

The tax compliance decision of the individual in business in the sharing economy

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Abstract

Digital innovation is creating completely new ways to do business, unlocking a new generation of micro entrepreneurs who are progressively engaging with the sharing economy. One of the most pressing challenges tax authorities face is the tax compliance of these individuals that are new to business in the sharing economy.

Kamleitner, Korunka and Kirchler (2012) developed a conceptual framework that depicts key aspects that distinguish small business owners' perceptions of their tax obligation. Using Kamleitner et al.'s framework as a basis and analysing evidence from the literature, this article aims to point out additional considerations in order to develop a revised and extended framework of the factors influencing tax compliance of individuals in business in the home-sharing economy.

The results of the study propose a framework depicting the four main factors that influence the tax compliance decision, namely: (1) perceived opportunity; (2) tax knowledge; (3) decision-making, and (4) person.

Key words: Sharing economy, tax compliance, decision making, tax knowledge, perceived opportunity for non-compliance

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1. INTRODUCTION, BACKGROUND AND OBJECTIVE

Digital innovation is creating completely new ways to do business, unlocking a new generation of micro entrepreneurs who are progressively engaging with the sharing economy (Kessler, 2014).

The sharing economy was defined by an independent UK report as ‘online platforms that help people share access to assets, resources, time and skills’ (Woskow, 2014, p. 13). Individuals are making money from assets and skills they already own by using online platforms that facilitate the distribution and consumption of peer-to-peer resources.

Some of the well-known companies pioneering the sharing economy include Uber, Airbnb, Lyft, TaskRabbit, Homestay and Couchsurfing. These companies have provided individuals with a platform to earn money from assets they already own.

The sharing economy will inevitably become a major part of the global economy whilst increasingly disrupting conventional business models. The sharing economy’s dominant sectors are estimated to presently drive USD 15 billion in revenue worldwide with the potential to reach USD 335 billion by 2025 (PricewaterhouseCoopers (PwC), 2014).

Reflecting on the current and potential global revenue of the sharing economy, the term ‘sharing’ is inadequate to truly convey the capitalistic drive of sharing companies (Cannon & Chung, 2014).

Individuals in business in the sharing economy might not have set up a business entity or corporation and will thus operate as a sole proprietor for tax purposes. Even though these individuals might only be earning small amounts of money at a time, and their businesses are classified as ‘microbusinesses’, this does not permit them to operate tax-free (Steveni, 2015). These small amounts earned by individual providers have a substantial impact in aggregate (PwC, 2014).

Diverse business structures come with diverse transactions where taxes can be avoided and possibly evaded. It is extremely difficult for tax administrators to come up with appropriate policy decisions because technology changes so quickly. In fact, technology has often already changed by the time the decision is in place (McDonald, 2017). Many operators in the sharing economy manage to slip through the tax cracks because of a lack in regulation for these specific industries. Brian Chesky, founder and CEO of Airbnb once stated that ‘[t]here were laws created for businesses and there were laws for people. What the sharing economy did was create a third category: people for business’ (quoted in Kessler, 2014).

A major risk that governments’ revenue collecting arms struggle with is that those who benefit from participating in the sharing economy may under-report or not report the income derived therefrom (Oei & Ring, 2016). It is thus evident that one of the most pressing issues in this environment is the tax compliance of these individuals that are new to business in the sharing economy. The problem that will be explored by this article is that existing approaches of analysing tax compliance behaviour of individuals and small business owners alike are inadequate to address all the factors relevant to the compliance decision of the individual in business in the sharing economy.

The objective of this article is to suggest additional considerations that need to be taken into account when analysing the tax compliance of these individuals in business. These suggestions will further result in adjustments to Kamleitner, Korunka and Kirchler's (2012) framework of factors influencing the tax compliance of a small business owner as a basis for this study.

