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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS - A European agenda for the collaborative economy

European agenda for the collaborative economy - supporting analysis

{COM(2016) 356 final}

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1. POLICY CONTEXT

The Single Market Strategy adopted in October 2015 announced that the Commission "*will develop a European agenda for the collaborative economy, including guidance on how existing EU law applies to collaborative economy business models".*

The collaborative economy is part of the Single Market Strategy[1] and also the Commission's Digital Single Market Strategy.[2] Supporting the collaborative economy is key to meeting the objectives of the digital single market by providing better access for consumers and businesses to online goods and services across Europe. This in turn will lead to more efficient services, the re-use of existing resources and provide new and more flexible employment. The most visible examples of the collaborative economy involve renting apartments, sharing cars and organising deliveries. The new collaborative business models have an influence on existing businesses, increasing competition and changing consumer behaviour.[3]

The collaborative economy is part of the digital economy but also overlaps with other economic sectors, mainly those providing services. The business functions and technological features of collaborative platforms are similar to those of other platforms in the digital economy. Collaborative platforms are typically transaction-based platforms,[4] similar to peer-to-peer e-commerce platforms founded in the early phase of the internet. Collaborative platforms have pushed peer-to-peer commerce into more complex service sectors, such as transport and accommodation. This enables domestic assets to be used as part of a temporary service, often provided offline.

A public consultation was carried out from September 2015 to January 2016 to gather the views[5] of public authorities, entrepreneurs and individuals. Workshops were also held in several Member States to discuss the development of the collaborative economy with administrators and entrepreneurs. A Eurobarometer survey on collaborative platforms was also carried out.[6]

Responses from the public consultation and workshops show that there is significant economic potential in the collaborative economy but also a large degree of uncertainty regarding rights and obligations. The replies to the public consultation focused on uncertainty on rights and obligations for users and providers as obstacles to the growth of the collaborative economy, and consequently there was a desire for more guidance and better information on the application of the existing rules. A majority of respondents considered European action promoting the collaborative economy necessary. However, Member State authorities noted that a regulatory framework that is too rigid can create problems. The public consultation also emphasised increased transparency, wider choice, increased competition, and the price and quality benefits stemming from a more efficient market as reasons for the rapid adoption of collaborative economy business models.[7]

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1 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2015 %3A550 %3AFIN.

2 https://ec.europa.eu/digital-single-market/news/digital-single-market-strategy-europe-com2015-192-final.

3 For a review of the collaborative economy see Codagnone, C., Abadie F., and Biagi, F., (2016), The Passions and the Interests: Unpacking the Sharing Economy, JRC Science for Policy Report, Luxembourg: Publications Office of the European Union Studies, forthcoming.

4 See Evans 2016, http://thecge.net/wp-content/uploads/2016/01/PDF-WEB-Platform-Survey_01_12.pdf.

5 https://ec.europa.eu/digital-single-market/en/news/public-consultation-regulatory-environment-platforms-online-intermediaries-data-and-cloud

6 Flash Eurobarometer 438 (March 2016) on 'The use of collaborative platforms', forthcoming.

7 See the results of public consultation on the regulatory environment for platforms, online intermediaries, data and cloud computing and the collaborative economy; link

According to the Eurobarometer survey, 52 % of EU citizens are aware of the services offered by the collaborative economy and 17 % have used such services at least once. The perceived main advantages are improved convenience in accessing the services and lower prices. Not knowing who is responsible if a problem arises is seen as the main inhibiting factor.[8] The Eurobarometer survey showed that users' main concern is not knowing who is responsible if a problem arises while the services are being provided. The second most important obstacle is the trust and reliability of the service provided by peers through the platform. In addition, general issues of trust in the internet transactions in general are also mentioned as main disadvantages of collaborative platforms. To a lesser extent, the fact that the services offered do not meet consumers' expectations is also a problem.

The purpose of this document is to provide the background and evidence that underpins the Communication on the European agenda on the collaborative economy.

2. ECONOMIC AND POLICY CHALLENGES

2.1. What is the collaborative economy?

A variety of collaborative economy business models are rapidly emerging and growing across Europe, changing the way services are traditionally provided and consumed. They are driven by technological, economic and societal factors. Collaborative platforms enable individuals and other actors such as micro entrepreneurs and (small) businesses to offer services. This creates new employment, flexible working arrangements and new sources of income and helps small businesses reach a wider market and customer base. They also make markets more competitive and efficient by improving matching between demand and supply.[9]

The notion of the collaborative economy is evolving. In this staff working document, the 'collaborative economy' refers to business models where activities are facilitated by online platforms that create an open marketplace for the temporary use of goods or services often provided by private individuals.[10] The collaborative economy involves three categories of actors:

(i) service providers who share assets, resources, time and skills — these can be private individuals offering services on an occasional basis ('peers') or professional service providers;

(ii) users of these services;

(iii) collaborative economy platforms that connect providers with users and facilitate transactions between them, also ensuring the quality of these transactions e.g. through after-sale services (handling complaints), insurance services, etc.

Collaborative economy transactions frequently do not involve a change of ownership and can be carried out for profit or not for profit.

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8 Flash Eurobarometer 438 (March 2016) on 'The use of collaborative platforms'.

9 The Commission has recently published other communications on platforms, including widespread deployment of business-to-consumer online platforms COM(2016) 288/2 final and industrial platforms (COM(2016) 180 final.

10 There is no universally accepted definition of the collaborative economy, which is also referred to by a range of synonyms such as the 'sharing economy', 'peer-to-peer economy' or 'demand economy'. Most definitions of the 'collaborative economy' include some or all of the following elements: online platforms, temporary usage, peer-to-peer (consumer-to-consumer) relations, exchange of goods or services.

2.2. Benefits

The increased efficiency, transparency and competition in the marketplace provided by collaborative platforms are due to a wide provider base, mainly drawn from the consumer sector, and the technological aspects of online platforms, which enable efficient matching and reduce information asymmetries.[11] Collaborative platforms are also increasing resource[12] and labour efficiency through their use of digital technology and are driving digitalisation across industries.[13] Therefore, they are a driver of competitiveness throughout the economy.

For consumers, the collaborative economy is providing new services, extending the range and supply of existing services and offering lower prices. For individuals wishing to supply services, the collaborative economy provides opportunities for new employment, flexible working[14] and a source of income from under-used domestic assets. It also allows people to start marketing and selling their own services, thereby taking the first steps towards becoming an entrepreneur, without many of the risks associated with setting up a business.[15]

For society, the collaborative economy offers environmental benefits[16] by encouraging more asset sharing and social benefits. This is done by creating an opportunity for individuals to interact, integrating communities. The collaborative economy can thus also contribute to the EU's environmental goals while also offering wider benefits.

2.3. Challenges

Some collaborative business models do not fit clearly within the existing national, local and sector rules. This is partly a consequence of the nature of collaborative business models, which typically comprise a collaborative platform and individual service providers, leading to uncertainty about mutual and respective rights and obligations. The uncertainty relates to several aspects of service provision including regulatory obligations, consumer rights, liability insurance and the status of workers.

The collaborative economy offers many employment opportunities but the work generated is often temporary, short-term and task-based. Many of the national rules on taxation and social protection have not been drafted for such situations, even though in principle modern technology provides multiple options to ensure that appropriate contributions are made and that minimum levels of remuneration are upheld.

2.4. Usage and perception

In order to provide further evidence on the extent of the activities taking place within the collaborative economy and on the awareness and frequency of use of collaborative platforms, a Flash Eurobarometer survey was commissioned by the European Commission. In particular,

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11 For example, platform-enabled peer-to-peer carsharing reduces the costs of finding an available vehicle to rent in the physical neighbourhood (Demary 2015).

12 Domestic vehicles are used less than 5 % of the time and three quarters of car rides are single occupancy. http://www.racfoundation.org/assets/rac_foundation/content/downloadables/facts_on_parking.pdf.

13 The introduction of collaborative platforms has triggered a proliferation of transport network companies (TNCs) in the US transport sector.

14 Flexible working is valuable in helping to avoid many of the problems associated with structural or long-term unemployment. This particularly affects younger and older workers, as well as those returning from parental leave.

15 For example, the peer-to-peer accommodation sector offers the potential for many people to provide services, alongside professional providers, without taking the financial risks normally associated with starting an enterprise.

16 It has been estimated that the collaborative economy could achieve average savings of up to 7 % in household budgets and reduce waste by 20 % if the market operates under the most favourable conditions (Demailly & Novel (2014), 'Économie du partage: enjeux et opportunités pour la transition écologique'; IDDRI). The European Commission will launch in 2016 a study to better understand the environmental impact of the collaborative economy in general and also of individual projects and activities.

the survey aimed to help better understanding the advantages and difficulties the different actors are experiencing in this context.

This survey was carried out by TNS Political & Social network in the 28 EU Member States on 15 and 16 March 2016. This opinion poll gathered 14 050 replies.

According to the survey, a majority of respondents (52 %) are aware of the existence of collaborative platforms. Nearly one in five respondents (17 %) declared they have used the services of these platforms at least once.[17] It is worth noting that the percentage of respondents being aware of collaborative platforms is higher among people:

- aged between 25 and 39 years;
- who finished education after the age of 16;
- who live in a large or small/mid-sized town; and
- who are self-employed or employees (63 %).

The number of people using collaborative platforms is also higher for this category than for the general audience (32 %).

The trend on the awareness of these services significantly varied from country to country. More than one third of respondents in France (36 %) and Ireland (35 %) have used these platforms, whereas respondents in Cyprus (2 %), Malta (4 %) and the Czech Republic (7 %) are the least likely to have done so.

Among the respondents who have used the services of collaborative platforms, almost one third (32 %) say they have provided a service on this kind of platform at least once, which signals that a consistent proportion of users are also likely to act as service providers.

On the main advantages of collaborative platforms, slightly more than two in five (41 %) of respondents who have heard of or have been on collaborative platforms believed that the access to services is more conveniently organised. Around a third (33 %) mentioned that the services offered through collaborative platforms are cheaper than traditional services or free, while around a quarter (25 %) acknowledged that being able to exchange products or services instead of paying with money was a positive aspect.

Three main drawbacks were identified by the respondents:

- lack of awareness of who is responsible if a problem arises (41 %);
- lack of trust for internet transactions (28 %);
- lack of trust for the provider/seller (27 %).

The fact that the services might not meet users' expectations and lack of information on the service provided were also mentioned as drawbacks.

[17] These findings are similar to the findings of a survey conducted in 10 Member States in March 2016, which showed that 17 % of the consulted persons had over the preceding 12 months participated in online collaborative platforms for sharing goods, transport, accommodation and non-professional services ('odd jobs'). The survey was conducted by the European Commission's DG Justice as part of a study to be published in the final quarter of 2016. The survey will also present data on the satisfaction rates and problems encountered with P2P transactions in the collaborative economy.

3. ECONOMIC DEVELOPMENT AND DRIVERS

3.1. General economic development

Collaborative platforms have penetrated several sectors of the economy, particularly service sectors. This section estimates the effect on economic development in the EU of five key collaborative economy sectors:

- peer-to-peer accommodation;
- peer-to-peer transportation;
- online skills, comprising:
    - on-demand household services;
    - on-demand professional services;
- collaborative finance.

This is followed by a closer analysis of four of these sectors.

It is estimated that collaborative platforms operating in five key sectors of the collaborative economy generated revenues of EUR 3.6 billion in 2015 in the EU.[18] In terms of gross revenues flowing to providers and platforms, it is estimated that collaborative platforms facilitated EUR 28 billion of transactions in 2015 in the EU.[19] The largest collaborative economy sector by platform revenue is the peer-to-peer transportation sector, which includes ridesharing and carsharing. By contrast, the peer-to-peer accommodation sector is the largest on the basis of commerce generated. The largest sector by gross revenues is the peer-to-peer accommodation sector, which includes primary and secondary home rental platforms, as well as home-swapping.[20]

On average, over 85 % of gross revenue generated by collaborative economy platforms goes to providers. The revenue models deployed by platforms vary between and within sectors. Most gather revenue based on fixed or variable commissions ranging from 1-2 % for peer-to-peer lending to up to 20 % for ridesharing services.

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18 Based on estimates by PwC consulting as part of a study contracted by the European Commission. The estimates of the size of the collaborative economy across the five sectors are primarily based on enterprise (platform) revenues. However, other sources of information, such as equity valuations and market research on platform usage, have also been used to arrive at the final aggregations of sector size. The estimates should be treated as broad approximations of the current size of the collaborative economy in the EU in five key sectors. The development of the collaborative economy was studied more closely in nine EU Member States (France, Belgium, Germany, UK, Poland, Spain, Italy, Sweden and the Netherlands). The study carried out by PwC consulting contains a non-exhaustive list of 275 collaborative platforms that have been developed in those Member States. The list of platforms gives an indication of the development of the collaborative economy in particular Member States and of the diversity of platforms that have been established across various sectors of the economy. The UK and France have the highest number of collaborative platforms out of the above Member States.

19 Data from table 1 SWD p. 5 and from a study published by the European Parliament that estimates that the collaborative economy could potentially generate revenues of EUR 572 billion in the EU. This is based on the economic value of currently unused or under-used assets which could become part of the collaborative economy. http://www.europarl.europa.eu/RegData/etudes/STUD/2016/558777/EPRS_STU(2016)558777_EN.pdf.

20 The estimate of the size of the collaborative economy was not based exclusively on this list; to arrive at the overall estimate, the revenues of other platforms and other factors were also taken into account.

Table 1: Net revenues and commerce generated from collaborative platforms (2015, million EUR).

Sector	Net revenue	Total commerce	Percentage of net revenue	Percentage of commerce
P2P accommodation	1,150	15,100	31.9	53.7
P2P transportation	1,650	5,100	27.3	12.4
On-demand household services	450	1,950	10.2	5.4
On-demand professional services	100	750	2.5	2.2
Collaborative finance	250	5,200	6.5	15.6
Total	3,600	28,100		

Source: PwC consulting

The estimated gross revenues from these five sectors represent approximately 0.2 % of EU GDP. By contrast, the net contribution of the collaborative economy to economic output will be lower as it is partially drawing on existing demand. However, for some industries such as tourism, research has found that the degree of substitution appears to be limited.[21]

Platform revenues and gross commerce generated via platforms both grew rapidly in 2015 and gathered pace compared to the previous year. This indicates that the collaborative economy is still at a very early stage of development and also growing more quickly than the related e-commerce sector, in which revenues grew by 15 %.[22]

Table 2: Net revenues and commerce generated via collaborative platforms (2013-2015, billion EUR)

Year	Net revenue	Growth (%)	Total commerce	Growth (%)
2013	1.0		9.9	
2014	1.8	55	15.3	80
2015	3.6	76	26.9	97

Source: PwC consulting

3.1.1. Development in EU compared to US

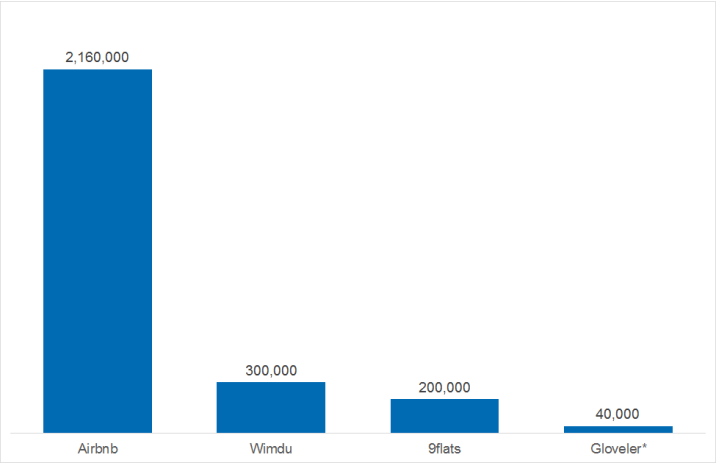
The largest collaborative platforms in the EU mainly originated in the US and remain US based, e.g. Airbnb and Uber. In addition, with the exception of BlaBlaCar, EU based collaborative platforms appear to fall into the category of small enterprises, based on information gathered on staffing levels and reported revenues. This suggests that EU collaborative platforms have difficulty both in the start-up phase and the growth phase of business development.[23]

21 http://people.bu.edu/zg/publications/airbnb.pdf.

