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# Navigating The Regulatory Environment In The Swedish Sharing Economy

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## Abstract

Sharing services have become and seem to remain popular with both investors and consumers. PwC has estimated its growth to 235 billion dollars in 2025 (PwC 2016). There are many examples of companies making up the Swedish Sharing Economy: Uber, Airbnb, Sunfleet, Swinga bazaar, Taskrunner, Baghitch, Urb-it, Netflix, Spotify, and the many bike sharing and carpools arranged by different municipalities in Sweden. The Sharing Economy is a phenomenon where broad segments of the population can collaboratively make use of under-utilized inventory. On the demand side, buyers are able to profit from the Sharing Economy by renting goods and not having to worry about the risks of ownership. On the supply side, individuals can provide short-term rentals of their own homes, vehicles and tools, or even pets (BorrowMyDoggy). According to Lambertson and Rose (2012) as cost of sharing is minimized and utility maximized relative to ownership, people's tendency to select a sharing system will continue to rise.

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# Navigating the Regulatory Environment in the Swedish Sharing Economy (Extended Abstract)

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## Introduction

Sharing services have become and seem to remain popular with both investors and consumers. PwC has estimated its growth to 235 billion dollars in 2025 (PwC 2016). There are many examples of companies making up the Swedish Sharing Economy: Uber, Airbnb, Sunfleet, Swinga bazaar, Taskrunner, Baghitch, Urb-it, Netflix, Spotify, and the many bike sharing and carpools arranged by different municipalities in Sweden. The Sharing Economy is a phenomenon where broad segments of the population can collaboratively make use of under-utilized inventory. On the demand side, buyers are able to profit from the Sharing Economy by renting goods and not having to worry about the risks of ownership. On the supply side, individuals can provide short-term rentals of their own homes, vehicles and tools, or even pets (BorrowMyDoggy). According to Lambertson and Rose (2012) as cost of sharing is minimized and utility maximized relative to ownership, people's tendency to select a sharing system will continue to rise. They define commercial sharing systems as markets-managed systems, where opportunities to enjoy product benefits are given to consumers without involvement of ownership. Sharing systems are increasingly challenging conventional capitalism and sole ownership. However, some researchers claim that there is no sharing involved in this process. Once a

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consumer “shares” something it is usually placed on a commercial, often virtual, marketplace for consumption. The sharing business is therefore merely an intermediary (Wentrup and Strom 2016). Despite ones view of sharing, sharing businesses continue to struggle with navigating the regulatory environment in the countries they operate in. This study examines how two sharing businesses (Uber and Airbnb) are navigating the regulatory environment in Sweden. These businesses allow users to rent their labor and belongings to strangers via technological platforms which empower and encourage consumers to trust fellow citizens with the help of rating systems. Their platforms encourage buyers and sellers to get to know each other and provide secure online payment systems.

According to Belk (2013), the fast growth of the Sharing Economy and collaborative consumption can be attributed to (1) the use of temporary access models excluding ownership in the utilization of consumer products and services and (2) the reliance upon the Internet that allows website users to contribute with content and connect with each other. Ozanne and Ballentine (2010), examine why consumers choose to avoid conventional consumption by utilizing toy libraries. A new public understanding of “access to shared goods” (Shaheen 2012: 72) has facilitated the rise of new business models, which have produced access to shared resources, as a substitute to ownership. Bardhi and Eckhardt (2012) suggest that access-based consumption is a distinctive form of consumption and a lack of understanding about its complications and features exists. By conducting an analytical investigation of car sharing, they examined access as an opposite to ownership and conventional capitalism, and reasons for why people engage in such. They define it to comprise consumer involvement, temporality, and political consumerism. Their research defines access-based consumption as a very important trend throughout the last decade, and highlights the lack of knowledge and research in this area. Albinsson and Perera (2012), address several questions about sharing and why consumers battle certain consumption practices. They unite the act of sharing with community building and alternative forms of consumption, where the aim is to deepen understanding of challenges and difficulties of collaborative consumption and sharing.

