Himachal Pradesh National Law University, Shimla (India)

HPNLU JOURNAL OF TAX LAW (JTL)

JOURNAL ARTICLES **ISSN: 2584-0428** **HPNLU JTL**

Volume III (2024)

TAXING THE FUTURE: NAVIGATING GOODS AND SERVICES TAX FOR THE GIG ECONOMY WITH INTERNATIONAL LESSONS

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Recommended Citation:

Nimisha Jha, *Taxing the Future: Navigating Goods and Services Tax for the Gig Economy with International Lessons*, III HPNLU-JTL 181 (2024).

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TAXING THE FUTURE: NAVIGATING GOODS AND SERVICES TAX FOR THE GIG ECONOMY WITH INTERNATIONAL LESSONS

Nimisha Jha*

Abstract

The gig economy's exponential rise presents unique global taxation challenges, particularly under Goods and Services Tax (GST) frameworks.It has transformed traditional work models with content creators, freelancers, consultants and remote professionals. India's Goods and Services Tax (GST) framework remains inadequate in addressing the unique taxation challenges of these digital workers. While established businesses and traditional employees benefit from well-defined tax structures, gig professionals earning through platforms like YouTube, Instagram, Upwork, Fiverr, LinkedIn and other digital marketplaces face uncertain GST obligations, complexities in determining place-of-supply and limited Input Tax Credit (ITC) eligibility. These gaps create disproportionate tax liabilities for individuals while digital platforms remain largely outside uniform taxation frameworks. A critical distinction must be drawn between individual gig workers and the platforms that facilitate their earnings. Unlike ride-hailing and delivery-based gig work, where taxation primarily targets individual service providers, digital freelancers and content creators operate as independent economic entities with cross-border clientele and platform-based monetisation models.

The existing literature is inadequate to address the specific compliance burdens faced by gig workers.This article bridges that gap by conducting a comparative analysis of GST frameworks applicable to gig workers across the United Kingdom, European Union, Singapore, Canada and New Zealand. This paper explicitly examines the micro-level compliance issues of gig workers. Proposing a legally sound, administratively viable and technologically adaptive GST framework contributing to the ongoing policy discourse on gig economy taxation. It underscores the necessity of balancing revenue generation with ease of compliance, ensuring that India's tax regime remains competitive, future-ready and aligned with the realities of the digital economy. By shifting the discourse from broad GST challenges to targeted gig worker taxation solutions, this article offers an original contribution to tax law scholarship. It is a timely policy guide for Indian GST reforms in the rapidly evolving digital economy.

I

Introduction

The gig economy has emerged as a defining feature of the contemporary labour market, disrupting traditional employment structures and redefining the nature of work. Technological advancements, globalisation and evolving workforce preferences have accelerated the transition from conventional freelancing to digital platform-based employment. Across the world, the gig economy has gained prominence, providing flexible and skill-based employment opportunities to millions. Among the most prominent contributors to this economic shift are content creators, digital freelancers, consultants and remote professionals, who operate in a transnational, technology-mediated environment.[1]

India, in particular, is witnessing an unprecedented surge in gig work, with projections suggesting that gig workers will reach 50 million by 2030. The Global Gig Economy Index 2020 has already positioned India among the top ten countries outsourcing digital gig work. The rise of app-based platforms such as Uber, Zomato, Swiggy and Urban Company has facilitated the integration of blue-collar and white-collar professionals into the digital workforce. The gig economy is no longer a transient trend but an entrenched reality of the global labour market. This shift offers autonomy and flexibility, making gig work especially attractive to millennials who prioritise skills and work-life balance over rigid employment structures. However, the gig economy raises pressing concerns regarding income instability, lack of social security and precarious work conditions. From an economic standpoint, the gig economy fosters entrepreneurship, enhances workforce participation and drives consumption. It presents immense opportunities for economic growth and workforce diversification. Yet, it also presents governance challenges, particularly in taxation. It requires a carefully crafted tax framework that balances revenue generation with ease of compliance.It has prompted governments worldwide to reassess existing tax frameworks to ensure equitable and efficient tax compliance.[2]

