



Tax Issues Under the Business Model of Shared Accommodation



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Abstract

China's shared accommodation business model has not yet cleared sharing accommodation tax provisions. With further development of shared accommodation, the existing tax laws and regulations may be unable to meet the needs of the tax department's taxes and regulations. The sharing economy has developed quickly, and corresponding regulations and laws should also be updated. Especially for the field of sharing accommodation, there are many taxes loss and would be worst. This paper collected information about the problems and information about taxation from the internet, journals, and past research based on the current situation of China's taxation on sharing accommodation. The researchers then analyzed the Chinese taxation problems (tax evasion, population laws, measures from tax authorities, legal loopholes, and Third-party platform rectification). Once the information was collected, the research comprehensively explained "what is the sharing accommodation economy," centralized on global papers discussing up-to-date details about China's economy. The study explained China's laws and regulations for the sharing accommodation economy. It also explored the motives behind citizens and entrepreneurs rarely taking responsibility to pay taxes or seeking solutions from the taxation authorities when there were problems with paying taxes. In conclusion, the research provided results and suggestions to solve problems efficiently. The detailed suggestions allow the people and companies better understand the laws and regulations of taxation in China and allow Chinese tax authorities to monitor the management and detection of tax evasion in the shared accommodation economy. It also suggested creating more relevant laws and regulations to promote an efficient economic model.

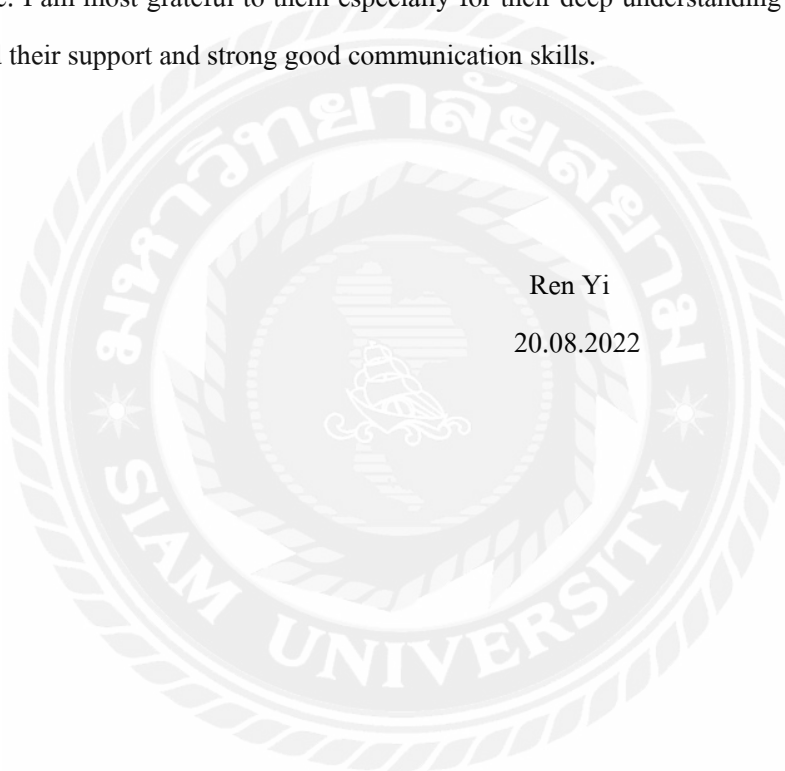
Keywords: tax, business model, sharing economic

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Introduction

Research Background

With the rapid development of the Internet, the sharing economy relying on the Internet is also booming. As a new trade model, it has promoted the healthy development of the social economy. The sharing economy involved the initial transportation field, to accommodation, catering, medical care, and other fields, permeating all aspects of life, and bringing many conveniences to our life (Jiaying Li, 2017). Shared accommodation is an extension of the sharing economy in the field of accommodation, which greatly improves the utilization rate of idle housing. Shared accommodation is matched between homeowners and tenants together through a third-party trading platform, and the tenants need to pay a certain salary to obtain the right to use the house, so as to meet the accommodation needs of the tenants not only without producing new houses, but also improve the utilization rate of idle houses (Chi Maomao, 2020). At the same time, along with the further development of shared accommodation, China's existing tax laws and regulations may be more and more unable to meet the needs of the tax authorities to collect taxes and supervise. Therefore, the development and research of shared accommodation will become the focus of Chinese scholars (Zhenwu Yang, 2019).