The Kamleitner et al. (2012) framework proposed depicting three main factors that influence the tax compliance decision of small business owners from a psychological perspective. These three factors are: (i) perceived opportunity; (ii) knowledge requirements, and (iii) decision frames. They further propose secondary factors such as gender, age, fairness perceptions, norms etc. on the periphery of their framework. This article consolidates the peripheral factors that are illustrated in the Kamleitner et al. framework and proposes four main factors that influence the tax compliance decision, namely: 1) perceived opportunity; 2) knowledge requirements; 3) decision-making, and 4) person.

2. METHOD

Scholarly literature and reports were sourced from academic databases using search terms such as 'sharing economy'; 'home sharing' and 'Airbnb'. We decided to limit this research to home sharing as an industry in the sharing economy. Our analysis does not include searching for factors in the ride-sharing industry or other businesses enhanced by the internet. We are, however, of the opinion that the factors extracted with our analysis are generic to similar activities in the sharing economy.

Little empirical research pertaining to compliance decisions of entrepreneurs exists to date. Our analysis entailed the systematic review of 15 articles. Codes were assigned to appropriate phrases that pertain to the categories 'perceived opportunity'; 'knowledge requirements'; and 'decision-making'. These phrases were then further refined to produce a more detailed interpretation within each category and the results obtained provided a refined and extended consideration of factors relevant to the compliance decision of the individual in business in the sharing economy.

3. RESULTS

In the sections below, the results of our thematic analysis of the literature are presented and interpreted to justify the proposed factor for inclusion in our adjusted framework.

3.1 Perceived opportunity

Kamleitner et al. (2012) state that business owners are often mentioned as a high-risk group in terms of tax compliance. This is because their opportunities to evade taxes are high. This also seems to be the case for individuals in business in the sharing economy, as the sharing economy comes with diverse business transactions where taxes can be avoided, and even evaded (McDonald, 2017).

Oei and Ring (2016) further explain a concept that they call tax opportunism. According to Oei and Ring, tax enforcement and compliance in the sharing economy may present challenges as a result of some sharing businesses opportunistically picking the more favourable regulatory interpretation of certain ambiguous legislation and regulations.

As these individuals are responsible for filing their own tax returns, these tax payers have more opportunity to ‘design’ their tax returns by exploiting the opportunities to avoid taxes (Kirchler, 2007).

In order to illustrate that perceived opportunity is applicable to the sharing economy, we will further elaborate and expand on this factor as part of our suggested framework of tax compliance factors of individuals in business in the sharing economy. The five proposed scenarios of perceived opportunity where individuals in business in the sharing economy can possibly evade taxes are: (i) operating below the radar; (ii) lack of intermediary regulation; (iii) cash-based transactions; (iv) claiming of non-deductible expenses, and (v) the legality of certain transactions in the home sharing industry.

3.1.1 *Operating below the radar*

The first factor to consider as a perceived opportunity to avoid taxes in the sharing economy is the ability of these entrepreneurs to operate below the radar. Findings from the literature set out below provide evidence that many hosts in the home-sharing economy exploit several opportunities where they can operate below the radar.

As Airbnb renting currently occurs largely in the informal sector, guests and hosts can avoid paying the taxes that are typically charged in the traditional accommodation sector (Guttentag, 2015). Because of this, many individuals in the home-sharing industry may have a mindset of operating an informal business that is, in their opinion, not subject to the rules and regulations of a formal business. Participants of the informal economy generally have a low tax morale and there is a ‘strong culture to avoid paying tax’ (Commonwealth Association of Tax Administrators (CATA), 2006, pp. 1, 14).

Many countries impose special accommodation or tourism taxes earmarked for certain tourism-related uses. These should also be payable by Airbnb guests. However, Guttentag (2015) observes that most operators in the home-sharing industry remain under the radar and do not adhere to these tourism levies. This observation is also supported by Katz (2015). It will not be easy for tax authorities to track these operators that do not charge or withhold the necessary tourism taxes. Furthermore, Stabrowski (2017) highlights the fact that Airbnb has, for example, flooded the market in New York City as well as countless other cities across the US with technically illegal accommodation units. These hosts manage to operate below the radar as there is such a large number of home-sharing entrepreneurs operating in this manner that it is very difficult for authorities to act on these violations.