One of the key rationales for taxing the gig economy is revenue mobilisation. The digital nature of gig work often enables income to bypass traditional taxation

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[1] Dr. Vikas Singh, *Navigating the Gig Economy: Striking the Balance Between Empowerment and Security* Samriddhi 1(2) MCR HRD 17-28 (Jan. 2024)

[2] Dr. Mousami Das, *An Economic and Legal Analysis of Gig Economy in India and Future Growth Potentials – A Case Study of Food Delivery Platforms*, 5(1) Journal of Asiatic Society for Social Science 56-65 (2023)

systems, necessitating clearer regulatory measures. Additionally, taxing gig workers ensures that they are integrated into the formal economy, enhancing their access to credit, financial benefits and social security. Despite these advantages, the supply of digital services by content creators on platforms like YouTube, Instagram and Patreon, as well as consultancy and freelancing services offered through portals like Upwork, Fiverr and LinkedIn, often falls into grey areas under Indian tax law. The existing GST framework has not fully accounted for the complexities of gig work, leading to ambiguities in compliance and enforcement. It disproportionately burdens individual gig workers while failing to harness the fiscal potential of the platforms facilitating these transactions.[3]

With the proper fiscal and regulatory measures, India can harness the full potential of the gig economy while ensuring equitable taxation. This study contributes to the ongoing discourse by exploring viable tax policy frameworks that address the complexities of gig work while drawing lessons from international experiences from countries such as the United Kingdom, the European Union, Singapore, Canada and New Zealand. Comparative analyses of these jurisdictions provide insights into best practices and potential reforms for ensuring tax efficiency without stifling innovation and employment generation. By evaluating these models in the Indian context, this article seeks to contribute to the ongoing discourse on gig worker taxation by advocating a legally sound, administratively feasible and technologically integrated GST framework tailored to the needs of India's digital workforce, ensuring a balance between revenue optimisation and ease of compliance.

II

Gig Economy: Conceptual Foundations and Evolutionary Trajectory

The rapid expansion of digital labour platforms has fundamentally altered traditional employment relationships, giving rise to the gig economy, a sector characterised by short-term, task-based and freelance work arrangements. While this transformation has created new economic opportunities, it has also posed significant legal and regulatory challenges, particularly concerning worker classification, social security entitlements and taxation.[4] The Goods and Services

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[3]N. Krishna, *Tax Compliance in the Evolving Gig Economy* KNAV (2023) *https://in.knavcpa.com/insights/tax-compliance-in-the-evolving-gig-economy-a-guide-for-indias-freelancers/* (last visited Mar. 13, 2025)

[4] Oyndrila Ganguly, *The Gig Economy: A Social Science Perspective on Emerging Labour Dynamics* 2(5) The Social Sciences Review 148-156 (2024)

Tax (GST) framework in India has yet to adapt to the complexities of gig work fully, necessitating a re-evaluation of statutory provisions governing the taxation of platform-mediated labour. This section critically examines the legal definitions of gig work.

The concept of gig work has evolved significantly over time, shaped by economic transitions, technological advancements and shifting labour market dynamics. In contemporary discourse, gig work symbolises a sub-set of the informal economy, where work is delivered on demand, with little to no formal contractual obligations. While digital platforms have accelerated the proliferation of gig work, historical precedents suggest that the structural characteristics of gig employment have long existed within capitalist economies.[5]

The historical trajectory of gig work can be traced back to early capitalist economies, where casual and seasonal labour predominated. In 1915, jazz musicians in the United States coined the term 'gig' to describe their performances, which were one-off and temporary. Over time, gig work extended beyond the performing arts into broader economic sectors. The classification of industrial employment in India into 'organised' and 'unorganised' sectors laid the groundwork for understanding gig work as part of the unorganised labour market. The classification was later refined in official publications, recognising the distinction between protected and unprotected labour, particularly in urban centres.[6]

In its present form, the gig economy builds upon the historical precedent of informal labour while incorporating distinct organisational features facilitated by digital platforms. These features include:[7]

1. *On-Demand Work:* Gig work is performed as needed, with no assurance of continuity. Workers engage in tasks when demand arises, reflecting a shift from stable employment to contingent work arrangements.