In recent years, China's sharing economy transaction scale has been maintained rapid development. According to the Annual Report on the Development of the China's Shared Economy (2019), the transaction scale of China's sharing economy reached 2,942 billion yuan in 2018, up 41.6% year on year. In 2018, China's shared accommodation income was about 16.5-billion-yuan, accounting for 6.1% of the total accommodation industry income, up 1.4 percentage points from the previous year. From 2015 to 2018, the average annual growth rate of shared accommodation income was about 45.7%, 12.7 times the guest room revenue of the traditional accommodation industry. The report predicts (National Information Center, 2018), the sharing economy will continue in 2019-2023, the sharing economy will still grow at 30% per year, but after the rapid development of the past few years, the speed has slowed down, and the shared accommodation business is gradually maturing.

Shared accommodation as a new trading mode, solve the traditional trading market due to the problems caused by information asymmetry, improve the utilization rate of resources, increase national revenue, promote rapid economic development, but due to the transaction data, data sharing between enterprises and tax authorities, platform algorithm regulation become a new problem, make tax collection and management is facing huge challenges (Shan Gao, 2020). The current tax laws and regulations on shared accommodation has not been clear, in the design of the entity tax system, traditional tax collection and management model is not applicable, grass-roots tax staff do not pay attention to the tax problems existing under the shared accommodation business model, will not take the initiative to solve the problem, lead to the loss lost a large amount of tax (Bo Li, & Jinlan Wang, 2016). At the same time, the problems in tax revenue also aggravate the injustice of bearing the tax burden between the shared accommodation industry and the traditional accommodation industry, which is not conducive to the healthy and orderly development of the accommodation industry. Therefore, it is urgent to study the tax laws and regulations and the tax collection and management model that match the shared accommodation business model.

Research Problems

The emergence of new things will certainly bring controversy. While the sharing economy changes the social and economic development and affects people's lifestyle, it also has a lot of problems. The housing sharing needs to be regulated by law, which is self-evident (Junyi Zhou, 2019). In the sharing economy, consumers' rights and interests are often damaged, which makes it more difficult for consumers to safeguard their own rights and interests. China's current tax system and more and more mismatch, the lack of collection and management and supervision is not in place, resulting in the loss of tax, and aggravating the unfairness of tax (Shigong Li, 2011). Shared accommodation industry produced a huge tax source, although the shared accommodation business model belongs to our country tax laws and regulations, the tax authorities, but the government has not been clear sharing accommodation taxation (Lin Deng, 2018), with the further development of shared accommodation, the existing tax laws and regulations may be increasingly unable to meet the needs of tax collection and regulation (Qinglin Wang, 2018). In the existing theoretical research literature, the legal positioning of the taxable subject of accommodation sharing platform (Yifan

Xie, 2017), which is the basis for solving other problems. Therefore, this paper mainly studies how to solve the tax problem under the shared accommodation model.

Objective of the study

Relying on the Internet platform, shared accommodation integrates a large number of idle housing resources to meet the diversified accommodation needs. With the rapid development of emerging technologies such as the Internet, people are keener on personalized travel consumption, and shared accommodation has become a choice for more and more people to travel. At the same time, the shared accommodation industry has gradually revealed more and more problems and loopholes, among which the relevant tax problems need to be solved. Therefore, this paper from the business model of shared accommodation, through the analysis of shared accommodation development situation, necessity and feasibility analysis, summarizes the tax problems in China, and give solutions and ways, hope to provide some reasonable and effective reference for the improvement of sharing economy tax system in our country.

Scope of the study

This article by reading a large number of newspapers and periodicals, works and books, related sharing economy accommodation papers and domestic and foreign literature, in the library and the network to collect sharing economy data, at the same time read and study tax literature and academic journals, analysis of China sharing accommodation tax system, from the theory and practice respectively.

