

PROTECTED
TREASURY MINISTERIAL BRIEF

Section 22

9 February 2015

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Tax

- Participants in the sharing economy (e.g. Uber drivers^{Section 22}) are generally subject to Australian income tax requirements like others in their industries (if they are considered to be operating a business).
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Consultation: Competition Policy Unit, Deregulation Division, Small Business and Indirect Taxes Unit, Financial System Assessment Unit, Australian Taxation Office.

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- It notes the impact the sharing economy is having on traditional regulatory frameworks, particularly in sectors such as the taxi industry and that the challenge is to capture the benefits of the technological change while continuing to protect the public.

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Taxi platforms

- Uber is a well-known platform for taxi services that connects passengers directly with the drivers of vehicles. It is headquartered in San Francisco, California.
 - The service is available in 54 countries and more than 200 cities worldwide. *Source: Where is Uber available www.uber.com retrieved 3 February 2015.*
- The company uses a smartphone application to receive ride requests and send them to contracted drivers.
 - Customers use the app to request rides and track the location of the reserved vehicle.
 - Uber charges fees for accommodating the transactions.
- California was the first jurisdiction to recognise and regulate services such as Uber, creating a new category of regulation for 'transportation network companies'.
 - This covers driver background checks, driver training, drug and alcohol policies, minimum insurance coverage and company licensing.
- Australian state and territory governments regulate the taxi industry through price regulation, quality standards and restrictions on the supply of licences.
 - Transport authorities in NSW have declared UberX to be non-compliant with the *Passenger Transport Act 1990*. We understand that the NSW Government is considering its response to ridesharing services, assessing the benefits to consumers alongside the impact on the taxi industry.
 - The Victorian Taxi Service Commission has fined Uber drivers in that State. Fines of up to \$1,700 per driver have been issued, but Uber has pledged to pay the fines on behalf of its drivers.
 - : Twelve Uber drivers in Victoria are facing criminal charges in a test case on the legality of the popular service (refer to **Attachment B** for media coverage from 6 February 2014).
 - The South Australian Government has stated that those providing transport services that do not comply with government regulations will face severe financial penalties.
 - Uber is likely illegal under current ACT law. However, the ACT is also conducting a review into its taxi industry, which will seek to identify opportunities for furthering consumer choice, sustainability and long-term competitiveness.
- The Draft Report of the Harper Review suggests regulation of taxi and hire car services should be focussed on ensuring minimum standards for the benefit of consumers rather than restricting competition or supporting a particular business model.
 - If implemented this has the potential to support innovation and growth in the sharing economy for private transport services.

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- Draft Recommendation 6 states:

- : State and territories should remove regulations that restrict competition in the taxi industry, including from services that compete with taxis, except where it would not be in the public interest.

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- Like all businesses in Australia, these service providers are generally only required to register for GST and charge GST, when their 'GST turnover' is greater than \$75,000.
 - One exception to this threshold is for suppliers of taxi services, who are required to register for GST irrespective of turnover. This special rule could apply to 'ride sharing' service providers, such as Uber drivers.

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