

The tax compliance decision of the individual in business in the sharing economy

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Digital innovation is creating completely new ways to do business, unleashing a new generation of micro-entrepreneurs who are progressively engaging with the sharing economy. One of the most pressing challenges tax authorities face is the tax compliance of these individuals that are new to busi +

As these individuals are responsible for filing their own tax returns, these taxpayers have no opportunity to 'design' their tax returns by exploiting the opportunities to avoid taxes (Kirdler, 2007).

In order to illustrate that perceived opportunity is applicable to the sharing economy, we will further elaborate and expand on this factor as part of our suggested framework of tax compliance factors of individuals in business in the sharing economy. The five proposed scenarios of perceived opportunity where individuals in business in the sharing economy can possibly evade taxes are (i) operating below the radar; (ii) lack of intermediary regulation; (iii) cash based transactions; (iv) claiming of non-deductible expenses; and (v) the legality of certain transactions in the home sharing industry.

The first factor to consider as a perceived opportunity to avoid taxes in the sharing economy is the ability of these entrepreneurs to operate below the radar. Findings from the literature set out below provide evidence that many hosts in the home sharing economy exploit several opportunities where they can operate below the radar:

As Airbnb booking currently occurs largely in the informal sector; guests and hosts can avoid paying the taxes that are typically charged in the traditional accommodation sector

'illegally', and (iv) a large number of home sharing entrepreneurs that create a great burden on tax administration authorities

One of the largest areas of opportunity for individuals in the sharing economy to avoid compliance is as a result of the sharing economy platforms not enforcing regulations or withholding levies, taxes or charges. The home sharing industry is constantly challenged by lawmakers for not adhering to the strict regulations that are imposed on hotels and other formal accommodation offerings (Katz, 2015; Leppat, 2016). Evidence from the literature that confirms the lack of enforcement of regulations by the respective platforms is detailed below.

even aware that taxes should be paid for some activities (especially home sharing'. Thorne and Quinn (2017, p 80) concede that owners in the sharing economy are like traditional employees in terms of learning an organisation's values, ethical standards and culture. They further state that transactions in the sharing economy are 'often brief, relatively private, and singular in nature'. This association of transactions being 'private in nature' may be an example of what 'automatically comes to mind when thinking about tax obligations as a result of operating in the sharing economy, and thus may be immediately regarded as unimportant or 'not taxable'.

Kahneman (2003) claims that much evidence supports the fact that individuals' views

When people think, they generally do not draw on concepts that they have invented themselves. Instead, they use concepts, categories, identities, prototypes, stereotypes, causal narratives, and worldviews drawn from their communities. These are all examples of mental models.. [- Mem 141r

a new approach to 'decision making' was proposed which encompasses a wider understanding of factors to consider in the decision making process, and

'pari passu' as a factor was brought into the framework (as opposed to being a peripheral factor in the original framework).

We further propose that our framework can be used as a conceptual tool to form a profile

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