

## SEX WORKING AND TAXATION IN EUROPEAN COUNTRIES

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# SEX WORKING AND TAXATION IN EUROPEAN COUNTRIES

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## **Abstract**

The paper aims to give a picture of the present nature of taxation of sex working in a large number of European countries. Sex working is widespread, and yet it is only taxed in a few countries. There is a move to extend the taxation of sex working to other countries. Consequently, a number of different tax regimes are applied to this field of activity. Following an overview of such taxation, particularly in Europe (its origins, entity and social acceptance), the paper then discusses the classification of general countries' "models" of sex working taxation. The corresponding regimes of each country are then examined in greater depth. Finally, the paper considers the main "sex industry taxes" applied in a number of countries, as well as the current proposals to enlarge that number.

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## 1. *Introduction*<sup>1</sup>

Sex working dates back to about the year 2,500 B.C.. It was first taxed by Solon in Ancient Athens, in around the year 450 B.C.<sup>2</sup>. Since then, sex working has spread worldwide; however, the corresponding legal arrangements - from banning it outright to legalizing/regularizing and taxing it - have differed significantly from one country to the next and at different times in history. Important differences in the legal frameworks in question persist among European countries. The purpose of this paper is to give a picture of existing sex working taxation in Europe, ranging from those countries where there are general legal models already in place, to those where legalizing and taxing sex working is still at the proposal stage.

The following section of this paper offers a general overview of the origins and principal features of sex working taxation. The third section considers the different legislative frameworks relating to sex working in various European countries today. The fourth section deals with the established taxation of sex working in a number of European countries: Austria, Germany, the Netherlands, Switzerland and the United Kingdom. Section five examines current proposals for the legalization and taxation of sex working in two countries (the U.S.A. and Italy), while the final section offers some conclusions.

## 2. *The origins of sex working and its taxation: existing data and the current debate*

### 2.1 *Ancient Greece and Rome*

According to the most authoritative literature, it is widely agreed that in the Mediterranean area, sex working dates back to around the year 2,500 B.C.. Taxation of sex working, on the other hand, is believed to date from about two thousand years later, in Ancient Athens as a result of the Constitutional Reform promoted by Solon. Solon reaffirmed the principle that everyone should contribute financially to the operations of the “Polis”, and he consequently taxed sex working, with each person paying a duty, calculated on the basis of his/her social class. The moneys thus collected were used to create a cheap brothel, intended for the young and the poor.

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<sup>1</sup> [luigi.bernardi@unipv.it](mailto:luigi.bernardi@unipv.it). My thanks are due to S. Scabrosetti, R. Puglisi and V. Tanzi for the help they provided. The final version of the paper was submitted to the Journal in June 2018. In this paper the term "sex work" and its derivatives are used in place of "prostitution" and its derivatives, in accordance with the recommendations of the World Health Organisation (WHO 2001; WHO 2005) and the United Nations (UN 2006; UNAIDS 2002).

<sup>2</sup> In general, for the history of sex working see SANGER (Amazon reprint undated), WIKIPEDIA (2017a), PROCONORG (2013).

Thus the basic principles of tax sharing (ability to pay and equity) were observed (see, among others, IANNETTI, 2017).

Moreover, in Ancient Greece sex working (both male and female) was widespread. Many sources report that taxation and registration were mandatory. In particular, as a coastal city and the hub of the Ancient Greek world, Athens was frequently visited by sailors and merchants, who generated considerable demand for sexual services from registered sex workers (ANCIENT HISTORY ENCYCLOPEDIA, 2017a).

Sex working was also widespread in Ancient Rome (ANCIENT HISTORY ENCYCLOPEDIA, 2017b). Sex workers had to pay specific taxes, just like workers in many other special professions. Moreover, Caligula introduced a proportional tax on sex workers' earnings (the *vectigal ex capturis*) (MCGINN, 1998). The advent of Christianity was expected to result in a reduction in sex working, but this did not happen. One reason was that the Church's Founding Fathers (e.g. St. Augustine and St. Paul) stated that for the benefit of social order, legalising sex working was better than banning it (CAPUANO, 2014)<sup>3</sup>.