Zale (2016) found that enforcing tax obligations, zoning laws and a range of other regulations becomes a near insurmountable task for tax and local authorities. She points out the high enforcement costs that will be incurred by cities, which have to monitor and enforce compliance against the large number of individual users, especially where small-scale activities are being regulated. However, she suggests that a way to lower those enforcement costs is to refocus regulatory efforts on a single actor, namely the platform.

In summary, it therefore appears that opportunities may arise for entrepreneurs in the sharing economy to operate below the radar. It is evident from the review above that there are four considerations to take note of which creates these opportunities. These considerations are: (i) the mindset of operating in the informal sector; (ii) the difficulty in administering tourism taxes; (iii) many home-sharing entrepreneurs that are operating

‘illegally’, and (iv) a large number of home-sharing entrepreneurs that create a great burden on tax administration authorities.

3.1.2 *Intermediary regulation*

One of the largest areas of opportunity for individuals in the sharing economy to avoid compliance is as a result of the sharing economy platforms not enforcing regulations or withholding levies, taxes or charges. The home-sharing industry is constantly challenged by law-makers for not adhering to the strict regulations that are imposed on hotels and other formal accommodation offerings (Katz, 2015; Leaphart, 2016). Evidence from the literature that confirms the lack of enforcement of regulations by the respective platforms is detailed below.

Kamleitner et al. (2012) believe that self-reporting creates the opportunity for non-compliance. McDonald (2017) highlights the fact that Airbnb’s official policy is that each host should be mindful of tax laws that apply to them and to pay those taxes to the proper authority. Similarly, hosts in, for example, San Francisco and Amsterdam that form part of some of the smaller home-sharing platforms are left to collect certain accommodation taxes individually and report it to the appropriate local authorities (Leaphart, 2016).

Guttentag (2015) states that Airbnb does not currently charge accommodation taxes required by the different legislators. This results in the platform as well as the hosts being ‘free riders’ who benefit from a destination’s tourism promotion efforts without contributing to the costs thereof.

Katz (2015) confirms that sharing platforms must navigate rules and regulations promulgated by multiple government agencies. These agencies tasked with investigating violations most often have limited resources resulting in a lack of or difficulty in enforcement. These challenges that governments often face lead to operators in the home-sharing economy seeing this as an opportunity not to comply with regulations.

Viswanathan (2018) concludes by finding that tax compliance depends heavily on the different platforms acting as intermediaries between the taxpayers and the relevant tax authorities. For example, since July 2017, Airbnb in Italy has been required by law to deduct a flat tax rate of 21% on home-sharing activities earned by Airbnb hosts (Studio Legale Metta, 2017).

It is therefore evident that the opportunity arises for hosts to avoid these country-specific charges if the platforms that serve as an intermediary between the host, the client and the tax authority do not withhold the necessary taxes or charges in most cases.

3.1.3 *Cash-based transactions*

The second scenario that serves as an opportunity for taxpayers in the sharing economy to reduce the amount of tax that they pay is the ability to engage with cash-based transactions.

The cash economy continues to be one of the hardest issues for tax agencies worldwide. While EFTPOS and credit card usage is climbing, cash remains the most common payment method for low-value transactions (Khadem, 2014).

Leaphart (2016) confirms that those who profit from participating in the sharing economy may underreport or not report at all the income derived from these transactions. Transactions that have been settled via a debit or credit card through means of a merchant platform create an audit trail, which can later be traced by tax authorities (Leaphart, 2016). Cash, on the other hand, is not traceable which increases the chances of abuse. This is also confirmed by the European Commission (2017) which highlights the potential for undeclared activity with cash-based transactions.

While initial booking of accommodation happens online and most payments may be done electronically in the home-sharing industry, it is also easy to engage in cash transactions. This is especially true due to the fact that the home-sharing owner and client meet face-to-face and payments for meals and other services may then happen on a cash base. This creates an opportunity for entrepreneurs to under-declare income and thus reduce their liability for taxes due.