Research Significance

The rapid development of the sharing economy has not only promoted the continuous optimization of the service sector structure, but also driven the faster growth of the service sector. Due to the particularity of the sharing mode transaction, it is necessary to distinguish it from the traditional mode in formulating the tax system. Based on the current development situation of shared accommodation, it is somewhat important and feasible to tax it. Most experts and scholars tend to research the sharing economy model itself and the tax policy under this model, while relatively few tax policies specialize in the specific sharing business. Therefore, this paper chooses the most

representative sharing economy business model in the field of service sharing accommodation tax as the research direction, with the concept of the concept and characteristics of the business model as the breakthrough point, summarizes the sharing accommodation caused by tax problems, and put forward specific countermeasures, in order to provide the future tax system and tax collection and management methods.

Literatures Review

Sharing Economy:

The concept of "sharing economy" was first proposed in 1978 in "Organizational Structure and Cooperative Consumption: A Regular Way of Activity" published by American scholar Wilson (professor of Sociology at Texas State University) and Spence (professor of Sociology at the University of Illinois). In the 1980s, Martin Lawrence Weitzman (M) systematically expounded on the sharing economy in the book of the sharing economy. Rachel Batsman and Roo Rogers once again defined the concept of a sharing economy in 2010. In 2011, Sara Horowitz put forward the concept of "sharing economy" in "Sharing Economy is a Quiet Revolution". Sharing economy was listed as the "Top Ten Ideas to Change the World" by Time Weekly, and the new form of sharing economy has gradually become a new way of consumption. Sukumar Gampati and Christopher G. Redick (2018) proposed that the sharing economy is based on the Internet for goods and services, based on the development of network platform is a new way, make exchange not only offline, the public sector can also cooperate with sharing platform, to supplement the public demand for public services, also in other areas, including labor, mobile services and accommodation, sharing that sharing economy exists in multiple fields, should be critical of the sharing economy. Francesca Ciulli and Ans Kolk (2019) proposed that the sharing economy not only increases the participation of people from various industries, but also attracts more existing enterprises to join in, which is a new development opportunity for existing enterprises.

Shared accommodation:

"Sharing accommodation" means to integrate and share massive and scattered accommodation resources to meet the economic aggregate of diversified accommodation needs. Among them, the "Shared accommodation Platform" is a service provider based on Internet technology, integrating housing supply and demand information according to the service agreement, and providing online accommodation transactions for landlords and tenants. "Landlord" is an individual or organization with the ownership or use right of the house (its own house or leased house), which publishes housing resources, manages booking applications, and provides housing accommodation and reception services through the shared homestay platform. "houseguests" are users who realize short-term rental through a shared accommodation platform.

Shared accommodation business model:

Shared accommodation has three main backgrounds, due to the traditional tourism accommodation industry, location, price, environment and scale, secondly, more and more homeowners rent out idle houses for a short term, which improves the utilization, and finally, with the rapid development of Internet technology and universal Internet application, the transaction is more convenient and faster. According to the standard of the sharing platform, the shared accommodation can be divided into C2C mode and B2C mode. Among them, C2C mode refers to the mode of housing source being operated and managed by the landlord, while B2C mode refers to the housing source that is uniformly managed and operated by the sharing platform. Among them, C2C mode is the main mode of shared accommodation, and its market scale is huge and the most representative.

The development of shared accommodation in China has developed from the initial embryonic period to the mature period. According to the 2019 report of China Shared Accommodation Development Report released by the National Center on July 2, 2019, the transaction volume of the shared accommodation market has reached 16.5 billion yuan in 2018, an increase of 37.5% compared with 2017, and has maintained a rapid growth. In 2018, the number of online housing resources for major platform enterprises was about 3.5 million, up 16.7% year on year, covering more than 500 cities, and serving 79.45 million visitors. In addition, from 2015 to 2018, the development of shared accommodation industry contributed 2.1% to the average annual

growth of accommodation service business. In 2018, China's shared accommodation revenue was about 16.5-billion-yuan, accounting for 6.1% of the total income of accommodation industry, an increase of 1.4 percentage points than the previous year. The report predicts that the shared accommodation market transaction volume will continue to grow by around 50% from 2019 to 2021. And China's shared accommodation industry is gradually towards standardization and specialization. In November 2018, China's first Shared Accommodation Service Code was released, which makes specific requirements for shared accommodation platforms, landlords and tenants. China's shared accommodation industry continues to develop towards standardization and high quality (Jianyu Wang, 2019).

