



Tax compliance support for platform workers

Estonia

	<p>Summary</p> <p>The Estonian Tax Authority (the Estonian Tax and Customs Board, ETCB) has formed agreements with various digital platformsⁱ (e.g., with AirBnB) enabling platform workers to voluntarily report earnings to the tax authorities via a digital platform.ⁱⁱ Annual income tax returns are pre-filled based on workers'ⁱⁱⁱ earnings declarations. The purpose is to increase tax compliance through a simple, clear, and user-friendly method based on cooperation.</p>
<p>Title of the practice in original language</p>	<p><i>n/a</i></p>
<p>Name(s) of authorities/bodies/organisations involved</p>	<ul style="list-style-type: none"> ▶ The Estonian Tax and Customs Board (ETCB) (<i>Maksu- ja Tolliamet</i>)
<p>Sectors</p>	<p>All</p>
<p>Target groups</p>	<ul style="list-style-type: none"> ▶ Platform workers (directly targeted) ▶ Digital Platforms (indirectly targeted)
<p>Purpose of measure</p>	<p>Changing attitudes: commitment to tax morality</p>


	<p>Aims and objectives</p> <p>The aim is to make Estonia the most voluntary tax compliant country in Europe through e-governance, building trust and cooperation between platform workers and the Tax Authority. This will be achieved through providing simple and convenient public services for all taxpayers and addressing problematic taxpayers effectively through supervisory mechanisms.</p>
<p>Background context</p>	<ul style="list-style-type: none"> ▶ The practice was introduced against a background of a high rate of unpaid taxes and of underdeclared income by platform workers . Supervisory mechanisms and tax declaration services were time consuming and ineffective.



	<ul style="list-style-type: none"> ▶ Cooperation between the Tax Authority and digital platforms was necessary to build trust and change attitudes towards paying taxes. ▶ The Tax Authority sought to support platform workers across the country to automatically report their earnings at the click of a button. In exchange, the Tax Authority contributes to regulatory changes,^{iv} so that digital platforms can operate with greater ease and taxes are paid in a more user-friendly way. ▶ The information exchange between the tax authority and the digital platforms (based on agreements) started in 2015 and is ongoing. At this stage there is one written agreement (with AirBnB) while the rest are oral agreements.
<p>Key objectives of the measure</p>	<p>General Objective:</p> <ul style="list-style-type: none"> ▶ To make Estonia the country with the highest voluntary tax compliance in Europe. <p>Specific Objectives:</p> <ul style="list-style-type: none"> ▶ To increase willingness to pay taxes by building trust and cooperation between the Tax Authority and taxpayers; ▶ To tackle undeclared work in the digital platform industry; ▶ To fight unfair competition through enhancing equal tax competition and the protection of consumers.
<p>Main activities</p>	<p>The measure involved the following activities:</p> <ul style="list-style-type: none"> ▶ The voluntary earnings declaration of the taxpayer (platform worker) is sent to the Tax Authority by the digital platform. The Tax Authority then pre-fills individual income tax returns with the data received. Once it is time for the individual platform worker to submit an annual tax return, the individual reviews the pre-filled form, and if necessary, adjusts the relevant data accordingly. If edits are not required, then the individual can easily submit the declaration with one click - the average tax return submission only takes two or three minutes; ▶ Agreements were developed between the digital platform and the Tax Authority to increase cooperation. There is no specific template for these agreements. However, an agreement in principle is established on how and what data will be exchanged in order to increase cooperation between



	<p>digital platforms and the Tax Authority and ensure increased reporting of income earned across the digital platforms;</p> <ul style="list-style-type: none"> ▶ Improving knowledge and understanding of the notion of undeclared work in the digital platform, including, for example, media coverage of the issue and educational activities. Digital platforms also inform platform workers about taxation requirements and tax compliance; ▶ Identifying new ways of tracing and detecting taxable activities^v which are taking place through the digital platforms.
<p>Funding/organisational resources</p>	<ul style="list-style-type: none"> ▶ Currently no specific budget has been allocated for dealing with the information received in the pre-filled forms from the platforms workers; ▶ In future it is likely that budget resources will be allocated to the Tax Authority to set up a secure system and to ensure high quality information exchange on a mandatory basis.

