Introduction

The sharing economy (SE) is thriving. According to PwC estimates, by 2025 the global SE turnover could reach $335 billion. SE activity is becoming increasingly important for Russia, especially in light of the development of the digital economy. User communities are central to the business model and longevity of SE companies.

Worldwide, the SE model is gradually changing consumer behavior and habits: with increased choice and affordability of services, many users are abandoning ownership of things and have started thinking more about the rational use of shared resources rather than traditional consumption.

SE companies provide savings not only to individual users of online services, but also to entire communities. They help significantly ease the burden on urban resources (especially transport infrastructure) and simplify access to a whole range of goods and services.

"We can confidently say that the development of the sharing economy [in Moscow] will certainly have a positive impact not only on the lives of users but also on the life of the city."

Ivan Buturlin, Department of Information Technologies of the City of Moscow

Despite overwhelming interest in the SE, today in Russia there is no common notion of what the sharing economy is.

Regulation of the SE sector in Russia develops from "the particular to the general", i.e. through specific industries (transport, housing, professional services).

"We are opposed to the idea that the sharing economy should be regulated separately. Regulation should be industry-wide... We need new approaches moving away from setting strict rules for everything towards developing a general framework within which there would be more flexibility and mobility."

Alexey Volin, Deputy Minister for Communications & Mass Media of the Russian Federation

Russian legislation contains a notion of "joint use" (a situation where several property owners own and use resources jointly). However, this concept does not reflect the essence of the SE and is not applicable to this model.

* Henceforward all quotes are from participants of a panel discussion held by RAEC on the sharing economy on 19 October 2017.
EXECUTIVE SUMMARY

- The sharing economy is a socio-economic model that is developing fast in Russia. It is already making a significant contribution to development of the national and regional economy. Putting up additional administrative barriers may reduce the pace of development of the industry and leave Russia lagging behind other countries.

- SE companies develop their own quality control system based on horizontal connections and user trust. The basis is user feedback and a system of ratings. Traditional means of consumer protection complement the control system set up by the SE.

- SE companies facilitate the rational use of resources or their exchange, reducing the burden on the environment. They help generate additional income for a great number of people, thus fulfilling an important social function. The income of the companies themselves does not usually exceed 15% of turnover. The rest goes to the users.

- As a rule, SE users receive additional income – it is mostly spent to meet the costs associated with maintaining the property (fuel, utilities, insurance, etc.).

- Users earning their main income from the SE are self-employed individuals or micro-entrepreneurs, and are thereby contributing to economic growth. Therefore, it would be beneficial to expand the list of activities that qualify for self-employed status, incorporating a larger range of SE activities.

- SE companies allow people around the world to come together and share resources. Even small SE companies can go global. Interaction with community members from different countries without actual presence there helps minimize the cost of services for users. The costs of country segmentation and localization of information flowing through SE companies may exceed revenues generated by the service.

- SE companies need to constantly improve the rules and user experience for their community members, while ensuring users comply with legal requirements. This applies to all aspects of their operations – from informing service providers that permits are mandatory, to controlling the quality of service delivery. SE companies providing information services are responsible for the integrity and reliability of the information provided.
SERVICE QUALITY

Protecting users from dishonest service providers and improving the quality of services is a priority for any SE company as the user community is the source of its sustainability, growth and development.

SE companies are information services allowing communities to come together to share resources. SE companies are therefore first and foremost responsible for the full and reliable provision of information about the service and its provider. At the same time, responsibility for the quality of the service provided lies with end service providers.

“We believe that the growth outlook for the sector is enormous. The main task is to ensure the transparency and security of the services provided.”
Andrey Barkovsky, Avito

Key initiatives

Amendments to the Federal Law “On Protection of Consumer Rights”
Status: Under review

The amendments propose a special legal status for market “aggregators” that enable users to obtain information about goods and services and buy them online. It is suggested that such aggregators of goods/services, like traditional stores, would be liable for losses incurred by the consumer due to the provision of unreliable information.

Amendments to the Federal Law “Road Transport Charter...”
Status: Under review

The amendments propose a special legal status for aggregators (information intermediaries) of passenger and luggage transport services and for passenger taxis. They would become liable for the provision of unreliable information.

Conclusions

- SE companies as providers of information services are expected to supply complete and reliable information about the service and its provider.
- The SE quality control system is based on user feedback and ratings of providers.
- SE companies may apply a system of enforcement measures against users of the community providing services of below par quality (up to blocking the account), since such users undermine trust between community members.
The majority of SE companies charge a commission on transactions made between the service or goods provider and the purchaser. SE companies’ revenues vary depending on the industry, but generally they do not exceed 15% of the total turnover. The remaining 85% are distributed among the users providing the services.

According to statistics, user revenue from SE activities in most cases do not exceed 25% of their annual household income and are mostly spent to meet the costs associated with maintaining the property or goods being shared (fuel, utilities, insurance, etc.).

