 per cent had notified HMRC or planned to do so (Appendix Table 5.7).

A similar pattern also emerges in relation to other attitudes. Those who thought that the taxes on individuals were too high often said they earned less than what needs to be reported and had not notified HMRC for another reason. In comparison, those who considered levels of taxation to be right or too low often said they had notified HMRC about their income (Appendix Table 5.8).

Regression analysis exploring predictors of reporting behaviour

Regression analysis was carried out to establish which characteristics are related to tax reporting behaviour. Using the data collected through the YouGov Provider survey[43] the analysis aimed to identify groups that are less likely to notify or plan to notify HMRC about their Sharing Economy income[44].

The regression models were built to predict one of the following three possible answers to the question asking whether providers had reported or plan to report their Sharing Economy income to HMRC:

1. Has notified or plans to notify HMRC
2. Has not notified or plans not to notify because earned less than what needs to be reported, and
3. Has not notified or plans not to notify HMRC for another reason.

While it is not possible to verify whether providers who chose category 2 were truly earning below the threshold (their tax treatment depends on their other income streams and circumstances), the factors affecting being in this group were explored compared to those who have notified or planned to notify HMRC of their Sharing Economy income. Similarly, a key aim was to establish which groups of Sharing Economy providers were more or less likely to say that they have not notified HMRC for another reason compared to those who have. The analysis made it possible to identify factors which are significantly related to each response even after controlling for the effect of other variables associated with it.

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[43] This was a bespoke YouGov survey of 2,234 Sharing Economy providers looking at the attitudes and behaviour of providers in more depth.

[44] Some providers had not responded to some key questions related to the topic. As conducting analysis on incomplete data could lead to biased results if the non-respondents are systematically different to respondents, information collected through other questions was used to impute the missing values using a multiple imputation technique. The final analysis was conducted on the dataset with imputed values using a logistic regression technique.

The following groups were found to be significantly more likely to say they had **'not notified HMRC of my income from the Sharing Economy because I earn less than what needs to be reported'** rather than they 'have notified/ planning to notify HMRC about my income':

- Those who categorise themselves as employees compared to self-employed or company owners
- Providers who are not working compared to those working full-time
- The youngest age group (18-24) compared to all other age groups
- Those who had not sought any information about tax obligations compared to those who found it very easy to find out about their obligations
- Those providing goods or services on digital platforms or apps less often than once a day compared to those who provide services on a daily basis.

In contrast, those renting out space, performing short-term jobs or investing or lending were positively associated with notifying HMRC of their income rather than with not doing so because the income was too low.

The following groups were found significantly more likely to say they had **'not notified HMRC of my income from the Sharing Economy for another reason'** rather than they 'have notified/ planning to notify HMRC about my income':

- Those who categorise themselves as employees compared to self-employed or company owners
- Separated, divorced or widowed compared to married, living as married or in civil partnership (relationship found significant even after controlling for differences between age groups)
- Those who had not sought any information about tax obligations, compared to those who found it very easy to get informed about it
- People who provide goods or services on digital platforms or apps less often than once a day compared to those who provide services on a daily basis, and
- Providers who started making money more than three years ago compared to those who started recently (less than a year ago).

Conversely those involved in investing or lending on someone else's business or idea were found significantly more likely to have notified or planning to notify HMRC of their income (as opposed to not doing so 'for another reason').

The findings show that people who did not notify HMRC of their Sharing Economy income for another reason or because they thought they earned less than what needs to be reported were generally not looking for information about tax obligations. Further, amongst those who had not notified HMRC for another reason, having provided services as part of the Sharing Economy for a longer period of time negatively affected the decision to notify HMRC of their Sharing Economy income. There are also socio-economic factors related to providers' decisions, among them perceived employment status and relationship (marital) status.

The full details of the methodology and findings can be found in Appendices A, B and C.

5.1.1 Reasons underpinning tax-reporting behaviour

Reflecting the survey findings, the qualitative sample included providers who had reported their Sharing Economy income to HMRC for tax purposes or planned to when the time comes. Also included were providers who had not reported their income, did not plan to, or were undecided. The discussion below explores the reasons behind these decisions and looks at the views and circumstances of providers in each category.

Not reporting Sharing Economy income or not planning to

The reasons underpinning decisions not to report Sharing Economy income include earning below the Personal Allowance or thresholds for tax allowances; not understanding tax liabilities for Sharing Economy activities and more exceptionally, experience of financial pressures.

Earning below the threshold for existing reliefs or allowances
Some providers did not plan to report their Sharing Economy income for the current tax year due to earning a total income of under the Personal Allowance threshold of £11,000. These participants nonetheless intended to report their income to HMRC, if and when their earnings exceeded the Personal Allowance. One participant was planning to engage an accountant for this purpose.

Some providers were aware that they did not have to pay tax on their Sharing Economy income due to schemes such as the Rent a Room Scheme. In some cases, earnings were deliberately kept below the threshold to ensure they were not taxable. While some providers were aware of the correct value of the allowance (£7,500) other higher amounts such as £16,000 were cited, reflecting misunderstanding of this rule.

A further example of a provider not reporting their income due to reliefs or allowances included someone receiving interest through an investment. This participant, who was a tax professional, believed their Sharing Economy income was not liable to tax because it fell below a £1,000 savings allowance which can include interest from peer to peer lending,

> *"As far as I'm aware I think I'm correct just the income from it would just be interest and that would, that would sort of be covered by the, by the £1,000 allowance."*
>
> (Investing/lending, SE61)

Misunderstanding of tax liabilities
A lack of understanding of Sharing Economy tax obligations was evident in some of the reasons given for not reporting this income, even among people who had been involved in the Sharing Economy for several years and whose other income streams suggest they are liable to paying tax. One or a combination of the following reasons were given:

- **Sharing Economy activities are not subject to tax.** A reason for this perception was the association of Sharing Economy activities with selling second hand items online, which was understood to be non-taxable (see Case illustration 4.1 below). A further explanation, reflecting survey findings, was that providers saw their Sharing Economy income as too small, too sporadic or as part of a hobby (see Case illustration 4.2 below). For instance a participant who bought goods to resell and provided transport earned around £1800 per month through these activities but saw these earnings as too small and sporadic compared to their other income streams to be declared for tax purposes,

  > *"I just don't think I make enough money through it at the moment to warrant declaring it in the same way that I would a job I - you know, like, if I'm doing extras work or if I'm doing, you know, doing some nannying work or something like that. You know, that makes sense to me. This seems to be sporadic, complicated, and not important enough to justify adding it on to there?"*
  >
  > (Selling crafts, SE39)

- **Sharing Economy income is distinct from other income streams.** Some providers described their Sharing Economy incomes in a way that suggested they were distinct from other income streams, with their own Personal Allowance. For example, a teacher supplemented his income through tutoring work using Sharing Economy platforms as well as occasionally renting space or buying to resell. He paid tax on his teaching salary of approximately £24,000 a year but saw this as entirely separate to his Sharing Economy income. As his total Sharing Economy income did not exceed £11,000 he did not think it was liable to tax,

> *"Yeah, my - I mean the - like private tutoring, yeah, I am aware that if it's more than 11 grand I need to - to pay - pay tax on that, definitely, yeah. […] It would be separate I - I - I think, because - because I already pay tax on my other income. I don't see how that would be included in that 11 grand limit because I already pay tax, plus that's not from the sharing - that - that's not me being self-employed. That's from a employer with tax and National Insurance taken away automatically every - every pay cheque so I see that as a completely separate thing."*
>
> (Performing short-term jobs, SE36)

Case illustration 5.1 Misunderstanding of tax liabilities (SE24)

A participant who worked at an accountancy firm had been renting out his room while on holiday, providing consultancy work and renting out his vehicle for 1-3 years. He earned £3,500 through his Sharing Economy activities on top of his income of £75,000. He did not think his Sharing Economy income was or should be liable to tax. He understood he would not have to pay tax for selling second hand goods online and saw other Sharing Economy activities in the same way. He said he finds tax rules difficult to understand and said the platforms he uses do not explain tax obligations. He would be deterred from Sharing Economy activities if paying tax on them meant they were no longer lucrative or if the reporting process was too complex.

Case illustration 5.2 Sharing Economy income perceived as too small and sporadic (SE158)

A participant, aged 18-29, worked in Central London for a consultancy and only used her car at weekends. She rented out her car Monday-Friday. In addition to this, she sold wholesale goods she bought online and had another business venture. She made £5-7,000 a year through her Sharing Economy activities and her income through her full-time job was £43,000. She did not think her Sharing Economy income was liable to tax because she thought it was too small and sporadic. She was using her Sharing Economy income to save for a property but did not place too much importance on it as a source of income. She had not thought about tax at all when she began her Sharing Economy activities but said she would be deterred from these activities in future if she had to pay tax on this income. "*I just don't think I make enough "No I don't think its taxable income. It's not a fixed amount every month. It varies. So, it's, it's more of a, again it's a hobby. If I was making over ten grand then I definitely would justify adding it on to there*".

Financial pressures

There was one example of a participant who was undecided about declaring her Sharing Economy income of around £6,000 per year generated through renting out her property for short-term stays. Unaware of the Rent a Room Scheme[45], this participant believed her Sharing Economy income was liable for tax and cited financial pressures after a fall in household income and in meeting commitments such as childcare and a mortgage. This, combined with under-confidence about completing a Self-Assessment contributed to her hesitation around reporting her Sharing Economy income,

[45] https://www.gov.uk/rent-room-in-your-home/the-rent-a-room-scheme

“So I need to look at it again, but, I mean, I've been putting it off. But I'll probably get into lots of trouble. But I do find the whole process quite confusing. It's not something that comes naturally to me”

(Renting out space, SE29)

Reporting Sharing Economy income or planning to

Providers who plan to report Sharing Economy income
Providers who had been engaged in the Sharing Economy for less than a year and planned to report their income reported varying levels of confidence in their understanding of tax obligations and of the process of completing a Self-Assessment tax return.

Those with a good understanding of tax obligations and the reporting process were self-employed in other lines of work. For example a self-employed transcriptionist recently started using digital platforms to secure more business. She considered her Sharing Economy income as taxable and part of her self-employed income streams. She plans to include her Sharing Economy income in her annual Self-Assessment tax return.

In contrast, providers who were new to both the Sharing Economy and self-employment described having a more limited understanding of their tax obligations and the Self-Assessment process. Participants in this group tended to think tax rules in general were complicated, and were not confident in their ability to deal with tax. The Self-Assessment process caused nervousness and anxiety because it was perceived to be complex and they worried about getting it wrong. Participants in this group were nonetheless keeping records of their income and planned to seek advice from HMRC or an accountant when they felt they were earning enough or when the time came for reporting.