3.1.4 *Claiming non-deductible expenses*

Taxpayers operating in the sharing economy often overstate expenses that they claim for tax purposes (Wood, 2017). In the home-sharing economy, the reasons for this include the fact that there is a fine line between expenditure incurred in the production of income and expenditure incurred for home consumption. The opportunity to reduce the amount of tax payable to tax authorities by overstating business-related expenses thus becomes very appealing.

Leaphart (2016) also confirms the fact that when platform users face the task of reporting income and deducting expenses for their sharing economy businesses, compliance, even when the law is clear, becomes more difficult. The line between expenses incurred for business purposes versus expenses incurred for personal use often is very vague. Because of this, the claiming of non-deductible expenses is therefore a definite risk area for non-compliance, as entrepreneurs in the sharing economy are confronted with the opportunity to deduct expenses not incurred for business purposes from their home-sharing income.

3.1.5 *Legality of the business activity*

An important fact to consider is that a gap between what is legal in a society and what some large groups consider to be legitimate in that society allows for an informal economy to emerge (Webb et al., 2009).

The sharing economy, in most instances, forms part of the informal economy, as entrepreneurs utilise the assets at their disposal to earn a living or to supplement their income (Slee, 2014). A study on tax avoidance and evasion by the Commonwealth Association of Tax Administrators (CATA) confirms that a transaction in the underground (or informal) economy often 'escapes taxation' (CATA, 2006, pp. 1, 14).

Disruptive business models based on new technologies often outpace their relevant legislation and consequently encounter issues associated with general legality (Guttentag, 2015). Many home-sharing or renting activities are illegal according to city bylaws, resulting in home-sharing owners being offenders against these laws, be it knowingly or not. According to Swanepoel (2013), offenders of economic crimes are only concerned about the immediate financial reward and disregard taxation consequences arising from the illegal transaction. Evidence from the literature cited

below confirms that these home-sharing platforms are continuously involved in legal battles regarding the legality of their operations.

Airbnb faces constant legal battles as their rental activity is in many cases actually illegal. There are also claims that Airbnb is avoiding its full tax obligations in many cities around the US where it is uncertain whether hosts are liable to pay occupancy taxes, a charge levied on short-term lodging, when leasing out their property on the Airbnb website (Streitfeld, 2014; McDonald 2017).

One of our most ‘detailed glimpses’ of these effects comes from the New York State Office of the Attorney General, which subpoenaed internal records from Airbnb for New York City as part of a legal action it pursued against the company. It found that more than 72% of the more than 35,000 unique units used for urban vacation rentals were actually violating New York City law in doing so (Wegmann & Jiao, 2017).

The conclusion can thus be drawn that individuals operating in the sharing economy often perceive themselves to form part of the informal economy, and thus have the mindset that certain rules and regulations do not apply to them.

3.2 Knowledge requirements

Kamleitner et al. (2012) refer to tax knowledge as the procedural aspects of tax laws (the completion of forms and keeping of detailed records) as well as an understanding of the tax laws (or specific tax knowledge). Tallaha, Shukor and Abu Hassan (2014) also propose that tax knowledge can be categorised as procedural knowledge (including all aspects relating to interaction with the tax authorities) and legal knowledge. The legal knowledge relates to knowing ‘what is taxable’ and to be able to apply this knowledge to determine a person’s tax liability. Although evidence is somewhat mixed on the influence that tax knowledge has on the individual’s tax compliance, Kamleitner et al. maintain that tax-specific knowledge tends to lead to an increase in compliance (also see Bornman & Wassermann (2018) for an overview of various studies’ empirical results on the significant positive effect of tax knowledge on tax compliance).

Our analysis of literature on the sharing economy supports the notion that individuals in the sharing economy need some procedural and legal tax knowledge. Results from the analysis are presented below as evidence in this regard.

A theme that is frequently documented is the question of the employee status of service providers on the sharing platform – are they employees or independent contractors? (See Biber et al., 2017; Thorne & Quinn, 2017; Leaphart, 2016; McDonald & Makin, 2000; Viswanathan, 2018.) This question implies a need for legal knowledge in the form of an understanding and correct interpretation of the tax rule governing employee status.