2. *Piece-Rate Compensation*: Unlike traditional employment models, gig workers are compensated per task or unit of output rather than receiving

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https://doi.org/10.70096/tssr.240205024 (last visited Mar.13, 2025)

[5]NITI Aayog,*India's booming gig and platform economy: Perspectives and recommendations on the future of work.* (2022) *https://www.niti.gov.in/sites/default/files/202206/Policy_Brief_India%27s_Booming_Gig_and_Platform_Economy_27062022.pdf*(last visited Mar.13, 2025)

[6]*Supra* note 4

[7]J. Standford, *Historical and theoretical perspectives on the resurgence of gig work*. SAGE Journals (n.d.) *http://journals.sagepub.com/toc/elra/28/3* (last visited Mar.31, 2025)

fixed salaries. This model aligns with historical practices of casual labourers, where earnings fluctuated based on work availability.

3. *Self-Supplied Capital Equipment*: Gig workers are responsible for procuring and maintaining their tools, equipment, and workspace. This model has long been established in industries such as transportation, construction, and personal services, with workers utilising their vehicles, tools, or premises for work-related activities.

4. *Triangular Work Relationship*: Unlike traditional employer-employee relationships, gig work is structured around a tripartite arrangement involving the worker, the consumer and an intermediary platform. Digital platforms function as facilitators of work but do not necessarily assume employer responsibilities.

5. *Digital Intermediation*: The defining characteristic of modern gig work is the use of digital platforms to connect workers with consumers, supervise tasks and process payments. While digitalisation has enhanced the efficiency of labour markets, the fundamental aspects of gig work, on-demand labour, independent work arrangements and piece-rate compensationpredate the technological revolution.

The International Labour Organisation (ILO) categorises gig work into two primary types:[8]

1. *Micro work*: Online-based tasks performed globally (crowd work).

2. *Online companies facilitating local services*: Platforms like Uber and Swiggy match consumers with service providers through digital applications.

India's labour market has long incorporated informal and contingent labour arrangements. Historically, casual workers in rural and urban areas engaged in seasonal farming, construction, and domestic services under gig-like conditions. The advent of app-based platforms has formalised aspects of this work, transforming traditional gig labour into a structured digital economy.The transition from offline, informal gig work to digital gig work has been facilitated

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[8] ILO,*Expansion of the Gig Economy in India and Opportunities for Employers and Business Members Organizations* (2024). *https://www.ilo.org/publications/expansion-gig-and-platform-economy-india-opportunities-employerand#:~:text=Gig%20and%20platform%20work%20has,23.5%20million%20by%202029%20%E2%80%93%2030* (last visited on Mar.18, 2025)

by companies such as Uber (ride-sharing), Swiggy (food delivery) and Urban Company (home services). These platforms provide workers access to a broader consumer base, standardise service delivery and introduce some regulatory oversight. However, gig work in India remains unregulated, mainly necessitating policy interventions to ensure fair labour practices and social security provisions for platform workers.[9]

Multiple economic factors drive the expansion of gig work:[10]

1. *Enhanced Labour Market Efficiency*: Digital platforms provide a more transparent and cost-effective means of matching labour supply with demand, reducing reliance on intermediaries such as labour contractors.

2. *Reduced Entry Barriers*: By lowering the barriers to employment, gig work enables broader workforce participation, particularly for women and students seeking flexible work arrangements.

3. *Economic Flexibility*: The gig model allows businesses to adapt to economic fluctuations by scaling their workforce up or down without incurring fixed labour costs.