This group included providers who were renting out a property and were planning to report their income to HMRC, either despite knowing that it was not liable for tax deductions due to the Rent a Room Scheme or because they were unaware of the scheme. For example, a participant who had earned £860 through renting out accommodation so far was not sure if this income was liable to tax but was planning to declare it on her husband’s tax return.

Providers who have reported Sharing Economy income
Providers who had been engaged in Sharing Economy activities for over a year and had reported their income were engaged in a range of Sharing Economy activities. A key similarity shared by these providers was that they were all self-employed in relation to their main occupation or Sharing Economy activity, or had a partner or family member who was self-employed.

Perhaps due to this, these providers were experienced in completing Self-Assessments themselves, or more commonly had accountants to do this on their behalf. Unlike those who were less experienced in reporting income they did not see the Self-Assessment process as a barrier and tended to report their Sharing Economy income at the same time as income from their other self-employed activities. While some of these providers expressed a lack of confidence with understanding tax rules, they appeared to have a good grasp of their tax obligations. As demonstrated in Case illustration 5.3, they understood that Sharing Economy income should be added to other personal income streams for tax purposes, rather than treating it as a distinct pot of money with its own Personal Allowance.

Case illustration 5.3 Experienced self-employed individual (SE31)

One participant set up his own consultancy 30 years ago. His income through this work has recently fluctuated. To support his fluctuating income and to help solve cashflow issues he recently started offering short-term professional services online and has been managing short-term rentals online. He earns around £7,500 a year from these Sharing Economy activities and £37,000 in total. He is experienced in completing self-assessments and keeps records of his income and running costs in order to easily integrate his Sharing Economy income records into his self-assessment reporting for all his self-employed activity. He considers money made through the Sharing Economy as simply another self-employed income stream.

5.1.2 Facilitators to tax reporting

Facilitators and drivers to understanding tax obligations and reporting income include:

- **Already being self-employed.** People who were already set up as self-employed (or knew someone who was) were generally knowledgeable about their tax obligations and were experienced in completing Self-Assessment tax returns.
- **Advice and services from accountants.** Accountants were a good source of advice on tax obligations or made reporting tax easier by completing tax returns on providers' behalf. People who were set up as self-employed commonly paid for an accountant or had access to one.
- **Government advice and tools.** Evidence suggests that HMRC advice and tools, such as the Tax Calculation Tool, HMRC email correspondence, and website, were helpful in raising awareness of tax obligations for self-employed people, enabling them to register as self-employed and complete self-assessments.
- **Information from platforms**. It was not common for providers to report receiving advice and guidance from platforms about tax obligations, however some platforms were said to explicitly state that providers need to manage their own tax affairs or report their income to HMRC by completing a Self-Assessment tax return. Platforms that provided tax certificates, trading and tax statements were thought to make the reporting process easier because these documents could be passed on to accountants.
- **Moral obligation to pay taxes.** Providers described being motivated to report their Sharing Economy income due to a moral and legal obligation to pay tax,
- **Repercussions of not paying.** The wish to avoid being investigated and owing a large lump sum was a further driver to reporting Sharing Economy income.

5.1.3 Obstacles to tax reporting

Obstacles considered to make it more difficult to pay tax are listed below.

- **Completing a Self-Assessment form.** Providers who were anxious about completing a Self-Assessment for the first time or who had bad past experiences of the process cited this as a barrier to reporting. Concerns were also expressed about the time and effort it might take to do a Self-Assessment as well as worries that completing one once might make it compulsory in future.
- **Difficulty determining taxable income.** Providers with multiple income streams and unpredictable incomes found it difficult to work out their taxable income. One provider for example paid tax and National Insurance through her main form of employment and earned additional money through self-employed work and Sharing Economy activities. She planned to report her income but found the difficulty working out her liabilities off-putting.
- **Lack of information from platforms.** Providers suggested that platforms do not provide information, guidance or prompts to encourage understanding of tax obligations or reporting.
- **Unclear information from HMRC.** In contrast to earlier findings, some providers felt the information on tax requirements and self-employment was confusing and too long-

winded. Providers who had been involved in the Sharing Economy for less than a year and were new to self-employment reported this experience.

- **Perception of Sharing Economy incomes.** As discussed above, some providers saw their Sharing Economy incomes as distinct from other sources of income, with its own Personal Allowance. Others saw their activity as non-taxable due to generating small or sporadic amounts, or being a way of making some extra money rather than a form of employment.
- **Financial pressures.** As mentioned in section 5.1.1, financial pressures could create a barrier to reporting income from Sharing Economy activities.

5.1.4 Extent to which paying tax might deter future Sharing Economy involvement

Providers gave a number of reasons why tax might deter them from participating in the Sharing Economy in the future. A potential deterrent mentioned was if the tax rate for Sharing Economy income was perceived to be too high. This was particularly true for participants who felt their roles were insecure or that they had to put in long hours, which made a high tax rate seem unreasonable.

> *“You know, you're putting in a lot more hours than you would if you just went and sat at a desk and did something … the more money that's taken feels a bit more extreme 'cause you're already undervaluing your time by doing this work anyway.”*
>
> (Performing short term jobs, SE50)

Participants also said they would be discouraged from participating if the rate of tax was too high in relation to the profits they were making, as the profit would not be worth the work.

If the income they were making through the Sharing Economy put them over a tax threshold this would also be a deterrent, whether this was the threshold to start paying tax on their Sharing Economy income, or the threshold for a higher rate of tax on all of their income.

Aside from the rate of tax they might have to pay, some providers suggested they might be deterred from participating if the process of paying tax was a ‘hassle’ or over-complicated. Providers liked the Sharing Economy because it is simple and easy to engage with, and having to engage with a complicated tax system would remove this benefit.

> *“…it, kind of, goes against like the reason people, I think, use these things, and it's because within three clicks I can rent a mansion in Santa Monica like at the flick of a button, and as soon as you put in like bureaucracy, I'm probably less likely to, to bother and work really hard to do it, sort of thing…”*
>
> (Renting out space, renting out a vehicle, performing short term jobs, SE24)

One provider suggested if participating in the Sharing Economy in the way they would like to meant they would be in danger of breaking the law in regards to tax this would put them off.

5.1.5 Record keeping

Good record keeping of income and outgoings is important for completing Self-Assessment tax returns. Providers were asked whether they kept records in relation to their Sharing Economy earnings and if so, whether they received any assistance with it. Seventeen per cent said they did not keep any records on their income, which suggests that this group engages in the Sharing Economy in less formal terms, and may not have the required evidence to declare their Sharing Economy incomes to HMRC.

Providers were also asked whether they received any help or assistance with record keeping. The majority (57 per cent) did not receive any assistance in record keeping. Of the minority who did, 11 per cent used a paid agent. A friend or relative was cited as a source of help by 11 per cent. In addition to this, four per cent said they received help from an unpaid agent such as a charity (Appendix Table 5.9).

It appears that those who received help or assistance in record-keeping more commonly had notified HMRC about their Sharing Economy income than those who did not receive any assistance, or did not keep records at all. The majority of those who said they do not keep records at all (80 per cent) said they earn less than what needs to be reported. In addition nearly one in five (19 per cent) of those who said they do not keep records at all had not reported their Sharing Economy income for another reason (Appendix Table 5.10).

6 Suggestions for information and support

This chapter draws on survey and interview data to present providers' views on what would make notifying HMRC about Sharing Economy incomes simpler and easier, including attitudes towards platforms automatically sharing earnings information with HMRC. This chapter also discusses providers' awareness and use of HMRC's digital services.

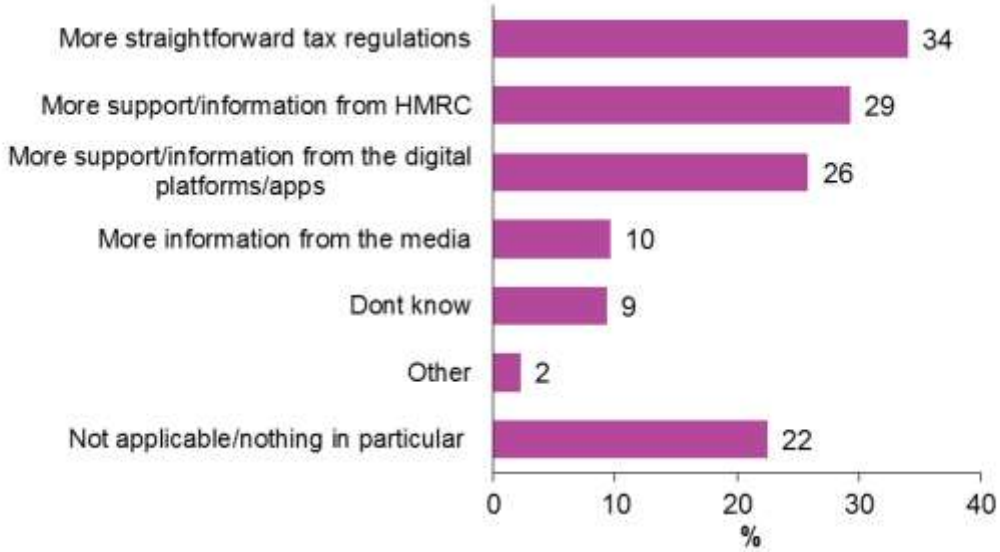
Key findings:

- The most common types of support providers wanted were more straightforward tax regulations and more support and information from HMRC and platforms.
- They also called for better links between platforms' websites and the HMRC website; tax information, reminders and tools from platforms; more Sharing Economy-specific tax information from HMRC; better information and support with tax reporting and support for low income providers through tax reliefs and financial products.
- Just over half of providers (51 per cent) were comfortable with the idea of platforms sharing their earnings information with HMRC. Convenience was a key reason for this; Providers thought it would remove the need for completing a Self-Assessment tax return. It was also seen as a way to make tax reporting less prone to error.
- Reasons why providers were uncomfortable with the idea included the perception that it would be too invasive; the desire to protect the confidentiality of their earnings from HMRC, particularly small amounts; and concerns that platforms may introduce fees for providers to cover additional costs. In addition, providers with multiple income streams questioned how it would work in practice.
- Awareness of HMRC's digital services was relatively low with just under half of providers (43 per cent) saying that they had not heard of any of the digital services.

6.1 Information and support needed

As discussed in chapter 5, confusion around tax rules and less commonly, financial pressures, were cited as reasons for Sharing Economy Providers not to report their Sharing Economy income. Providers were asked what would help them to declare their Sharing Economy incomes to HMRC. As Figure 6.1 shows, more straightforward tax regulations were most commonly cited. After this, more support or information from HMRC (29 per cent) and from platforms (26 per cent) were often mentioned. More information from the media was cited by one in ten Sharing Economy providers.