Home-sharing owners are also confronted with the matter of transient occupancy tax. We reason that the occupancy tax has a bearing on both procedural and legal knowledge requirements. In some cases, Airbnb has agreed to collect the tax directly through its platform (Zale, 2016) and the owner is not confronted with the obligation to withhold the tax. Evidence however shows that in some cities the hosts are still responsible to collect and remit the tax (Leaphart, 2016). It is thus clear that home-sharing owners may need the procedural knowledge in understanding how to register as a private vacation rental, and then how to record, collect and remit the tax owed. We further find that different cities have different rates of occupancy tax and in some cases a tiered approach is followed based on the type of establishment (thus different rates apply to different

establishments) (Leaphart, 2016) or a scaled regulation based on frequency of renting out an establishment (Zale, 2016). In this case, legal knowledge is required by the home-sharing owner in order to understand and apply the rule to determine the correct amount of tax.

Another theme identified in the literature relates to the fact that home-sharing owners use personal assets for commercial reasons (Zale, 2016). Further to this, it is possible that they do not keep separate accounts for expenses incurred in earning rental income. The implication is twofold: (i) there is a legal knowledge requirement in understanding the rules of deductibility of expenses, and (ii) there is a procedural knowledge requirement of keeping appropriate records. Nellen (2015) also points out that the home-sharing owner needs to be aware of possible exemptions available for short-term rentals and engage in proper tracking of revenue and expenditures.

It is clear from the evidence presented above that unique knowledge requirements exist on both the legal and procedural level for individuals operating in the sharing economy. Tax knowledge as a factor is therefore justified as a factor in our proposed framework.

3.3 Decision-making

The standard economic model of decision-making assumes that people make rational decisions based on a consideration of all costs and benefits (World Bank, 2015). This approach however ignores the psychological and social influences on behaviour. A recent World Bank World Development Report provides insights into how people make decisions and reports that ‘people are malleable and emotional actors whose decision making is influenced by contextual cues, local social networks, social norms, and shared mental models’ (World Bank, 2015, p. 3).

In the context of the sharing economy, it is clear that many participants are ‘ordinary people’ who try to ‘make ends meet’ by generating extra income from underutilised personal assets (Stabrowski, 2017; Zale, 2016). Although called ‘micro-entrepreneurs’ in some studies, Ravenelle (2017, p. 282) argues that this ‘app-driven work is simply viewed as a tool to make money, much like a part time job’. We therefore suggest that the typical home-sharing owner is not thinking like a small business owner and many may not have prior experience of declaring additional income or deducting expenses for tax purposes. We propose that the tax compliance decision of the individual operating in the sharing economy can be analysed using the tools that involve full consideration of human factors, namely: (i) thinking automatically; (ii) thinking socially, and (iii) thinking with mental models.

3.3.1 *Thinking automatically*

Automatic thinking is simplified thinking in which individuals make decisions based on associations that automatically come to mind and belief systems that are taken for granted. In other words, decisions are made without much deliberation (World Bank, 2015). This type of thinking is ‘fast, automatic, effortless, and associative, and often emotionally charged; they are also governed by habit’ (Kahneman, 2003, p. 1451). Given our view of owners in the sharing economy as persons who may not have the mindset of a small business owner, it is quite possible that they are ‘thinking automatically’ about their tax compliance behaviour. This may be true because some individuals are governed by habit (to comply or not to comply), or as Frenken and Schor (2017, p. 8) remark, ‘there is reason to assume that many avoid paying taxes or are not

even aware that taxes should be paid for some activities (especially home sharing)'. Thorne and Quinn (2017, p. 80) concede that owners in the sharing economy are unlike traditional employees in terms of learning an organisation's values, ethical standards and culture. They further state that transactions in the sharing economy are 'often brief, relatively private, and singular in nature'. This association of transactions being 'private in nature' may be an example of what 'automatically comes to mind' when thinking about tax obligations as a result of operating in the sharing economy, and thus may be immediately regarded as unimportant or 'not taxable'.