Sex working was to become more widely diffused in the following centuries, the only slowdown being registered at the end of the 16<sup>th</sup> century as a result of the spread of venereal diseases, and of stricter rules of behaviour imposed by the Church following the Council of Trent. Governments repeatedly tried to control sex working; however, the prevailing policy was to favour the opening of new brothels, rather than to register and tax independent sex workers.

## 2.2 Data<sup>4</sup>

Table 1 shows figures for the present status of sex working in selected European countries<sup>5</sup>. The total number of reported (female) sex workers (both legal and illegal) is rather large, just short of 1 million, so that any policy for the control and regulation of sex working must be highly engaging. Figures for individual countries vary enormously, from only 1,000 in Ireland to an astonishing 400,000 in Germany. These differences do not seem to be purely ascribable to the relative size of the countries (e.g. France vs. Germany). Other factors (such as per capita income) are at play here (ELIAS, 1998).

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<sup>3</sup> About 10 centuries later, the same belief was expressed by St. Thomas. In a famous reference to Augustine's *De Ordine* 2.4.12, St. Thomas cites the latter's assertion that "*The public woman is in society what bilge is in [a ship at] sea and the sewer pit in a palace. Remove this sewer pit and the entire palace will be contaminated.*" For many centuries this belief was to guide the policies of the city's mayors.

<sup>4</sup> Data on sex working must be treated with caution, as their quality is sometimes poor. There is probably a general undervaluation of the matter.

<sup>5</sup> Through the world as a whole, the number of sex workers is estimated at around 14 million (HAVOCSCOPE, 2018).

## HERE TABLE 1

Moreover, the price of a comparable individual sex act varies considerably from one country to another<sup>6</sup>, and probably weighs on the customer. A country's per capita income (ELIAS, 1998) seems to play a role, and a certain convergence is evident in the interval from \$30 to \$100<sup>7</sup>. Figures for existing specific taxation are only available for Germany (\$150 per month) and Switzerland (\$5.4 per night); these two figures do not differ significantly if compared across the same time span<sup>8</sup>.

Data are available for the money spent on sexual services per year<sup>9</sup>, that is, sex workers' total revenue. Once again, there is a considerable difference from one country to the next, and this figure ranges from \$326 million in Ireland to \$800 million in the Netherlands. Finally, the potential revenue foregone by those Governments that do not tax sex working has been estimated (without evasion) at about €15 bn in the case of certain larger countries (like France or Italy)<sup>10</sup>.

### *2.3 The present debate*

Over the course of history, sex working has been at the centre of recurrent debate regarding its social acceptance. Ideological, religious, health and social arguments have been put forward in this regard, but we do not intend to address this debate in its entirety here, but we only wish to examine a few points which have enlivened the current discussion<sup>11</sup> (PROCONORG, 2018; DEBATEPEDIA, 2017; DEBATEORG, 2017; PROCON.ORG, 2018a).

- The supporters of legalizing sex working claim that nowadays it is the result of the free choice of more or less well-educated women (as with other forms of profession). If we treat sex work as just another service industry, then sex workers will start to shed the stigma of criminality. The opponents of legalizing sex working, on the other hand, argue that sex workers are forced into the industry. Moreover, they argue that it is immoral and attributes to the

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<sup>6</sup> The lowest price in the world is that of Mali (\$2.00).

<sup>7</sup> These prices are for a quick single act. Higher prices are charged for more demanding services.

<sup>8</sup> No data are available on sex workers' yearly income, with the exception of the UK (\$77,000).

<sup>9</sup> 186 bn is the estimated figure for the entire world (HAVOCScope, 2018).

<sup>10</sup> These data have been estimated on the basis of figures for Germany and the UK, where sex working is taxed.