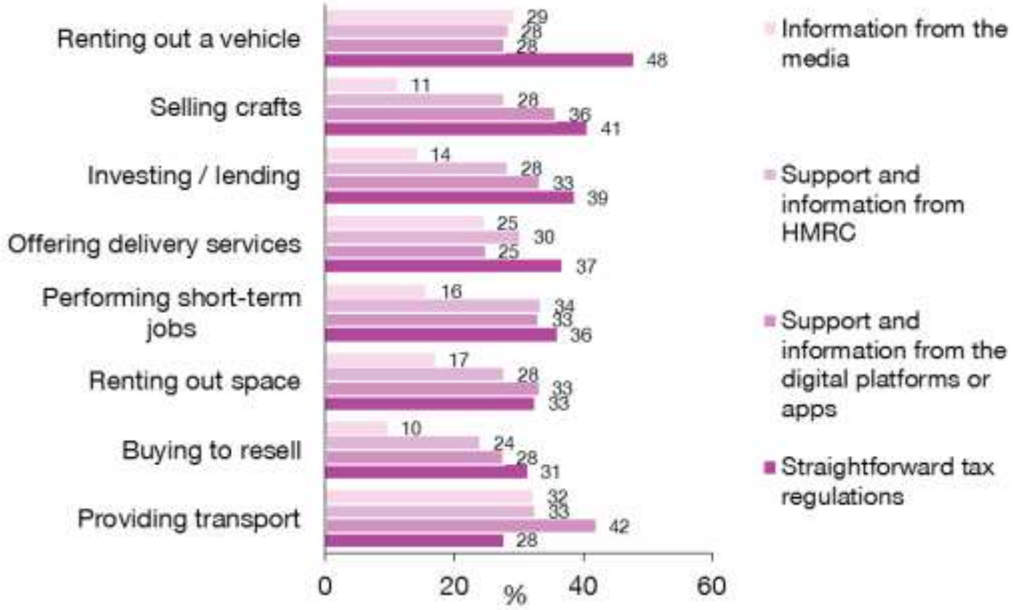
Figure 6.1 What would make it easier to declare SE income to HMRC



Unweighted base (Provider): All SE providers (n=2,268)

More straightforward tax regulations were most commonly mentioned by those renting out a vehicle and those selling crafts. The full distribution of response by types of Sharing Economy activities can be seen in Figure 6.2.

Figure 6.2 What would make it easier to declare SE income to HMRC by type of activity



Unweighted base (Provider): All SE providers renting out a vehicle (n=45), selling crafts (n=423), investing/lending (n=461), offering delivery services (n=76), performing short-term jobs (n=195), renting out space (n=255), buying to resell (n=1,312), providing transport (n=55)

Providers participating in qualitative interviews made a variety of suggestions for improving awareness of tax obligations and available support for reporting of income:

6.1.1 Better links between HMRC and platforms

Providers felt that there should be better links between platforms' websites and the HMRC website, with more coherence between the information sources. Providers suggested the following formats for this:

- HMRC to partner with platforms so that when an individual signs up they receive an email or pop-up about tax obligations, designed to promote reading
- HMRC to have a specific area on their website dedicated to the Sharing Economy and for platforms' websites to provide links to this, and
- Links to HMRC services from Sharing Economy platforms.

"I think when you sign up to these platforms or websites it should be made really clear before signing up, you know, what – what the tax obligations are, not in – not in just some small terms and – terms-like section. I think it should be, like, quite bold and clear before finishing up the sign-up process"

(Performing short term jobs, SE36)

6.1.2 Information and tools from platforms

Providers thought that platforms should be obliged to provide tax-related information to their users, in the form of easy-to-read literature about tax laws, reminders about paying tax and tools such as an online tax calculator. One view was that this information would be more effective coming from platforms rather than HMRC as a friendlier and less formal source of information. In addition, some providers noted they would be more likely to look on platforms' sites rather than government webpages, because they assumed the government site would be too general.

"If I was looking for this information I'd go on to [platform] and see if I can find a bit more about it in the 'about us' page or 'how it works' or you know all, all that kind of stuff and that's where I'd look. I wouldn't have thought to go on to the gov-, government site to look up the information because I think it would be quite generalist."

(Rented out a vehicle, selling crafts and renting space, SE158)

A provider who lent and invested in someone else's business or idea suggested that the platform should take away 20 per cent of their income by default, in the same way as the banks used to so that they did not have to complete a tax return for this income.

"the banks used to take the 20 per cent away by default but I think they've stopped doing that now which probably makes it a bit harder I think for me to keep track of things […] if they [platform] can actually arrange it, so that HMRC just takes it like that, then that would actually be easier….Like if, if it just takes the 20 per cent away by default, then I wouldn't have to sort of file a tax return."

(Lending/ investing, SE51)

6.1.3 Information and support from HMRC

Providers felt that HMRC should offer more information and campaigns to raise awareness of:

- What the Sharing Economy is and how it is changing
- Tax obligations related to the Sharing Economy
- Allowances that are available in the Sharing Economy, and
- How to report Sharing Economy income for tax purposes

The importance of educating providers about these issues was considered to be particularly valuable for those who were new to self-employment.

Providers emphasised the need for information to be simple and clear to understand, and suggested the use of case examples to explain tax obligations and provision of factsheets (or handbooks).

> *"I guess you want to empower people to, to, to make extra income without feeling like they're breaking the law, so it's like how can you be in the Sharing Economy and be legal kind of guide would be good"*
>
> (Renting out space, SE34)

Participants felt that the HMRC website needed to be upgraded to make it easier to navigate. A provider suggested that there could be a specific area of the HMRC website dedicated to the Sharing Economy that could be linked to platforms.

In relation to the phone line, providers recommended a dedicated sole trader team to deal with queries regarding Self-Assessments and a reduction in the queuing time for the helpline. One provider wanted to be able to communicate with HMRC via social media, such as Facebook[46], as an alternative to the helpline to avoid call waiting times. However they noted that they would want responses to provide concrete advice rather than links to website pages.

6.1.4 Self-assessments

Depending on the level of income generated by individual providers, Sharing Economy earnings need to be reported through the standard Self-Assessment process, whereby a person reports their income through completing a tax return.

One view expressed was that completing Self-Assessments annually could be challenging due to the requirement to gather a full year's information together. One provider suggested the option of a monthly process to break down the process and make it more manageable while another suggestion was for the provision of an online spreadsheet in which information could be input on a regular basis[47].

> *"Regards tax forms they can have something like ongoing where you just, they give you access to this little spreadsheet thing where you just enter your information on a weekly basis and then you, you just do it like that, so it doesn't become a massive thing where you have to do it at the end you know."*
>
> (Providing transport, SE155)

Other providers suggested improvements to the guidance about completing self-assessments. Suggestions included:

- A video that talks through the different elements of the form
- An example of a completed form, and
- A clear explanation written in layman's terms of what needs to be done.

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[46] This provider was unaware of the existing option of getting general tax help from HMRC through Twitter @HMRCcustomers

[47] Regular updates replacing annual tax returns is part of HMRC's Making Tax Digital (MTD) programme. Six public consultations on this closed on 7 November 2016. An overview of MTD and the government's response to these consultation can be viewed at https://www.gov.uk/government/publications/making-tax-digital

6.1.5 Taxation and financial services

Providers on low incomes emphasised the importance of being able to keep their Sharing Economy earnings. They suggested a range of ways HMRC could support low income providers and encourage participating in the Sharing Economy:

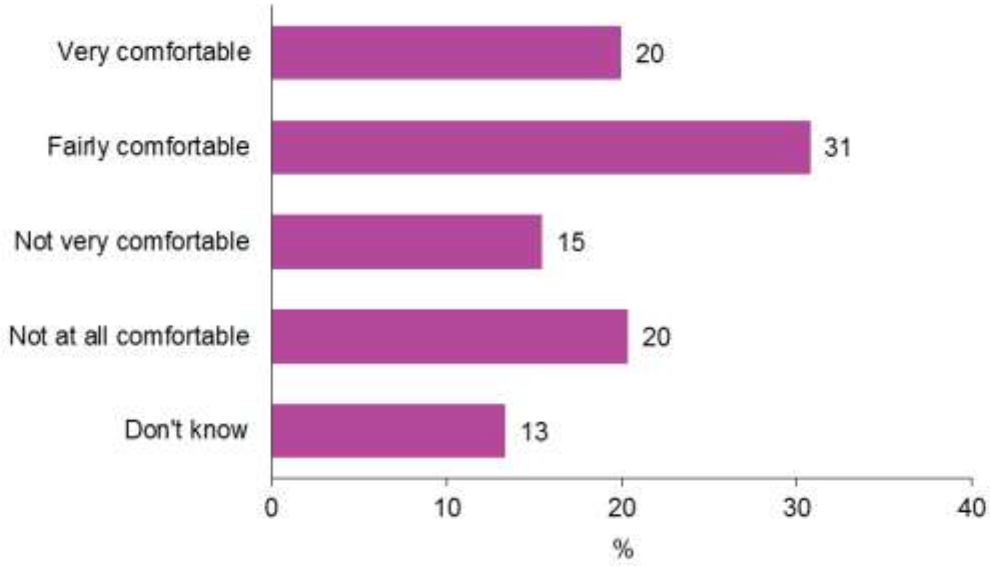
- Introduction of tax breaks and allowances
- Incentivising an ISA for peer-to-peer investment
- A cap on platform charges for providers (in particular where not much service is provided for this charge)
- A heavier focus on corporation tax rather than on individual providers
- Recognition of the minimum income floor and its impact on eligibility for benefits such as Universal Credit

> *"So regardless of what you earn - I can earn £300 a month, you know, because I'm sick. Say, I'm sick for a couple of weeks and can't work. If I earn £300 in a month, [coughs] excuse me, the DWP says I earned £1,006 a month, because they calculate that working whatever it is, 38 hours a week, at the minimum wage, I should be earning £1,000 a month. So we are ineligible for Universal Credit on that basis because it's assumed what we earn before we earn it. So self-employment is a huge disadvantage for anyone who's, who's already on a low income."*
>
> (Performing short term jobs, SE28)

6.2 Views about platforms sharing earnings information with HMRC

An option for simplifying the tax reporting process could be for platforms to share information on providers' earnings directly with HMRC. To understand the appetite for this, providers were asked how comfortable they would be if information on their income was shared with HMRC by the platform. One in five (20 per cent) said that they were very comfortable with the idea and nearly a third (31 per cent) were fairly comfortable. In comparison, just over a third did not like the idea; 15 per cent said they were not very comfortable and 20 per cent were not comfortable at all. In addition to this, further 13 per cent were undecided (Figure 6.3).

