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qLegal Legal Update

“ONE-FOR-ONE: AN OVERVIEW OF THE SHARING ECONOMY”

CONCEPT

Airbnb, Uber and Taskrabbit are examples of startups which are a catalyst for the sharing economy. The sharing economy is based upon the simple concept of individuals sharing human and physical resources. It can be defined as a “peer-to-peer-based activity of obtaining, giving, or sharing the access to goods and services, coordinated through community-based online services”. The model has two main characteristics. The trade is between individuals and not between an individual and a company (peer-to-peer) and the trade is usually facilitated by using an electronic platform.

MODELS OF THE SHARING ECONOMY

There are three main systems within the sharing economy:

1. In the redistribution markets, things which are not required or being used by an individual are moved to somewhere where they are needed;
2. In the product service system, the goods or service can be used by people for a period of use, rather than requiring an individual to own the good or buy the service completely; and
3. In a collaborative lifestyle system, there is the sharing and exchange of tangible assets like time, money, skills, experience or space.

THE MAIN ISSUES OF THE SHARING ECONOMY

- **EMPLOYMENT**

Millions of people are now working in the sharing economy around the world. One distinctive feature of their employment is that they are not employees of the company but self-employed, such as drivers or housecleaners. This status provides flexibility but on the other hand, new jobs created within the shared economy do not usually provide employment security or access to workers’ rights.

- **TAX ISSUES**

With the sharing economy, people offering their services do not always know how much they will be taxed. This extra-income might also be not declared by the taxpayer. Tax related issues are problematic because most countries have not legislated on the sharing economy, due to technology advancing quickly. However, more progress has been made on the issue, which requires cooperation between sharing economy companies and States. For example, in some locations, Airbnb has made agreements with Government to collect local taxes on behalf of hosts.

FUTURE OF THE SHARING ECONOMY

The sharing economy is experiencing a huge expansion due to the development of new technologies and social media, especially the improvement brought by the internet and smart-phones. Although the practice of making money by sharing property or skills is not in itself new (for example by renting holiday homes through local advertising), the scale and pace of the sharing economy applications in recent years has been unprecedented. However there are still certain hurdles to overcome such as:

- Marketplace creation to share the assets between all of the population, particularly in remote areas
- Trust of non-adopters in the sharing economy model and acceptance of the sharing economy by more traditional businesses
- Ensuring that there is legal clarification on those who profit, work for and use the sharing economy

This legal update was drafted by students from the Centre for Commercial Law Studies, Queen Mary University of London: Sanjeev Sambasivan and Anastasie Leconte.©