Kahneman (2003) claims that much evidence supports the fact that individuals' views of decisions and outcomes are normally characterised by 'narrow framing'. A frame is defined as 'the interpretation that decision makers construct for themselves, based on the way they mentally edit and interpret the information they receive' (World Bank, 2015, p. 27), and is considered to be one way of 'thinking automatically'. In the context of the sharing economy, typical framing effects can be similar to the frames that Kamleitner et al. (2012, p. 339) propose for small business owners, namely to frame the paying of taxes as a loss; and to frame taxes as threats to their personal freedom.

Based on the discussion and evidence from various authors presented above, we therefore propose that individuals in the sharing economy may be 'thinking automatically' when it comes to their tax compliance decision. Kahneman (2003) claims that this type of thinking is difficult to control or modify. This means that a deliberate effort will need to be made by tax authorities to create an awareness of tax obligations in the sharing economy.

3.3.2 *Thinking socially*

How people act and think often depends on what others around them do and think: this is called 'thinking socially' (World Bank, 2015). This is also true in respect of thinking about tax compliance. Wenzel (2005) reasons that perceptions of social norms not only affect taxpaying behaviour, but are also understood by the individual in such a way as to rationalise one's own behaviour and claim social support for one's actions.

It appears from the literature reviewed that the dominant narrative for the sharing economy suggests that 'these businesses possess a flagrant and aggressive disregard for the law, engaging in outright legal violations' (Oei & Ring, 2016). McDonald (2017, p. 77) adds that 'it is no secret that many users throughout the sharing economy do not pay transaction taxes. Few providers, I suspect, report the income earned from such endeavors'. We argue that these narratives may be perceived as the 'social norm' for the individual in the sharing economy and will influence the individual's tax compliance decision.

Social norms are often more effective in social groups when members have the possibility to communicate (see Ostrom, 2000; Hashimzade et al., 2014). Onu and Oats (2016) explain that communication with other taxpayers can influence individuals' perceived prevalence of compliance or evasion in their social environment. They provide empirical evidence of active social influence in a tax compliance setting with their analysis of 120 online interactions between taxpayers. In the context of the sharing economy, it is plausible that individuals operating on a common platform could communicate with each other and thereby influence each other's tax compliance decision.

3.3.3 *Thinking with mental models*

When people think, they generally do not draw on concepts that they have invented themselves. Instead, they use concepts, categories, identities, prototypes, stereotypes, causal narratives, and worldviews drawn from their communities. These are all examples of mental models... [and] affect what individuals perceive and how they interpret what they perceive (World Bank, 2015, p. 11).

Examples of mental models held by participants in the sharing economy are cited by Zale (2016, p. 6) as follows: 'If the sharing economy is "just a way to bring two independent parties together - one to provide a service and the other to utilize a service, why does government need to stick its nose into it"?'; and: '[i]f it is just "making the world a more connected and better place, one less stranger at a time," then why should it "have to follow the same regulations as big business does"?'.

Another mental model that could influence the tax compliance decision is 'mental accounting'. Kamleitner et al. (2012) suggest that mental accounting of taxes directs how one keeps track of taxes: is it seen as being different from other streams of income? Or stated differently – is tax money being kept in a separate mental account and not perceived as income? Holding this mental model will affect a person's perception (or framing) of tax as a loss.

We suggest that 'thinking with mental models' is a worthwhile element to consider in the tax compliance decision of individuals in the sharing economy and that more mental models could be identified and explored in this context.

3.4 **Person**

A brief overview of the justification of 'person' as a factor will suffice. We contend that a 'person' as a factor does not necessarily have unique characteristics for the individual in the sharing economy, and as such we have not analysed context-specific literature in this regard.

Hofmann et al. (2017) performed a meta-analysis on the relationships between compliance and certain socio-demographic categories. Their findings suggest that age and sex are the two socio-demographic characteristics that are crucial in tax research. Their observation of the influence of education on tax compliance are that empirical results are unclear, but Oladipupo and Obazee (2016) maintain that the level of formal, general education received by taxpayers is an important factor that contributes to the understanding of tax requirements. Several studies use formal education as a proxy for tax knowledge and assume that knowledge about taxation increases with the length of formal education.