<sup>11</sup> There is heated debate ongoing, especially in the U.S.A. where proposals have been submitted to legalize and tax sex work (see below). Frequently the discussion is framed in terms of the pros and cons of legalization, often put forward by authoritative rival observers.

State the role of sex workers' pimp. Moreover, illegal sex working is not detrimental to the followers of the world's leading religions.

- Supporters of legalisation claim that legal sex working may make life safer for sex workers, reduce crimes and pimping, permit more effective health and policy control, and generate huge revenue for the Treasury. The traditional perception of sex workers as "slaves" would be a thing of the past. The experience with recently built brothels in a number of countries shows that a legalized, regulated, taxed sex industry does work. On the contrary, opponents state that sex work degrades the women by reducing them to the status of merchandise to be bought, sold and abused. Legalisation would reinforce women's oppression by male - dominated societies and would represent a clear affront to the concept of gender equality. Its opponents also claim that the legalized sex business does not work. Women are continuously being abused. Human trafficking gangs continue to sell women from Eastern Europe, South America and Africa<sup>12</sup> (as with children (HAVOCSCOPE, 2018; CHO ET ALL.; 2013; O'CONNOR AND HEAL, 2006)).

### 3. *The legal framework of sex working: the European models*

First of all, according to PROCON (2016)<sup>13</sup>, of the 100 major countries in the world, sex working is legal in 49% of them, illegal in 39% of them, and of limited legality in the remaining 12%. Pimping is illegal in almost all countries, as is the ownership of a brothel.

As regards European countries (e.g. STUDIO CATALDI, 2017), articulated classification of legal arrangements concerning sex working has been formulated and generally agreed on. Four models are singled out, which may be summarised as follows (Table 2).

a. The "**Prohibitionist**" model, whereby sex working is strictly banned and punishment may be inflicted (sometimes on the customers as well). This model appears to be applied in most non-EU East-European countries, the only EU exception being Romania<sup>14</sup>.

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<sup>12</sup> A theoretical and empirical evidence is given by CHO, S. ET ALL (2013). They investigate the impact of legalized sex working on human trafficking inflows. According to economic theory, there are two opposing effects of unknown magnitude. The scale effect of legalized sex working leads to an expansion of the sex working market, increasing human trafficking, while the substitution effect reduces demand for trafficked women as legal sex workers are favored over trafficked ones. An empirical analysis for a cross-section of up to 150 countries shows that the scale effect dominates the substitution effect.

<sup>13</sup> In the same source one may find short summaries concerning the most recent evolutions of the sex working's legal treatments in the considered countries..

<sup>14</sup> A consequence may be the intense trafficking of Rumanian girls to West European countries, and particular to Germany, France and Italy (HAVOCSCOPE, 2018).

b. The most recent “**Neo-prohibitionist - Nordic**” model is somewhat similar. This was introduced by Sweden in 1999, and then also adopted by Iceland, Norway and France (EU PARLIAMENT, 2014; CATWA, 2017). Sex acts are always considered to constitute rape, and consequently the customer (not the sex worker) is subject to punishment when sex is provided for money. It is believed (also by the EUROPEAN PARLIAMENT, 2017) that the Nordic Model is effective in reducing sex trafficking, and can be recommended to EU Countries. However, the Nordic Model requires an advanced social environment and highly civilized sexual relationships, in order for it to be successful. This may be the case in Nordic European countries, but not in other European countries<sup>15</sup>.

HERE TABLE 2

c. The “**Abolitionist**” model does not ban independent sex working, but neither does it regulate it. Vice-versa, any activity which favours sex working (like recruiting, exploitation, pimping, opening a brothel) is generally illegal and punished as such. However, fines are widely eluded, and paid sex may be tolerated by the Police. This model is found in a large number of European countries (Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, Ireland, Italy, Luxembourg, Poland, Portugal, Slovakia, Spain and the United Kingdom).

d. The last model - the “**Regulatory**” model - on the other hand, both allows and regulates sex working. However, this model has only been adopted in seven European countries (Ireland, the Netherlands, Germany, Austria, Switzerland, Greece and Hungary). Legalization usually includes the imposition of taxes and restrictions on sex working (e.g. medical examinations/inspections, the minimum age of sex workers, and so on).