Figure 6.3 How comfortable would feel if platforms shared information with HMRC

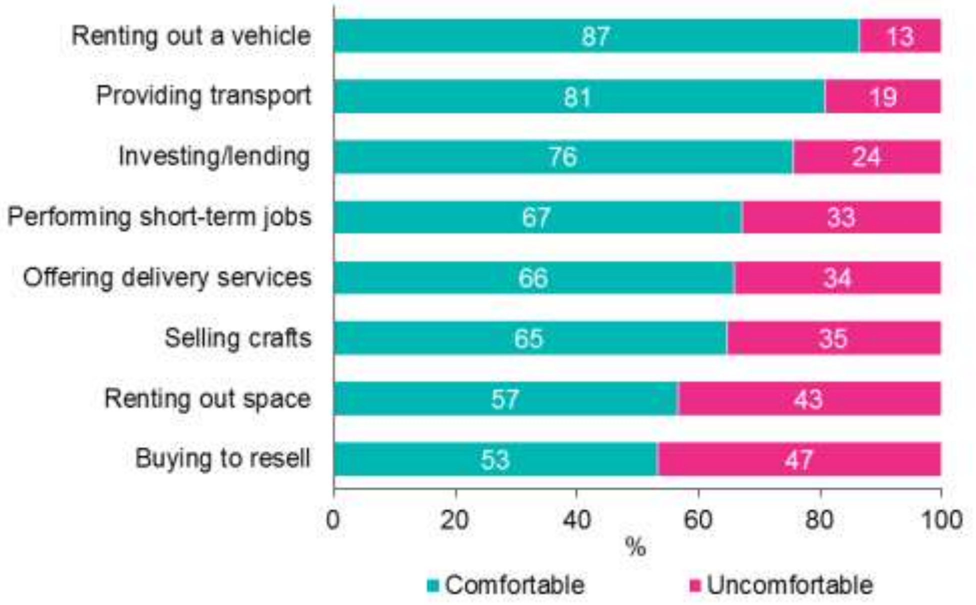


Unweighted base (Provider): All SE providers (n=2,268)

The groups that were particularly likely to feel uncomfortable with platforms sharing their earnings information with HMRC for tax purposes were:

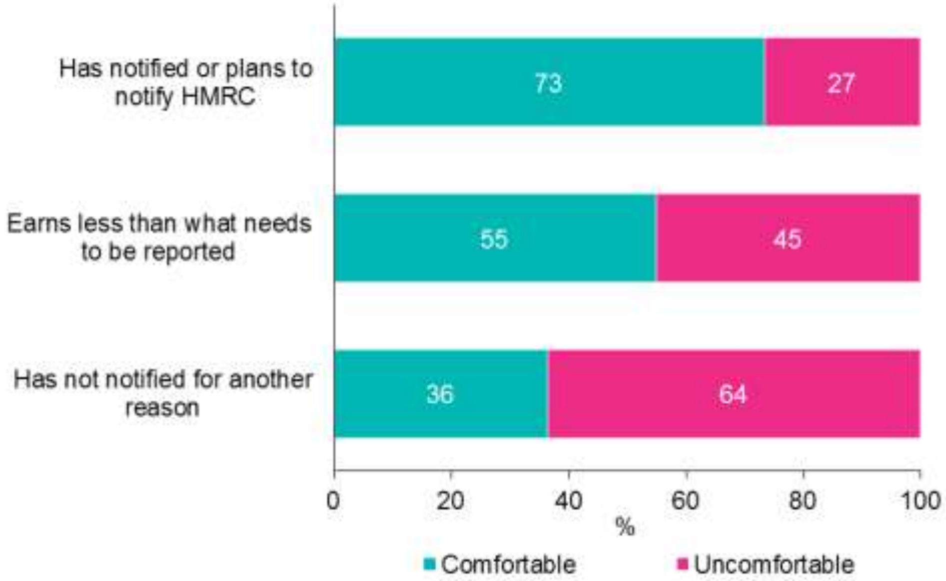
- **Those buying to resell:** Nearly half of providers (47 per cent) engaged in buying to resell said they would feel either not very comfortable or not at all comfortable (Figure 6.4).
- **Those who had not notified HMRC about their Sharing Economy income for another reason:** Over half (64 per cent) of those who had not notified HMRC for another reason said they were uncomfortable about their income being shared, whereas a smaller proportion of those who had notified HMRC or planned to do so (27 per cent) felt uncomfortable about this (Figure 6.5).
- **Those earning a lower income from their Sharing Economy activities:** 41 per cent of those earning less than £250 annually from their Sharing Economy activities were uncomfortable with the idea of their income information being shared, whilst the figure for those in the top income category of £11,000 and over was 21 per cent. This might be linked to those on lower incomes being less likely to report their income (Figure 6.6)
- **Those who saw their Sharing Economy activities as just a way of making some extra money:** Nearly half (47 per cent) of those who saw their Sharing Economy activities as just an extra way of making money were uncomfortable with the idea of platforms sharing information with HMRC. In comparison, only 26 per cent of those who identified themselves as company owners did so (Appendix Table 6.1).

Figure 6.4 How comfortable would feel if platforms shared information with HMRC by type of SE provider



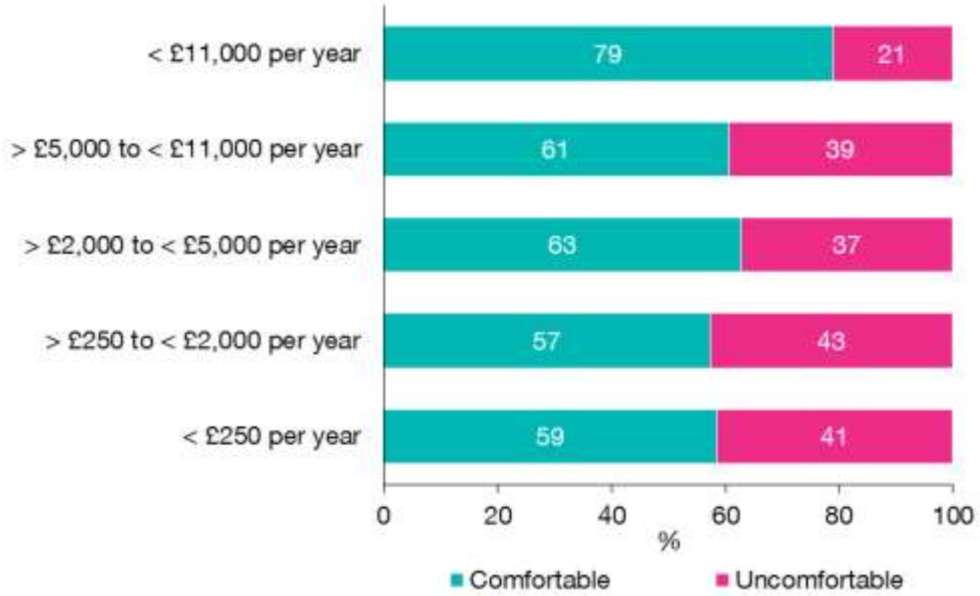
Unweighted base (Provider): All SE providers renting out a vehicle (n=43), providing transport (n=52), investing/lending (n=440), performing short-term jobs (n=181), offering delivery services (n=67), selling crafts (n=376), renting out space (n=43), buying to resell (n=1,151)
NB: 'Don't know' excluded from the figure.

Figure 6.5 How comfortable would feel if platforms shared information with HMRC by tax reporting behavior



Unweighted base (Provider): All SE providers who have notified or plan to notify HMRC about their income (n=792), earn less than what needs to be reported (n=863), have not notified for another reason (n=158)
NB: 'Don't know' excluded from the figure.

Figure 6.6 How comfortable would feel if platforms shared information with HMRC by SE income



Unweighted base (Provider): All SE providers earning £11,000 and over (n=81), £5,000 to £11,000 (n=72), £2,000 to £5,000 (n=164), £250 to £2,000 (n=766), less than £250 per year (n=766)
NB: 'Don't know' excluded from the figure.

The qualitative interviews also explored providers' thoughts about platforms automatically sharing earnings information with HMRC. Providers had mixed views about this; while some were supportive of the idea, others were against it and some had neutral views. Providers highlighted a variety of reasons for **supporting** the idea:

- **Convenience for providers**: providers felt that platforms automatically sharing earnings information with HMRC would make the reporting process easier for themselves, saving time and effort. If the system was simple this would be preferable to completing a tax return. These providers had not been through the reporting process before and none had an accountant.
- **Convenience for platforms or HMRC:** some providers presumed that this system would be convenient for the platforms because they already calculate finances. For this reason, they thought that automatically informing HMRC when providers surpass certain thresholds should be straightforward. One provider thought that this system would be easier for HMRC as they would be contacting a smaller number of corporations for tax information than individual providers.
- **Reassurance:** providers said they would be more reassured that their taxes were being dealt with correctly under this system, as it would remove anxiety that they were making accidental errors. Providers who expressed this view did not have accountants and in some instances lacked confidence in their understanding of tax obligations. For similar reasons, providers thought this system would be more transparent and would help to prevent fraud.

Providers who already felt confident about their income information being provided accurately to HMRC, for example through the use of an accountant, had a more **neutral** stance as they were sure their information would be shared through either means.

A range of concerns were expressed by those who were **against** the idea:

- **Too invasive:** some providers thought that it would be too invasive and would infringe on the freedoms and autonomy of self-employment. The reporting of income was felt by these providers to be their own responsibility as self-employed individuals rather than employees, and as such wanted to keep control of this. Indeed, even providers who supported the idea were concerned about consent and suggested that it would work best as an opt-in service.

- **Breach of confidentiality:** some providers wanted to protect the confidentiality of their earnings. This included providers who were making nominal amounts (for example through selling crafts); those who were paying tax but did not want their personal information passed onto HMRC; and those who were not paying tax and did not want this system to be used to trace additional income that had not been declared. These participants commented on the unfairness of HMRC being able to find out about these forms of income in this way, compared to untraceable cash-in-hand work,

  "if it's used to hunt people down and say, 'You didn't declare the £300 you got from somebody staying that month', that seems unreasonable because there are a lot of ways that people rely on additional money that just isn't tracked through electronic platforms like Uber or Airbnb…there are lots of people who pay cash for doing cleaning or window cleaning or babysitting or whatever."