22 https://ec.europa.eu/futurium/en/content/european-e-commerce-turnover-grew-143-reach-eu-4238 bn-2014.

23 It is estimated that EU-based platforms, including those that are part of the collaborative economy,account for only 4% of the total market capitalization of the world's largest online platforms, as noted in the Commission's recent Communication on Online Platforms and the Digital Single Market (COM(2016) XXX.)

Figure 1: Size of online P2P accommodation platforms (Number of rental spaces, 2015)



Source: Cologne Institute of Economic Research (CIER), based on various reference sources: Gloveler, 2013; 9flats, 2015; Statist, 2015; Wimdu, 2015

Note: Data from 2013.

Since its foundation in 2008, Airbnb has grown tremendously. Nearly 16 million guests used the platform in 2015 compared to 45 000 in 2010. Compared to EU-based competitors such as Wimdu, 9flats or Gloveler, Airbnb[24] offers a far greater number of rental listings, exceeding the largest competitor Wimdu by a factor of seven.[25] Although this may be accounted for by the specifics of each platform, it is fair to assume that the national and EU contexts of Airbnb and Wimdu may also have played a role.

Compared to US platforms operating in the US, EU platforms operating in the EU face several barriers to their development. These can be categorised in three groups. Firstly, there is a more fragmented regulatory environment in the EU than in the US, although differences in regulatory responses also occur between US cities. This is examined in detail in the following sections. Secondly, the venture capital environment is less favourable in the EU[26] than in the US. Thirdly, there are cultural (including linguistic) differences in the EU, which inevitably have an impact on *content-rich* enterprises such as those in the collaborative economy.

However, balanced against these hurdles there are structural features of the EU economy that may also promote the development of the collaborative economy. For example, the collaborative economy has pushed e-commerce into services, many of which are provided offline. As noted above, these require a critical mass of suppliers and users who typically reside in urban areas. In this respect, the EU has structural advantages over the US in that it is more densely populated and urbanised.

3.1.2. Main drivers

The collaborative economy is being driven by technological, economic and societal factors.

24 Airbnb also leads on other size indicators such as funding or the number of countries covered by the platform.

25 Wimdu was founded in Germany. However, even in this 'home' market the comparative trends in business development between the two platforms are quite similar. At one point queries for Wimdu were around two thirds of the total for Airbnb. However, since then interest in Airbnb has exploded whereas interest in Wimdu has remained more or less constant.

26 The availability of venture capital (VC) in Europe is relatively low. The total VC investment in Europe in 2014 amounted to USD 10.5 billion (EY, 2015). In the US, by contrast, VC investment reached USD 52 billion. This corresponds to 12 and 60 % of worldwide VC investment respectively.

Internet technology is an essential driver of the collaborative economy.[27] It provides the basis for developing collaborative platforms and for linking them with service providers and purchasers. It also partly determines the type and range of services that can be provided online, but not offline.

In economic terms, internet technology has helped to lower the costs of market entry for individual service providers and reduce the costs and time (implicit costs) associated with sharing physical assets. For example, the use of internet technology has enabled the development of marketplaces for sharing relatively low value items, such as basic household machinery, on a peer-to-peer basis.[28] Internet technologies are also the basis for increasing market efficiency, including allocative efficiency and the reduction of information asymmetries (see section on business models and efficiency below). This helps to drive competitiveness and lower prices.

Wider use of the mobile internet has expanded and increased platform usage beyond that possible with the traditional internet and has specifically promoted mobility-related services. Increasing technological sophistication will continue to drive other forms of collaborative platforms in future and expand the range of collaborative services.[29]

In general, the collaborative economy appears to be developing quickly in EU Member States with high levels of internet access and usage[30] e.g. in the UK, Netherlands and Sweden. This suggests better access to goods and services[31] and the removal of barriers will be an important factor in driving further development.

Table 3: Internet access and usage (2015)

	Internet access (percentage of households)	**Broadband access** (percentage of households)	**Internet usage in the last three months** (percentage of individuals**)**	**e-commerce usage in the last three months** (percentage of individuals**)**	**Internet usage via mobile phone or smart phone** (percentage of individuals)
Luxembourg	97	95	97	63	73
Netherlands	96	94	93	59	71
Denmark	92	84	96	67	75
Sweden	91	83	91	56	74
UK	91	90	92	75	73
Finland	90	90	93	50	69
Germany	90	88	88	64	57
Estonia	88	87	88	46	55

27 The collaborative economy is part of a wider trend of digitalisation having a profound effect on service industries. (http://www.strategyand.pwc.com/media/file/Strategyand-Measuring-Industry-Digitisation-Leaders-Laggards-Digital-Economy.pdf).

28 e.g. Zilok: http://fr.zilok.com/.

29 The use of technology by digital platforms has reduced the costs associated with sharing assets and with working remotely. At present mainly high-value assets are being shared, although equipment sharing sites are an exception to this. However, further technological developments will continue to reduce other implicit and explicit costs. For example, the greater indexation of assets via internet protocols, as part of the *internet of things*, will reduce the time and costs associated with sharing assets, by removing much of the manual effort involved in locating assets and monitoring their usage. Other technological developments, such as platforms offering enhanced video capabilities for virtual or augmented reality, are also likely to form the basis for new collaborative services.

30 http://ec.europa.eu/eurostat/statistics-explained/index.php/E-commerce_statistics; http://ec.europa.eu/eurostat/statistics-explained/index.php/Information_society_statistics_-_households_and_individuals.

31 https://ec.europa.eu/priorities/digital-single-market/better-online-access-digital-goods-and-services_en.

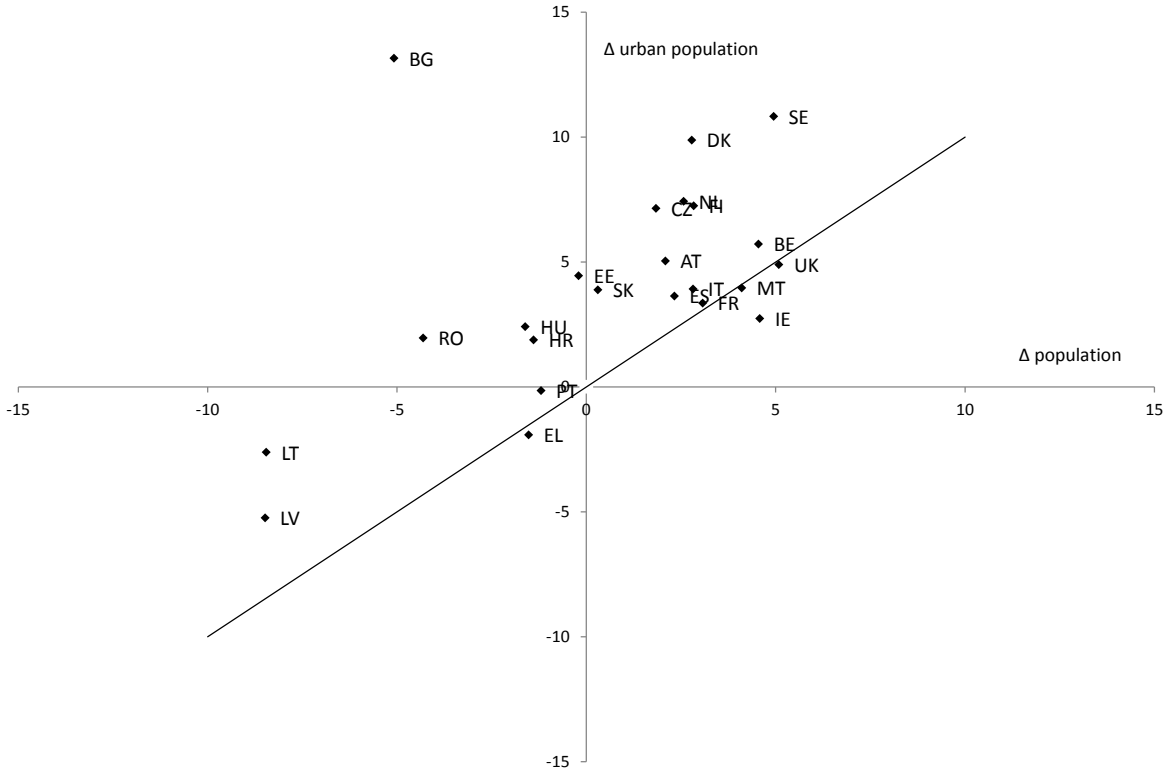
Ireland	85	83	80	44	59
France	83	76	85	49	54
Austria	82	81	84	46	61
Belgium	82	79	85	42	58
Malta	82	82	76	43	56
Czech Republic	79	76	81	26	40
Slovakia	79	78	78	35	47
Spain	79	78	79	32	65
Slovenia	78	78	73	28	47
Croatia	77	76	70	26	49
Hungary	76	75	73	23	46
Latvia	76	74	79	27	38
Poland	76	71	68	24	34
Italy	75	74	66	18	25
Cyprus	71	71	72	19	55
Portugal	70	69	69	23	41
Greece	68	67	67	24	38
Lithuania	68	67	71	22	36
Romania	68	65	56	8	31
Bulgaria	59	59	57	12	34

Source: Eurostat
Notes: Percentage of households, usage and online purchases within the last three months, mobile usage of the internet.

In addition to the role of internet technology, societal drivers such as population density also appear to play an important role in the development of the collaborative economy. Increasing population density within cities has provided the basis for a critical mass of resources and suppliers to support online markets for localised services. As shown by the figure below, between 2007 and 2013 urban populations increased more than the total population in the majority of EU Member States for which data were available. This trend may provide a greater potential for the development of collaborative services.[32]

[32] Data from the Listminut platform, located in Belgium, indicate that earnings for providers located in urban areas are higher than those located elsewhere.

Figure 2: Change in urban population vs change in total population in EU Member States (%, 2007-2013)



Source: own calculations based on Eurostat data
Notes: Data not available for CY, LU, DE, PL, SL.

The collaborative economy emerged quite recently,[33] during a period of weak economic growth. Some features of the current economic environment may have helped drive both supply and demand in the collaborative economy. For example, the recent financial and economic crisis has had a lasting impact on the labour market, where there are still high levels of unemployment and where wage growth has been weak. These circumstances may have created a supply-side push from people seeking work opportunities and a demand-side pull from consumers seeking cheaper alternative services. In addition, the weak investment and financing climate that has persisted since 2008 may have made collaborative business models more attractive to enterprises: by unlocking the value of existing resources located in the consumer sector they obviate the need for significant capital expenditure.

3.1.3. Collaborative business model

The collaborative business model is based around a digital internet platform, which creates an online marketplace and provides a range of services for buyers and sellers/service providers who are, at least in the initial stages of platform development, typically consumers. Services provided tend to be intermediation services but can also be ancillary services, e.g. facilitation of payments. The business model has been economically disruptive because in some sectors, for example transport and accommodation, it has challenged the traditional 'pipe'-based business model whereby enterprises supply and market a service. Collaborative platforms

[33] According to a study by NESTA, 64 % of collaborative enterprises have been founded since 2010. http://www.nesta.org.uk/publications/making-sense-uk-collaborative-economy.

reach a large scale quickly due to the involvement of individual providers, which lowers barriers to market entry.

By internalising sales and marketing functions to a platform and externalising the end service to individual service providers, collaborative platforms have enabled individual consumers to provide marketable services, both by reducing the costs of providing the end service[34] and by opening up access to markets via the platform.[35]

Collaborative platforms operate two (or multi)-sided markets via the desktop and/or mobile internet, enabling interactions between two or more distinct but interdependent groups of users in order to generate common value.[36] The market development of a two- or multi-sided platform is dependent on several factors:

- network effects;
- scale economies;
- congestion;
- platform differentiation;
- multi-homing.[37]

Network effects (for buyers or sellers) increase together with the growing number of users on the same side of the market (direct effects) or the opposite side (indirect effects). In order to build overall network value, online platforms may subsidise one side of the network.[38] Collaborative platforms often use different pricing strategies for supply and demand and asymmetric pricing (Demary 2015).

Marginal costs of online platforms are low. However, they do incur high fixed costs that result in large *economies of scale.*[39] Economies of scale are partly constrained by the level of *congestion* on a platform, although these are minimal for online platforms. *Platform differentiation* can be either vertical, relating to the specific qualities of the product or service being traded, or horizontal, relating to the profile of users. Although platform differentiation is a driver of the usage of an individual platform, it is not a determinant due to *multi-homing*, which is the practice of using several platforms to fulfil similar or distinct tasks. Indirect network effects and scale economies have increased market concentration whereas congestion, platform differentiation and multi-homing have negative effects.

Collaborative platforms achieve scale by harnessing the supply potential of the consumer sector. However, there is a tension between the heterogeneity of supply and a preference on the demand side for a minimum service level. This can result in platforms introducing some

34 For example, user feedback ratings systems reduce some of the costs of marketing associated with brand development in a traditional market.

35 Around half of users of free-floating car rental platforms have been found not to own their own vehicle, hence the platform has driven demand for car travel. https://prod.drive-now/content.com/fileadmin/user_upload_de/12_Presse/Pressemitteilungen_PDF/Deutsch/2015/2015.03.12-DriveNow_car2go_Mobilitaetsumfrage.pdf.

36 See Tirole 2014, EU 2015. Some examples of online platforms are: search engines, online market places, news aggregators, media platforms, video sharing platforms, social networks and collaborative economy platforms.

37 See Evans 2007, 2016; Schmalensee 2007.

38 In many cases platform growth as a whole is *subsidised* by investment, because many platforms take several years before becoming profitable.

39 Diseconomies of scale are also possible due to increasing complexity as online platforms expand.

standardisation measures, such as guidelines on service provision, leasing standard types of equipment to providers or in some cases guidance on pricing.[40]

Data collected from about 500 national collaborative and resale peer-to-peer platforms in the EU show that a large majority of platforms set terms and conditions, and a substantial number of platforms fix prices or give guidance on prices. Platforms facilitating transactions based on cost-sharing business models, such as BlaBlaCar, set a maximum price. Platform business models based on exchange without monetisation, such as Lovehomeswap, give strict price guidance to ensure the value of the living space exchanged is correctly estimated.

Because transactions on collaborative platforms are not face-to-face communications,[41] trust-building mechanisms appear to be important for business development.[42] Establishing trust may be more difficult for collaborative platforms than for e-commerce platforms because they typically provide a service that is less tangible than manufactured goods, whereas e-commerce platforms also use trust-building mechanisms.[43]

3.1.4. Efficiency and competitiveness

This section illustrates some of ways in which collaborative business models may be potentially more efficient than traditional business models. For the purposes of the analysis, a typical P2P accommodation model is compared with a traditional hotel service[44].[45] Some of the efficiency gains are specific to platforms in the peer-to-peer accommodation sector but many can be generalised for all collaborative platforms.[46] For example, the market efficiencies described below are a feature of collaborative platforms in general.