4. *Formalisation of Informal Work:* While gig work retains many characteristics of informal employment, platform-based work introduces formalised payment structures and regulatory frameworks that can improve worker protections over time.

Gig work represents a *continuum* rather than a break from historical labour market practices. While digital platforms have amplified the reach and scale of gig employment, the structural attributes of contingent work have existed throughout the history of capitalism. In India, the gig economy continues to evolve, straddling the divide between informality and formal labour markets. As digital work platforms gain prominence, policymakers must navigate the challenges of regulation, worker classification and social security to ensure equitable labour practices in the digital age.

The classification of gig workers within India's legal framework has been a considerable debate. The Unorganised Workers' Social Security Act, 2008, provided the initial foundation by defining an '*unorganised worker*' under Section 2(m) as '*a home-based worker, self-employed worker or a wage worker in the unorganised*

[9]*Supra* note 2
[10]*id.*

sector, including a worker in the organised sector who is not covered by any of the Acts mentioned in Schedule II.'[11] However, this definition lacked specificity regarding gig and platform workers, necessitating a regulatory overhaul.

The Code on Social Security, 2020 (CSS), introduced explicit definitions for gig and platform workers. Under Section 2(35), a '*gig worker*' is defined as '*a person who performs work or participates in a work arrangement and earns from such activities outside of a traditional employer-employee relationship*.' Furthermore, Sections 2(60) and 2(61) define '*platform work*' as '*a work arrangement outside of a traditional employer-employee relationship in which organisations or individuals use an online platform to access other organisations or individuals to solve specific problems or provide particular services, in exchange for payment*,' and a '*platform worker*' as '*a person engaged in or undertaking platform work*.' Additionally, the CSS redefined '*unorganised workers*' under Section 2(86) as '*a home-based worker, self-employed worker or a wage worker in the unorganised sector, including a worker in the organised sector who is not covered by the Industrial Disputes Act, 1947, or Chapters III to VII of this Code.*'[12]

The Code on Social Security, 2020, mandates aggregators to contribute between one and two per cent of their annual turnover toward a social security fund for gig and platform workers, with a cap of five per cent of total worker payments. Rule 50(2) of the Code requires gig workers to register on a central government portal and file self-declarations. Despite this, the 2020-21 Union Budget's proposal to create a National Database for Gig Workers remains unimplemented. This delay has left gig workers in a precarious legal position, as they lack a structured mechanism for securing benefits such as pensions, health insurance and accident compensation.[13]

The NITI Aayog (2022) report categorises gig workers into:[14]

1. *Platform workers*: Individuals earning via digital platforms (*e.g.*, Uber, Swiggy, Amazon Flex).

[11] Ministry of Labour and Employment, *The Unorganised Workers Social Security Act, 2008* (2008) *https://labour.gov.in/sites/default/files/unorganised_workers_social_security_act_2008.pdf* (last visited Mar.18, 2025)

[12] Ministry of Labour and Employment,*The Code on Social Security, 2020* (2020) *https://labour.gov.in/sites/default/files/ss_code_gazette.pdf* (last visited Mar.13, 2025)

[13]Vidhi Centre for Legal Policy, *Model Law for Platform Based Gig Workers (Working Draft)* (April 2024) *https://vidhilegalpolicy.in/wp-content/uploads/2024/04/VCLP_Model-Law-for-Platform-Based-Gig-Workers_Working-Draft-1.pdf* (last visited Apr.01, 2025)

[14]*Supra* note 5

2. *Non-platform gig workers*: Casual wage earners and self-employed workers engaged in traditional, non-digital gig work.

The gig economy has created legal ambiguities concerning workers' rights and protections. Under Indian labour laws, 'workers' are broadly classified into:[15]

1. *Employees*: Entitled to minimum wages, social security benefits and legal protections under labour laws such as the Minimum Wages Act, 1948 and the Employees' Provident Fund Act, 1952.

