



Mad Paws Holdings Limited
ACN 636 243 180
Level 3, 55 Pyrmont Bridge Road
Pyrmont, NSW, 2009

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Mad Paws Submission to Treasury and the Australian Taxation Office regarding the implementation of a reporting regime for sharing economy platform providers

Background on Mad Paws

- Mad Paws is a Sydney-based company that was created to fill in the ever growing need in the pet boarding market for affordable, and local pet accommodation whilst still maintaining the care, love, and attention pets received at high-end, expensive, pet boarding services.
- Mad Paws was established in 2015, currently has 60 employees and is listed on the ASX under the ticker MPA.
- We assist pet owners in finding passionate and trusted local pet sitters when they have to go away. To create a safe, affordable and efficient way to find the best sitters in local, trusted neighbourhoods that will give you the peace of mind and continue to build a sense of community.
- For Sitters we provide an opportunity to supplement their income by providing pet sitting and other ancillary services to owners. We provide the following services
 - A platform and the advertising tools to continuously acquire new bookings
 - Emergency support
 - Secure and fast online payments
 - Continual marketing and platform maintenance
 - Accident and insurance cover

Introduction

Mad Paws appreciates the opportunity to provide a submission to the Treasury's review in relation to the introduction of a tax reporting regime for online sharing platforms. We are in alignment with the Treasury's goals of minimising the potential tax leakage arising from the growth in the sharing economy and related technology providers.

We also acknowledge the government's often stated support and encouragement of digital economy businesses in Australia, and its desire to provide a regulatory framework that enables those businesses to thrive.

Mad Paws considers open engagement and cooperation between sharing economy businesses/platforms and the Treasury/ ATO as critical to ensure the economic benefits of the sharing economy are maximised for all.



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We believe that a successful implementation of the reporting regime requires businesses and the ATO to work together so that we optimise the collection and reporting of data without it causing a detrimental impact to individual digital economy businesses.

Mad Paws would like to commence a discourse with Treasury and the ATO to ensure that the government has a very clear understanding of our business model. We believe that it is important for government to understand what data we currently collect, and how and when that data is collected. By sharing that information, we believe that we can successfully agree on a means of reporting the data required, without that impacting our business in a way that actually causes damage. Furthermore, we want to ensure the proposed arrangements would not disadvantage local compared to international participants as well as marketplace versus classified participants.

Concerns about the current draft relating to Mad Paws

1. We believe the risk of significant tax leakage as a result of the Mad Paws marketplace is minimal. Median sitter earnings on the Mad Paws platform last year was \$80. Of the total 7,196 sitters who earned income on the platform during that period, 97% earned less than \$1000 per annum. We do not believe the current or future earnings of our sitters represents a significant proportion of potential lost tax revenue for the ATO. Nor does the effort of validating and checking 7,196 people's activities in order to tax an extra \$80 seem like an efficient or fruitful use of resources (and the incremental benefit applies only for the small proportion who are not already declaring their income from the platform). Furthermore, 0% of users on the platform earned more than the threshold required for registration for GST purposes.
2. The Mad Paws platform is able to create new Australian job opportunities because of the ease with which users can access the platform and its services. We refer to this ease of access as a "frictionless" platform experience. Anything which adds friction to the registration process makes it less likely that a Sitter will register with the platform reducing the number of Sitters available to be booked, which will ultimately inhibit a customer in finding a Sitter at a time and price they require. Requiring data from users during the registration process adds friction. Collection of data beyond what is already collected, or requiring it to be collected earlier in the process, adds friction. This inevitably reduces the number of job opportunities created on the platform.
3. Trust is an important component of Mad Paws marketplace. The perception that we are working for the government to identify tax reporting failures could have a negative impact on relations with the Mad Paws community.



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4. We note in the Treasury fact sheet *“Introducing a sharing economy reporting regime - Fact sheet for exposure draft legislation”* states that classifieds, listing and advertising platform operators will be exempt from the reporting requirements. This exclusion penalises marketplace businesses who provide a greater utility to both customers and sitters. In addition, this exclusion may push a great proportion of these transactions on to the excluded platforms, diminishing the overall purpose of the proposed reporting regime.
5. Mad Paws would like to work with Treasury and the ATO to find the most effective way to deliver the information they need, in a way which does not have a negative impact on the creation of job opportunities or the wellbeing of Pet Sitters who rely on the Mad Paws marketplace to generate an income.
6. We want to work with Treasury and the ATO to achieve their objectives, but request that we do so on the basis that it does not:
 - increase friction in the platform
 - require additional data to be collected beyond what we already collect from Sitters, or can acquire from our own data:
 - Name
 - Email
 - Address
 - Mobile
 - Earnings on platform and fees paid to Mad Paws
 - require data to be collected at a time other than it is currently collected in the Sitter onboarding process
 - Introduce collection of any additional categories of data we do not currently collect (eg. enquiries as to GST registration, Tax file number)



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Concerns/Observations relating to the Australian tech industry

In preparing our submission we have liaised with a number of parties and providers in the sharing economy and technology industry and have outlined our combined concerns and observations below.

1. The government has indicated support for jobs created in Australia in the digital economy. The imposition of additional data collection requirements makes it more difficult for companies in the digital economy to succeed. This reporting regime will add friction to all online sharing platform operators and inhibit success, thereby limiting job creation opportunities. We think this is an unreasonable request from government, and contrary to its stated objective of encouraging expansion of the digital economy in Australia.
2. There is growing concern that the government is asking the private sector to disclose increasing levels of personal information to government agencies. This perception of being spied on by private companies on behalf of the government is not good for public trust in government, or the efficient operation of digital economy businesses.
3. It is not the private sector's responsibility to police the collection of tax payments. Requiring private businesses to establish processes to collect and report earnings data for non-employees is time-consuming and costly. It is disruptive and forces businesses to incur cost to do the government's work - an inappropriate use of shareholders' funds. It also puts digital economy businesses at a disadvantage to non-digital businesses who are not subject to these additional reporting requirements.
4. We do not believe that data reporting will result in substantially increased tax collection given the profile of users and average value of earnings generated on sharing economy platforms. Nor does the typical user of an online sharing platform fit the categories of worst tax evaders the ATO is currently targeting.
5. The negative impact on digital economy platform operators and the foregone employment opportunities those platforms create, outweigh any small benefits the ATO might derive from additional data sources available for tax collection purposes.
6. This policy will impact and disadvantage Australian companies compared to global internet giants that are able to structure their operations to circumvent Australian regulation. This adds to the perception that the Googles and Facebooks of this world get a free ride when it comes to tax compliance compared to local Australian companies competing in the same space.



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7. This policy will also create potential disadvantages between different players in the market. For example between local listing sites and local marketplace businesses. The goal should be a level playing field between all parties involved in the market rather than a disproportionate amount of requests that results in friction for some players in the market.
8. This policy will create a disproportionate amount of work for smaller companies. The administration required in setting up data collection, extraction and reporting is not insignificant for a smaller company. This is just another hurdle likely to stifle innovation.

We are looking forward to your response and are open to discuss a way forward.

DocuSigned by:

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Justus Hammer
CEO - Co-Founder
Mad Paws