

Cross-sectional audit of the impact of the platform economy on the public sector

Federal Social Insurance Office, Federal Tax Administration, State Secretariat for International Finance, State Secretariat for Economic Affairs

Key facts

The Swiss Federal Audit Office (SFAO) conducted a horizontal audit at the Federal Social Insurance Office (FSIO), the Federal Tax Administration (FTA), the State Secretariat for International Finance (SIF) and the State Secretariat for Economic Affairs (SECO), with the aim of investigating the challenges of the platform economy for the authorities with respect to the contributions and taxes of platform service providers.

In order to improve the state of knowledge on platform service providers, an online survey was conducted in collaboration with the Bern University of Applied Sciences. The evaluation results show that platform service providers have very little idea of their obligations. It is important to raise awareness, especially in the area of taxation. For the authorities, the new and dynamic business models, employment forms and technologies present a challenge. The platforms, which hold all the transaction data, are currently under no obligation to provide information or report to the authorities, or to provide information to the platform's users. In this regard, the SFAO made a number of recommendations to the relevant authorities.

The platform economy is growing rapidly and has become well established

The platform economy is one of the fastest-growing areas of the economy and has become a fixture of daily life for things as diverse as renting a holiday apartment, home maintenance work, cleaning work, transport services, trading of goods, capital brokerage, provision of multimedia content, etc.

It is not known how many platforms offer or broker services, nor is it known how much income platform service providers earn. Reliable data is not available. The SFAO estimates that the turnover of those platform service providers that are liable for tax and social security contributions in Switzerland is in the low single-digit billions.

Platform service providers know very little about their tax and social security obligations

A survey revealed that the people operating on the platform are largely unaware of their tax and social security obligations in connection with activities taking place on platforms. The overwhelming majority of survey respondents does not know at what point they become liable for tax or for registration with the social security.

According to the authorities surveyed by the SFAO, the complexity of legislation is a barrier, especially for people using platforms for the first time or only infrequently.

In the area of tax in particular, the SFAO recommends an awareness-raising campaign to inform platform service providers of their rights and obligations.

The authorities in Switzerland do not have the tools to perform efficient tests and checks

Owing to the sometimes opaque activities across cantonal and national borders and anonymous brokerage and payments, certain activities are not always visible to the authorities, or are not declared by the platform service providers. There can be various reasons for this, e.g. ignorance, false assumptions or even deliberate tax evasion or illegal employment. This can result in tax shortfalls and lower social security receipts, as well as to an uneven playing field for providers outside the platform economy.

Internationally, these challenges are being addressed with specific measures aimed, in particular, at achieving greater transparency. These predominantly take the form of requirements for the platforms to report or provide information to the authorities. The Organisation for Economic Co-operation and Development (OECD) has issued sample regulations in this regard. The EU will introduce reporting obligations and the exchange of data with effect from 2023. The SFAO considers these measures to be appropriate. In Switzerland, there are no sufficiently far-reaching obligations to provide information or to report. The SFAO recommends that the legal basis be established for requiring platforms to provide information or report to the authorities. This should provide the implementation agencies with the information they need in order to perform efficient tests and checks.

Lengthy process for deciding the status of platforms is distorting competition

One of the main challenges for the Swiss compensation funds is the sometimes lengthy process for categorising the platforms in terms of status: i.e. are they brokers or employers? This has a significant impact on the rights and obligations of everyone concerned. By accident or design, platforms can reap considerable benefits from a lengthy period of unclear or incorrect status, and this can also distort competition.

New challenges for the cantonal illegal employment inspection offices

For illegal employment inspection offices, the activities in the platform economy are known (e.g. cleaning, skilled trades, transport services); however, they have given rise to new questions and uncertainties over whether the offices' current powers and the legal framework are sufficient when job intermediation is done via platform and across cantonal boundaries.

A new aspect is location-independent working, which can be done from home and has received little attention to date. In this regard, the inspection offices do not have the necessary know-how and resources to even carry out inspections. In cases of abuse, this activity is referred to as virtual illegal employment.

Original text in German