3.1.4.1. Prices

Accommodation providers facilitated by P2P accommodation platforms appear to be able to offer lower prices than traditional hotels. Based on the following figures, more than 20 % of P2P accommodation in Paris falls into the cheapest price bracket compared to less than 5 % of hotel accommodation.

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40 Ridesharing platforms, such as Blablacar, typically set a maximum price. Other platforms which do not provide a financial intermediation service, such as Lovehomeswap, give price guidance to ensure the value of the living space exchanged is accurately estimated.

41 Notwithstanding some platforms' use of video-conferencing software, which largely substitutes for face-to-face interaction.

42 Establishing trust in services is more difficult than with consumer goods because they are generally less tangible and the output is more individual and less measurable. Trust may be established via several methods including:
- the transparency of information provided on the platform and the usage of personal data that is submitted;
- objective ratings and review systems;
- endorsement from an independent institution or regulatory body to certify the trust building mechanisms.
See Finley, 2013.

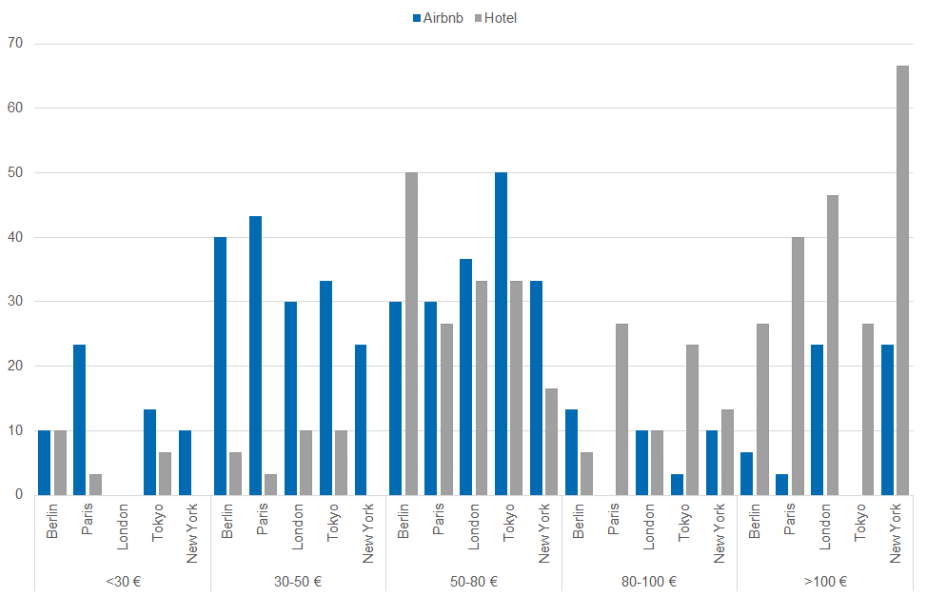
43 As a consequence, collaborative platforms often rely on other mechanisms to establish trust, such as ratings or reviews. Platforms also carry out anti-fraud monitoring and action, criminal record checks, verification of user ID, monitoring of user activity, insurance for the service provided and complaint handling.

44 The analysis is based on the findings of an impulse paper carried out by the Cologne Institute of Economic Research on behalf of the Commission for use in this Communication.

45 Due to data limitations it is not possible to analyse efficiency or productivity at an aggregate level in the collaborative economy, therefore a 'case-study' approach was adopted.

46 The efficiencies described below are realisable in theory but not *automatically* realised in practice by every peer-to-peer accommodation platform. This is because this depends on factors which determine business performance in general, and these are not necessarily linked to the collaborative economy.

Figure 3: Price of P2P accommodation versus hotel accommodation
Percentage of accommodation offered per price bracket (per person per night)



Source: CIER

The pattern of prices above may reflect efficiencies in the P2P model. However, differences in the type of accommodation being provided may also have an effect.[47]

3.1.4.2. P2P market efficiencies

Online P2P markets create two potential sources of efficiency:

i) a reduction in *information asymmetries*, through more information and more objective information on buyers and providers, which enables better matching of demand and supply. This fosters *market efficiency* because market players act rationally based on the same information[48] (CIER 2016). Ratings systems on buyers and sellers/service providers are instrumental in this respect.

ii) An increase in *allocative efficiency*, i.e. the optimal distribution of goods according to preferences, due to the positive network effects of platforms. These result in a deeper market that offers greater potential to match the preferences of buyers and providers (e.g. hosts and guests in the accommodation sector). Allocative efficiency is also facilitated by the digital aspects of P2P platforms, which offer buyers in particular better search possibilities.[49]

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47 For example, accommodation listed on Airbnb appears to be spread more broadly across urban areas than traditional hotel accommodation, which is clustered in city centres (Zervas et al 2015). This is likely to lower the average price of accommodation offered by Airbnb compared to hotels.

48 The level of transparency of information is relatively high on collaborative platforms. In the traditional business model, most information on service quality is given by individual providers, and hence is not readily comparable and transparent. By contrast, in the collaborative business model some information on service quality is provided by users. In addition, it is generally easier to select between individual service providers on a collaborative platform because information is collected together in a single online market rather than distributed across the internet. In this respect, (implicit) transaction costs are reduced.

49 A *de facto* indication of the greater efficiency of P2P accommodation may also be the increasing number of professional providers using P2P platforms. In this respect, the fastest growing part of Airbnb rentals is that of hosts offering multiple accommodation spaces: these account for almost 40 % of Airbnb revenues (O'Neill/Ouyang, 2016). The attractiveness of P2P accommodation to professional providers is most likely due to the positive network effects of platforms, which increase allocative efficiency and thereby reduce transaction costs even after deducting platform commissions.

Greater resource efficiency can be achieved through increased allocative efficiency. For example, through the use of digital platform technology, ridesharing services may enable more efficient usage of cars by matching supply and demand more quickly. This reduces the idle time between trips and may give rise to environmental benefits.

An increase in allocative efficiency may also improve skill development because more efficient matching of supply and demand implies that workers are able to market their skills more effectively.

3.1.4.3. P2P business model versus traditional model

This section provides a detailed comparative analysis of the P2P accommodation business model compared to a traditional hotel. The aim is to highlight where there are potentially significant differences between both models in terms of labour and capital efficiency.

The processes of searching for, booking and using accommodation through a collaborative platform and through a traditional hotel can be divided into three stages: before, during and after the stay. The following table highlights the main differences between a P2P platform and a traditional hotel service with respect to the use of capital and labour inputs.[50] It also assesses secondary economic effects.

Table 4: Comparative analysis of P2P accommodation business model with a traditional hotel service

Stage 1: Before Stay			
		Hotel	**P2P platform**
Input	Capital	• Hotel: very high; e.g. economy hotel development costs per room estimated to be USD 87 000 (Hotel Online 2015);[51] incl. land, construction, soft costs (interests, fees), furniture, equipment, pre-opening and working capital; marketing	• Platform: high costs for initial technological setup incl. servers; low capital costs with regard to property, land, etc. • Host: minor equipment costs (extra linen etc.)
		Lower capital input in collaborative case[52]	
	Labour/time	• Hotel: website setup (incl. photos; once); IT support for website; receptionist answering requests; support staff, e.g. for marketing • Guest: search costs depending on familiarity with internet search and travel destination/hotel brands, level of pickiness/special requests; communication with hotel (booking)	• Platform: website setup (once); extensive IT support for website; costs for maintaining community; possibly support staff, e.g. for marketing; photographers; no receptionist needed; capital and labour costs spread over large number of users (marginal costs close to zero) • Host: profile setup (once); communication with guest; storing personal belongings • Guest: profile setup (once); search costs; communication with host.
	Other input	• Hotel: community not important; big data processing not applicable (except for very large hotel chains)	• Platform: number of users/community extremely important due to network effects; big data to improve search algorithm; trust
		Lower labour operating input in collaborative case	

50 In order to appreciate these efficiencies, the experience of booking accommodation through a P2P platform can be compared to searching for hotel accommodation using other methods, for example searching for a hotel via a standard internet search engine.

51 An older estimate is that of Gellersen (2009), who estimates the costs at about EUR 32 000 per room. Pfeiffer (2014) speaks of at least EUR 25 000 per room.

52 The lower capital input in the collaborative case is based on the assumption that capital resources have already been purchased by hosts for private usage.

Output		• Accommodation offer with dynamic pricing options • Reliable booking	• Very diverse and flexible accommodation offer (12 609 active Airbnb listings in Berlin (Airdna, 2016)); low entry barrier to extended market. • Reduced information asymmetry; low transaction costs; guests and hosts benefit from network effects • Discrimination based on profile possible
Comparative efficiency		More reliable; lower initial coordination costs between hotel and guest (but also more information asymmetry)	Reduced transaction costs (search) despite higher coordination requirements; market efficiency; allocative efficiency
Stage 2: During stay			
		Hotel	**P2P platform**
Input	Capital	• Hotel: maintenance/operating costs of hotel • Guest: price for accommodation	• Platform: maintenance/operating costs of offices; automated payment handling (basically at zero cost); insurance fees; extensive negotiations with municipalities worldwide about tax rules, accountability etc. • Host: operating costs of accommodation (energy) • Guest: price for accommodation (often lower than for hotel)
		Lower capital input in collaborative case	
	Labour/time	• Hotel: very high operating labour costs for service, cleaning, security, management etc. • Guest: check-in/-out, problem-solving	• Platform: 24h hotline in different languages, IT specialists, management • Host: check-in/-out, guest advice, attendance in case of problems; investments in trust • Guest: check-in, problem-solving (potentially more time-intense than in hotel case), self-service (cleaning)
		Lower labour input in collaborative case	
Output		• High level of security, hygiene, professionalism, accountability; • No significant negative externalities on neighbourhood • No avoidance of tourism taxes • Allegedly no significant effect of increasing number of hotels on number of tourists (unless demand was higher than supply) • Disinvestments in hotels	• Guests: local experience; access to useful amenities, budget-conscious • Hosts can earn additional income for idle assets (Berlin: EUR 2 520/year (GEWOS, 2014); NYC, USD 5 110/year (Airbnb, 2015a)); environmental and economic sustainability • Negative externalities: diminished housing supply, higher competition for public goods; noise; free-riding; unclear legal situation • More tourism (non-touristic areas)[53] • Investments in private apartments
Efficiency advantages		Professionalism; safety; internalisation of externalities	Allocation efficiency; price efficiency
Stage 3: After stay			
		Traditional economy	**Collaborative economy**
Input	Capital	• Hotel: replacement of damaged/missing equipment	• Host/platform: replacement of damaged/missing equipment
		Capital input similar in the traditional and collaborative economy	
	Labour/ time	• Hotel: cleaning	• Host/guest: evaluation • Host: cleaning
		Lower labour input in traditional case	

[53] San Francisco Airbnb guests averaged greater total trip expenditures than hotel guests (USD 1 100 vs USD 840) and were particularly likely to visit and spend money in areas outside of the tourist core since many Airbnb guests stayed in those areas (72 % of the city's Airbnb listings were located outside of the six central postcodes, as compared with 26 % of hotels) (Airbnb, 2012; Lawler, 2012).

Output	• Hotel quickly available for new guests	• Accommodation available for host or new guests • Information on accommodation experience
Efficiency advantages	Professionalism	Reduction of information asymmetries: low quality driven out of the market

Source: CIER

The analysis contained in the above table indicates that most of the potential efficiencies in the P2P accommodation business model are derived from the positive market (network) effects of the P2P model and lower capital inputs. Lower capital input is mainly a consequence of using private capital for commercial purposes, i.e. spare accommodation which has already been purchased and for which the overheads are partly covered by overheads on a private property. The comparative efficiency of labour inputs as a whole is less clear. Whereas even the largest collaborative platforms generally employ comparatively small workforces[54] when compared to the large amount of accommodation available, the labour involved on the part of hosts is clearly a significant input.

The analysis would need adjustment in view of:

- the explosive growth of the short-term accommodation platforms market, which is shifting from 'shared space' to 'short-term rented' accommodation and from single rooms to whole-unit and host-absent rentals;
- the emergence of specialised local handling agencies ('hosting services') for short-term rentals via platforms.[55]

3.1.5. Effect of regulation on development

The impact of the regulatory environment on the development of the collaborative economy is two-sided. Horizontal regulation, such as employment regulation,[56] may affect the development of collaborative platforms generally whereas vertical regulation may have an impact on the development of collaborative platforms within sectors. Also, the regulatory environment surrounding the services offered by the collaborative economy is more complex than that surrounding typical e-commerce platforms selling goods for example. This is because regulation is applied at national, sector, regional and local level, and much of this regulation is specific to Member States.

Regulation surrounding collaborative services can affect development of collaborative platforms in several ways. Firstly, the consultation exercises carried out for this communication have shown that there is large degree of confusion surrounding regulatory rights and obligations, including taxation, on the part of participants in the collaborative economy. This may deter some people from participating in the collaborative economy and restrict its development.

Secondly, collaborative platforms achieve scale largely by harnessing the supply potential of individual consumers who wish to act as providers. However, as noted above, many potential providers only use the collaborative economy as a means to gain a small amount of earnings on an occasional basis. Therefore they may be unable to support the costs associated with full regulatory compliance. For example, the development of peer-to-peer home meal making services may be restricted due to the need for providers to comply with full health and safety regulations.

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54 Based on reported figures, even the largest platforms have no more than several hundred employees in the EU.

55 See for example HOTREC, Levelling the Playing Field — Policy Paper on the sharing economy, November 2015.

56 For example, the employment classification of service providers in relation to platforms has the potential to have an impact on business development.

Thirdly, differences in national regulation lead to market fragmentation at EU level. Such fragmentation presents a barrier to establishing the same business model in several Member States, because in each Member State collaborative platforms and/or individual suppliers have an obligation to comply with a different set of rules and regulations. For example, in practice, collaborative platforms are often obliged to employ legal services in each country of operation to examine the detailed legal and regulatory environment before taking a decision on whether to expand into another Member State. This significantly adds to the costs associated with expansion and hence deters business development.

Finally, regulatory uncertainty on new collaborative business models creates a risk of future legal challenges, which can also deter investment in collaborative businesses and particularly cross-border expansion. This risk is heightened due to the different treatment of the same business model in different Member States, which contributes to the danger of fragmentation of the single market.

Although the actual impact of regulation on development varies according to sector,[57] the relatively few cross-border collaborative platforms or collaborative platforms where the services are realised offline[58] and locally that have expanded across the EU suggests that regulation is having a significant impact on business development.

This section focuses on three sectors in which the collaborative business model has had a significant market impact. The development of the three sectors also illustrates the impact of some of the main regulatory issues identified above.

The following sections also include a summarised case study taken from each sector[59] to illustrate the development of collaborative platforms in practice.

3.1.6. Peer-to-peer transportation

Out of the sectors in which the collaborative economy has penetrated, existing regulation in the transport sector has probably had the greatest impact on the development of collaborative platforms. Ridesharing platforms have faced significant regulatory challenges over their peer-to-peer business model.

In the EU, there have been few examples of new legislation similar to transport network companies (TNC) legislation in the US.[60] As a consequence, in most Member States the business model adopted by ridesharing platforms has operated on the basis of licenced drivers. Within this framework, licensing requirements, and in particular costs, appear to have had an impact on business development. For example, growth in ridesharing services has been stronger in the UK, where there are typically minimal licensing requirements.[61] Non-profit

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57 For example, in the peer-to-peer accommodation sector, growth is dependent on the physical location of the accommodation services being provided and on the amount of supply.