  (Renting out space, SE44)

- **Too burdensome for platforms:** it was felt by some providers that supporting people to declare their earnings is HMRC's responsibility rather than that of platforms. One provider felt that as platforms are not an employer they are not accountable to HMRC for the tax obligations of providers. On top of this, concerns were raised about the potential for platforms to introduce fees for providers to cover the cost of the added work involved in sharing the information with HMRC.

- **Potential deterrent to participating in the Sharing Economy:** some providers felt that earnings information being passed onto HMRC could potentially impact on participation in the Sharing Economy and that platforms may be reluctant to cooperate in case it impacted on their memberships.

  I think there are a lot of people who do this kind of thing so casually that they probably wouldn't owe tax anyway. But to threaten them would kind of just be counterproductive again because it is a growing economy……I think the second you sign up for one of these things and they say, 'We will declare this to HMRC' just, would just put people off; I don't think there's any way to prevent that.

  (Performing short term jobs, SE50)

- **Questions about practicalities:** Providers questioned how this system would work for people with multiple income streams, for example from other occupations and other Sharing Economy activities or platforms. The potential need to enter information about different income streams was presumed to create additional work, which may in turn act as a deterrent. In cases where multiple people are involved in the same Sharing Economy activity e.g. couples or families, a provider questioned who the income would be registered to for tax purposes.

- **Distrust of platforms to accurately disclose information:** some providers did not trust platforms to report their earnings information accurately. For example a provider who offered delivery services was concerned that the platform might list running costs as a personal outgoing. In some cases distrust of platforms could stem from disagreements with the platform about employment status. Here, providers believed platforms' employment status classifications were motivated by tax savings and thought the sharing of income information could be similarly affected.

Irrespective of provider's views about platforms sharing earnings information, there was widespread support for platforms playing a greater role in supporting providers to understand and fulfil their tax obligations, as discussed in section 6.1.2.

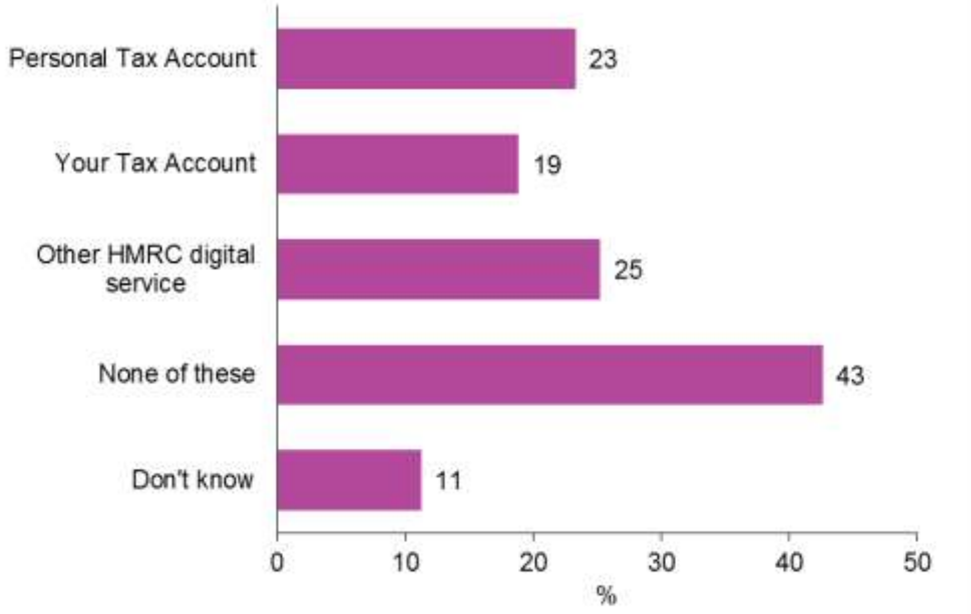
6.3 Awareness and use of digital services

The government has set out a commitment to reducing burden for taxpayers and building a transparent and accessible tax system fit for the digital age. The Personal Tax Account and Your Tax Account are part of the customer-facing element of this commitment. [48]

- The **Personal Tax Account** is a digital HMRC system bringing all personal tax details into one place where individuals can register, file, pay and update their tax information online.[49]
- **Your Tax Account (also known as Business Tax Account)** is an online tax account aimed at the five million small and medium-sized businesses in the UK. It gives them an easy way to find advice and information, and lets them see tax transactions across the range of business taxes including Self-Assessment (SA), Corporation Tax (CT), VAT and PAYE for employers.[50]

To determine awareness of these services, providers were asked whether they had heard of them or other HMRC digital services. Overall, the level of awareness was relatively low with 43 per cent saying that they had not heard of any of the digital services. Nearly one in four (23 per cent) had heard about the Personal Tax Account while nearly one in five (19 per cent) had heard of Your Tax Account. Further to this, 25 per cent mentioned having heard of another (unspecified) HMRC digital service (Figure 6.7).

Figure 6.7 Which digital services has heard of



Unweighted base (Provider): All SE providers (n=2268)

Providers who were aware of the services were also asked about their use of the Personal Tax Account and Your Tax Account. Overall, Your Tax Account was slightly more widely used than the Personal Tax Account; 44 per cent of providers had signed up for an account and 40 per cent used it to declare income or provide information to HMRC. In comparison,

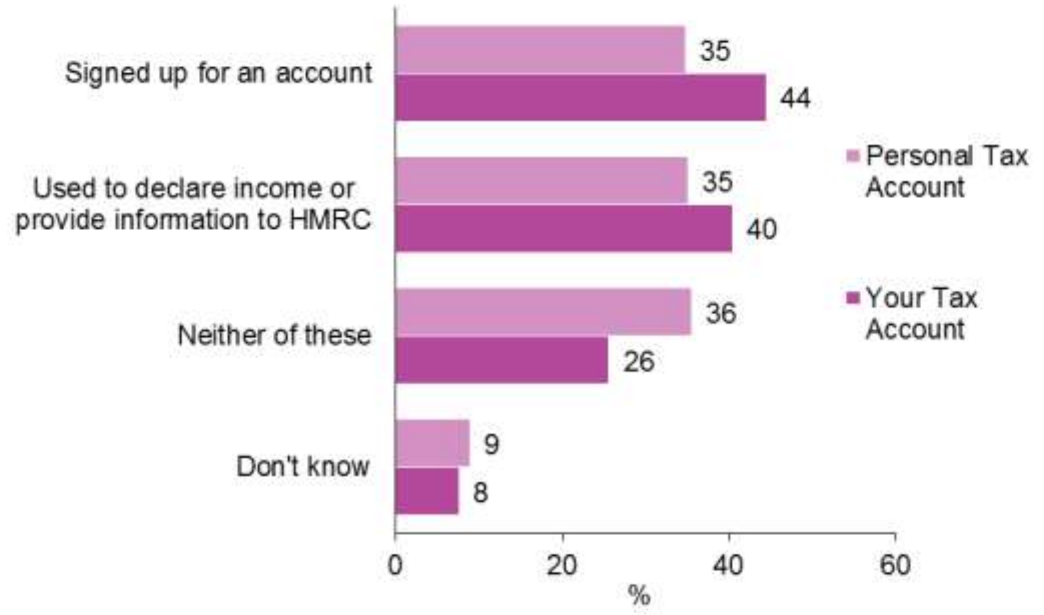
[48] HM Revenue and Customs (2015), Making tax digital https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484668/making-tax-digital.pdf, accessed 23rd March 2017

[49] GOV.UK, https://www.gov.uk/personal-tax-account, accessed 23rd March 2017

[50] HMRC digital blog, https://hmrcdigital.blog.gov.uk/2015/03/27/your-tax-account-passes-its-live-assessment/ accessed 23rd March 2017

35 per cent had signed up for a Personal Tax Account and 35 per cent had used it to notify HMRC about an income. Figure 6.8 displays the full scale of responses given.

Figure 6.8 Which digital services has used



Unweighted base (Provider): All SE providers who were aware of Personal Tax Account (n=1684) or Your Tax Account (n=1780)

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Awareness and use of HMRC digital products such as the Personal Tax Account or Your Tax Account was limited in the qualitative sample. As a tax professional, the one provider with some awareness of these products was particularly knowledgeable about tax and financial products. This provider was aware of the services but had not used them.

7 Conclusions

This report details the findings of research conducted into the Sharing Economy for HMRC. The main aims of the research were:

- To understand the extent and size of the Sharing Economy, both in terms of income generated by, and the number and characteristics of 'providers', those who participate for profit;
- To understand the knowledge, attitude, and decision-making processes of providers in relation to taxation of income generated through the Sharing Economy.

To achieve these aims three quantitative surveys were used to estimate the prevalence of providers in the population, and 30-indepth interviews were conducted with providers to understand their circumstances and tax-related behaviour in greater depth.

This section of the report summarises the key themes of the research and highlights their implications.

7.1 The scale and profile of the Sharing Economy

The findings estimate that around 11 per cent of the working age population (or roughly 5.3 million individuals) in Great Britain take part in the Sharing Economy as providers. As discussed in the introduction, this population estimate is based on a specific definition of the Sharing Economy.[51] As there is no widely agreed definition of the Sharing Economy, the estimates given in this research may not be comparable to estimates given in other pieces of research.

A further aim of the research was to estimate the income generated through the Sharing Economy in order to help inform HMRC's understanding of the potential revenues due to the exchequer. The estimated total value of gross income generated by providers in the Sharing Economy is around £8bn annually while the annual mean income providers earn through the Sharing Economy is approximately £1,700. These estimates must be considered in the context of the design of the survey questions for this research, which pose some limitations.[52]

7.2 Tax-related behaviour of Sharing Economy providers

Many providers exhibited low confidence and a lack of understanding about the tax system and their obligations in relation to the Sharing Economy. A quarter of all providers said they knew very little or nothing at all about how their Sharing Economy income is taxed. Qualitative evidence suggests that providers who were new to both the Sharing Economy and to being self-employed in particular tended to have a limited understanding of their tax obligations and the reporting process.

On the whole the evidence indicates that providers seek to comply with their tax requirements. Those who earn higher levels through the Sharing Economy alone are more likely to report or to plan to report their income. However, the relatively low level of understanding of such requirements may pose a barrier to correct reporting of Sharing

[51] Defined in this research as economic activity facilitated by the internet, through digital platforms and applications (apps) that enable people or businesses to share, sell, or rent property, resources, or skills. The Sharing Economy functions by matching suppliers and customers through common platforms.
[52] See chapter 3.1 for full details on the limitations.

Economy income in some cases. A small proportion of providers said they earned less than what needs to be reported despite earning over £11,000 through Sharing Economy income streams alone. In addition, sizeable proportions of those with gross personal incomes of over £50,000 said they earned less than what needs to be reported.