## *Overview of Swedish Regulations*

According to Swedish law, it is prohibited to carry out taxi services without providing taximeter data from an operating vehicle to a datacenter, 2 chapter 1 § Taxitrafiklag (SFS 2012:211), 5 chapter 1 § Taxitrafikförordning (SFS 2012:238). So far, some of the companies Uber collaborates with have been granted exemptions from the requirement of using taximeters by the Swedish Transport Agency, 5 chapter 2 § Taxitrafikförordning. However, to be granted an exemption you need to present extraordinary circumstances (e.g. providing guided tours). The exemption can be granted for the maximum of 2 years. Two companies were denied such exemptions last year, on the grounds that they were planning to operate on behalf of Uber. Mikael Kyller, a Transport Agency representative, express that companies operating

with a taximeter exemption might be in breach of the exemption provided that they are carrying out “traditional” taxi trips in exchange for cash payment. The fare is always calculated by Uber’s software system and Kyller note that a traditional taxi trip should always be calculated and registered in the taximeter during the trip. If a fixed price is agreed, the price must be registered in the taximeter before the trip begins. The Transport Agency mainly conducts their supervision through “desk investigations” and the agency is dependent on police reports, court decisions, and decisions by the Tax Agency to perform it.

When owning a house, there is no legal obstacle renting it out as long as the income is reported to the Swedish Tax Agency. However, for apartments and condominiums the possibility to sublet (even for a short time) is regulated by law. For an apartment that is owned like a condominium or “bostadsrätt,” a consent from the Board of Directors in the home-owners association (bostadsrätt-association), 7 chapter 10 § Bostadsrättslag (SFS 1991:614) is needed. If the board denies approval to sublet, the apartment owner can apply for approval by the court “Hyresnämnden,” 7 chapter 11 § Bostadsrättslag. Regarding an apartment that is rented, “hyresrätt,” the equivalent consent is needed from the landlord in order to sublet, 39 § Hyreslagen (SFS 2008:1074). The possibility to sublet an apartment that is rented is more difficult than for an apartment that is owned, 40 § Hyreslagen. Income from renting out your home is taxed as income of capital gains, 41 chapter 1 §, 42 chapter 30 § Inkomstskattelag (SFS 1999:1229). The tax rate of capital gains is 30%. You are allowed to make some deductions from the income. First you deduct SEK 40000 from the renting income. If you own a house or a holiday house you are allowed to make another deduction with 20% of the rent. If you sublet your apartment you are allowed to deduct the fee, which you pay to your “bostadsrätts-association” or the rent you pay for your “hyresrätt,” 42 chapter 31 § Inkomstskattelag. However, despite the current laws which restrict sharing businesses to operate legally, a recent motion in the Swedish government seems to support changes in regulations to facilitate the increase in sharing economy ventures (Sveriges Riksdag, Motion, 2015/16:1050).

## Method

This study utilizes secondary data such as archival data consisting of official documents from government institutions, popular press, and publicly available information from Uber and Airbnb. Further, the companies selected make up the core of the Sharing Economy in Sweden. Airbnb was selected from the element that it is “the archetype” (Strauss 2013) of the Sharing Economy and further “it is the most prominent example of a huge new ‘sharing economy’” (The Economist 2013). Uber is also described to be the one of these core companies (Miller 2014), and is one of the fastest growing companies within the Sharing Economy. Both companies are representative of the Sharing Economy and were selected as they are the two most obvious businesses facing regulatory challenges in Sweden.

## Analysis and Findings

Uber, which entered the Swedish market in 2013, continues to create controversial headlines in Swedish media. UberPOP which provide drivers without a taxi driver's license the opportunity to provide ridesharing to citizens using a mobile application keeps 20 % of all fares. Their lack of reporting their drivers income to the Swedish Tax Agency is illegal as you have to provide information if the cost exceeds SEK 100 (which most taxi rides exceeds) (Wettre and Ridderstedt 2015). Uber has been called an "organized tax evader" by the Swedish press due to their placement of headquarters in the Netherlands thereby making it impossible for the Swedish government to provide their regular control for compliance (Goldberg 2015a). The Swedish Court has deemed their operations as illegal but they still continue to provide their services in Stockholm and Gothenburg. In March 2016, Svea Court of Appeal ruled that drivers picking up clients through the app UberPOP are guilty of illegal taxi traffic and is a violation against the requirement to have a taxi license for such services (Transportstyrelsen 2016). To date, 21 Swedish drivers have been convicted of driving taxi illegally while operating under Uber's platform (Wierup 2016). Uber consider themselves operating within the legal environment as they claim they only provide a technology platform rather than as a taxi corporation. However, Uber has paid the legal fees for several convicted drivers (Goldberg 2016b) so one must wonder how innocent they really are in their enabling of drivers offering illegal services by utilizing the Uber platform.