58 For example, Uber, Airbnb and BlaBlacar, Carjump and Drivy. There are several cross-border skills platforms where services are realised virtually.

59 The case studies are based on those produced by PwC consulting as part of a specific contract and commissioned for use in this Communication.

60 Bespoke legislation for ridesharing services has been implemented in Finland and Estonia. In a few other member states, the UberPOP service, using non-professionally licenced drivers, has been permitted to operate.

61 The International Transport Forum has proposed that data collected from ridesharing platforms on the service performance of individual drivers might be used by regulators to monitor driver performance, possibly as a partial substitute for licensing. In this way, drivers might be subject to a lighter initial licensing procedure, while still agreeing to submit performance information in the future.
http://www.itf-oecd.org/data-driven-transport-policy-framework-location-data-privacy-and-sharing,
http://www.itf-oecd.org/principles-regulation-hire-road-transport-passenger-services.

ridesharing platforms have not been significantly affected by regulation, although there have been some regulatory and legal hurdles in the countries it has operated in.[62]

An important challenge for ridesharing in the EU is the variety of VAT rules and a lack of clarity around the legal status of the money collected by drivers via platforms.

Platform: BlaBlaCar

Description

Blablacar is a long-distance ridesharing service, founded in 2006 (under the name Comuto — coviturage.fr) in France. The platform connects drivers travelling between cities with empty seats to individuals looking to travel the same way. The company has grown from 1 million members in 2011 to 25 million in 2015 and now facilitates over 2.5 million journeys per month, more journeys than are taken on the Eurostar. Blablacar has expanded from its home market to over 22 countries, including 15 in the EU. Most recently, the platform launched in eastern European countries including Hungary, the Czech Republic and Slovakia.

Business model

Blablacar drivers typically use the platform to share costs of making long journeys, but also to meet new people and to share some company. The platform estimates that its drivers have saved GBP 216 million annually, reducing carbon emissions by an estimated 1 million tonnes of CO_2. Blablacar's revenue model works by charging a fee on each transaction facilitated by the platform. Currently, BlaBlaCar offers payment services in approximately half of the countries in which it operates in the EU. Blablacar prevents drivers from using the platform for profit-making purposes by setting a cap on prices and on the number of seats available. Blablacar recommends a price to drivers and does not allow them to adjust it by more than 50 %. Blablacar sets a maximum price for each trip to ensure that peer providers respect cost-sharing and do not operate for profit.

Key drivers of growth and cross-border expansion:

- the high cost of owning and maintaining cars (particularly for the Millennial generation who tend to be less motivated by car ownership);
- the level of existing transport infrastructure and the pricing of alternatives;
- the cultural fit and degree of openness of the population to sharing car journeys (for example, the difference in BlaBlaCar's performance between France and the UK is largely explained by the more positive attitudes of the French towards ridesharing);
- Public understanding of the difference between alternative ridesharing concepts (many consumers do not fully understand the purpose of BlaBlaCar's service — i.e. for drivers to share costs rather than to make a profit from rides).

3.1.7. Peer-to-peer accommodation

In most Member States, consumers and other types of providers are able to offer spare accommodation via collaborative platforms, subject to conditions that are typically stated in terms of annual daily limits.[63] While it is clear that the level of the threshold has an impact on the supply capacity of collaborative platforms, it is also clear that demand factors, partly described above, also play an important role in the development of collaborative platforms.

As part of this process, some Member States have introduced restrictions to limit the total amount of time the accommodation is available and prevented commercial enterprises from being active on the platform (e.g. limiting multiple rentals, limitations on revenue made from accommodation).

62 For regulatory details, see section 4.2.1.

63 See section 4.2.2.

Platform: Airbnb

Description

Airbnb is an online platform mainly offering peer-to-peer accommodation, founded in 2008 in the US. It allows individuals to rent their spare room or entire home to travellers looking for accommodation. At present, Airbnb lists nearly 2 million properties in 191 countries worldwide. 60 % of these are in Europe and six of the platform's top 10 global cities by revenue are European. Paris is Airbnb's most popular city, with over 54 000 listings.

Business model

The motivation of Airbnb hosts is generally to generate extra income from space in their own home or in other properties. Guests using Airbnb are generally looking for an authentic travel experience, the opportunity to live like a local and to save extra money. Airbnb's analysis suggests that guests tend to stay longer in the country they are visiting and spend more than visitors staying at hotels. Airbnb's revenue model works by charging a flat commission from hosts and a transaction fee from travellers.

Key drivers of growth and expansion

- the prevalence of urban conurbations popular with international tourists;
- the cultural fit and openness of the population to extend their spare space to a guest;
- digital infrastructure and literacy of the population;
- positive word of mouth;
- a regulatory environment permitting short-term accommodation letting.

3.1.8. Online labour markets

In contrast to other sectors of the collaborative economy described above, online labour markets:[64]

- are more horizontal in scope;[65]
- do not include the use of major assets as part of a service;
- in practice cover several vertical sectors which are less developed economically than the two sectors described above.

Online workers are typically:

- independent;
- either seeking part-time work or additional income to permanent employment;
- operating with freelance or self-employed status (see employment section below).

Online markets cover professional as well as unskilled labour.

The online labour market can be broadly separated into professional or 'skilled' activities and unskilled labour. The online labour market for professional activities is more sensitive to:

- regulation, in particular the classification of what constitutes a professional service; and
- the thresholds under which services can be provided by individuals, or 'non-professionals', specified in terms of working days and/or financial amounts (see below).

Much of the skilled work exchanged on platforms can be classified as 'virtual services', which can be performed irrespective of physical location.[66] This type of labour presents a

64 For a discussion of the challenges posed by labour platforms see Codagnone, C., Abadie F. and Biagi, F., (2016). The future of work in the 'Collaborative Economy': Market Efficiency and Equitable Opportunities or Unfair Precarisation? JRC Science for Policy Report, Luxembourg: Publications Office of the European Union Studies (forthcoming).

65 They cover more than one service sector within the official statistical classification schemes, e.g. NACE.

greater challenge for regulation both at national and EU level because it is widely exchanged across borders in a similar way to merchandise trade. Much unskilled work can be classified as 'physical services', which are performed locally[67].[68]

The online labour market is made up of many small platforms with a few very large players,[69] although not all of them are present in Europe. In general, online labour markets appear to be supply-driven. There is no indication that platforms grow spontaneously. Rather, constant optimisation techniques, including design features, are required to match the supply and demand sides of the market in order to scale up a platform. Many online labour platforms are still in their infancy and display inefficiencies when matching supply and demand. Although currently online labour markets are small, their rapid growth gives them the potential to have an impact on the overall labour market in future.

Because online labour markets cover several vertical services, the regulatory issues are more heterogeneous. However, to illustrate the regulatory challenges faced by online skills providers, it is instructive to cite the example of non-profit meal sharing, which is partially affected by the same type of issues as non-profit ridesharing (see case study below).

Platform: Share Your Meal

Description

ShareYourMeal is a non-profit foodsharing platform founded in 2011 in the Netherlands. The platform enables home chefs to share their cooking with people in their local neighbourhood. ShareYourMeal has grown to 10 000 home cooks and 75 000 users on its platform, It operates predominantly in the Netherlands.

Business model

ShareYourMeal aims to have a positive social impact by connecting neighbours and creating stronger local communities through the act of sharing food. For example, it has worked with local communities to develop a special programme that match vulnerable people with home cooks so they can eat healthier and get to know their neighbours.

Social impact

Since its inception in 2014, the platform has paired over 360 people, generated over 14 800 meetings and 19 200 meals shared. Over 91 % of vulnerable people connected feel that the experience helped to improve their quality of life significantly, and 51 % of the home cooks help with other household tasks outside of cooking.

Growth drivers

- the cultural fit and openness of the population to sharing a meal with their neighbours;
- the strength and resilience of local communities;
- a conducive regulatory environment and vocal support from local public sector bodies.

Regulatory issues

In general, tax legislation in the EU does not differentiate between cost-sharing ventures and commercial enterprises. The Netherlands has chosen to treat ShareYourMeal's activity as non-profit making, whereas in

66 There are several online labour platforms for skilled tasks such as software development or design, for example, https://www.elance.com/. This also means that higher skilled work is more open to cross-border competition than lower skilled tasks, which are performed offline.

67 There are exceptions in both cases. For example, there are unskilled virtual tasks such as checking restaurant reviews via Amazon Mechanical Turk, as well as skilled tasks requiring physical presence, such as architectural work.

68 A detailed taxonomy of the online labour market is developed in Codagnone, C. and Biagi, F., (2016), The Passions and the Interests: Unpacking the Sharing Economy, JRC Science for Policy Report, Luxembourg: Publications Office of the European Union Studies, forthcoming.

69 For example, Task Rabbit and Amazon Mechanical Turk.

Belgium the tax authority proposed that VAT should applied to foodsharing services and that home cooks should be subject to income tax. The platform has provided information indicating that home cooks use the platform to share grocery costs, charge an average price per meal of under EUR 4.50 and receive in Belgium an average annual turnover of EUR 120.

In addition, there is a distinction between commercial food safety and hygiene regulations and those applied to home-catering platforms. In this respect, the food hygiene authority visited some home cooks to verify that they were applying food hygiene standards. This restricted platform development in Belgium because many home caterers were unable to comply with the hygiene standards of traditional commercial enterprises without incurring significant costs.

3.3. Stakeholder workshops — examples of collaborative economy business models

3.1.9. Engaging with stakeholders

Under the umbrella of the Single Market Forum, the Commission organised a series of stakeholders' workshops on the collaborative economy in several European cities. The purpose of the workshops was to develop a deeper understanding of the collaborative economy and hear from the business community, local and national authorities, as well as academics, think tanks and NGOs. The discussions were held using a participatory leadership style, which helped to:

- identify the most innovative business models;
- reveal the challenges of the collaborative economy;
- debate the most appropriate forms of regulation.

Participating stakeholders welcomed the workshops as a new way of designing policy and facilitating communication between entrepreneurs, regulators and civil society.

The findings of the workshops show that the collaborative economy is producing a range of innovative enterprises that are providing new services and changing the way existing services are being provided. To some extent, entrepreneurs in the collaborative economy face similar challenges to startups all over Europe:

- difficult access to finance;
- relationships with the authorities that are not always smooth;
- some barriers for expanding cross-border.

In terms of what is specific to the collaborative economy, workshop participants emphasised the convenience and user-friendliness of the new business models, as well as the emerging consumer behaviour, which involves moving from ownership towards access.

Among the most debated issues were the unclear legislative framework, including for paying taxes, as a fair number of market participants in the collaborative economy are actually not aware of the legislation that applies to them. Most stakeholders expressed the need for a tool-box for regulatory good practices and asked regulators for some built-in flexibility and out-of-the-box thinking.

Another hotly debated issue was that of trust, especially for those consumers that are more risk-averse and worry about unwanted effects of sharing an asset, such as the item being

damaged or stolen. The discussions centred on the fact that businesses in the collaborative economy have a potential solution for overcoming lack of trust, as on platforms, users and transactions are always traceable.

Below is a selection of some innovative business models identified during the workshops.[70]

Peer-to-peer accommodation

Handiscover is an accommodation-booking website that matches hosts with visitors with physical disabilities. Handiscover is built around a classification system that allows users to select accommodation based on their level of physical disability. This system takes into account various features of an accommodation, such as the number of thresholds and stairs, the width of the doors, the walking distance, etc. Handiscover has now had over 15 000 visitors from all over the world, matched with approximately 500 hosts in 10 different countries. The idea came from the personal experience of the founder, who has a son who needs a wheelchair when travelling. While over 10 % of the population has a physical disability or is affected by one, it is relatively easy to travel around Europe: most cities have a good level of accessibility in transportation, public spaces and facilities. The biggest challenge for the business comes from the complex formalities for paying taxes in all the different countries it operates in.

Peer-to-peer transport

Drivy is a peer-to-peer car rental service based in Paris, Berlin and Barcelona. It has more than 35 000 cars from peers available to rent all across Europe. There are no registration fees, car owners can list their cars for free and can also set the price, time and duration of rental. Allianz, with which Drivy has partnered for providing insurance, automatically covers all rentals. The biggest challenge for the business is to make people aware that if their car sits idle 23 hours a day, there is a way to reduce the cost of owning a car: instead of having 10 people using 10 cars, you can have 10 people using 1 car.

Sennder is a German company that offers same-day parcel delivery by using free/unoccupied space in the luggage compartments of long-haul buses. The company uses only existing infrastructure, including for security screening. It has partnered with one of Europe's largest long-distance bus operator, FlixBus, as well as city couriers and shops where packages can be dropped off. The first route was Berlin-Hamburg, and during the first month of operation, approximately 1 000 parcels were delivered door-to-door. The company has a goal of delivering packages cross-border at the price of national deliveries by the end of 2016, potentially adding business in five more countries by 2017. The target clients are e-commerce players and businesses, as well as private individuals.

Baghitch is a Swedish company that matches drivers either on the road or planning a trip with people who need various bulkier objects delivered, such as furniture. Drivers and senders agree on a date and time for pick up. Prices are fixed and freight insurance is included for up to SEK 2 500. Both drivers and senders rate each other after the experience. The company has approximately 1 750 members up to date, with 150 active drivers in Sweden, and has just started operation in neighbouring Denmark.

Carjump is a German platform aggregator that allows people to find and compare vehicles from different carsharing providers. The mission of the company is to provide people with easy access to a variety of vehicles and enable them to book directly via the dedicated app. Users can see cars from major carsharing providers in their area, find the closest one, compare offers and book the best fit. The business has already expanded into Italy, Netherlands, France and the Scandinavian countries. The company has faced challenges over ensuring the safety of data, specifically over complying with regulations for storing and transmitting data.

Online skills

Sir Local is a Polish platform that connects providers of what are called 'home services', such as plumbing, home appliance repair, including electrical appliances and other handyman works, with people who need those services. The company operates in over 40 cities, has dealt with over 400 000 customer calls and has over 1 300 service providers, out of which half hold licences for providing those services. The idea came from the difficulty plumbers had to convert internet marketing and ads into customers.

Dooify is an online community where members can share experiences and knowledge and use their skills to offer help. Dooify works as a time bank where the currency used is hours spent, which are accumulated either by providing services or by recruiting more members. All services are valued equally. Accrued hours

[70] The examples come from the workshops held in Stockholm, Berlin and Bucharest during November 2015 — March 2016.

are spent freely on the available services; two hours are offered for free when signing up. There are currently 250 services available and some 700 registered members.

Peer-to-peer financing

PolakPotrafi.pl is a Polish crowdfunding platform that has been active for five years and has funded about 1 100 projects worth a total of EUR 3 million. Projects that have been supported by the platform have either an art or a technology component. Examples of projects are the creation of a lavender museum in eastern Poland, for which EUR 15 000 were raised, and Shut-out — an application dedicated to graphics, design and photography. After the fund-raising phase, the platform deals with the issue of trust by checking if the projects have been completed in line with the specifications in the initial description.

Crestemidei.ro is a Romanian crowdfunding platform that has funded more than 30 projects totalling more than EUR 65 000. The platform focuses on innovative projects that generate positive impact in the community. The biggest challenges for the company are to find people with good ideas willing to try crowdfunding as a funding method, as well as to educate project owners on how to run a crowdfunding campaign. In a recent poll, 80 % of the platform participants said they would continue to finance similar innovative projects.