Providers who were buying products to resell, or selling crafts, were more likely than other groups to not report, or to not plan to report their Sharing Economy income. Providers who were not reporting their Sharing Economy income also tended to be earning less through the Sharing Economy, and most commonly were involved in reselling products or selling crafts. Reasons given for not reporting included the amount earned being too small or one-off; being unable to afford tax; and not knowing they had to declare income earned through the Sharing Economy.

A number of misconceptions also appear to be leading providers not to report their Sharing Economy income to HMRC. In some cases, providers believed that Sharing Economy activities were not subject to tax at all, because their earnings were too sporadic or small, or their Sharing Economy activity was part of a hobby. Another misconception was that Sharing Economy activities were separate financially from other activities, and so had their own Personal Allowance. This meant providers felt they did not have to pay tax on their Sharing Economy income, as it was less than the Personal Allowance, despite other income sources already putting their overall income over the Personal Allowance threshold.

Awareness of available and forthcoming allowances was mixed. In some instances, Providers were aware of allowances available to them, such as the Rent a Room Scheme and a number of providers altered their behaviour to make best use of these. However, there was confusion about the size of allowances even when providers had heard of them, and in what circumstances allowances applied.

7.3 What would make it easier for providers to meet their tax obligations

The findings indicate a desire for more support and information from HMRC and platforms around Sharing Economy tax obligations and reporting, as well as more straightforward tax regulations to encourage participation in the Sharing Economy and reporting of income. Those who are new to self-employment and tax-reporting or who do not have access to professional support, for example though accountants, may benefit most from information on these issues and additional support and guidance on applicable allowances and self-assessments in particular. Another key area of support is around helping providers to determine their taxable income, which providers with multiple and unpredictable incomes experienced difficulty with.

The suggestion that platforms could share information about provider’s earnings with HMRC directly had mixed reactions. The findings suggest that it could work on an opt-in basis to avoid discouraging participation in the Sharing Economy. The findings do however highlight widespread support for platforms providing more tax-related information, whether it be straightforward literature about tax laws, or reminders to pay tax, and for HMRC and platforms to be better connected. For instance, it was suggested that HMRC could work with platforms to inform individuals of their tax obligations when they sign up to a platform; or that platforms could incorporate links to appropriate tax information on the HMRC website.

Appendix A. Regression analysis methodology

The analysis aimed at exploring what characteristics are related to Sharing Economy providers' behaviour with regards to reporting income generated through Sharing Economy activities to HMRC. Using the data collected through the Provider survey the analysis tried to identify groups that are less likely to notify or plan to notify HMRC about their Sharing Economy income. Some respondents chose not to reply to some key questions related to the topic. As conducting analysis on incomplete data could lead to biased results if the non-respondents are systematically different to respondents, the decision was made to use the information collected through other questions to impute the missing values using a multiple imputation technique. The final analysis was conducted on the dataset with imputed values using a logistic regression technique.

Methods

Multinomial logistic regression modelling was carried out to examine whether there are any groups of people (defined by various variables collected in the survey) who are more or less likely to report their Sharing Economy income to HMRC.[53] The use of regression modelling was necessary to control for variables systematically related to respondents' reporting behaviour (for example, income from the Sharing Economy or whether the Sharing Economy was the main source of income). Simple bivariate analysis was used to inform the choice of predictors considered for the final analysis only as it can only detect spurious relationships. Separate appendix lists all variables that have been considered, among them socio-economic, attitudinal and Sharing Economy activity related variables.

A multinomial logistic regression technique was chosen due to the outcome variable consisting of multiple categories (Table 1).[54]

Table 1 Distribution of responses to the outcome question: Whether reported/plans to report SE income to HMRC

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Has notified or plans to notify HMRC	829	38.1	42.2	42.2
	Earns less than what needs to be reported	964	44.3	49.0	91.2
	Has not notified for another reason	173	7.9	8.8	100.0
	Total	1966	90.3	100.0	
Missing	Prefer not to say/Don't know	211	9.7		
Total		2177	100.0		

[53] Multinomial logistic regression is a statistical model used to estimate the probability of an event occurring given certain information. The final model presented in this chapter was used to estimate whether people who share a particular characteristic (for example, age group) are more or less likely to notify HMRC of their SE income than those in a reference, when the other characteristics in the model are held constant. If the value of relative risk ratio (*RRR*) is greater than one, the relative risk of the outcome occurring is *RRR* times greater for the given group compared to the reference group. Conversely, a value less than one indicates the risk of the outcome occurring is lower for the given group compared with the reference category.

[54] Respondents from Northern Ireland and not applicable cases for the outcome variable were removed from the dataset prior to conducting any analysis.

In total 9.7 per cent of respondents (211) did not choose a valid category to the question. There are also missing values on the following variables related to the topic:

- Gross personal income – 295 missing;
- How much money has made from providing goods or services on digital platforms or apps in the last 12 months (£2,000 break) – 164 missing;
- How often provides goods or services on digital platforms or apps – 67 missing.

Bivariate analysis of these variables and other considered characteristics pointed to strong evidence that these values are not missing completely at random (MCAR),[55] and some of the variables predicted missingness. Therefore, we decided to use a multiple imputation technique (MI) to impute missing data prior to conducting the regression analysis. The technical details of the analysis and results of the multiple imputation are described in Appendix B.

Results

Following the imputation of missing data, logistic regression analysis was carried out with all potential predictors of the *Whether reported/plans to report SE income to HMRC variable* entered in a model and the results were compared with results from the same model run on complete records only (Model 1, Appendix A). Table 2 shows which variables were found significant in the regression modelling on the imputed data (Model 2), as well as which were entered and found significant in the final analysis model (Model 3, grey shade of cells indicates which variables were entered)[56]. Columns 1 and 2 of Table 2 relate to the overall significance of factors in predicting the outcome variable. The detailed results of final regression model can be found in Appendix C.

The regression models were built to predict one of three answers to the key question:

1. Has notified or plans to notify HMRC;
2. Has not notified or plans not to notify because earned less than what needs to be reported; and;
3. Has not notified or plans not to notify HMRC for another reason.

Even though it is not possible to verify whether providers who chose category 2 were truly earning below the threshold (their tax treatment depends on their other income streams or they may simply misreport), the decision was taken to look at what factors affect being in this group compared to those who have notified or planned to notify HMRC of their Sharing Economy income (column 4 of Table 2). Similarly, a key aim was to explore which groups of Sharing Economy providers were more or less likely to report that they have not notified HMRC for other reason than earning less than what needs to be reported compared to those who have (column 3 of Table 2).

[55] When observations of a variable are missing completely at random, the missing observations are a random subset of all observations; the missing and observed values will have similar distributions.

[56] The analysis on the imputed data followed the analysis of complete records summarised in a separate technical appendix. Given there were just slight differences in results between complete records and imputed data analysis, and that we wanted to be able to compare the two models, they both included the same set of variables.

Table 2 Multinomial logistic regression models identifying factors that predict whether or not SE provider reported/plans to report SE income to HMRC – following multiple imputation

	Model 2: overall significance of predictors	**Model 3:** overall significance of predictors	**Model 3**: effect of factor in predicting category 3 vs. category 1	**Model 3**: effect of factor in predicting category 2 vs. category 1
Region				
Urbanicity				
Gender			sig	
Age (grouped)	sig**	close to sig***		sig
Highest qualification				
Housing tenure	sig	sig		sig
Working status	sig	sig		sig
Perceived employment status	sig	sig	sig	sig
Social grade				
Marital status		close to sig	sig	
Whether children in household				
Gross personal income (grouped)		close to sig		
How much money has made from providing goods or services on digital platforms or apps in the last 12 months (grouped)				
Whether SE was main source of income				
Interaction of the two above			close to sig	
How long did first start making money from providing goods and/or services on digital platforms or apps (grouped)	sig	sig	sig	sig
How often provides goods or services on digital platforms or apps (grouped)	sig	sig	sig	sig
Type of SE activity performed: Providing transport				close to sig
Type of SE activity performed: Renting out a vehicle				
Type of SE activity performed: Selling crafts			close to sig	
Type of SE activity performed: Buying to resell				
Type of SE activity performed: Renting out space	sig	sig		sig
Type of SE activity performed: Performing short-term jobs				sig
Type of SE activity performed: Offering delivery services				
Type of SE activity performed: Investing / lending	sig	sig	sig	sig
How easy or difficult to find out about tax obligations	sig	sig	sig	sig
How comfortable would feel if platforms shared information with HMRC	sig	sig	sig	sig
Employees: Whether pay too much or too little tax in the UK	sig	sig	sig	sig
Self-employed people: Whether pay too much or too little tax in the UK				

Small and medium businesses (with less than 250 people): Whether pay too much or too little tax in the UK				
Large businesses (with more than 250 people): Whether pay too much or too little tax in the UK	sig	sig		sig
To what extent feels personally benefits from the money paid to the UK government through taxes	sig	sig	sig	close to sig

*shaded cells mean variable was entered in the model

***sig* means variable was found to significantly predict the outcome at p <0.05

****close to sig* means variable was found to significantly predict the outcome at p <0.1

The following section discusses the results of regression modelling from the final model run on the imputed data (Model 3, full results presented in Appendix C). Including various variables in the model that made it possible to identify factors independently associated with the outcome variable i.e. factors which are significantly related to the outcome variable even after controlling for the effect of other variables associated with the outcome variable. For example, while level of income from the Sharing Economy (recoded into two categories – under or above £2,000 per year) seemed to be strongly related with providers' income reporting behaviour, it does not fully explain reporting behaviour, i.e. when all factors entered in the model were taken into account the effect of Sharing Economy income was no longer significant.

The following groups were found significantly more likely to respond: 'Have not notified HMRC of my income from the Sharing Economy because I earn less than what needs to be reported' rather than 'Have notified/ I am planning to notify HMRC about my income':

- **Employees** compared to self-employed or company owners,
- **Providers who are not working** compared to those working full-time,
- **The youngest age group (18-24)** compared to all other age groups,
- **Those who had not been seeking any information about their tax obligations** compared to those who found it very easy to find out about their obligations,
- **Those providing goods or services on digital platforms or apps less often than once a day** compared to those who provide services on a daily basis.

On the contrary, when it comes to types of Sharing Economy activities performed, those renting out space, performing short-term jobs or investing or lending were positively associated with notifying HMRC of their income rather than with not doing so because the income was too low.

Apart from the key groups identified above, the following questions were also found to be significantly related with the outcome variable:

- How comfortable would you feel if platforms shared information with HMRC?
- Do employees pay too much or too little tax in the UK?
- How long ago did you first start making money from providing goods and/or services on digital platforms or apps?
- Housing tenure.