The aforementioned findings and further information regarding a number of European countries are set out in Table 2. The first point to make here is that, as one can see, the years in which the existing tax regimes were introduced almost all from the last three decades of the 20<sup>th</sup> century, except for Switzerland (1942). Most of these changes in the respective tax systems were in the direction of legalising sex working, in accordance with the changing social values and human relations that characterised the latter decades of the last century. Moreover, the taxation of sex working is in force not only where a regulatory regime has been adopted, and this may be a sign of the proliferation of the taxation of sex working. Finally, brothels and pimping are illegal almost everywhere, the only exceptions being Austria, Germany, the Netherlands and Switzerland.

In addition to the general models of sex working taxation in place in the European countries we have just dealt with, in some countries there are certain specific and/or unique features of sex working taxation that we shall shortly mention

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<sup>15</sup> In effect, it's worthwhile to observe that the proliferation of the Nordic Model - at least up to now - has reached only Nordic countries, the only exception being France.

(WIKIPEDIA, 2017b). The main cases of sex working taxation in the various European countries concerned shall now be examined.

In the **Czech Republic**, sex workers frequently obtain legal employment status by specifying another form of self-employment (e.g. working as a waitress). This means they pay taxes and have access to social insurance.

In **Denmark**, sex working was decriminalized in 1999 on the premise that it was easier to police a legal trade than an illegal one; however, certain related activities remain illegal (such as operating brothels, pimping and the offering of sex by non-residents). Moreover, sex workers are not entitled to the protection of employment laws or to unemployment benefits, but are still required to register for, and pay taxes, although they do not have to declare sex working as their occupation.

**France** has just become the fourth country in Europe to criminalize people who pay for sex, following the Nordic Model (previously seen in Sweden, Norway and Iceland). Taxation is absent, and this means that Treasury loses out on an estimated \$15 billion.

Although street sex working is officially illegal in **Greece**, it is not really persecuted, and in any case paid sex acts are allowed in indoor settings. Nonetheless, it is not considered a profession, and workers are not entitled to any form of labour law protection.

In **Hungary**, local authorities are obliged to designate specific zones for legal sex working. According to Hungarian law, sex workers are basically professional women who engage in sexual activity in exchange for money; the Government allows this activity as long as sex workers pay taxes and possess up-to-date documents.

Up until the beginning of 2014, sex working in **Romania** was banned. Since then, sex acts have been regarded as constituting merely administrative offences, and as such subject to a fine. Romania therefore continues to be one of the few European states in which sex working is punished. As we have already said, the ban contributes to the intense trafficking of girls to become sex workers, who move in particular to France, Germany and Italy. (HAVOCScope, 2018).

In **Spain**, sex working was decriminalized in 1995. Sex working itself is not directly addressed by the Spanish Criminal Code, but the exploitation of sex workers, in the form of pimping for example, is illegal. Owning an establishment where sex workers operate is in itself legal, but the owner cannot derive financial gain from the sex workers or hire a person to sell sex. Local governments differ in their approaches to both indoor and outdoor sex working, usually in response to community pressure groups, and based on 'public safety'. A particular case is the government of Catalonia, which offers licenses for persons "to gather people to practice sex working".

#### *4. The main cases of sex working taxation in Europe*

##### *4.1 Some general remarks*



In the previous section we looked at the legal framework governing sex working in certain European countries. We shall now focus on the taxation of sex working in those European countries where such a tax regime is already well established. However, before we do so we should make a couple of general points in regard to this matter.

Firstly, the European Court of Justice of Luxembourg has decreed that sex working is a “supply of paid services” (Ruling no. 268-20/11/2001). Secondly, according to this ruling, sex workers are required to pay taxes on the taxable income generated by their sex working.

