



ΕΥΡΩΠΑΪΚΟ ΚΕΝΤΡΟ ΑΡΙΣΤΕΙΑΣ JEAN MONNET  
ΕΘΝΙΚΟ ΚΑΙ ΚΑΠΟΔΙΣΤΡΙΑΚΟ ΠΑΝΕΠΙΣΤΗΜΙΟ ΑΘΗΝΩΝ

JEAN MONNET EUROPEAN CENTRE OF EXCELLENCE  
NATIONAL AND KAPODISTRIAN UNIVERSITY OF ATHENS

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# Sharing Economy

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## Introduction

Sharing economy is an international trend that is rising at a fast pace, bringing opportunities and challenges in traditional operating markets like the tourism industry. This paper examines the notion of sharing economy. Emphasis will be given on the benefits and problems that have been brought forward along with recent regulatory developments in cities and countries around the world and suggestions for future improvements concerning sharing economy activities.

## The theory of sharing economy & its relation to tourism industry

There is no specific definition of the term “sharing economy”. One of the most popular interpretations is given by Botsman and Rogers, who stated that sharing economy “*is an economic model driven by network technologies that enables things and skills to be shared or exchanged in ways and on a scale not possible before*”<sup>1</sup>. “Peer-to-peer”, “collaborative” and often “disruptive” economy are also popular notions that are used to define the same phenomenon. Sharing economy addresses the human need for social interaction and the current tendency for personalized services and authentic experiences. Technological advances, such as smartphones and on-line payments, facilitate the access to the peer-to-peer (P2P) platforms, allowing everyone to become a sharing economy provider or user only with the push of a button. At the same time, social media, such as facebook, twitter etc enable the interaction between providers and users and the creation of a network of contacts based on trust and reputation<sup>2</sup>.

The tourism sector couldn't be excluded by the activities of sharing economy. Hospitality and transportation are some major areas where consumers have access to a wide range of P2P providers, with main representatives, Airbnb and Uber. In

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<sup>1</sup> European Parliament, 09-2015, Tourism and the European Union, Recent trends and policy developments, p.2

<sup>2</sup> Hellenic Chamber of Hotels, Sharing Economy and the Tourism and Hospitality Sector in Greece p. 9

particular, even if it is still in its infancy, Airbnb (short for Air Bed & Breakfast) offers more than 1 million rooms in over 190 countries; that is more rooms than hotel chains such as Marriot and Hilton<sup>3</sup>. In Greece, according to a recent research of Hellenic Chamber of Hotels<sup>4</sup>, the number of properties registered in the electronic platform of Airbnb in Greece is reaching the 11.800 and this figure is continuously growing. Referring to the transportation sector, Uber, “the ride sharing service” was recently valued at \$50 billion—a higher valuation than 72 percent of the companies on the Fortune 500 list (McNichol A. L., 2015). Nowadays it operates in 361 cities, in 66 countries and its services are continuously expanding.

### **Benefits of sharing economy activities**

Key driver of sharing economy activities is its **economic benefits**. Taking into account the economic recession, P2P services are an ideal opportunity for people to earn extra revenue and to boost the family income. According to an Airbnb’s research carried out from October 2013 till September 2014, the economic impact of Airbnb activities in Athens was 69 million euro and resulted to the creation of 1.060 places of employment. Since 73% of Airbnb’s hosts are not permanently employed, the majority of them is using the extra income to cover basic the daily needs and to pay taxes<sup>5</sup>. Local neighborhoods and business are also benefited from the sharing economy activities, since travelers are staying in places that normally wouldn’t visit, thus boosting the local revenue.

When considering the benefits of sharing economy, special consideration must be given also to its **ecological aspects**. Sharing is less resource intensive than the traditional ways of accessing goods and services since people are using already existing resources and thus the need for new goods or facilities, such as taxis or

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<sup>3</sup> McNichol A. L., 2015, Airbnb, A (Soon to Be) Victim of its Own Success, The Nals Magazine For Legal Professionals

<sup>4</sup> <http://www.grhotels.gr/GR/BussinessInfo/News/Lists/List/Attachments/538/Sharing%20Economy%20GRHOTELS%20ENG.pdf>, page 17

<sup>5</sup> <http://blog.airbnb.com/%CE%BF%CE%B9%CE%BA%CE%BF%CE%BD%CE%BF%CE%BC%CE%B9%CE%BA%CE%AD%CF%82-%CE%B5%CF%80%CE%B9%CE%B4%CF%81%CE%AC%CF%83%CE%B5%CE%B9%CF%82-%CF%83%CF%84%CE%B7%CE%BD-%CE%B1%CE%B8%CE%AE%CE%BD%CE%B1/>

hotels, is diminished<sup>6</sup> when at the same time the anti-consuming behavior is promoted. According to the aforementioned Airbnb research, for the period October 2013 – September 2014 the use of Airbnb facilities resulted to reduction of carbon emissions, energy and water saving<sup>7</sup>. Hence the “green economy” is promoted.