Peer-to-peer rental of household items

Leihbar is a German company that proposes a different model of consumption. For a small fee, people who want tools such as drills, household equipment or electronics book the needed item via the website and then pick it up from the location closest to them. This business model involves partnering with host locations in every neighbourhood, such as kiosks or shops, as well as producers and startups that are experimenting with product-as-a-service business models. At the moment, the company has seven partner shops in Berlin and different arrangements with six manufacturers. While customers enjoy the convenience of the system, the incentive for producers is a different consumption model that increases the life span of a given product. The biggest challenge for the business is to reach customers and make them aware that when they need a tool or equipment, buying is not the only option.

Klädoteket is a Swedish fashion library where clothes and accessories can be rented and swapped. Its mission is to inspire people and show that it is possible to be both fashionable and environmentally friendly. The company offers a mix of second hand, vintage and new items from several collaborations with designers. Different levels of subscriptions are offered, each of which proposes a different quantity of products to customers. There is also a weekend subscription, tailored for customers who only rent for special occasions. There is a time limit of four weeks, within which customers can exchange items as often as they like.

4. NATIONAL REGULATIONS ON THE COLLABORATIVE ECONOMY

The collaborative economy's rapid development has brought it to the attention of Member States, either because they see it as an opportunity or a challenge, or a mix of the two. The positions Member States adopt towards collaborative economy activities can vary greatly, ranging from explicit support to prohibition of certain activities. Moreover, these responses may differ depending on the sector concerned and vary from region to region or from municipality to municipality.

At the end of 2015 and the beginning of 2016, the Commission carried out a legal mapping of existing regulations covering accommodation/tourism, ridesharing/carsharing and business services sectors in selected cities in Belgium, Germany, Estonia, Spain, Finland, France, Hungary, Ireland, Italy, Malta, the Netherlands, Poland, Romania, Sweden and the United Kingdom.[71] This section outlines the main outcomes of the legal mapping and highlights the main trends regarding:

- the distinction between peers providing services on an occasional basis and professional service providers;

[71] Brussels (Belgium), Berlin (Germany), Tallinn (Estonia), Barcelona (Spain), Helsinki (Finland), Paris (France), Budapest (Hungary), Dublin (Ireland), Milan, Rome (Italy), Valetta (Malta), Amsterdam (the Netherlands), Warsaw (Poland), Bucharest (Romania), Stockholm (Sweden) and London (the United Kingdom).

- market access requirements;
- protection of users;
- employment;
- taxation.

4.1. Distinction between 'peers' and professional services providers

The distinction between a peer providing services on an occasional basis and a professional provider of a service is decisive for a range of areas of law, ranging from authorisations to consumer protection or taxation.[72] Many regulatory obligations will only apply to one of these categories, e.g. as regards authorisations and licensing requirements, the taxation of the activities and the establishment of an employment relationship.

Member States have approached these issues very differently. Many have established thresholds which set the line for characterising a provider as a peer offering services on an occasional basis or as a professional. Above these thresholds, the provider is usually exposed to more legal obligations. The thresholds are mainly developed sector-by-sector and cover authorisation, taxation and social security contribution. (see additional information in Annex II)

Some Member States differentiate between professional and peer-to-peer services when laying down authorisation requirements.

For example, in the transport sector, some countries specifically stipulate that profits beyond the sharing of the cost of a ride can only be made by licenced taxi or hire car drivers. This is the case for example in Ireland, France, and Spain. Other Member States, like Finland, intend to exempt small-scale passenger and goods transport rides from licensing requirements below a threshold of EUR 10 000 annual turnover.[73]

In the accommodation sector, the frequency of the activity (i.e. minimum number of days under which short-term rentals of primary residences are not subject to authorisation requirements) have also been used in some Member States to mark the distinction between professional services and those provided by peers on an occasional basis. This is for example the case in the Netherlands, the UK and France.

4.2. Market access requirements

4.2.1. Transport sector

Member States generally do not have in place specific legislation regulating collaborative economy models in the transport sector. Therefore they tend to apply their general transport legislation (i.e. for taxis and private hire vehicles 'PHVs').

Collaborative economy models in this sector may vary substantially. At one end of the spectrum we have intermediation to offer transport passenger services against remuneration, connecting drivers and customers, either on a professional and licence-based market or on a peer-to-peer basis. At the other end of the spectrum is intermediation of ridesharing services, where in principle no remuneration is obtained by the driver beyond the compensation of the cost.

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[72] The category of 'prosumer' has been introduced in some studies trying to capture the concept of consumers offering services not related to their habitual business, trade or profession http://www.consumerchampion.eu/news/study-how-improve-sharing-economy-consumers?utm_source=Twitter&utm_medium=Social&utm_campaign=BEUCTwitter.

[73] See the Finnish Ministry of Transport press release of 18.4.2016 on transport reform: http://www.lvm.fi/en/-/transport-code-enables-better-transport-services-and-flexible-business-operations.

Generally, transport regulation imposes requirements on private passenger transport services which are provided for remuneration, but does not regulate non-profit transportation services.[74] In the absence of any case-law[75] which would shed light on which of the collaborative economy activities are considered to be offered for remuneration, most Member States seem to exclude pure cost-sharing transport from sector-specific regulations which cover economic activities in those areas. For example, in Poland, Romania and the UK, transport legislation does not refer specifically to non-profit private passenger transport services.

In France, however, a definition for ridesharing ('*co-voiturage*') has been introduced. This definition refers to the common use of a motor vehicle by a driver and one or several passengers, for non-profit ('*à titre non onéreux*') except for cost compensation, in the context of a ride that the driver performs for its own account. The same article states that the matching of drivers and passengers (and thus intermediation services for ridesharing) may be done '*à titre onéreux*' (for remuneration) without the intermediary falling under the transport professions laid down in Article L. 1411-1 of the French Transport Code.[76]

In Spain, the Transport Code law makes a distinction between remunerated transport services and non-profit transport services. In that respect, the law specifies that 'private individual transport' is not subject to authorisations if it is intended to satisfy the personal or domestic transport needs of the car owner and his/her relatives. Private transport must not result in direct or indirect monetary remuneration, apart from per diems or travel costs for the owner.[77]

Similarly, in Germany no-profit ridesharing is defined by the Passenger Transportation Law (*Personenbeförderungsgesetz*), which regulates passenger transportation for commercial purposes. As stated in the general provisions, '*this Law does not apply to the transport of a person in a private vehicle as long as they are doing so for free, as long as the payment only covers the running costs of operating the vehicle'.*[78] In Ireland, the law provides that ridesharing for more than the cost of fuel is illegal.[79]

Rules regulating taxis and PHVs differ significantly between Member States: many still apply quantitative restrictions for taxi and PHV licences, regulated tariffs, qualification requirements for drivers, qualitative criteria for cars (size, power, etc.), insurance obligations, obligations to have a physical establishment, etc.[80]

In some Member States, national courts have applied existing transport legislation to collaborative business models that intermediate between passengers and non-licenced car drivers who offer a ride against remuneration. This has led to the prohibition of those services. In some of these cases, the collaborative economy business models have been prohibited on the basis of alleged unfair competition against either the taxi drivers, the private hire vehicles drivers, or the transport (dispatching) operators, or because they did not comply with rules on technical requirements.

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74 In Belgium, remunerated drivers need to follow the rules on taxis, whereas carsharing drivers do not need to follow any rules at all. In Finland, transport rules apply (i.e. obtaining a taxi licence and driver's permit) when the purpose of transporting the person is 'earning a livelihood'.

75 A preliminary ruling before the CJEU may provide additional clarifications in this respect (see Uber Belgium, C-526/15).

76 Art. L. 3132-1 of the French Transport Code Law.

77 See Article 101 paragraph 1a, of Law 16/1987 of July 30 on land transport.

78 Personenbeförderungsgesetz §1,Section 2.

79 See Taxi Regulation Act 2013.

80 In 2016 the Commission will publish a study on passenger transport by taxi, hire car with driver and ridesharing in the EU. This study will provide a detailed overview of the regulatory and market overview and analysis of the European taxi, hire car with driver and ridesharing market.

For example, the Milan Court banned the UberPop app across Italy for unfair competition practices in May 2015,[81] as it considered it a direct competitor of taxi operators. A second decision by the Court of Milan considered that business models offering rides with licenced drivers like Uber Black may also constitute 'unfair competition' against PHV drivers who have return to a garage in between rides.[82]

In Spain, telecom operators and payment service providers were asked by a Madrid Court ruling on interim measures, to disable access to the Uber application on the basis that its operation would constitute unfair competition with licenced taxi drivers.[83] In response to a request by a Barcelona Court, the CJEU is expected to issue a preliminary ruling to clarify the nature of the services provided by Uber and the applicable legislation.[84]

Other rulings banning the collaborative economy peer-to-peer passenger transport business models in particular have been issued by national courts in France, Belgium and Germany. In some cases the courts actually considered the collaborative platforms liable for the potential illegality of the drivers offering their services via the platforms.

In Germany, several courts[85] have taken the view that using a software application to dispatch and provide bookings for passenger transport should be viewed as an integral part of an overall service which involves a transport service. Therefore the platform would be held liable for the illegality of the provision of the transport service.

In Belgium, the Commercial Court of Brussels condemned Uber in a cease and desist order for unfair commercial practice because it enables drivers who do not have a licence to offer taxi services.[86] Hence, platforms enabling the provision of unauthorised activities are condemned on the basis of Article VI.104 ELC.[87]

Following the reform of the Transport code, France prohibits third-party transport services provided by PVCs and their intermediaries to inform users in real time, by any means, of the availability and location of cars active in the public road, except if they are taxis.[88] It also requires intermediaries that put PVCs in contact with users to obtain insurance covering professional civil liability.[89] It also sets the liability regime for the intermediary vis-à-vis the execution of the transport service.[90]In the UK, platforms would be liable if they collaborate with unlicenced drivers. Irrespective of whether a collaborative platform active in the urban transportation field is required to obtain an 'operator' licence to be able to operate, it is always requested by law to work only with licenced drivers (licenced taxi drivers or licenced private hire vehicle drivers).

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81 Tribunale di Milano (25 May 2015) 'Ordinanza nel procedimento cautelare iscritto al N.16612/2015'. The Court stated that Uber's 'surge pricing' system allows Uber to apply fares that are much lower than taxi fares while not bearing the expenses borne by the owners of a transport licence (like taxi drivers), such as the cost of installing meters, insurance obligations or purchase of a car exclusively dedicated to third-party use, frequent maintenance checks, etc.

82 http://www.unioneartigiani.it/home/ia_by_4343.

83 Interim measures 707/2014 of 9 December 2014 by the Juzgado de lo Mercantil, nº2 Madrid.

84 See preliminary ruling in Case C-434/15.

85 Superior Administrative Court (Oberverwaltungsgericht) Hamburg, decision of 24 September 2014 (3 Bs 175/14), Superior Administrative Court (Oberverwaltungsgericht) Berlin-Brandenburg, decision of 10 April 2015 in case VG 11 L 353.14 Berlin.

86 Comm Bruxelles (cess.), 23 sept. 2015, *Radio Taxi Bruxellois v. Uber*.

87 Code de droit économique du 28 février 2013.

88 Article L3120-2, paragraph III. The Decree implementing this provision has been annulled by a decision of the French Conseil d'Etat of 9 March 2016 for its lack of notification under Directive 98/34/EC

89 Article L3120-4.

90 Article L3120-3.

In some Member States, collaborative platforms offering intermediation services are requested to obtain prior authorisation as transport operators. This is for example the case in the UK and Ireland.

In Poland, even if there are no current rules regulating ridesharing activities, the Regional Administrative Court in Wrocław ruled in June 2014 that the performance of occasional road transport services without a licence, which is a statutory requirement for those wishing to undertake and conduct such business, is subject to the Road Transport Act and subject to fines.[91]

Some Member States are amending their transport legislation to regulate 'intermediation services' for the provision of passenger transport. For example, Hungary has adopted a Decree on public-road passenger transport which differentiates between independent dispatcher services and dispatchers that perform passenger transport services.[92] France has also established a distinction within the French Transport Code between '*exploitants*' (operators) of '*voitures de transport avec chauffeur*' (VTCs) (transport vehicles with driver), and 'intermediaries' that put VTCs and users in contact. In addition, as mentioned above, it has also established a third category for intermediaries matching drivers and passengers for (non-remunerated) ridesharing services (*co-voiturage*).

The Netherlands is considering reforming its transport act to liberalise the taxi and hire car with driver sector. Sweden has launched an inquiry to assess existing legislation on taxi and ridesharing services, covering possible proposals for revision and clarification of rules applicable to ridesharing. A report is due 1 July 2016. Finland is also working on a wide-ranging reform of its Transport Code. In addition to eliminating quantitative restrictions for taxi licences and facilitating market access for all operators, the reform is intended to adjust existing rules to new business models, thus allowing small-scale passenger transport operations by non-professionals, facilitated by digital means, below a fixed annual turnover.[93]

In Italy, the *Consiglio di Stato* (Council of State) published in December 2015 an opinion to the government on the inadaptability of the existing transport legislation to cover and solve the challenges posed by services in the collaborative economy area and VTCs. The Italian Chamber of Deputies is currently assessing a draft law regulating collaborative platforms and promoting the sharing economy.[94]

Estonia is in the process of amending its Public Transport Act to cover ridesharing services. The draft law will set requirements for providers and platforms and give the tax authority the right to access data on provided services.[95] The draft law also abolishes some requirements for taxi and VTC drivers such as the training obligation, a limited service area, vehicle cards and a type of authorisation for self-employed drivers.

Spain has also reformed some of the conditions on market access requirements applicable to VTC regulation.[96] However, in April 2016 the implementing acts were challenged by the Spanish Market and Competition Commission (CNMC) on the grounds that they restrict the principles of promoting effective competition and efficient economic regulation in Spain.

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91 See in particular the provisions of Article 92a of the Road Transport Act of 6 September 200.

92 Hungarian Decree 176/2015 on public-road passenger transport.

93 See the Finnish Ministry of Transport press release of 18. 4.2016 on transport reform: http://www.lvm.fi/en/-/transport-code-enables-better-transport-services-and-flexible-business-operations.

94 See Proposta di leggi d'iniziativa dei Deputati of 27 January 2016.

95 Draft law and explanatory note on the parliament's website: http://www.riigikogu.ee/tegevus/eelnoud/eelnou/17074c56-bf09-477f-befb-6e4ea86461f/%C3 %9 Chistranspordiseaduse%20 muutmise%20seadus/.

96 Real Decreto 1057/2015, de 20 de noviembre.

4.2.2. Accommodation sector (short-term rentals)

Short-term lettings in the accommodation sector are subject to great diversity of regulatory regimes across the single market. First of all, a distinction is made in many Member States between short-term lettings where there is remuneration and those where the economic element is missing.

Member States have adopted different interpretations of the concept of remuneration. For example, in the UK, 'remuneration' is interpreted broadly: money or payment in kind is included in the scope of remunerated services, whereas salaries are excluded.

So far, many Member States exclude pure home-swapping[97] and solidarity networks[98] from sector-specific regulations which cover economic activities in the accommodation sector. For home-swapping and solidarity networks, no fee is paid in principle for accommodation and related services (breakfast or tour guide). Instead, hosts swap houses either at the same time or agree to host each other in the future. In some cases, providers 'win' nights at someone else's place within the network if they host other users.[99] In these cases, collaborative economy transactions are often covered by general civil codes and contract rules, as opposed to remunerated economic activities, which are often covered by sector-specific regulation.