We find that for UberPOP sharing services to be considered legal, the fact that the driver is paid by the passenger should not be the focus of the ride. If the driver is truly going to a destination (e.g. the airport or another city and picks up another person to share the ride then if they "split the cost of the gas" it could be considered legal, but if the passenger decides where he or she wants to go, then it is illegal (Amy Rader Olsson quoted in Lucas 2016).

Airbnb's online marketplace has experienced a rapid growth, and listings have more than doubled each year since 2011, with more than 60 million guests and over two million listings worldwide (Airbnb 2016). In Sweden alone, there are about 11,000 spaces to rent through Airbnb. Airbnb's operations had a huge growth of 89% in Sweden between 2014 and 2015 (Fastighetstidningen 2015). Airbnb is drawing accumulative scrutiny from regulators concerned with laws, tax collection, and safety (De La Merced 2014), especially in the US, where the phenomenon currently is further developed than in Sweden. In Sweden users of Airbnb has recently been denied to rent out their apartments by Hyresnämnden. According to lawmakers, though, merely the desire to earn an income from the apartment is not a reason for the court to approve a sublet (Prop. 2013/14:142 page 22). Furthermore in 2015 legislators determined to regard subletting apartments via Airbnb as operating a hotel. The commercial nature of operating a hotel service by subletting an apartment is therefore not supported by Bostadsrättslag (SFS 1991:614). We posit that new regulations are needed if consumers are to feel confident in subletting their homes and apartments while operating within the law.

## Discussion and Conclusion

The growth of the Sharing Economy in Sweden shows few signs of slowing down despite violating current legislation. If policies and regulations are not updated, the Swedish government risks driving the Sharing Economy underground—or keeping its businesses' profits abroad—refuting residents and the public sector the benefits, which the Sharing Economy could actually bring to Sweden. As the magnitude of the Sharing Economy has grown, it is clear that so has the extent of its political, societal, and economic impacts. After all, it seems that getting regulation right is all that separates the Sharing Economy from developing into a shadow economy. Further, the Sharing Economy will affect both inhabitants and regulators across the country, who have to incorporate the Sharing Economy into their cities and are presented with both opportunities and challenges. Citizens are allowed to influence the terms under which they consume and as globalization brings countries closer to each other obliterating borders, the Sharing Economy brings people and services closer, and promotes access and sustainability. Nevertheless, both Airbnb and Uber can be defined as *enablers* of tax evasion and illegal acts. Airbnb itself does not seem to break any Swedish laws, but the users of their platforms and services do, same is valid for Uber. These sharing economy-businesses enter the market and disrupts balance and order. But important to point out is that what may cause problems for society, might create opportunities for consumers and new regulations. While the Sharing Economy disrupts local legislation, threatens, and upends traditional industries it also acts as a wave for innovation and growth. No single solution-fits-all regulatory change exists and what might benefit consumers appear to have negative effects on society in large.

In a world where natural resources will become scarce, the Sharing Economy should enable the effective sharing and utilization of all available resources among people. Questions for further research could be whether systems of *sharing* offer an alternative business model that is actually maintainable/sustainable in the long run? Can the Sharing Economy be successful in developing regimes? Are market actors and consumers more eager to cooperate within the Sharing Economy than with governments? Since the middle of the twentieth century, economic prosperity has been equated with a consumerist society with ownership at its core. However, technology has now reduced all kinds of transaction costs, making sharing assets cheaper and easier to access, and hence makes it possible on a much larger scale. The big change is the availability of more data about people and things, which allows physical assets to be shared and consumed as services. A recent digitalization committee in Sweden has recommended new laws to be written on labor and taxation to work with the sharing economy not against it (Goldberg 2015c). Thus, perhaps the largest questions of all are; can regulation and innovation work together in the future, and will the Sharing Economy in Sweden survive?