Our framework therefore proposes that a 'person' should be included as a main factor in the adjusted framework based on the evidence that factors such as age, gender and education are important elements influencing the tax compliance decision.

4. **DISCUSSION AND CONCLUSION**

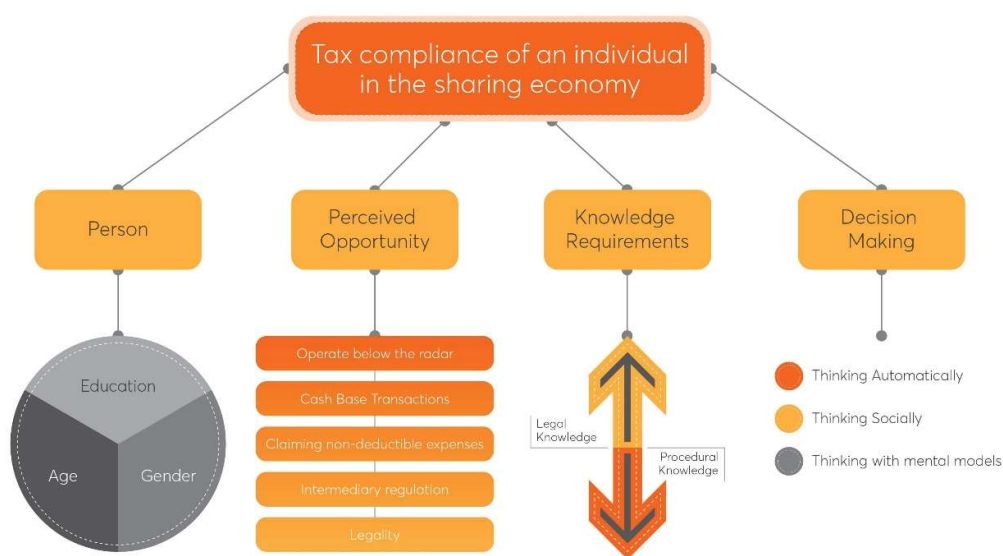
Based on our analysis of the literature and the resultant additional considerations that we have addressed and suggested in this article we have formulated an adjusted

framework of factors to consider in the assessment of tax compliance of a small business owner.

Our adjusted framework proposes four main factors that influence the tax compliance decision, namely: (1) perceived opportunity; (2) knowledge requirements; (3) decision-making, and (4) person.

We have consolidated the peripheral factors from the Kamleitner et al. (2012) framework as follows. The factors of fairness perceptions, norms and jurisdictions have been addressed in our model under, respectively, perceived opportunity and decision-making. The factors gender, age and education are grouped under the fourth main factor, 'person'. The adjusted framework is illustrated in Figure 1 below.

Fig. 1: A Framework of Factors Influencing Tax Compliance of Individuals in Business in the Sharing Economy



Source: authors' own illustration

Our adjusted framework aims to address shortcomings in the assessment of tax compliance of individuals specifically operating in the sharing economy. The adjustments to the original framework are briefly explained below:

- the factor 'perceived opportunity' was extended to include five possible scenarios that could influence the compliance decision of the individual in business in the sharing economy;
- 'knowledge requirements' were enhanced to include legal and procedural tax knowledge as factors;

- a new approach to ‘decision-making’ was proposed which encompasses a wider understanding of factors to consider in the decision-making process; and
- ‘person’ as a factor was brought into the framework (as opposed to being a peripheral factor in the original framework).

We further propose that our framework can be used as a conceptual tool to form a profile of the tax compliance behaviour of the individual operating in the sharing economy. This profile can be used by tax authorities to assess the compliance risks of these individuals and identify areas of improvement. We also recognise the potential for developing a questionnaire based on our adjusted framework and see this as impending further research.

We consider the factor of decision-making a novel contribution to the tax compliance literature, providing a new way of looking at how individuals *think* about their tax compliance decision.

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