In **Austria**, (KARTUSCH ET ALL., 2007) sex workers are considered to be self-employed, and since 1986 - according to the case law of the Austrian Administrative Court - as a consequence of their self-employed status, such persons are obliged to pay Income Tax pursuant to the Income Tax Act (*Einkommensteuergesetz*) and the Sales Tax Act (*Umsatzsteuergesetz*). The *Arbeits-und Sozialrechts-Änderungsgesetz* (ASRÄG) of 1997 also included social insurance. Moreover, brothel owners must pay tax on their earnings, including payments received from sex workers in return for protection services.

In **Germany** the sex-industry was reformed in 2002, and since then sex workers have to pay both PIT and VAT on their income to the city’s Tax Office. Moreover there is a specific sex work tax which is a cash business, although taxes are not always paid; enforcement has recently been strengthened, nevertheless<sup>16</sup>. North Rhine-Westphalia charges 25 euros per day per sex worker, while Berlin charges 30 euros. In May 2007, authorities were considering plans for a uniform country-wide system charging 25 euros per day. The first German city which introduced a form of taxation on sex working was Cologne. This tax was introduced in early 2004 by the City Council, and levied on strip clubs, peep shows, porn cinemas, massage centres and sex working<sup>17</sup>. At present, one of the effects of introducing the sex tax is the huge amount of moneys that the levy offers to the City’s Treasuries (estimated at around €15 bn yearly, nationwide). Moreover, the lives of registered sex - workers are now safer and healthier. On the other hand, the trafficking of girls destined to become sex workers has not decreased, although this is also the effect of the collapse of the Iron Curtain. Finally, most cities established “*Sperrbezirke*” (off-limit zones) and charge the street-based workers an amusement tax which in the city of Bonn, for instance, is paid by the sex workers at parking meters, and amounts to six euro for a period of about eight night-time hours (WIKIPEDIA, 2017b).

In **The Netherlands** - especially in Amsterdam and with particular reference to sex clubs - Dutch authorities treat sex workers as independent entrepreneurs. Working girls have to submit their income tax returns and pay their taxes. Amazingly, in 2007 a

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<sup>16</sup> North Rhine-Westphalia, Baden Württemberg and Berlin have initiated a system whereby sex workers have to pay their taxes in advance, consisting in a set amount per day to be collected and paid to local Tax Authorities by the brothel owners.

<sup>17</sup> The fee amounts to €150 euros per month for a sex worker, and is payable by the brothel. In 2006 the city generated 828,000 euro in revenue from this tax.

court decided that the VAT which strip dancers have to add to the bill for their performances, should not be levied at 19% as on other services at the same rate applied to art and artistic performances - 6%. In 2011, the Dutch authorities started asking sex workers to pay Income Tax on their earnings as well (AMSTERDAM.INFO, 2017).

Sex-work in **Switzerland** has been legal since 1942 - as we have already said - and is considered a form of business activity. There are some 14,000 officially registered sex workers in the country. According to State's rules, they must charge at least \$100 a client. Income derived from sex work is subject to taxation and social security contributions. As we have already said, sex workers who choose to work in the industry must pay also a tax of \$5.39 for each night that they work. In Ticino, a haven<sup>18</sup> for the Swiss sex industry, sex workers pay taxes and may claim expenses. Moreover, Swiss sex workers charge standard-rate VAT on their services, and some accept credit cards (WIKIPEDIA 2017b).