	<p>Outcomes</p> <p>Reported earnings received through digital platforms workers show that cooperation between Tax Authority and digital platforms has increased declared income and the number of platform workers willing to pay their taxes.</p>
<p>Achievement of objectives</p>	<ul style="list-style-type: none"> ▶ For 2020-21 a 97% of tax returns from all taxpayers was recorded through e-filing; ▶ As of today, 5 959 tax returns have been submitted online and 683 individuals have voluntarily e-reported their earnings; ▶ The EU Directive on Administrative Cooperation in the field of taxation^{vi} will enter into force in Estonia in 2023 and will oblige digital platforms to report income earned by the platform workers, and is therefore expected to increase the tax compliance rate.
<p>Lessons learnt and success factors</p>	<ul style="list-style-type: none"> ▶ Regulatory changes can support digital platforms to operate more easily, and in turn, facilitate platforms workers to pay their taxes. Therefore, building agreements is crucial to improve tax reporting;



	<ul style="list-style-type: none"> ▶ The digitalisation of the economy pushes tax authorities to find new ways to trace and detect taxable activities and services which take place on digital platforms.
Transferability	National tax authorities, digital platforms and platform workers must trust each other, exchange information, and also be willing to cooperate.

Further information

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Useful sources and resources	<p>Estonian Tax and Customs Board website: <i>Entrepreneur Account for natural person</i></p> <p>https://www.emta.ee/en/private-client/taxes-and-payment/taxable-income/business-income-and-entrepreneur-account</p> <p>Estonian Tax and Customs Board website: <i>Taxation of the income of drivers providing taxi service through a ride-sharing platform</i></p> <p>https://www.emta.ee/eng/private-client/declaration-income/business-income/taxation-income-drivers-providing-taxi-service</p> <p>Estonian Tax and Customs Board website: <i>Estonia and Airbnb sign unique agreement on host income tax</i></p> <p>https://www.emta.ee/en/news/estonia-and-airbnb-sign-unique-agreement-host-income-tax</p>

ⁱ There are currently no harmonised definitions of ‘the collaborative economy’, ‘platform work’ and ‘digital labour platforms’ at EU level. For the purposes of this fiche, the concept of ‘digital platform’ is used, which is understood as services that are carried out by a platform worker for a consumer /client in exchange of a payment, whereby the matching between the demand and the supply of labour is facilitated by an online application or technologies that are owned by an undertaking. The online application is owned and operated by a business, the digital labour platform, and is often using algorithms and (semi-)automated decision-making.’ Definition taken by the European Platform tackling undeclared work, as found in the executive summary of the Thematic review workshop ‘Undeclared

work in the collaborative economy'. Available at:
<https://ec.europa.eu/social/main.jsp?langId=en&catId=1299&eventsId=1892&furtherEvents=yes>

ii For the purpose of illustration, AirBnB is the *digital platform*. The people/person registered on the platform to offer their services are *platform workers*, while people buying services through the platform are the *digital platform clients/consumers*.

iii The people/person registered on the platform to offer their services are *platform workers*.

iv For example, in 2019 an Entrepreneur Account system was introduced. A person who has opened an Entrepreneur Account is not obliged to register as an entrepreneur and to calculate revenues and expenses. The bank will just withhold 20% income tax and will transfer the funds to the Tax Authority. The Entrepreneur Account creates a new simple and affordable way of doing business. Accounting and tax reports are not required when using an Entrepreneur Account because the tax liability is calculated based on the payments to the Entrepreneur Account. An Entrepreneur Account is useful for a person who provides services to other natural persons for activities that do not involve any direct expenses, or for a person who sells self-produced goods or handicraft goods or goods with low cost materials or acquisition. This is an appropriate solution for new forms of work, such as the payments received from the provision of services from one natural person to another, through ride-sharing services platforms, e.g., Uber, Taxify, Bolt, etc. See more at: <https://www.emta.ee/eng/private-client/declaration-income/entrepreneur-account-natural-person#difference>

v Actions include advising platform workers on the impact of undeclared work with the aim to become tax compliant and to emphasise that declaring earnings can provide access to labour and social security protection. For example, in December 2020 the Tax Authority sent mass notifications to all individuals who had valid taxi driver service cards with the purpose of drawing attention on reporting income earned from providing taxi services.

vi See:

https://ecija.com/wp-content/uploads/2020/12/ECIJA_Nota-informativa_DAC-7.pdf#:~:text=DAC%207%3A%20EU%20Directive%20on%20Administrative%20Cooperation%20in,a dministrative%20provisions%20necessary%20to%20comply%20with%20this%20Directive