Final, the **social impact** of P2P activities is of equal importance. Sharing economy provides a sense of community<sup>8</sup> that helps the interconnection between hosts and guests, the creation of unique experiences and the opportunity for the travelers to taste the authenticity of a place while creating new acquaintances.

### **Negative aspects of sharing economy activities**

However as every coin has two sides, the economic opportunities, ecological and social benefits of collaborative economy are often accompanied with problems such as tax evasion, unfair competition and consumer protection rights. In particular:

One of the biggest issues that sharing economy is confronted with concerns **taxation**. The easy access to the online platforms of sharing economy allows people and often private companies to lease their assets and earn some extra revenue; however, the lack of official registration and control by governmental authorities allows the escape of the above mentioned users of the taxation regime that includes taxes on income and sector specific taxes such as tourist taxes for overnight hotel stays<sup>9</sup>. This has an immediate negative effect to the government budget as well as to gross domestic product (GDB), and is a common phenomenon in most cities and countries where sharing economy is active. The categorization of taxable and non-taxable sharing economy activities, the identification of the sharing economy groups liable to tax

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<sup>6</sup> Schor J., 10-2014, Debating the Sharing Economy, Great Transition Initiative toward a transformative vision and praxis, page 6

<http://blog.airbnb.com/%CF%80%CE%B5%CF%81%CE%B9%CE%B2%CE%B1%CE%BB%CE%BB%CE%BF%CE%BD%CF%84%CE%B9%CE%BA%CE%AD%CF%82-%CE%B5%CF%80%CE%B9%CE%B4%CF%81%CE%AC%CF%83%CE%B5%CE%B9%CF%82-%CF%83%CF%84%CE%B7%CE%BD-%CE%B1%CE%B8%CE%AE/>

<sup>8</sup> The sharing economy: issues, impacts and regulatory responses in the context of the NSW visitor economy, p.15.

<sup>9</sup> Hellenic Chamber of Hotels, Sharing Economy and the Tourism and Hospitality Sector in Greece, page 10

provisions and the setting of a body responsible for the collection of taxes are some of the issues that most governments are confronted with, but most commonly are still unresolved.

**Unfair competition** is also another negative aspect of sharing economy activities. Sharing economy providers do not comply with the licensing and certification requirements that are obligatory for traditional operating businesses. For example, when a hotel business is subject to various regulations, from land permissions to operating permit, an Airbnb host is subject only to the self-regulation set between sharing economy platforms and their users. Consequently the fines and penalties that are imposed to traditional operating businesses in case of a breach of law are unknown to a P2P provider. This explains also why many hosts of short-term accommodation rentals tend to be commercial leasing companies looking to avoid fees and taxes associated with national regulations (Samaan, 2015). On the other hand, it is a fact that many private hosts are often not aware of the legalities of their transactions, including their rights and obligations (Miller 2015)<sup>10</sup>.

Finally, **consumer protection rights** is another important aspect of sharing economy activities. P2P platforms are based into trust and reviews from previous users. In reality though there is no real guarantee for the product offered and consumers themselves are responsible for their belongings and personal safety<sup>11</sup>. Since, as already mentioned, sharing economy providers do not have to comply with a minimum standard of quality that includes building construction, accessibility and safety (such as fire protection, elevator maintenance etc) it is easy to assume that the consumer is often depended upon the good will of its P2P provider.

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<sup>10</sup> The sharing economy: issues, impacts and regulatory responses in the context of the NSW visitor economy, p 20

<sup>11</sup> The sharing economy: issues, impacts and regulatory responses in the context of the NSW visitor economy, p 33

## Recent regulatory developments in cities and countries around the world

Recognizing the size and the importance of sharing economy activities, the local governments started recently examining ways of regulating P2P providers. Representative example is **the city of Amsterdam** that was the first city in Europe to introduce a partnership with Airbnb. Since 18 December 2014, local authorities and Airbnb work together to a more accessible information on the rule of home sharing, when at the same time Airbnb becomes responsible for collecting and remitting the taxes on behalf of its hosts.<sup>12</sup> **Paris, Washington DC** and **Chicago** followed the Amsterdam's example, appointing Airbnb responsible for the tax collection<sup>13</sup>.