In the **United Kingdom (England, Wales and Scotland)**, the exchange of sexual services for money is legal, but related activities (like soliciting in a public place, owning or managing brothels and pimping) are crimes<sup>19</sup>. In Northern Ireland, which previously had similar laws, paying for sex became illegal on 1 June 2015. Throughout Great Britain it is also illegal to pay a person younger than 18 for sex, although the age of consent for non-commercial sex is 16 in the United Kingdom. In England and Wales it is an offence to pay for sex with a sex worker who has been "subjected to force" and this is a strict liability offence (clients can be prosecuted even if they did not know the sex worker was forced into offering sex for money). However, the laws are not always strictly enforced, and there are reports of police forces turning a blind eye to brothels. "High-class escorts" working for an agency or operating independently, must pay income tax if their earnings exceed £77,000 a year (which happens quite commonly), together with VAT charged on their services, which is around 20%. Finally, the sex industry and illegal drugs trade contributed £12.27bn to the UK's national accounts in 2013, of which the sex industry accounted for £5.65bn and the illegal drug trade £6.62bn (PANORAMA, 2017a).

##### *5. Proposals for legalizing and taxing sex work in certain countries*

Going back to the data reported in Table 2, it seems that in Europe a trend is emerging of sex working moving in the direction of legalization, and thus taxation. From the legal perspective, the European Court of Justice, in its Ruling of 20 November 2001, Case C-268, paragraphs 33, 49, 69 and 70, stated that sex working

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<sup>18</sup> More properly the "heavens" are villages near the borderlines with Italy (the same being true for France and Germany).

<sup>19</sup> Then, many brothels in cities such as Manchester and London operate under the name "Massage parlour".

inside EU Member States must be taxed where this kind of work is legal (European Court of Justice, 2010)<sup>20</sup>.

Hereafter we will consider the case of two countries where proposals for legalizing the sex industry are underway. They are the USA and Italy. The USA, although not a European country, is pertinent to our discussion because of its unrivalled importance and because the debate on the question in hand is particularly heated in the USA at present. Italy is the only major European country where the sex industry is only partly taken into consideration by national law.

### *5.1 The United States of America*

The sex industry in the USA has a rather unique character (WIKIPEDIA, 2017c). It is illegal in all States except for Nevada (but not Las Vegas) (PEOPLE EMIC, 2017); however, the number of sex workers is currently estimated to be 1 million (HAVOCSCOPE, 2018). Evidently, almost all sex workers are illegal, and operate on the streets, in night clubs or in their own flats, advertising on the web or in newspapers. The supporters of legalizing and taxing sex working suggest that the Nevada-type legislation be extended to all States (GOLDMAN, 2012) in virtue of the usual benefits this would have as summarised above (par. 2.2). They add that banning sex working goes against the freedom of individual (licit) choice permeating the US Constitution and the nation's political environment. On the contrary, the opponents of legalizing sex working, in addition to past arguments, have also advanced further arguments against legalising sex working deriving from contemporary ideology of feminism. Moreover, they argue that legalizing sex working would not improve sex workers' health conditions, nor reduce sex trafficking (VERONICA'S VOICE, 2000). The Nevada brothel affair and the corresponding legislation constituting the focus of debate, would seem to call for a closer look at the tax system applied to that brothel. The tax system applied to the sex industry (subject to State legislation) is lightweight, as follows: brothels and sex workers are subject to Federal Income Tax and local duties. Nevada has no State income tax, and brothels are exempt from the State entertainment tax and do not pay any other state taxes. In 2009 (NYTIMES, 2009), brothel owners lobbied to be taxed in order to increase the legitimacy of the business, but the State government declined. Brothels pay taxes to their respective counties<sup>21</sup>. The average annual income of an employee at one Nevada brothel working only one week per month is at least \$100,000. Based on this figure, each legally licensed sex worker would contribute more than \$20,000 in federal income tax per year. Considering that current estimations

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<sup>20</sup> The Court's position is shared by the English Courts (2012), who add that "prostitutes have to pay tax on their earnings, so why isn't their business entitled to the same protections as everyone else?"

<sup>21</sup> Lyon County (about 60,000 inhabitants) receives approximately \$400,000 to \$500,000 per year from these taxes.

show that there are over one million female sex workers in the USA, the tax revenue generated by this industry could amount to a staggering \$20 billion per year.