The following groups were found significantly more likely to respond: 'Have not notified HMRC of my income from the Sharing Economy '<u>for another reason</u>' rather than 'I have notified/ I am planning to notify HMRC about my income':

- **Employees** compared to self-employed or company owners,

- **Separated, divorced or widowed** compared to married, living as married or in civil partnership (relationship found significant even after controlling for differences between age groups),
- **Those who have not been seeking any information about tax obligations**, compared to those who found it very easy to get informed about it,
- **People who provide goods or services on digital platforms or apps less often than once a day** compared to those who provide services on a daily basis,
- **Providers who started making money more than three years ago** compared to those who started recently (less than a year ago).

From among all types of Sharing Economy activities reported in the survey, only being involved in investing or lending on someone else's business or idea could help to predict the providers' tax reporting behaviour.

Apart from the key groups identified above, the following questions were also found to significantly predict one of the two outcomes:

- How comfortable would you feel if platforms shared information with HMRC?
- Do employees pay too much or too little tax in the UK?
- To what extent do you feel you personally benefit from the money paid to the UK government through taxes?
- Gender (males less likely to report).

The broad conclusion is that providers' attitudes towards paying tax, and especially beliefs about the amount of tax being paid by employees and large business, are strongly related with their own Sharing Economy income tax reporting behaviour. The accessibility of information about tax obligations does not seem to matter here, as people who did not notify HMRC of their Sharing Economy income were generally not looking for such information. The extent to which one feels they personally benefit from paying taxes to the UK government may affect decisions to avoid paying taxes from the Sharing Economy activities (although this factor was not significant in comparison of category 2 and 1). Treating Sharing Economy activities as a source of less regular income as well having more experience in providing services as part of Sharing Economy negatively affect the decision to notify HMRC of Sharing Economy income. There are also socio-economic factors related to providers' decision, among them marital status and age.

Appendix B. Multiple imputation

A significant proportion of Sharing Economy respondents did not choose to answer some of the key questions related to their Sharing Economy activities. There are missing values on the following variables:

- Whether reported/plans to report SE income to HMRC – 211 missing;
- Gross personal income – 295 missing;
- How much money has made from providing goods or services on digital platforms or apps in the last 12 months (£2,000 break) – 164 missing;
- How often provides goods or services on digital platforms or apps – 67 missing.

Bivariate analysis of these variables and other considered characteristics (provided in a separate appendix) suggested that there is strong evidence that these values are not missing completely at random (MCAR),[57] and some of the variables predicted missingness in each of the variables. Therefore, a multiple imputation technique (MI) was used to impute missing data. The process consisted of the following steps:

1. Building a model to predict outcome variable (*Whether reported/plans to report SE income to HMRC*) using complete records data (respondents with missing value on any of the variables excluded from the analysis) – Model 1,
2. Building models for prediction of missing values (imputation models),
3. Running multiple imputation[58],
4. Repeating analysis from point 1) on data with imputed values – Model 3 presented in the results section of the report.

Table 3 summarises which of the variables considered were included in the final logistic regression model and which were used in the imputation process. In the final analysis model all variables related to Sharing Economy activities were entered (even if not significantly predicting the outcome, it was decided that it was necessary to control for them to remove any source of variation that might have been mistakenly attributed to socio-economic and attitudinal variables otherwise); from among all socio-economic and attitudinal variables considered only those significantly related to the outcome variable were left in the model at step 1 of the analysis. This way Model 1 was created.

[57] When observations of a variable are missing completely at random, the missing observations are a random subset of all observations; the missing and observed values will have similar distributions.

[58] Imputation was conducted using Stata, *mi impute chained* command. The chained equations (also known as full conditional specification) approach was used to create multiple imputations of the missing data. It is based on a regression model of each partially observed variable on the others. 10 completed datasets were generated. For more technical information: *https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3074241/*

Table 3 Multinomial logistic regression model identifying factors that predict whether or not SE provider reported/plans to report SE income to HMRC (complete records analysis) and factors entered into multiple imputation analysis

	Multinomial logistic regression model (Model 1)	**Multiple imputation modelling**
Region		Y
Urbanicity		Y
Gender	Y	Y
Age (grouped)	Y	Y
Highest qualification		Y
Housing tenure	Y	Y
Working status	Y	Y
Perceived employment status	Y	Y
Social grade		Y
Marital status	Y	Y
Whether children in household		Y
Gross personal income (grouped)	Y	Y (outcome and predictor)
Whether reported/plans to report SE income to HMRC	Y (outcome)	Y (outcome and predictor)
How much money has made from providing goods or services on digital platforms or apps in the last 12 months (grouped)	Y	Y (outcome and predictor)
Whether SE was main source of income	Y	Y
Interaction of the two above	Y	Y
How long did first start making money from providing goods and/or services on digital platforms or apps (grouped)	Y	Y
How often provides goods or services on digital platforms or apps (grouped)	Y	Y (outcome and predictor)
Type of SE activities: 8 types (8 variables)	Y	Y
How easy or difficult to find out about tax obligations	Y	Y
How comfortable would feel if platforms shared information with HMRC	Y	Y
Employees: Whether pay too much or too little tax in the UK	Y	Y
Self-employed people: Whether pay too much or too little tax in the UK		Y
Small and medium businesses (with less than 250 people): Whether pay too much or too little tax in the UK		
Large businesses (with more than 250 people): Whether pay too much or too little tax in the UK	Y	Y
To what extent feels personally benefits from the money paid to the UK government through taxes	Y	Y

The imputation process technically succeeded.[59] It must be noted though, that the analysis is valid under missing at random (MAR) assumption, i.e. we have assumed there might be systematic differences between the missing and observed values, but these can be entirely explained by other observed variables. Unfortunately, we cannot dismiss the scenario that missing observations are related to values of unobserved data (missing not at random – MNAR), for example some specific attitudes and personality traits. But we were not able to test this assumption given the limited number of questions asked in a survey and lack of information collected on non-respondents.

The distribution of responses to four imputed variables was compared between the complete records data and the imputed datasets (Table 4) to assess the effect of imputation. In general, the differences were very small, especially on the amount of money earned through Sharing Economy and the frequency of providing services in Sharing Economy.[60] This means that people who did not provide valid response to these questions were not significantly different to respondents with regards to characteristics included in the imputation model.

The biggest difference was observed on *Whether reported/plans to report SE income to HMRC* with the imputation decreasing the percentage of people who reported having notified or planning to notify HMRC about their income from 39.5 per cent to 37.7 per cent of Sharing Economy providers. As expected, the percentage of respondents who have not notified HMRC for any reason increased after the imputation of missing values: by 1.2 percentage points for response 'Earns less than what needs to be reported' and by 0.6 percentage points for '*Has not notified for another reason'*. Although the differences are small, they are in line with expectations that people who did not answer this question were less likely to have reported their Sharing Economy income.

A slight difference was also observed for estimates of gross personal income: the imputation increased the share of respondents on the low-end (under £10,000 per year) by 1.5 percentage points and decreased the percentage people earning more than £30,000 per year by 1.2 percentage points. The imputation results show that people who did not report their income were most likely in low income end.

[59] The multiple imputation modelling converged, and the imputed estimates were found to be stable which is a good sign of the quality of the imputation process.

[60] This can be seen from differences in percentages – last column in Table 3 – as well as from average relative variance increase (RVI) due to nonresponse of each variable – a measure of an increase in the variance of the estimate because of the loss of information about the parameter due to nonresponse relative to the variance of the estimate with no information lost. The closer this number is to zero, the less effect missing data have on the variance of the estimate.

Table 4 Variables with missing values imputed – estimates pre and post data imputation						
Imputed variables	**Original dataset**	**Imputed dataset (10 datasets)**				Diff in % [imputed] - [original]
	%	%	Std. Err.	[95% Conf. Interval]		
Whether reported/plans to report SE income to HMRC		RVI=0.1354				
Has notified or plans to notify HMRC	39.5%	37.7%	0.014	35.0%	40.3%	-1.8
Earns less than what needs to be report	51.6%	52.9%	0.015	50.0%	55.7%	1.2
Has not notified for another reason	8.9%	9.5%	0.009	7.8%	11.2%	0.6
Base	1,966	2177				
How much money has made from providing goods or services on digital platforms or apps in the last 12 months			RVI=0.0387			
At least £2,000	14.4%	14.5%	0.010	12.7%	16.4%	0.1
Less than £2,000	85.6%	85.5%	0.010	83.6%	87.3%	-0.1
Base	2,013	2177				
Gross personal income			RVI=0.0754			
under £10,000 per year	28.9%	30.4%	0.014	27.6%	33.1%	1.5
£10,000 to £19,999 per year	27.1%	27.1%	0.013	24.6%	29.7%	0.0
£20,000 to £29,999 per year	19.0%	18.7%	0.011	16.6%	20.8%	-0.3
£30,000 and over per year	25.0%	23.8%	0.011	21.7%	26.0%	-1.2
Base	1,882	2177				
How often provides goods or services on digital platforms or apps			RVI=0.0366			
Once a day or more	16.3%	16.3%	0.010	14.3%	18.3%	0.0
Once a week	24.5%	24.3%	0.012	21.9%	26.6%	-0.2
Once a month	22.6%	22.5%	0.012	20.2%	24.8%	0.0
Less often than once every 3 months	36.7%	36.9%	0.014	34.2%	39.6%	0.2
Base	2,110	2177				

Following the imputation of missing data, logistic regression analysis was carried out with all potential predictors of the *Whether reported/plans to report SE income to HMRC* variable entered in a model and the results were compared with results from the same model run on complete records only (Model 1, Appendix A). Multiple imputations affected the results only slightly, causing one variable to lose its significance in predicting values of the outcome variable (i.e. whether respondent was involved in renting out a vehicle as part of Sharing Economy).

Appendix C.

