

'Sharing economy' means Portuguese government has to review its tax policies

The growth in the 'sharing economy', demonstrated by fast-growing companies such as Airbnb and Uber, is going to require a reassessment of how the Portuguese state levies taxes, according to Tiago Caiado Guerreiro, partner at Caiado Guerreiro. Whether it concerns letting a room, renting a private car, or the free exchange of goods and information, the existing tax laws are not sufficient when it comes to dealing with this expanding market.

"The sharing economy is growing, and this raises several different tax problems," says Caiado Guerreiro. "Sometimes sharing is paid and sometimes it isn't – it's a new set of relationships that the tax framework isn't prepared for." Complications arise particularly with the application of VAT, and in relation to quantifying certain exchanges of goods and knowledge.

"When the average consumer enters into transactions with the so-called large operators, these operators are not aware of how to effectively structure their activities for tax purposes," says Caiado Guerreiro. "Imagine you are going to Scotland, for example, and you hire a driver that is not part of a traditionally structured organisation. How are you going to be billed for this service? It's very complicated but also very exciting."

The expectation is that new laws will have to be drafted that can address such issues.

"You need to start creating a new framework," says Caiado Guerreiro. "Because it's growing, it has to be formalised, it's changing the economy." This type of challenging work could be a very interesting opportunity for law firms with larger tax practices, despite the downward pressure on legal fees, he adds.



Tiago Caiado Guerreiro