For example in France, Italy and the UK, home exchanges/swaps are not regulated under the tourism laws. Under French law, home swaps could be seen as an innominate (*contrat innomé*) synallagmatic (bilateral) contract. In Italy, a home swap contract could be a 'contratto atipico' (art. 1322 c.c.). The Brussels Region's law on tourist accommodation applies to transactions undertaken 'for a fee/consideration' ('*a titre onéreux*'), which might suggest that it excludes home swaps.

For short-term lettings where economic consideration is present, Member States generally apply less restrictive requirements for short-term rentals between peers than for providers of traditional accommodation services (such as hotels, bed & breakfast, rural houses, campsites, etc.).

For providers of traditional accommodation services, usually Member States require specific authorisation or licensing regimes. They also set stricter rules on the quality of the services, for example on minimum room sizes and facilities offered, such as compulsory ancillary services: breakfast, room-services, laundry, etc. In most Member States, traditional accommodation services also need to comply with insurance obligations.

However, short-term rentals of primary and secondary residences activities (or parts of them) for tourist use between peers are not necessarily subject to regulation and strict registration procedures, particularly when specific conditions are met.[100] This also varies substantially between Member States. Several Member States, including the Netherlands,[101] the UK,[102] Portugal, Germany, Italy and Belgium, have recently updated their legislative frameworks to facilitate the development of the peer-to-peer accommodation rental sector.

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97 For example, LoveSwapHome for swapping houses.

98 Such as Couchsurfing and WarmShowers.

99 E.g. NightSwapping.

100 However, some other obligations might be applicable e.g. fire safety obligations.

101 The City of Amsterdam has signed an agreement with Airbnb which explicitly permits renting accommodation via an online platform. In return, Airbnb has been collecting the applicable tourist tax since February 2015.

102 In 2015, the 'Deregulation act' relaxed planning permission rules in London for short-term lets. Previously, owners were required to apply to the local planning authority for planning permission.

For example, in the UK no authorisation is required for short-term lettings of any residential premises in Greater London, if the total number of nights of use as temporary sleeping accommodation in the same calendar year does not exceed 90 and the person who provides the sleeping accommodation pays council tax on the income received.[103] Ireland also exempts hosts from any registration procedure, although some other obligations maybe applicable depending on the exact characteristics of the property. In Finland, no authorisations for short-term rentals are required; in rented properties, up to half of the apartment can be sublet without prior consent of the landlord.

Some Member States take a different approach depending on the use of the dwelling and whether it is a primary or a secondary residence, or whether it falls under the category of a 'touristic dwelling' specifically designed for short-term rentals. France, for example, considers that for primary residences (living use for eight months a year) no prior authorisation to the mayor is required for short-term rentals. However, when a secondary residence or a 'touristic dwelling' is offered in Paris, an authorisation is required, coupled with a conditional obligation to adopt a compensatory measure consisting in the conversion of non-residential premises into housing.[104]

Other Member States place authorisation requirements on any provider of accommodation services regardless of the type of dwelling. For example, under Maltese law anyone (including peers) offering accommodation to a tourist for a short-term rent against payment would need a licence.[105] In Hungary, short-term rentals are also subject to an authorisation.[106]This type of service is considered an 'other accommodation service' (maximum 90 days) and is subject to specific conditions.[107] There is no requirement to take out insurance. In Italy, the Regional Regulation of Lazio lays down publicity and transparency requirements on prices and opening times for accommodation structures, such as 24-hour 'availability', meaning that the provider should be always available in case the user encounters a problem.[108]

Some Member States have recently introduced legislation or are preparing drafts to regulate short-term rentals of primary or secondary residences and spare rooms by peer providers, imposing a number of conditions including authorisation, registration or prior declaration obligations. For example, in Belgium, the recently adopted regulation by the Brussels Region requires prior declarations followed by a procedure for registration with the local municipality also for 'homestay accommodation'. This covers short-term rentals of primary residences (or part of them), which need to be available at least four months per year. In addition to registration, hosts need to provide quality and a personal welcome, breakfast, household linen, and the room needs to comply with minimum quality conditions (window or ventilation, wardrobe, etc.). Hosts also need to inform their home insurer. Short-term rentals of primary

103 Section 44 of Deregulation Act 2015 c.20.

104 The premises offered as compensation must cumulatively: a) be of equivalent quality and surface to those subject to the change of use, b) be located in the same arrondissement of the converted premises (see Article 2, co 1 of Règlement municipal de Paris).

105 The Malta Environment and Planning Authority (MEPA) will only issue a licence once it is satisfied that the building in question is compliant with a MEPA permit. This permit, called a 'Tourism Design Guidelines Certificate', is a certificate which approves the plans of a tourist accommodation establishment following a consultation between the applicant and MEPA.

106 In Budapest, homesharing has been regulated for a number of years under the category of 'other accommodation'. Hosts must register at a local notary before they can rent their spare rooms or entire home to tourists and provide detailed information to the local and tax authorities. For further details see Gov. Decree 239/2009.

107 Conditions such as the size of the room per number of beds, having a bathroom reserved for guests, a kitchen equipped to have breakfast, prepare coffee or tea, including a fridge reserved for the guests; etc. See Government Decree 239/2009.

108 Reg 8/2015 http://www.regione.lazio.it/binary/rl_turismo/tbl_evidenza/TUR_RR_08_07_08_2015.pdf.

residences (or part of them) which are available for less than four months per year are not allowed.[109]

In Spain, Spanish regions can adopt their own rules on tourist apartments and housing for touristic use. Regulation is significantly diverse across the regions.[110] For example, in Catalonia (but also in other regions), a peer provider needs to obtain prior authorisation and register its dwelling at the local mayor's office in order to offer short-term lettings for tourist use. In addition, the peer provider's registration number must be published before the provider can start letting. The government of Catalonia fined several platforms for advertising apartments and houses without stating the registration number indicating their inscription in the Register of Tourism of Catalonia. Homestay accommodation (in spare rooms) seems to be prohibited since short-term rentals need to cover the whole dwelling. Currently there is a moratorium on the authorisation of new tourist accommodation in Barcelona.

In some countries, short-term lettings have been in principle banned. For example, in Berlin, Germany, there is a general ban on using living space for other purposes than living in it. The law bans the use of homes as holiday homes for commercial purposes without prior authorisation under specific circumstances. However, it is still allowed to rent out one or more rooms in an apartment as long as the 'residential use' is the prevailing one (50 % of the flat's entire square footage).

In Member States where authorisation procedures are in place, authorisation requirements often include:

- proof of compliance with sanitary, fire and minimum equipment conditions;
- requirements on the size of the rooms, bathroom, kitchen;
- disclosing the identity of the hosts;
- obtaining civil liability insurance;
- displaying a visual identity logo in the apartment;
- the agreement of the local mayor's office, authorising such use of the property.

Reasons often invoked by Member States to restrict short-term lettings, either through registration procedures or via a complete ban include:

- the need for supervision to ensure quality of service;
- the need to ensure availability of rental housing accommodation in markets where demand exceeds supply;
- preventing the abusive subletting of social housing;
- maintaining a level playing field;
- to control the character of neighbourhoods in cases where housing is being converted in response to growing inflows of tourists.

4.2.3. Professional services

Professional services provided through online platforms in the context of the collaborative economy are not specifically regulated by the Member States. However, the provision of these services cannot be considered as unregulated. Member States are indeed applying to these services the same rules they apply to service providers active in the traditional sectors. These might originate from legal or regulatory provisions at national, federal, regional or local level

[109] March 2016 http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&cn=2014050850&table_name=loi.

[110] For an overview see the preliminary results of the CNMC report E/CNMC/004/15 on the collaborative economy, published in March 2016.

but also from the codes of conduct adopted by certain professional associations. For example, reserves of activities linked to the possession of a professional qualification will apply to service providers in the traditional sectors as well as to those in the collaborative economy. This is due to the specific character of certain professions for which the protection of the title or the activities are subject to specific professional or deontological rules.

For example, where legal advice is a reserved activity, no service provider is allowed to give advice or draft private deeds for others on a regular basis and for remuneration unless he is a lawyer, irrespective of whether the advice is given face-to-face or through a collaborative platform. Similarly, in the case of architects or engineers, where some Member States have in place certain obligations linked to the reserve of activities, such as chamber membership or the obligation to possess professional indemnity insurance, these will in principle apply in equal measure to both traditional sectors and the collaborative economy.

Generally, the existing legal framework was conceived for the provision of professional services in a traditional way and was designed before the emergence of the collaborative economy. Existing regulation reflects the fact that most services are traditionally provided for remuneration. In the collaborative economy, however, services are sometimes provided without a corresponding remuneration or the intermediary asks for a corresponding fee for their services. This can prove problematic in the light of rules set out in deontological codes limiting the provision of services for free or prohibiting the sharing of professional fees.

The mapping has not revealed any specific Member State procedure requiring collaborative economy platforms intermediating professional services to obtain authorisation to start operations.

4.3. Consumer protection and information obligations

Member States have transposed in their national systems the e-Commerce Directive, the Services Directive and the EU's consumer and marketing legislation. For business-to-consumer transactions, EU consumer and marketing legislation includes:

- Directive 2005/29/EC on Unfair Commercial Practices;
- Directive 2011/83/EU on Consumer Rights;
- Directive 93/13/EEC on Unfair Terms in Consumer Contracts;
- Directive 2013/11/EU on alternative dispute resolution for consumer disputes;
- Regulation (EU) No 524/2013 on online dispute resolution for consumer disputes.

For business-to-business transactions, Directive 2006/114/EC on Misleading and Comparative Advertising applies. The above legislation in general applies to collaborative platforms and service providers. It includes the relevant rights and obligations stemming from these European laws.

Depending on the sector, in addition to the rights and obligations mentioned above, collaborative platforms and service providers may be also requested to offer consumers a different set of information stemming from sectorial legislation. For professional services, the relevant deontological codes may also include additional information requirements.

In Spain, online platforms and service providers are subject to obligations for instance laid down in the following laws:

- Law 34/2002[111];
- Law 1/2007[112];

[111] Ley 34/2002, de 11 de julio, de servicios de la sociedad de la información y de comercio electrónico.

- Law 17/2009[113];
- Law 3/1991[114].

In line with the EU acts they transpose, these laws include information obligations about the provided services, the identity of the provider, the contract conclusion and execution. In business-to-consumers transactions , the consumer laws provide for rights such as the right of withdrawal and prohibit practices such as misleading or aggressive practices.

In Belgium platforms and providers are subject to the general rules and obligations set out in the Civil Code, which are applicable to all types of contracts.[115] Those rules deal with the formation of the contract and possible action if there is a breach of contract. Platforms which have an economic goal and are considered to offer information society services also have to comply with the obligations set out in Book XII of the Economic Law Code[116] on the digital economy.

In France, information obligations for platforms and service providers are set out, among others, in:

- Loi 2004-575[117];
- Loi 2015-990[118];
- Loi 111-1[119];
- Loi 2014-344[120].

In the accommodation sector, under the Tourism law,[121] platforms have the obligation to inform the accommodation provider of the applicable declaration/authorisation obligations and to obtain the provider's '*déclaration sur l'honneur*' (declaration on honour) that its accommodation complies with the regulations in force.

4.4. Employment status

Member States are responsible for defining their national concepts of employee and self-employed and the relevant laws applicable to these statuses. There is no single approach on how to qualify employment status across Member States in the collaborative economy.

So far, the distinction between employees and self-employed people has been particularly challenging in passenger transport. In some cases, countries offer the possibility for drivers to be either employees or self-employed, depending on whether they sign a contract with the transport operator, the number of hours they work and the type of subordination relationship in place.

In France, the transport regulations allow providers in the passenger transport sector to be employees or self-employed. A taxi driver can have the status of craftsman, freelancer or employee.[122] The evidence shows that taxi drivers are mainly self-employed owners or lessees

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112 Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts — http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1460107799053&uri=CELEX:31993L0013.

113 Ley 17/2009, de 23 de noviembre, sobre el libre acceso a las actividades de servicios y su ejercicio

114 Ley 3/1991, de 10 de enero, de Competencia Desleal — https://www.boe.es/buscar/act.php?id=BOE-A-1991-628.

115 Arts. 1101-1314 Civil Code.

116 Code de droit économique du 28 février 2013.

117 Loi n° 2004-575 du 21 juin 2004 pour la confiance dans l'économie numérique

118 The Loi Macron (Loi n°2015-990 du 6 août 2015 — art. 134) added article L111-5-1 to the 'Code de la Consommation'.

119 Loi 111-1 Code de la Consommation

120 Loi 2014-344 du 17 mars 2014 relative à la consommation

121 Article 11 of the Loi ALUR (L324-2-1 of the Code du Tourisme).

122 https://www.service-public.fr/professionnels-entreprises/vosdroits/F21907.

of the vehicle, similar to VTC drivers who are in most cases self-employed, providing services through intermediaries.[123] The Polish Labour law also makes a distinction between being self-employed and being an employee of a taxi company or general transport company.

In other countries, drivers are in principle considered to be 'independent' providers. In Germany most taxi drivers are deemed to be self-employed or freelancers, which means that there are no binding laws or rules on working time, holiday entitlement, payment, remuneration in the event of illness, protection of expectant mothers or protection against unfair dismissals.[124] This is also the case in the UK where the vast majority of taxi drivers and private hire vehicle drivers are self-employed.[125]

Other Member States, however, have a different approach. In Italy, taxi and VTC drivers can be either individual entrepreneurs (and thus be enrolled in the official register of the craft industry), members of workers' cooperatives or they can join a consortium.[126] Generally, VTC drivers prefer to adopt the legal form of workers' cooperative. It is worth noting that in Italy the distinction is emerging between 'occasional' drivers active in the collaborative economy and traditional ones. According to the opinion delivered by the *Consiglio di Stato* in December 2015,[127] private drivers allowed to offer their services through collaborative platforms should be 'occasional workers', with a maximum limit of annual income and a maximum amount of working hours per week (15 hours, as opposed to up to 12 hours per day for professional taxi drivers).

5. HORIZONTAL IMPACTS

5.1. Impact on employment

This section describes the employment aspects of the collaborative economy. There are no official statistics on employment in the collaborative economy, therefore this section draws mainly on findings from surveys and data drawn directly from platforms. Most surveys to date have been carried out in the US, hence the results may be only partially transferrable to the situation in the EU.

5.1.1. Profile of workers

The common findings from surveys indicate that the workforce of the collaborative economy is younger, better educated and more urban than the workforce in the overall economy. There appears to be less consensus on gender and ethnicity.

A survey conducted as part of the Request for Startups (RFS) 1099 Report found that workers in the collaborative economy are more male, younger, better educated[128] and more ethnically similar — predominantly white[129] — than the US workforce in general. Another survey in the US conducted on 3 000 people in 2015[130] found that workers are more likely to be male, from a racial or ethnic minority, living in city areas[131] and young. The findings of a survey

123 Idem footnote 80

124 Idem footnote 80

125 https://tfl.gov.uk/info-for/taxis-and-private-hire

126 Idem footnote 80

127 Consiglio di Stato, opinion N. 00757/2015, 25 November 2015.

128 This may be partly due to the technical skills involved in using platform technology and the core services themselves.