Tax issues:

Schor.J (2017) that in general, the sharing economy is in a more relaxed environment relative to the traditional economy, there is fair problems, from the point of essence, the sharing economy and the traditional economy their trading nature is the same, but the traditional economy to be more standardized and rigorous regulation, such as tax collection and administration, it will lead to unfair competition. In addition, the information guarantee in the sharing economy can also be strengthened through technology and regulation. Yanbing Li (2016) believes that there are necessary conditions and feasibility for tax collection and management of personal income under the sharing economy, but there are still such problems caused by vague tax boundaries, paperless transactions and difficult tax subjects to determine. Chunyan Zhou (2017) put forward that there are relevant tax subjects, tax basis, tax rates and tax items in the sharing economy, and put forward suggestions, such as entrusting a third party to deduct and pay.

Chen Yu (2017) that in the sharing economy, idle resource providers through sharing platform to share their resources and income, if the supplier is an individual, their income should belong to the individual income tax taxable income, and can be withheld by the platform, which can improve the efficiency of collection and administration, and can obtain fiscal income. Meng Yifan (2018) believes that we should explore the tax problems under the sharing economy, formulate relevant policies, clarify the taxpayers, clarify the attribution of tax rates and tax jurisdiction to establish a tax registration or filing system suitable for individuals, so individuals can facilitate tax registration and facilitate the supervision of the tax authorities. According to previous experience,

the object of tax authorities is mainly the entity. In the sharing economy, it will be difficult to determine and the tax difficulty increases. Finley.K (2013) said that France made new regulations for the sharing economy, such as the law of sharing the tax obligations of travel practitioners, and then clear the identity of practitioners, and the income of these practitioners, these policies to a certain extent in the legal business activities, the government pays more and more attention to the regulation of the sharing economy.

Finding and Conclusion

Shared accommodation has become an important part of the accommodation industry, and its market share and importance are self-evident. speaking, it also has a vital impact on national tax revenue. The effective guarantee of shared accommodation tax is an inevitable requirement for the orderly development of the national economic market (Hongwu Qiao, 2016). However, due to the lack of targeted tax policies, many transactions are in the tax blank area, and the current public's tax awareness is still very weak, resulting in serious tax loss phenomenon. Since China fully implemented replacing business tax with VAT in May 2016, the tax revenue of local governments has been greatly reduced and facing a debt crisis. However, the tax revenue of shared accommodation industry may alleviate the debt crisis of local governments and bring new tax growth points for local governments. Secondly, with the rapid development of the shared accommodation industry, part of the market share of the traditional accommodation industry will be replaced by the shared accommodation, which will reduce some tax sources. Therefore, we should accelerate the improvement of the tax system of the shared accommodation industry to avoid tax loss.

In the context of the sharing economy, tens of millions of individuals have rented out their idle houses through the sharing economy platform, earning a large amount of income (Xianxiang Lu, 2016). In view of the special relationship between individuals and platform enterprises, the law does not give platform enterprises withholding rights and obligations, which enables sharing platform enterprises from withhold and pay, and requires individuals to declare and pay tax independently. In the model of sharing economy, a large number of individuals do not actively declare tax payment to the tax authorities after obtaining income (Yiqun Song, 2016). There are two main reasons: first, most natural persons have a weak sense of tax payment and do not know their

own tax obligations; second, even if natural persons know that they have tax obligations, they will not take the initiative to maximize their own interests and the fluke psychology of the law. The premise for tax authorities to realize effective supervision is to grasp the accurate information and evidence of taxpayers' taxable situation. Traditional tax supervision is based on reviewing the authenticity, accuracy and legality of corporate tax payment when enterprises can provide paper vouchers, accounting books and financial statements (Zhao Tao, 2019). In the mode of shared accommodation, a large number of natural persons become taxpayers, who almost have no ability to establish accounts, resulting in the tax authorities have no accounts to check. For sharing platform enterprises, the transactions mostly in the form of electronic vouchers, but we know that electronic vouchers are easy to be modified and deleted, and the rapid development of the Internet encryption technology, taxpayers can hide relevant information through encryption technology, increase the difficulty of the tax authorities to collect tax information, further greatly increase the difficulty of tax regulation.