On the contrary, in **Berlin**, local authorities restricted private property rentals through Airbnb and similar online platforms. In particular since 1<sup>st</sup> May 2016, the new law entitled "Zweckentfremdungsverbot" bans the short-term let of entire apartments to tourists without a city permit<sup>14</sup>. With this regulation, German authorities are trying to fight the housing shortage in Berlin and to prohibit the rise of renting prizes.

Concerning **Greece**, an important regulatory development changes the scenery since 1<sup>st</sup> November 2015. In particular, according to law 4336/2015, Greek property owners are now allowed to rent their homes through sharing economy platforms or through private rental contracts, without holding the special operations label awarded by the Greek National Tourism Organization<sup>15</sup>, which was until now a requirement for a short-term lease and was followed by many restrictions and heavy fines. From the 1<sup>st</sup> November 2015, the only prerequisite for the property owners is to follow the registration procedure in the online database of the Greek Tax Agency, where they are obliged to give details of the rental and to receive the registration number for the lease.

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<sup>12</sup> <http://www.iamsterdam.com/en/media-centre/city-hall/press-releases/2014-press-room/amsterdam-airbnb-agreement>

<sup>13</sup> <http://www.theguardian.com/travel/2016/mar/31/airbnb-in-paris-to-warn-hosts-over-illegal-listings>

<sup>14</sup> <http://www.independent.co.uk/news/world/europe/airbnb-rentals-berlin-germany-tourist-ban-fines-restricting-to-protect-affordable-housing-a7008891.html>

<sup>15</sup> <http://news.gtp.gr/2015/11/30/rent-a-home-legal-in-greece/>

## Suggestions on future regulatory improvements

The popularity that sharing economy enjoys the recent years in correlation with the rapidly changing economic and political environment lead to the need for the adoption of new measures that create a balance between the positive and negative aspects of this phenomenon.

At this point, **the role of the government and local authorities** is of fundamental importance. The sharing economy, due to its special character and diversity, cannot be subject to the same regulation and law provisions as those of traditional operating businesses. “*One size fits all*” approach<sup>16</sup> is not possible to apply in this case. Thus, it is imperative for the lawmakers to concentrate on problems such as **taxation, consumer protection** and **fair competition**. For example, the creation of a tax guide and the launch of an online tax calculator adjusted to the particularities of each sharing economy provider will greatly facilitate the users of sharing economy to know beforehand the tax they are liable to pay<sup>17</sup>, minimizing thus the uncertainty of tax obligation and tax evasion. Furthermore, it is of high importance for authorities to set the rules that will assure a minimum level of quality and security, concerning the goods and services offered. The registration in a national on-line database, particularly created for sharing economy providers, should be followed by license certifications, periodically renewed and frequent inspections by local authorities, where safety issues, such as insurance and maintenance would be of top priority.

Another positive step towards the mutual understanding and collaboration between sharing economy providers and governments could be the establishment of a **trade body**<sup>18</sup> that will act as a mediator between P2P businesses and official authorities, communicating the problems, resolving disputes and acting as a source of information for every interested party.

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<sup>16</sup> NSW Business Chamber, 11-2015, The Sharing Economy, issues, impacts and regulatory responses in the context of the NSW visitor economy p.4

<sup>17</sup> Woskow D., 11-2014, Unlocking the sharing economy, An independent review, Department for Innovation and Skills p.9

<sup>18</sup> Woskow D., 11-2014, Unlocking the sharing economy, An independent review, Department for Innovation and Skills p.9

Finally, it is worth mentioning a new emerging trend, the adoption of the **Sharing City Model**<sup>19</sup>. Following the example of the city of Amsterdam<sup>20</sup> and that of Seoul<sup>21</sup>, public authorities can embrace various sharing economy providers and work with them to the establishment of a well operating community under the auspices of national regulation, achieving thus the best results and maximizing the benefits for all the stakeholders involved: online network platforms, hosts/providers, consumers, local community and the public sector.

## Conclusion

Although sharing economy is often accompanied with many complexities and problems, there's little doubt that in the future it is set to be an industry with a dominant position in the market. It is therefore imperative for all the interested parties to find the necessary balance and work together for achieving the best and most desired outcome, which is characterized by economic growth, social and cultural interaction between all stakeholders involved.

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<sup>19</sup> <http://www.shareable.net/>

<sup>20</sup> <http://www.collaborativeconsumption.com/2015/02/04/amsterdam-europes-first-sharing-city/>

<sup>21</sup> <http://english.sharehub.kr/>

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