129 Bloomberg Brief 2015.

130 The survey was commissioned by Burston-Marsteller, the Aspen Institute and TIME magazine.

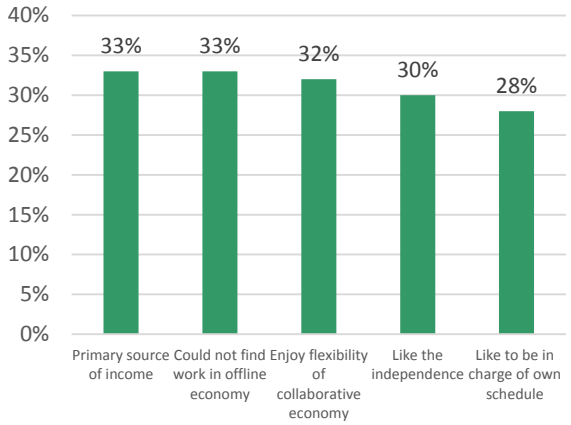
131 This finding is consistent with data obtained from an online skills platform, based in Belgium, where roughly two thirds of the workforce are located in urban areas (CEPS 2016).

conducted in the UK[132] found that while half of workers are below 35, women are more likely to work in the collaborative economy than men.

5.1.2. Motivation

Based on a survey carried out in the US, workers in the collaborative economy are motivated primarily by a need to find alternative employment, due to an inability to find standard employment, as well as the appeal of flexibility and greater control over working patterns. A further survey of workers on Amazon Mechanical Turk and Crowdflower (Berg 2016) found that the possibility to work from home was the second most important motivation after additional income.

Figure 4: Main motivation for working in the collaborative economy[133]



Source: Burston-Marsteller, the Aspen Institute and TIME (2015).

5.1.3. Source of income

There are indications that a substantial share of the US population is active on collaborative economy platforms. The same survey commissioned by Burston-Marsteller, the Aspen Institute and TIME among 3 000 Americans in 2015 indicated that 44 % of the population have used collaborative platforms. The figures corrected for internet usage and demographics show that almost all of the people involved in the collaborative economy have used the services (42 %) of a collaborative platform and about half have worked (22 %) through a collaborative platform.

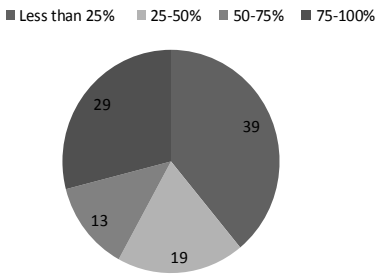
These findings suggest that many people supply services on collaborative platforms. However, other surveys indicate that the degree of participation is relatively low and insufficient in most cases for the work to serve as a primary source of income. For example, the survey conducted as part of the RFS 1099 Report found that income from work in the collaborative economy accounted for less than a quarter of household income for 39 % of those surveyed and less than half of household income for 58 %.[134]

132 An online survey was carried out with 2 238 adults between 16 and 75 years of age (Huws & Joyce, 2016).

133 The figure shows the responses from those earning more than 40 % of their monthly income in the collaborative economy.

134 RFS 1099 Economy workforce report, quoted in Bloomberg Brief 2015. http://www.bloombergbriefs.com/content/uploads/sites/2/2015/05/Sharing-Economy.pdf.

Figure 5: Proportion of household income from the collaborative economy



Source: RFS (1099 Report), Bloomberg
Notes: people working in the collaborative economy in the US

The survey findings on degree of participation can be compared with data gathered directly from a collaborative platform, ListMinut, located in Belgium, that intermediates mainly local personal services. Only approximately 5 % of registered workers on the platform have performed a task, suggesting that participation levels are low (CEPS 2016). In addition, about half of ListMinut workers only worked up to five hours through the platform during a two-year period. Other workers worked between 6 and 450 hours but even based on 450 hours, work on the platform would not be sufficient to substitute the earnings of a full-time job.

Collectively these findings suggest that the collaborative economy is mainly serving as a supplementary source of income for most participants and that many participants are using the collaborative economy as an occasional source of income.

5.1.4. Remuneration

This section examines rates of remuneration in the collaborative economy and compares them with those in the labour market in general.[135]

Remuneration in the collaborative economy is largely determined by the same factors that influence remuneration in the overall labour market, e.g. the supply of labour for a particular job/task is largely influenced by the level of skill involved in the task. However, 'online' markets differ from 'offline' markets in a several ways that may cause a divergence in levels of remuneration.

1. In online labour markets, work is typically task-based rather than time-based.
2. Online workers are typically freelancers or self-employed rather than employees.
3. Much work in online labour markets is 'virtual', meaning that it can be performed with a greater degree of flexibility than most standard employment.
4. Much work on online labour markets is exportable, which exposes online labour markets to international forces of supply and demand.

5.1.5. Physical versus virtual services

The following table presents earnings information gathered from the Belgian skills platform ListMinut. The platform typically intermediates tasks which require physical offline delivery such as home repairs and gardening. The tasks generally require the service provider to travel

[135] The estimated rates of remuneration should be treated with some caution as a general indication of rates in the collaborative economy. Firstly, all the data on remuneration in this section is based on individual platforms where rates are affected by some factors specific to each platform. Secondly, remuneration in 'online' and 'offline' labour markets can only be compared by converting task-based remuneration into hourly rates. This has been done by using survey data to estimate the average time taken to complete various types of tasks and hence it is open to some sampling bias.

to the client and therefore are more requested in urban areas where population density is higher and hence the time and cost of travelling between locations is lower. For comparative purposes, the table includes a column showing average earnings for a selection of tasks in the Belgian labour market.

Table 5: Median gross hourly earnings by skill category (EUR)

Category	ListMinut (completed tasks)	Labour market	Difference (%)
1. Home repair	17.50	12.70	+4.8
2. Animals	26.00	10.82	+15.18
3. Households	10.50	8.20	+2.3
4. Tutoring	15.00	13.06	+1.94
5. Events	13.00	12.12	+0.88
6. Gardening	13.00	11.35	+1.65
7. Transport	17.50	10.94	+6.56
8. Computer science	14.00	12.51	+1.49
9. Babysitting	7.67	10.78	-3.11
10. Wellness	26.00	10.29	+15.71

Note: The figure shows the median hourly (gross) earnings per type of activity of the 2 396 tasks executed on the ListMinut platform between December 2013 and December 2015. The ListMinut categories are matched with the equivalent or closest category in the Wage Indicator database (see Annex 4 of De Groen et al., 2016).
Source: De Groen, Maselli, and Fabo (2016).

The above table indicates that for most tasks average rates are comparable with those in the 'offline' labour market, with a slight premium for online tasks in nearly all cases. These findings can be compared with research conducted in the US on collaborative transport services, which found that remuneration levels of drivers working on the Uber platform were comparable with industry levels (Hall and Krueger 2015).[136] Therefore, if generalised, they suggest that there is no significant difference between remuneration in online labour markets and remuneration in 'offline' labour markets for 'physical' services.

By contrast, remuneration rates on online markets for 'virtual' services show a divergence from rates in offline markets when the online market is international in scope, which is driven by the location of participants on both sides of the market. For example, information on remuneration gathered from the platform CoContest,[137] an international design platform located in Italy, suggests that rates for skilled virtual tasks are approximately 30 % lower than average rates on the Italian labour market.[138] Alternatively, on the same platform average rates are over three times higher than average rates on the Serbian labour market, where many service providers are located. By establishing an international market for a service, online skills platforms such as CoContest set an equilibrium price that is between the rates charged on the national labour markets of participants. The degree of divergence from national rates is strongly influenced by the international profile of the platform with respect to both the demand and supply sides of the market.

136 http://dataspace.princeton.edu/jspui/bitstream/88435/dsp010z708z67d/5/587.pdf.

137 CoContest is a tendering-based marketplace for design services.

138 The comparison is based on information gathered from a single online platform and can therefore not be taken as typical of this category of online platforms.

The evidence of lower rates for (online) virtual tasks than for rates for (online) physical tasks may also be explained by other factors. For example, there are no transport costs or travel time associated with virtual tasks, which may represent a significant cost saving.

5.1.6. Skilled versus unskilled tasks

The skills dimension of tasks does not seem to have a strong impact on 'online' rates compared to 'offline' rates. In other words, low- and medium-skilled tasks appear to be remunerated at a similar level on online collaborative platforms as in the labour market in general when they are 'physical' services. However, unskilled 'virtual' tasks, known as 'micro-tasks', appear to carry particularly low rates of remuneration.[139]

This may be partly explainable due to the high degree of flexibility associated with the performance of such work and the possibility to carry out 'virtual' online work in parallel with other employment irrespective of employment status.

Notwithstanding the above considerations, the levels of remuneration for virtual unskilled tasks appear particularly low when converted into hourly rates and compared with national averages for standard employment involving similar tasks. They also appear insufficient to serve as a primary source of income. The scale of employment associated with this type of work is currently limited. Such work is also performed on a freelance basis. However, further research and information gathered from platforms on remuneration would be useful to monitor the development of this type of work given that if it becomes widespread it would have potentially adverse socioeconomic effects.

5.1.7. Impact on the labour market

Collaborative platforms are creating employment and more flexible working but their impact on the wider labour market is unclear and requires further research. Currently, there are no clear signs that the collaborative economy is creating a structural shift in the labour market towards more temporary freelance employment. This may be due to the current scale[140] of the collaborative economy and the effect of other employment trends.

Although the collaborative economy is probably more established in the US than the EU,[141] the proportion of self-employment in the US has declined since 2000 from 7.4 % to 6.8 %.[142] Multiple job holding also declined steadily from a high of 6.8 % in 1995 to 5.0 % in 2013.[143]

In the EU, there are indications that the type of work associated with the collaborative economy is increasing.[144] The rate of self-employment in the EU[145] has risen steadily by around two percentage points since 2006, based on figures from Eurostat, from 3.7 % to 5.6 %,[146] although there are large differences among Member States. The proportion of workers taking up second jobs has also increased gradually since 2002 from 3.6 % in 2002 to 4.2 %, mainly due to a marked increase in self-employed female workers. However, both

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139 When converted into hourly rates, remuneration on platforms such as Crowdflower is typically less than EUR 5 per hour, based on the findings of a study carried out by the Centre for European Policy Studies (CEPS), which was contracted by the Commission for use in this Communication.

140 Based on revenue estimates, online labour markets are likely to account for less than 1 % of employment in the EU.

141 https://s3.amazonaws.com/uber-static/comms/PDF/Uber_Driver-Partners_Hall_Kreuger_2015.pdf.

142 Based on statistics from the OCED.

143 http://www.bls.gov/opub/mlr/2015/article/multiple-jobholding-over-the-past-two-decades-1.htm.

144 Also, the level of self-employment for the EU as a whole is higher than in the US.

145 Measured as the proportion of self-employed persons compared to employees, using the latest available data on the number of self-employed persons.

146 On a sector level, there have been significant increases in self-employment in health and social work, education, and professional activities.

these trends started somewhat before the rise of the collaborative economy, whereas most platforms were founded in the last five years.

Therefore, based on official statistics it appears that the type of employment created by the collaborative economy is in line with longer term employment shifts in the EU. However, further research is required, including gathering more quantitative information on the employment generated via collaborative platforms. This will give us a better understanding of how much the collaborative economy has had an impact on these developments and of the net impact of the collaborative economy on employment.

5.2. Impact on tax administration

5.2.1. Challenges for tax administrations

The current tax rules apply to collaborative economy players, but there are issues in tax administration and policy that have been left unclear. These questions are relevant for all types of taxes: VAT, corporate income tax, personal income tax, some specific taxes like tourist tax, and social security contributions. The main challenges for Member States are to strike the right balance in the level of obligations and to maintain a level playing field for both traditional and new forms of business.

Member States do not have a uniform definition of the scope of the collaborative or sharing economy. A common understanding would be the first step in dealing with the taxation challenges. In many cases platform users are true professionals who are responsible for providing such a service, although acting as if they are individuals. There are also cases where individuals use platforms for cost-sharing purposes or with the aim of helping people in need. Finally, there are cases where the platform acts purely as an intermediary.

The VAT Directive applies both to the services provided by the sharing economy platforms and to the services provided through the platforms by their users. The Commission is working with the VAT Committee to set out basic principles of VAT assessment.[147] Supplies of goods or services for monetary consideration are economic activities that fall under the scope of the VAT Directive. The main challenge is how to assess bartering transactions and situations where individuals contribute goods or services to a common pool in exchange for the right to benefit from other goods or services included in the pool: in both situations where there is an exchange of goods doubts may arise as to the qualification of individuals as taxable persons and as to the existence of a direct link between the supplies and the remuneration in kind. The assessment must be carried out on a case-by-case basis.

Service providers on a collaborative platform receive an income for the service they propose. This income varies widely, from recovering costs (e.g. for the personal use of a good such as in ridesharing/carsharing) to amounts comparable to business/work activities. Tax rules should follow national laws and jurisprudence, which determine from which moment an activity becomes a business activity. If comparable economic activities are taxed the same and tax incentives apply similarly to the traditional economy, there is no risk of additional tax competition.

The growing importance of the service component of the economy and the delivery of digital products makes it possible for enterprises which mainly or exclusively operate on the web to limit their physical presence in the countries of their users. As a result, it becomes more difficult to establish the link and allocate profits to a national jurisdiction. The challenge is

147 https://circabc.europa.eu/sd/a/878e0591-80c9-4c58-baf3-b9fda1094338/878 %20-%20VAT%20treatment%20of%20sharing%20economy.pdf.

even bigger when loopholes can be exploited where tax legislation does not keep up with economic and technological developments.[148]

The tax challenge is rather an enforcement issue, in particular making sure that tax payers know their tax obligations, declare their income and pay their share according to national rules. While tax legislation has its roots in the traditional business models, technological progress encourages more work to be performed by individuals, rather than by employees of enterprises. Both the new economic agents and tax administrators may not be clear about the obligations and/or have doubts on the application of existing tax rules to their specific activities.

5.2.2. Available tools to address the issues

Awareness raising, guidance notes and online tax calculators can be used to facilitate tax administration. Direct collaboration between platforms and tax authorities can also help gather more information to ensure tax compliance in order to address the arising issues at source. This may also reduce costs for both administrations and enterprises.

Most Member States apply general rules to the collaborative economy, including thresholds on annual income, VAT and on additional services, such as services offered together with the accommodation (i.e. cleaning and laundry). Many countries set a minimum annual turnover for the application of income tax rules or the VAT obligation, while others set tax breaks for specific sectors.

On income tax, Belgium and Finland apply different income deductions. Certain Member States go further and offer tax breaks. For example, the UK's rent-a-room scheme allows landlords to earn up to a threshold of GBP 7 500 per year tax free from letting out furnished accommodation. Ireland clarifies that short-term lets to guests, '*including where such accommodation is provided through online accommodation-booking sites*', do not fall within the terms of the relief available for renting an apartment for the longer term. France has amended its financial legislation to allow online marketplaces to collect any applicable 'tourist taxes' on behalf of their users.[149]

The challenges Member States face with the growth of the collaborative economy illustrate the need for further simplification and modernising of tax and social security legislation. The Commission is currently looking into the possibility of extending the VAT One Stop Shop for electronic services so that it also covers the supply of goods.[150] The Commission has also initiated a pilot project to enhance cooperation between tax administrations and published a guide for cooperation between tax authorities and businesses in the field of e-commerce.[151]

Member States are taking different approaches to bring more clarity to the applicable rules and make it easier for people participating in collaborative economy activities to understand their tax obligations and report their income to the tax authorities. Some Member States focus on providing guidance on the application of existing tax rules (Austria, Slovakia, Lithuania), while others opt for exchange of information (UK, France, Finland). Estonia has introduced a test service for automatic simplified tax declaration, developed in cooperation with ridesharing services. Some Member States are considering changes in their tax legislation (Italy, UK, France, Denmark). In other Member States, public authorities have clarified

148 OECD, Addressing the Tax Challenges of the Digital Economy, OECD/G20 Base Erosion and Profit Shifting Project, 2014.

149 In October 2015, Airbnb started collecting 'tourist tax' charged on the basis of per room per night.

150 http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/telecom/index_en.htm.