Meanwhile, there are users whose SE income represents their main source of income. Such individuals can already be referred to as self-employed or micro-entrepreneurs. While Russian legislation covers self-employed people, the range of those who today fall under this category is rather narrow. To further develop the SE, it would be useful to expand the list of activities seen as self-employment. This would allow citizens drawing their main income from the SE to obtain a stable official status and continue to contribute to the development of the national economy.

International SE companies operating in Russia are liable for taxation equivalent to local VAT, under the so-called “Google Tax.”

**Key initiatives**

**Amendments to the Tax Code of the Russian Federation (“Google Tax”)**
- Status: adopted in 2016
  - The amendments make foreign companies selling services to individuals in the Russian Federation liable to VAT. Taxable services include IT-based provision to sellers and buyers of the opportunity (information-related, organizational and other) to establish contact and conclude transactions.

**Amendments to the law on cash registers**
- Status: Adopted in 2016
  - The amendments stipulate that companies selling goods to the population and organizations, as well as services to organizations, must carry out payment transactions by means of certified cash registers that transmit data to the Federal Tax Service via the internet. Since SE companies are information services connecting the customer and the service provider, the amendments do not clearly spell out if the use of such devices is mandatory for them.

**Amendments to the Civil and Tax Codes of the Russian Federation introducing the status of self-employed people**
- Status: Adopted in 2017
  - The amendments introduce a new legal status allowing people to provide certain types of services (tutoring, cleaning, caring for the elderly, etc.) without registering as an individual entrepreneur. This concept reflects the profile of the majority of SE service providers most accurately.

**Conclusions**

- As a rule, SE companies’ income does not exceed 15% of their total turnover, charged as commission from the concluded deals.
- International companies operating in Russia pay VAT on the sale of their services in Russia.
- Expanding the list of activities for self-employed people would promote further development of the SE in Russia and remove legal uncertainty for many SE participants.
USER INFORMATION

Since SE companies often act as aggregators of offers and information about goods and services provided by individuals from all over the world, the requirement to differentiate information on a national basis presents a challenge for them.

SE companies are extra-territorial. This means that anyone with access to the internet can become a member of an SE company’s community and exchange goods and services with users from all over the world. Interaction with community members from different countries without physical presence in those countries helps minimize the cost of services for users – this is one of the advantages of the sharing economy model.

Attempts to “tie” user and transaction data to a specific location and the inconsistency of norms regulating storage and transfer of personal information in different countries make life more difficult and generate additional costs for SE companies. This, in turn, can lead to an increase in the cost of services for consumers and deprive SE companies of their main advantage – offering services at low prices. Moreover, conflicting regulation in this area may cause barriers to the expansion of platforms internationally, including Russian platforms internationally.

“In my opinion, the authorities and business should work together to create such conditions for the development of the sharing economy that would allow users to consume services at an affordable price and allow the services to adequately price their services so as not to operate at a loss.”

Sergey Kuchushev, Yandex

Key initiatives

**Law on the localization of personal data**
Status: adopted in 2014

The law stipulates that companies operating in Russia must store personal data of Russian citizens on the territory of the country.

**Initiative to regulate big user data**
Status: a draft bill is yet to be developed

The initiative calls for the introduction of a legal definition of big user data (potentially any user data collected by information systems and devices, including profiles on various internet resources, information on geolocation, biometrics and user behavior) and regulating the use of such data by Russian and international companies.

Conclusions

- Even small SE companies can be global. Interacting with community members from around the world without physical presence there helps minimize the cost of services for users.
- The cost of segmentation and localization of information flowing through SE companies on a national basis may exceed their earnings.
According to Russian legislation, a number of activities are subject to licensing (for example, maintenance of medical equipment, fire safety equipment, passenger transport services, medical services, waste handling, etc.).

Working with service providers holding the necessary permits gives SE companies a level of assurance that the services will be provided properly and users will be satisfied. This, in turn, allows SE companies to attract more users to their online platforms, i.e. to develop their business.

A number of SE companies operating in Russia have already faced the need to obtain permits at the regional level. For example, in Moscow, Uber only works with drivers who have a taxi license.

Due to their nature, platforms often rely on their users to ensure that they are in compliance with local licensing rules. SE companies can impose sanctions (for example, block user accounts) in case community members do not fulfill the established requirements, but due to differing regulations, it is difficult for them to police this area effectively.

Conclusions

- Typically, SE companies are information services that provide a platform to connect customers and service providers. The need to obtain licenses required for the provision of services rests with the direct service provider – the user of the online platform.

- The SE company is responsible for establishing community rules reflecting legal requirements, including the requirement for users of the online platform to obtain the necessary licenses and permits for the provision of services.

We welcome Uber’s decision to recruit drivers in Moscow who have an official taxi license. This agreement is very important for all Muscovites and guests of the capital as it will boost passenger safety.”

Maxim Liksutov, Deputy Mayor of Moscow, Head of the Department of Transport

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