## 5.2 Italy

In **Italy**, sex working was regulated to some degree by the pre-Unification States for many centuries. In particular, the States had fostered the development of brothels, as in the Kingdom of the Two Sicilies (since 1432), and even in the Republic of Venice. Houses of pleasures were also present in the Papal State. In the 19<sup>th</sup> century on, those States expanded the number of their own brothels. The Unified State inherited and reorganised the local ones.

Sex working was regulated in some way from 1861 to the introduction of Law 75 of 20 February 1958, the so called “Merlin Law”, from the name of the female Senator proposing it. The Merlin Law ruled the closure of the so-called “closed houses” (or brothels), State structures within which women could legally operate as sex workers. The Merlin Law abolished the entire framework of regulated sex working in Italy, and a number of offences were introduced to combat the exploitation of sex workers<sup>22</sup>. It was also believed that the Law could improve health and social conditions, leading to a collapse in business for organized criminal organisations, ensuring the provision of social security and healthcare for thousands of workers (LA VERA CRONACA, 2017).

Since 2006, sex working in Italy has been taxed to a limited degree<sup>23</sup>. Sex workers must now possess a VAT number and pay the tax on their earnings<sup>24</sup>. However, the status of sex work taxation continues to remain unclear. Only a limited number of sex workers complied with their fiscal obligations, while illegal sex working continued to proliferate in the streets and elsewhere, with sex trafficking and the offences punishable under the Merlin Law seemingly little affected by the tax changes. The Government’s Revenue Agency began to persecute illegal sex workers, and invariably won in the courts, especially after the ruling of the Supreme Court cited below (INVESTIREOGGI, 2013).

Finally, in this rather confusing scenario, some clarification was provided by the Italian Supreme Court of Cassation which, in its ruling no. 205281 of October

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<sup>22</sup> Moreover, Article 7: “Enforcement Officials, Health Authorities and every other kind of Public Authority Department, cannot take any direct or indirect recording action, including the issue of health cards, in regard to women practicing, or suspected of practicing, as prostitutes, nor force them to be periodically present at their offices. It is also forbidden to force those women to have special documents.”

<sup>23</sup> Under Section 36, paragraph 34bis, of Italian Law 248/2006, as clarified by the Supreme Court’s subsequent rulings. The code in question is 96.09.09: “other personal services not classifiable elsewhere.”

<sup>24</sup> As from October 2014, the calculation of a European country’s GDP now includes an estimate of illegal activities such as drug trafficking, the smuggling of alcohol and tobacco, and also sex working.

2010, stated that “also sex working between adults has to be subject to taxes, since it is a legitimate activity” (WEBALICE, 2010; PANORAMA, 2017b; I CIVIL DIVISION OF THE COURT OF CASSATION, 2010).

Notwithstanding the rulings of the Supreme Court and of various Courts, a specific, comprehensive law on sex working is still lacking (LA LEGGE PER TUTTI, 2012). A number of new bills (PANORAMA, 2017b) have been submitted to Parliament in this regard in recent years; however, politicians do not seem to be giving the matter much attention. The main such bill (REPUBBLICA.IT, 2015) was supported by 25 MPs from a broad cross-section of parties: this bill proposed the creation of red light "districts" and taxes on sex workers' earnings. Moreover, some politicians and certain smaller parties stressed the fact that Italy could recoup billions of Euros in taxes by legalizing sex working.

## 6. *Conclusions*

This paper offers an overview of the present status of sex working taxation in Europe. Historically, said taxation dates back to about 450 B.C. in Solon's Athens. Several ancient sources testify to the taxation of sex working in ancient Greece and Rome. Sex working spread during the centuries thereafter, and States repeatedly tried to control it; this they did, however, by favouring the establishment of new brothels, rather than through its taxation. This diffusion of sex working was accompanied by a constant debate over its social acceptance. At present, the emphasis is on two specific aspects of sex working: whether or not sex workers are free to pursue their profession, or are forced into doing so; and the effects of legalizing (and taxing) sex working.