Table 5 Results of multinomial multiple logistic regression model run on complete records (Model 1) and after multiple imputation (Model 3) predicting whether SE providers have notified/ planned to notify HMRC of their income coming from SE

	Complete records analysis			Model after Multiple Imputation		
	RRR	**Robust Std. Err.**	**P>z**	**RRR**	**Robust Std. Err.**	**P>z**
Compare [Earns less than what needs to be reported] to [Has notified or plans to notify HMRC]						
Gender: Male [base=Female]	1.09	0.223	0.66	0.99	0.179	0.97
Age grouped [base=18-24]						
25-34	0.21	0.120	0.01	0.28	0.128	0.01
35-44	0.20	0.115	0.01	0.26	0.129	0.01
45-54	0.16	0.095	0.00	0.21	0.099	0.00
55+	0.13	0.078	0.00	0.17	0.084	0.00
Marital Status [base=Married/Living as married/Civil Partnership]						
Separated/Divorced/Widowed	1.58	0.532	0.18	1.56	0.445	0.12
Never married	0.77	0.182	0.28	0.86	0.181	0.46
Tenure [base=1 Owned/being bought]						
Rented (LA+HA)	0.37	0.127	0.00	0.41	0.139	0.01

Rented (other) + Other	0.77	0.183	0.28	0.82	0.179	0.37
WrkStatM1 [base=Working full-time (30 or more hours per week)]						
Working part time	0.92	0.253	0.77	0.83	0.204	0.44
Not working/Other	2.34	0.627	0.00	2.18	0.536	0.00
Perceived employment status [base=I am an employee]						
I am self-employed	0.07	0.026	0.00	0.08	0.024	0.00
I am a company owner	0.13	0.063	0.00	0.12	0.054	0.00
This is just a way of making some extra money	1.68	0.425	0.04	1.51	0.362	0.09
Other/Do not know	1.85	0.775	0.15	1.48	0.567	0.30
Gross personal income [base=under £10,000 per year]						
£10,000 to £19,999 per year	0.97	0.291	0.92	0.96	0.313	0.89
£20,000 to £29,999 per year	0.95	0.316	0.87	0.86	0.270	0.63
£30,000 and over per year	0.61	0.204	0.14	0.65	0.208	0.18
How easy or difficult to find out about tax obligations [base=Very easy]						
Fairly easy	1.33	0.358	0.28	1.21	0.299	0.43
Fairly difficult	0.87	0.304	0.68	0.94	0.289	0.84
Very difficult	0.65	0.288	0.33	0.68	0.273	0.34
Don't know	3.06	1.648	0.04	1.92	0.853	0.14
Not applicable - I haven't sought any information	10.85	4.779	0.00	11.20	4.381	0.00
How comfortable would feel if platforms shared information with HMRC [base=Very comfortable]						

Fairly comfortable	1.35	0.323	0.21	1.50	0.328	0.06
Not very comfortable	2.81	0.951	0.00	2.94	0.938	0.00
Not at all comfortable	2.36	0.689	0.00	2.20	0.578	0.00
Don't know	2.00	0.805	0.09	1.40	0.480	0.33
Employees: Whether pay too much or too little tax in the UK [base=Too high]						
About right	0.69	0.150	0.09	0.69	0.135	0.06
Too low	0.30	0.115	0.00	0.28	0.101	0.00
Prefer not to say/ Don't know	0.30	0.129	0.01	0.35	0.130	0.01
Large businesses (with more than 250 people): Whether pay too much or too little tax in the UK [base=Too high]						
About right	1.44	0.642	0.41	1.15	0.457	0.72
Too low	2.24	0.916	0.05	2.01	0.737	0.06
Prefer not to say	5.02	2.455	0.00	4.66	2.030	0.00
To what extent feels personally benefits from the money paid to the UK government through taxes [base=Benefit a lot]						
Benefit a little	0.96	0.237	0.86	0.91	0.219	0.71
Don't benefit much	1.32	0.335	0.27	1.17	0.287	0.51
Don't benefit at all	1.67	0.520	0.10	1.68	0.501	0.08
Don't know	3.57	2.083	0.03	2.55	1.238	0.05
How long did first start making money from providing goods and/or services on digital platforms or apps [base=Less than 1 year ago]						
Between 1 and 3 years ago	1.30	0.326	0.30	1.15	0.263	0.55
More than 3 years ago	1.70	0.417	0.03	1.68	0.369	0.02

How often provides goods or services on digital platforms or apps [base=Once a day or more]						
Once a week	4.33	1.346	0.00	4.33	1.202	0.00
Once a month	2.93	0.907	0.00	2.64	0.719	0.00
Less often than once every 3 months	5.92	1.828	0.00	4.99	1.372	0.00
How much money has made from providing goods or services on digital platforms or apps in the last 12 months: More than £2,000 [base=At least £2,000]	1.16	0.433	0.69	1.37	0.454	0.35
Whether SE was main source of income: Yes [base= No]	0.98	0.582	0.97	0.99	0.575	0.99
Interaction of the two variables above	0.98	0.651	0.98	0.86	0.556	0.82
Type of SE activity performed: Providing transport	0.33	0.236	0.12	0.34	0.212	0.09
Type of SE activity performed: Renting out a vehicle	1.01	0.692	0.99	0.88	0.579	0.84
Type of SE activity performed: Selling crafts	0.77	0.190	0.29	0.80	0.173	0.30
Type of SE activity performed: Buying to resell	1.36	0.299	0.16	1.36	0.273	0.13
Type of SE activity performed: Renting out space	0.38	0.144	0.01	0.39	0.127	0.00
Type of SE activity performed: Performing short-term jobs	0.70	0.211	0.24	0.57	0.160	0.04
Type of SE activity performed: Offering delivery services	0.56	0.314	0.30	0.67	0.350	0.44
Type of SE activity performed: Investing / lending	0.47	0.123	0.00	0.48	0.117	0.00
Constant	0.54	0.474	0.48	0.56	0.460	0.48

Compare [Has not notified for another reason than earning less than needs to be reported] to [Has notified or plans to notify]						
Gender: Male [base=Female]	2.07	0.618	0.01	1.80	0.517	0.04
Age grouped [base=18-24]						
25-34	0.58	0.499	0.53	0.47	0.384	0.36
35-44	0.42	0.366	0.32	0.42	0.341	0.29
45-54	0.28	0.248	0.15	0.26	0.211	0.10
55+	0.23	0.204	0.10	0.24	0.197	0.08
Marital Status [base=Married/Living as married/Civil Partnership]						
Separated/Divorced/Widowed	2.74	1.264	0.03	2.81	1.124	0.01
Never married	0.55	0.200	0.10	0.66	0.230	0.23
Tenure [base=Owned/being bought]						
Rented (LA+HA)	0.74	0.373	0.55	1.02	0.451	0.97
Rented (other) + Other	0.62	0.233	0.20	0.58	0.194	0.10
WrkStatM1 [base=Working full-time (30 or more hours per week)]						
Working part time	0.89	0.350	0.77	0.60	0.246	0.21
Not working/Other	1.37	0.590	0.46	0.90	0.353	0.79
Perceived employment status [base= I am an employee]						
I am self-employed	0.15	0.094	0.00	0.14	0.081	0.00
I am a company owner	0.03	0.043	0.01	0.03	0.031	0.00
This is just a way of making some extra money	2.94	1.188	0.01	2.01	0.826	0.09

Other/Do not know	2.87	1.796	0.09	1.70	1.017	0.38
Gross personal income [base=under £10,000 per year]						
£10,000 to £19,999 per year	1.65	0.785	0.29	1.39	0.683	0.50
£20,000 to £29,999 per year	1.24	0.613	0.66	1.03	0.509	0.96
£30,000 and over per year	1.82	0.934	0.24	1.76	0.853	0.25
How easy or difficult to find out about tax obligations [base=Very easy]						
Fairly easy	1.28	0.667	0.64	0.92	0.388	0.85
Fairly difficult	1.62	0.941	0.41	1.04	0.517	0.93
Very difficult	0.97	0.774	0.97	0.66	0.490	0.58
Don't know	3.85	2.994	0.08	1.84	1.185	0.35
Not applicable - I haven't sought any information	27.61	16.791	0.00	19.20	9.348	0.00
How comfortable would feel if platforms shared information with HMRC [base=Very comfortable]						
Fairly comfortable	1.40	0.673	0.49	1.35	0.550	0.46
Not very comfortable	5.09	2.765	0.00	5.18	2.445	0.00
Not at all comfortable	4.98	2.400	0.00	4.32	1.762	0.00
Don't know	3.56	2.295	0.05	2.11	1.124	0.16
Employees: Whether pay too much or too little tax in the UK [base= Too high]						
About right	1.08	0.326	0.80	1.10	0.319	0.75
Too low	0.30	0.226	0.11	0.20	0.162	0.05
Prefer not to say/ Don't know	0.27	0.167	0.04	0.37	0.206	0.08

Large businesses (with more than 250 people): Whether pay too much or too little tax in the UK [base=1 Too high]						
About right	0.94	0.617	0.92	0.81	0.554	0.76
Too low	1.22	0.751	0.75	1.14	0.737	0.85
Prefer not to say	3.36	2.453	0.10	3.42	2.543	0.10
To what extent feels personally benefits from the money paid to the UK government through taxes [base=Benefit a lot]						
Benefit a little	1.07	0.460	0.87	0.90	0.341	0.79
Don't benefit much	0.89	0.393	0.79	0.86	0.330	0.69
Don't benefit at all	4.06	1.903	0.00	3.09	1.330	0.01
Don't know	3.21	2.511	0.14	1.49	1.115	0.60
How long did first start making money from providing goods and/or services on digital platforms or apps [base= Less than 1 year ago]						
Between 1 and 3 years ago	0.59	0.232	0.18	0.81	0.309	0.58
More than 3 years ago	1.64	0.601	0.17	2.24	0.805	0.03
How often provides goods or services on digital platforms or apps [base=Once a day or more]						
Once a week	5.47	2.820	0.00	6.33	2.713	0.00
Once a month	2.36	1.325	0.13	2.09	1.003	0.13
Less often than once every 3 months	8.37	4.267	0.00	6.64	3.123	0.00
How much money has made from providing goods or services on digital platforms or apps in the last 12 months: More than £2,000 [base=At least £2,000]	1.26	0.653	0.66	1.64	0.815	0.33

Whether SE was main source of income: Yes [base= No]	2.72	1.924	0.16	1.71	1.396	0.51
Interaction of the two variables above	0.07	0.068	0.01	0.19	0.184	0.09
Type of SE activity performed: Providing transport	0.34	0.381	0.34	0.19	0.209	0.13
Type of SE activity performed: Renting out a vehicle	0.00	0.000	0.00	0.00	0.004	0.34
Type of SE activity performed: Selling crafts	0.47	0.198	0.07	0.48	0.209	0.09
Type of SE activity performed: Buying to resell	1.61	0.627	0.22	1.31	0.513	0.49
Type of SE activity performed: Renting out space	0.88	0.458	0.80	0.78	0.399	0.63
Type of SE activity performed: Performing short-term jobs	0.83	0.467	0.74	0.81	0.407	0.68
Type of SE activity performed: Offering delivery services	0.71	0.595	0.69	0.76	0.619	0.74
Type of SE activity performed: Investing / lending	0.27	0.128	0.01	0.30	0.132	0.01
constant	0.01	0.010	0.00	0.02	0.029	0.01