



Tax and the sharing economy

The concept of a “sharing economy” has been around for long enough now to have had a very real impact on how we transact. Think Uber, think Airbnb.

What is the sharing economy? Think Airbnb, think Uber. By now, most people will have realised that the “sharing” part of the concept does not refer to an absence of any monetary exchange, but rather to the use and access of shared physical or human resources or assets. The means of these transactions is usually conducted online, and there are many who therefore argue that rather than “sharing economy” a more accurate term that could or should have been adopted would be “access economy”.

As for the taxation treatment of these transactions, the ATO has found it necessary to provide guidance.

How does the taxman define the sharing economy?

For its part, the ATO states that it views the sharing economy as a system that “connects buyers (users) and sellers (providers) through a facilitator who usually operates an app or a website”.

The ATO identifies some popular sharing economy services in Australia as those that include:

- renting out a room or a whole house or unit on a short-time basis
- providing “taxi” travel services (or ride-sourcing) for a fare
- providing personal services, such as creative or professional services like graphic design, creating websites, or odd jobs like deliveries and furniture assembly
- renting out a car parking space.

Tax considerations

The ATO says taxpayers who are involved with the sharing economy may need to consider:

- if they are carrying on an enterprise,
 - o if they need an ABN
 - o if they need to register for GST and lodge activity statements
- if the price of the goods or services provided includes GST
- if and when they need to provide tax invoices for sales
- if they need to declare this income in an income tax return
- what GST credits and income tax deductions can be claimed for expenses related to earning income
- how all their sharing economy activities added together affect their GST and income tax obligations.

Uber drivers beware of your GST obligations

As a general rule, an entity is only required to register for an ABN and GST if they are carrying on an enterprise (say a business) and their current annual turnover or expected annual turnover is \$75,000 or more.

The ATO says that if you carry on an enterprise of providing ride-sourcing services, under the GST law you need an ABN, need to be registered for GST, and are required to account for GST on the full amount of every fare regardless of how much or how little you earn (as the GST registration threshold does not apply to ride-sourcing services, but starts from the first dollar). But you can also claim the business proportion of your input tax credits.

A recent decision in the Federal Court of Australia confirmed that Uber drivers must register for an ABN and for GST from the moment that they start providing such services.

As Uber drivers are typically taken to be conducting a business as a sole trader by the ATO, you'll need to declare all the income earned from providing ride-sourcing services and can claim the expenses related to providing the services.

GST and multiple enterprises

If you are providing goods and services across multiple websites or apps, or through other enterprises outside of the sharing economy, the ATO states that this would require an ABN and registration for GST when total turnover for all activities together is, or is expected to be, \$75,000 or more per year.

Further, the ATO says if you are registered for GST because you are already carrying on an enterprise, you must account for GST on all the sharing economy goods and services provided that are subject to GST. For example, if you have an enterprise that provides ride-sourcing services, and have to get an ABN and register for GST regardless of your turnover, you would also have to account for GST on a car park you rented out.

Record keeping

Regardless of how much you earn, or the reasons for you providing goods or services, the ATO says you should keep records of income and expenses so we can keep track of your activities and assist with tax obligations when they arise. "You may intend to provide goods or services as a hobby or recreational pursuit," the ATO says, "but your level of activity over the whole year may mean that you are in fact running a business and need to comply with income tax and GST obligations."

Your duties and obligations under the sharing economy can be tricky, please check with this office if you have any questions.

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