Sex working is widespread in Europe today: the total number of sex workers is estimated to be nearly 1 million. However, numbers vary considerably across countries, and not only because of the varying sizes of those countries. The basic institutional frameworks concerning sex working also differ considerably from one European State to another. Four legal models have been identified to date: the prohibitionist model (whereby sex working is banned); the neo-prohibitionist or “Nordic” model (whereby sex working is illegal and clients are fined); the abolitionist model (whereby sex working is legal but not regulated by the State); and finally, the regulatory model (whereby sex working is legal and is regulated by the State). There is a clear current trend away from the prohibitionist model towards the regulation of sex working, and this obviously influences the opportunities for taxing sex working.

We should point out that the Court of Luxembourg stated that sex working is a free professional activity, no different from any others. As such, sex workers have to be registered and have to pay their taxes. This line has already been followed in a number of countries; however, in practice the established taxation of sex working only operates in a handful of countries: Austria, Germany, the Netherlands, Switzerland and the United Kingdom. The taxes levied on sex workers are generally standard PIT and VAT, while specific taxes are only applied in Germany and Switzerland.

Nevertheless, the road to the legalisation and taxation of sex working is now open and other European (and non-European) countries are going along that road (the USA and Italy being the two main examples discussed above).

At the beginning of this paper, we emphasised the fact that sex working models differ considerably from one European country to the next. However, our analysis reveals an on-going trend towards legalisation/regulatory models. As a consequence, the taxation of sex working is increasing, and is becoming similar to that of other professional activities. However, this requires a progressive social environment and an engaging policy of control, which continue to be lacking in the majority of European countries.

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*Table 1 - Some current data on sex working and taxation in selected European countries*

<i>Countries</i>	<i>Sex-workers Number</i>	<i>Single act prices</i>	<i>Specific Taxation</i>	<i>Money spent on sex working</i>
Austria				
Belgium				
Bulgaria		\$25		\$845 ml
Czech Republic				\$200 ml
Denmark	3,200	\$150-200		
Finland				
France	20,000	\$210		
Germany	400,000	\$65	€150 per month	\$18 bn
Greece		\$15		
Hungary				
Ireland	1,000	\$107-133		\$326 ml
Italy				\$600 ml
Netherlands	7,000	\$68		\$800 ml
Poland	19,000	\$30-50		
Portugal				
Romania				
Slovakia				
Spain	300,000			\$26.5 bn
Sweden				
Switzerland	20,000	\$100	\$5.4 per night	\$ 8.8 bn
United Kingdom	58,000	\$20-230		\$1bn
Norway				

*Source:* HAVOCSCOPE, 2918.

Table 2 - Current legal approaches to sex working in selected European countries

	Year *	Independent sex workers					Organization	
		Prohibitionist	Neo-prohibitionist	Abolitionist	Regulatory	Taxes	Brothels	Pimping
Austria	1986				X	X	L, T	I
Belgium				X			I	I
Bulgaria	1990			X			I	I
Czech Republic	1989			X		X	I	I
Denmark	1999			X		X	I	I
Finland	2006			X			I	I
France	2016		X	X			I	I
Germany	2002				X	X	L, T	L, T
Greece	1999				X	X	L	I
Hungary	1999				X	X	I	I
Ireland				X			I	I
Italy				X			I	I
Netherlands	1988				X	X	L, T	L, T
Poland				X			I	I
Portugal				X			I	I
Romania	2014	X					I	I
Slovakia	1989			X			I	I
Spain	1995			X		X	L	I
Sweden	2008		X				I	I
Switzerland	1942				X	X	L, T	I
United Kingdom				X		X	I	I
Norway	2009		X			X	I	I

Sources: Wikipedia, 2017b.

\*Year of introduction of the current regime.

Key to the last two columns: **Legal-L, Illegal-I, Taxed-T**