2. *Contract Labour and Migrant Workers*: Hired through intermediaries and protected under the Contract Labour (Regulation and Abolition) Act, 1970 and the Inter-State Migrant Workmen Act, 1979.

3. *Unorganised Workers:* Covered under the Unorganised Workers' Social Security Act, 2008 (UWSSA), which includes self-employed individuals and wage workers outside formal employment structures.

A primary challenge in the taxation of gig workers under GST is determining their classification. The distinction between 'gig workers' and 'independent contractors' is crucial, as GST compliance hinges on whether these individuals qualify as taxable '*service providers*' under the Central Goods and Services Tax (CGST) Act, 2017. Under Section 2(105) of the CGST Act, a '*supplier*' is any person engaged in the supply of goods or services during business.[16] Independent contractors, who operate as self-employed professionals, generally fall within the purview of GST if their annual turnover exceeds ₹20 lakh (₹10 lakh for special category states).[17] However, the classification of gig workers remains ambiguous, given that they often operate under the structured conditions imposed by digital platforms, such as fixed pricing and rating systems. The absence of explicit statutory guidance regarding the GST obligations of gig workers results in regulatory inconsistencies, complicating tax enforcement.

India's economic transformation has significantly shifted its employment structure, with agriculture contributing only 14% to GDP, industry 23% and services dominating at 62%. Despite this, over 40% of the workforce remains

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[15]Souvik Ganguly and Akhil Ramesh, *India: Rules Governing the Gig Economy* AcuityLaw (Jan.25, 2023)
https://acuitylaw.co.in/india-rules-governing-the-gig-economy/ (last visited Mar. 13, 2025)
[16] Ministry of Finance, *The GST Saga* (n.d.)
https://gstcouncil.gov.in/sites/default/files/2024-04/the-gst_saga.pdf(last visited Mar. 13, 2025).
[17]Ernst and Young, *Worldwide VAT,GST and Sales Tax Guide* (2018)

engaged in agriculture and allied activities. As agricultural employment continues to decline, non-farm job creation, particularly in the gig economy, is expected to accelerate. Estimates suggest that nearly 70 million construction, manufacturing, retail and transportation jobs could transition into gig-based employment models.[18] This transformation demands a comprehensive legal and economic framework to ensure governance and worker protection. The taxation of gig work in India remains a legally complex issue requiring a nuanced approach that accounts for the evolving nature of digital labour. The CGST framework must be adapted to address the ambiguities surrounding worker classification, platform liability and compliance mechanisms.

III

Gig Workers and GST In India: Legal and Structural Bottlenecks

The Goods and Services Tax (GST) imposition on gig workers in India presents a set of unique compliance challenges that merit a thorough legal and technical examination. The regulatory framework currently does not fully accommodate the distinctive nature of gig work, leading to legal ambiguities, compliance burdens and financial constraints. This section critically analyses the GST-related challenges confronting gig workers, with particular emphasis on registration mandates, classification issues, tax collection at source, cross-border service taxation and restrictions on input tax credit (ITC).

1. *GST Registration: A burden on Gig Workers*: Section 24 of the Central Goods and Services Tax Act, 2017 (CGST Act) mandates compulsory GST registration for inter-state service providers, regardless of turnover.[19] Given the digital nature of gig work, many gig workers offer services beyond state borders, inadvertently triggering mandatory registration. The statutory threshold for GST registration of ₹20 lakh (₹10 lakh in special category states) proves impractical for gig workers with fluctuating and often irregular incomes. This creates disproportionate compliance obligations, requiring gig workers to file returns and maintain tax records despite earning below the standard exemption limit.