151 VAT Action Plan.

applicable rules on their websites or in the context of wider guidelines, e.g. in Hungary in the context of guidance on rules applicable to e-commerce.

Some Member States are working with collaborative platforms to streamline tax collection and make tax declaration easier. In some Member States, municipalities have concluded agreements with collaborative platforms to collect and pay tourist taxes. This is the case for example in Amsterdam, where the authorities have concluded an agreement with Airbnb.

In some cases, Member States impose on platforms certain obligations facilitating the calculation of revenues from collaborative economy activities. In France, for example, as of July 2016, collaborative platforms will have to communicate to each individual providing services in the collaborative economy an annual summary of their tax situation, mentioning how and how much they have to declare to the tax authorities.

Table 6: Overview of Member States' tax initiatives targeted at the collaborative economy

Country	Initiatives	Implications
UK	Law: tax on employment intermediaries	Individuals providing personal services through a platform are considered employees if the quality of the work is under the control of the platform
	Law: targeted tax relief measures	Increase in rent-a-room relief Encourages local authorities to grant relief from business rates
	Proposal: expansion of data-gathering powers	Extension of data collection from credit card companies to other payment providers
Italy	Proposal: Sharing Economy Act (online consultation until end of May)	Normative definition of sharing economy Creation of an electronic register of platforms Platform active in Italy is a permanent establishment Platform is a withholding agent Creation of a new tax category 'income deriving from non-professional sharing economy activity' 10 % tax for income up to EUR 10 000; standard tax rate for higher income
France	Proposal: Government Report	Exchange of information on user revenues between platforms and tax and social security administration Commercial users must register Clarifies the boundary between commercial activity and cost-sharing
	Law: introducing the possibility for platforms to collect local taxes for the users	Paris is the only city that has made use of this possibility for Airbnb services
	Proposal: Planned introduction of an income threshold for taxation	Threshold debated between EUR 2 000 and 5 000
Finland	Income tax guidance for the sharing economy VAT guidance for providers of passenger transport services Study on how platform providers can be obliged to declare amounts	Awareness raising
Lithuania	Guidance for ridesharing and rent-a-room platforms	Awareness raising
Slovakia	Guidance for providers of passenger transport services ordered online	Awareness raising
Denmark	Government strategy towards the collaborative economy to be launched in spring 2016 Dialogue with collaborative economy companies	Re-examine whether legislative change is needed to integrate the collaborative economy into the traditional economy Find ways to increase citizens' awareness of tax rules and make income reporting easier
Austria	Guidance for particular business models to qualify a business as professional, e.g. commercial renting	Awareness raising

Estonia	Test service for simplified income declaration for ridesharing services	Simplification of tax declaration and automated calculations Possible expansion to other types of collaborative economy businesses

6. ASSESSING FUTURE DEVELOPMENT

6.1. Challenges for official statistics

The collaborative economy has given rise to new business opportunities as the outreach of households and small businesses increases in the nearly borderless digital world. The platforms serving the collaborative are fully dependent on a strong IT infrastructure while the more successful platforms make use of big data methods to exploit their information on suppliers and consumers to better match needs.

The collaborative economy is characterised by many small actors (suppliers and consumers) and relatively few platforms. The economic size of the platforms themselves is recorded in official statistics: they may have a head office in one country and regional offices in several other countries, although not necessarily in all countries in which they operate. The size of the services intermediated by those platforms is nevertheless of even greater importance to economists and policy-makers. For example, the services provided by large-scale collaborative platforms in the transport and accommodation sectors have an influence on economic development that goes far beyond the platforms themselves.

Most of the facts presented in this document come from research and specific surveys. However, there are no official statistics on employment in the collaborative economy and other direct or indirect effects are currently not assessed. As a result, it is difficult to fully appreciate the potential benefits on issues where quantifiable information comes from a range of diverse sources that may emphasise different aspects of the collaborative economy.

The information challenge is to bring these different sources together, providing a reliable and relevant basis for the industry itself, as well as policy-makers, to understand the benefits and implications of a growing collaborative economy.

Official statistics provide a framework for compiling objective information that may be used for monitoring public policies and programmes, and to improve public and private decision-making. Official statistics are produced primarily on the basis of information gathered via administrative sources and surveys of public institutions, businesses and the public.

The European Statistical System comprising the national statistical institutes in Member States already conducts several surveys of enterprises and households. However, the character of the collaborative economy means that the cost and burden of carrying out surveys on the households and SMEs participating in the collaborative economy is significant and prevents the collection of sufficiently reliable information. In this respect, platforms serving the collaborative economy are potentially an efficient source of basic information for the compilation and improvement of official statistics: consumer or business surveys cannot provide the same rich set of information relevant for understanding the socioeconomic impact of the collaborative economy.

An efficient and organised collaboration between these platforms and official statistical bodies may also limit the overall burden on actors in the collaborative economy, especially the burden on SMEs and consumers, since the platforms can be a primary source for official statistics. Confidentiality issues would be paramount in this context. The principle of statistical confidentially is laid down in Union law as well as in the European Statistics Code of Practice: '*The privacy of data providers (households, enterprises, administrations and other respondents), the confidentiality of the information they provide and its use only for*

statistical purposes are absolutely guaranteed'. The Commission (Eurostat) could play a role in forwarding steps towards such a collaboration between platforms and producers of official statistics.

6.2. Further research

The collaborative economy is developing rapidly. Internet technology is providing the basis for a new generation of platforms that are enabling wider networks of peer-to-peer services to be created. These provide many opportunities for employment, innovation, and create the potential for more efficient use of resources. Currently, our understanding of the collaborative economy is largely tied to the economic development of individual collaborative platforms. Further research is required to broaden and deepen our appreciation.

There is need to estimate more accurately the size and rate of development of the collaborative economy in the EU, using larger datasets and possibly more automated methods of data gathering. As well as examining the development of individual platforms, it is important to understand the net impact of the collaborative economy on the wider economy. For example, although it is clear that employment is being created, the net impact on employment still has to be better understood as well as the structural impact of the collaborative economy on the overall labour market. Regulation has an impact on collaborative platforms, as it is does other businesses. More analysis is required to fine tune our understanding of how regulation affects the development of, primarily, peer-to-peer based platforms, where suppliers are typically individuals seeking to earn additional income. Finally, individual collaborative platforms offer the potential for environmental benefits by providing the possibility to share resources more widely than in the past. However, the net impact of collaborative platforms on the environment requires further research.

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Annex I: Action taken by Member States over the collaborative economy

Member State	Action
Austria	• The Austrian Federal Ministry of Science, Research and Economy commissioned a study to analyse the legal aspects of renting private accommodation under the current legislation. • The City of Vienna has announced that it is introducing amendments to the Vienna Tourism Promotion Act (WTFG), laying down reporting obligations for platform operators as accommodation agencies, reporting requirements for accommodation providers and fines for providers who do not register accommodation. The City of Vienna assumes that many private sharing economy providers, in particular providers of accommodation, are not sufficiently aware of the legal framework. Therefore, the City of Vienna will intensify its communication and information activities on the regulations to be observed, including in numerous information channels. • Austria realises that overregulation or inadequate solutions might hamper or even destroy innovative processes or ways of sharing assets.
Czech Republic	• The Czech Republic has not provided any guidance or clarification on the rules that apply. Given that the country is strongly aware of the cross-border character of the collaborative economy, the Czech Republic is waiting for clarification from the Commission (European agenda for the collaborative economy) and decisions from the CJEU to ensure that eventual domestic regulations will be in line with EU law. • There is ongoing research of the collaborative economy submitted by the Ministry of Industry and Trade.
Denmark	• Denmark is currently undertaking an analysis of its sharing economy, including its economic impact and size. The results will be published before summer 2016.
Estonia	• The Estonian Parliament is in the process of amending the law on public transport, as part of which rules applicable to ridesharing will also be addressed. • The Estonian Tax and Customs Board (ETCB) and the technology company Uber have been working together in a pilot scheme to analyse cooperation points between Uber's global cash-free service and ETCB's contactless reporting scheme in order to offer new ways of paying tax liabilities in collaborative economy. • Estonia is open to cooperating/finding new methods of stimulating the collaborative economy. • A study about collaborative economy businesses in Estonia will be carried out in 2016.
Finland	• The objective in Finland is to avoid additional regulation and where possible to instead consider relaxing regulations. • In 2015 the Finnish tax authorities provided specific guidance on how income from services like Uber and Airbnb is treated in income taxation. • The Finnish Ministry of Employment and the Economy is currently planning on providing guidance on homestay services. • In Finland the Ministry of Finance is drafting a Crowdfunding Act which will cover investor protection issues. • There is currently an ongoing project in the Finnish Ministry of Transport and Communications entitled 'the Transport Code', the goal of which is to bring all transport market regulations together under one act. The aim of the project is to make room for new business models and to better meet the needs of users. • The Finnish Consumer ombudsman uses 'soft law' methods like negotiations, persuasion and guidelines. The Consumer Ombudsman has negotiated with some national marketplace platforms (Huuto.net, Tori.fi) and ensured that platforms will inform parties acting on the platform of the consumer law requirements.
Germany	• The Federal Government is currently reviewing or possibly revising national laws that might be necessary to accommodate new developments shaped by the collaborative economy. • Germany's Ministry of Education and Research is currently analysing the collaborative economy

	through a project called 'Peer Sharing'. First results of the project can be found at www.peer-sharing.de
Italy	• Proposed law to tax income from 'non-professional collaborative economy' activities. It aims at taxing any income below EUR 10 000 at a 10 % flat tax rate and taxing income above that sum at the ordinary income tax rate. The legislative proposal is currently undergoing public consultation, which is due to end on 31 May 2016.
Malta	• The Maltese Government Research Unit has carried out general research into best practices abroad in the collaborative economy. Malta has not yet carried out any study on the fiscal impact of the collaborative economy.
Netherlands	• The priority for the Netherlands and its Ministry of Economic Affairs was/is to remove and clarify existing barriers yet keep an eye out for potential unwanted effects of the emergence of the collaborative economy. • The Dutch government is involved in a carsharing 'Innovation Deal' ('*Green Deal Autodelen*') scheme that involves government bodies, private companies, special interest groups and NGOs participating to stimulate carsharing in the Netherlands. Obstacles to the development of carsharing are being identified as part of the Innovation Deal. • Both the Ministry of Economic Affairs and the Ministry of Infrastructure and Environment have conducted studies on the collaborative economy. • The Dutch government supports 'ShareNL', which since 2013 has been functioning as an independent knowledge and network platform that advises and provides guidance to businesses, startups, governments and knowledge institutes. • The national tax authority is working on guidance for homesharing (e.g. Airbnb). A dedicated site to guide participants through the applicable legislation is expected soon. • The Ministry of Economic Affairs has a contact point that businesses in the collaborative economy can contact if they experience any barriers to operation. The Ministry responds both proactively and on a case-by-case basis to signs of any barriers. This is in line with its priority to remove barriers and obstacles in order to promote the collaborative economy.
Poland	• Poland believes in 'self-regulation'. The role of the public administration in this sector is rather limited and self-regulation could be much a more effective tool (since trust and safety between users are the foundation of this type of economy). It is worth emphasising that many services provided by collaborative economy companies have been available before (e.g. sharing car park areas), but they were beyond the control of public administration (i.e. in the shadow economy). Transferring the services to mobile applications and the internet is conducive to combating this area of the shadow economy.
Portugal	• Portugal has expanded its rules on the tourist industry to cover local accommodation. In particular in the context of short-term housing rent for tourists, the definition of 'local host' under Portuguese law has been expanded to cover the electronic platforms. • Portugal has published Decree-Law No 128/2014, specifically regulating local accommodation. The Decree-Law sets out clear definitions of the scope and extent of tourism enterprises by providing minimum requirements for operation and operation in the market. Registration is done online, through a simple written notification, which is the pre-requisite for operating an establishment. • Portugal has established a government 'Sharing Economy Analysis Platform' covering all aspects of the collaborative economy. • The current Portuguese government also launched in March 2016 the 'National Strategy for Entrepreneurship', which includes, among other measures, the creation of the National Network of Fab Labs and promoting new forms of crowdfunding. • 'Turismo de Portugal' has been very active promoting entrepreneurship programmes with other partners such as startups, accelerate associations, universities and education institutions, including hotel schools.

UK	• The UK sees that the evolving nature of the collaborative economy market means that it would be hard to communicate a holistic set of guidance without this becoming quickly out of date. Therefore the UK prefers to look at the specific challenges posed by the development of the sharing economy and tackle these individually. The UK has not provided one specific set of guidance on all the rules that apply to individuals and businesses operating in the sharing economy. Instead it has tended to do this on an issue-by-issue basis. • The UK Government has in place a 'rent-a-room' allowance, permitting people to earn up to £7 500 a year from renting out a room in their house tax free. • From April 2017, there will be two new tax-free £1 000 allowances: one for selling goods or providing services and one for income from property you own. People who make up to £1 000 from occasional jobs — such as sharing power tools, providing a lift share or selling goods they have made — will no longer need to pay tax on that income. In the same way, the first £1 000 of income from property — such as renting a driveway or loft storage — will be tax free. • The UK has set up an engagement group with Government and sharing economy businesses to raise and address continuing barriers to their growth coming from regulation, data issues or commercial challenges. • The UK also has a couple of non-departmental bodies that assist with promoting innovation in the sharing economy. Both 'NESTA' and 'Innovate UK' have a wide economic development and innovation remit, but take a close interest in the sharing economy, both in terms of doing research and funding competitions to help promote innovation in this area.
Note: information was collected through a European Commission questionnaire sent to Member States entitled: 'Good practices in promoting Collaborative Economy Businesses'.	

Annex II Examples of thresholds applied in Member States

Services sector	Authorisation/licensing thresholds	Taxation thresholds	Employment/Social security contribution thresholds
Transport	- profits beyond the cost of fuel can only be made by licenced taxi drivers (IE) - direct or indirect monetary remuneration requires authorisation - additional licensing thresholds on the minimum number of people carried and territorial scope (e.g. inter-urban transport services) (PL)	- minimum revenues or annual turnover for VAT imposition (BE) - profits beyond the cost of the journey subject to income tax (PL) - frequency of the activity (RO)	- compulsory social security contributions above specific thresholds (ES, FR, IE) - income beyond the minimum wage on an annual basis attributes a freelance status to the provider (ES)
Accommodation	- maximum number of properties/rooms and people staying (BE, ES, NL) - maximum and minimum number of days (BE, UK, ES, IE, NL) - different types of residence (main residence vs secondary residence) (FR) - presence of hosts while renting out the property (BE) - different types of space to be rent (flat vs room) (ES) - frequency and activity purpose (IE) - minimum number of days' break between rentals (IT) - living purpose of the flat and percentage of the surface rent (DE)	- minimum revenues or annual turnover for VAT imposition (BE, FR, UK, PL, NL) - kind of services offered: VAT imposed on additional services offered (i.e. cleaning and laundry) (ES) - purpose of the activity (for profit) and frequency (RO) - exemption of income tax for longer term letting (IE) - Different fees depending on number of beds (MT)	
Professional services	- frequency and activity purpose (per-profit vs non-profit) (FR) - minimum turnover (HU) - chamber membership and minimum period of traineeship requirement (HU)	- minimum revenues or annual turnover for VAT imposition - minimum income for the application of income tax rules - frequency of the activity (RO) - purpose of the activity (pastime vs economic activity) (NL) - user benefiting from the services (e.g. family sphere) (NL)	