At present, China has not established a tax service system compatible with the shared accommodation industry. If taxpayers with shared accommodation encounter problems in the process of tax-related services, it is difficult for tax authorities to provide targeted tax services and solve the tax-related problems encountered by taxpayers. As a new transaction mode, shared accommodation has not established a mature tax awareness either from the perspective of taxpayers or tax authorities. The improvement of taxpayers' tax awareness depends on the extensive publicity of tax policies by tax authorities, and as the staff of tax departments, they should have professional tax knowledge and understand it before taxpayers even in the new tax field. The lack of corresponding tax service system is not conducive to the participants of shared accommodation to timely obtain relevant tax policies, and is not conducive to helping shared accommodation taxpayers to cultivate tax awareness.

These results were founded from papers and journals, the lack of very precise data may cause incomplete results. The taxation data could be found may not the exactly numbers because taxation is a sensitive topic in China, not all the platforms been record, there would be some useful information could not be found. These research results are time-sensitive, and China's tax laws still need to be improved by time go. For further researcher can take an third-party platform as an

example to deeply to analyze more detail through consumer behaviors and explore more issues for taxation in sharing accommodation economy in China.

Recommendation

Lack of credit in the field of tax is tax evasion, and the construction of a new credit-based tax supervision mechanism is not only conducive to improving the modern collection and management system, but also conducive to the healthy and sustainable development of the sharing economy. First, the government leads the establishment of a financial cloud platform with blockchain as the core technology, which taxpayers can use the platform for free (Wei Zhang, 2019). Taxpayers should ensure the security of their information when they use it for free, and the tax authorities can obtain the real-time tax-related information of taxpayers with the help of the platform, and they should also realize the trace management with the help of blockchain technology. Companies moving in on the platform can offer incentives such as improving their credit rating or credit loans to encourage more companies or individuals to move in on the platform. The ultimate goal is that taxpayers' tax-related information can stay in the platform, so as to realize the tax confirmation system to completely replace the independent declaration system. The second is to carry out classification management, simply put, is to implement different management according to the different credit status of different taxpayers. The credit status of taxpayers can be divided into three grades, that is, good credit status, general credit, and poor credit. Those with good credit status will be rewarded, and those with poor credit status will be punished. Users who with a good credit may can enjoy rewards like they can enjoy discounts when taking public transit (Bus, Train, High-speed railway...) or have annual partial tax rebate. Users who with bad credit would be punished: Don't allowed to rent or rent out houses, don't allowed to use shared bike and car, when tax evasion reaches a certain amount, legal responsibility will be investigated. Third, we should promote the combination of tax payment credit rating with market supervision and administration departments and bank credit rating evaluation, build a mechanism of "mutual recognition of credit investigation", form a joint force, and serve the modernization of national governance system and governance capacity.

In the final analysis, taxpayers' low tax compliance is that taxpayers do not understand the tax laws and regulations, and even if they do not know the legal consequences of tax evasion (Chaolin Cai, 2017). Especially in the shared accommodation industry, most landlords do not know their tax obligations, and if they understand the tax field, only wage income needs to pay personal income tax, but they do not know that we also need to pay personal income tax. Therefore, we should increase tax publicity and improve taxpayers' tax compliance. We can use the sharing platform to increase publicity efforts, such as adding a tax law knowledge learning module to the platform, and taking it as a prerequisite for participating in the shared accommodation transactions. At the same time, the tax authorities also need to regularly train the tax knowledge to the platform enterprises, so as to improve the tax compliance of every participant in the shared accommodation industry.

Establishing a tax service system compatible with shared accommodation can both improve tax compliance and help improve the efficiency of tax collection and administration (Hale Kathleen, 2011). First of all, it is necessary to set up a special administrative department in the tax authorities, and more professional and full-time personnel should connect with taxpayers related to shared accommodation to provide targeted and personalized services, so as to form normal tax services. Secondly, it is necessary to realize the collection and management mode of automatic tax calculation and platform withholding, clarify the obligations of tax cooperation and tax protection of relevant departments, strengthen coordination, carry out regular joint law enforcement inspection, and strictly investigate the problem of tax evasion.

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