2. *Classification Issues: Businesses or Employees?* The classification of gig workers under the GST law remains ambiguous. Section 2(17) of the CGST Act

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[18]G.Shetty, *Growing gig economy in India: Is more the merrier?* 57 (10) Economic and Political Weekly (Engage) (2022)
[19]*Supra* note 16

defines'*business*,' encompassing any trade, commerce, profession or vocation.[20] This expansive interpretation automatically classifies gig workers as independent business entities rather than employees. Unlike traditional employees, gig workers do not benefit from employer-driven tax remittance structures and are instead required to comply with GST provisions independently. This classification also determines their ability to claim ITC, further impacting their effective tax liability. The legal classification of gig workers holds significant tax ramifications. If deemed '*independent contractors*', gig workers must comply with GST norms applicable to '*service providers*'. Conversely, if categorised as '*employees*', their income would be subject to withholding tax under the Income Tax Act, 1961 rather than GST. The absence of clear jurisprudential guidance on this issue contributes to regulatory uncertainty, necessitating a definitive legal framework that delineates gig work from traditional business activities. A more transparent statutory framework distinguishing gig workers from independent contractors is necessary to ensure fair taxation without imposing unnecessary compliance costs.

3. *TCS (Tax Collected at Source) Burden on Platform Workers*: Under Section 52 of the CGST Act, electronic commerce operators (ECOs) are required to collect tax at source (TCS) on transactions conducted through their platforms.[21] This provision disproportionately impacts gig workers who rely on platforms such as Uber, Swiggy and Fiverr for service delivery. The imposition of TCS results in two primary concerns: first, it creates cash flow constraints for gig workers, as a portion of their earnings is withheld by platforms even before their tax liability is determined. Second, the lack of a streamlined refund mechanism exacerbates financial distress, particularly for those gig workers who are not liable for GST but are nevertheless subjected to TCS deductions. This situation underscores the need for regulatory reconsideration, potentially through an exemption mechanism or a simplified compliance process that alleviates the tax burden on low-income gig workers.

4. *Cross-Border Taxation and Place of Supply Rules*: Many gig workers provide services to international clients, engaging in cross-border digital transactions. The taxation of such services is governed by the Integrated Goods and Services Tax (IGST) framework, which relies on '*place of supply*' rules to determine tax applicability. However, ambiguities in defining the '*place of supply*' for gig services render compliance burdensome. As per Section 13 of the IGST Act, 2017, the '*place of supply for services*' provided to foreign clients is deemed the recipient's location if

[20] Central Board of Indirect Taxes & Customs, Department of Revenue, Ministry of Finance, *Goods and Services Tax (GST) Concept & Status* (2019) *https://cbic-gst.gov.in/pdf/01042019_GST-Concept-Status.pdf* (last visited Mar.13, 2025).
[21]*Supra* note 17

the recipient is registered. However, in cases where the recipient is unregistered, the place of supply defaults to the supplier's location, creating inconsistencies in tax treatment.[22] This legal inconsistency has significant implications for freelancers engaged in digital services, as they often experience procedural delays in claiming tax refunds under the '*export of services*' category. However, the procedural complexity of claiming refunds usually leads to delays and double taxation risks. The absence of clear guidelines on digital service taxation also creates inconsistencies in treating international transactions.

5. *Input Tax Credit (ITC): Restrictions for Gig Workers*: The ITC mechanism under GST allows taxpayers to offset tax paid on business expenses against their output tax liability. However, gig workers face significant restrictions under Sections 16 and 17(5) of the CGST Act, which limit ITC claims on expenses incurred for personal consumption, motor vehicles and specific services.[23] Given the nature of gig work, where professionals frequently incur costs on fuel, digital tools and workspace arrangements, the restriction on ITC increases their effective tax burden. The restrictive ITC framework results in cascading taxation, as gig workers cannot offset their input tax against output tax liabilities. This distortionary effect undermines the fundamental objective of GST as a value-added tax mechanism and warrants reconsideration. A more flexible ITC regime, allowing gig workers to claim credits on work-related expenditures, would enhance tax neutrality and reduce compliance costs.

6. *Compliance and Filing Complexity*: Gig workers are subject to extensive GST compliance obligations. Gig workers registered under GST must comply with return filing requirements, including GSTR-1 (outward supply details) and GSTR-3B (summary return).[24] Moreover, the absence of a simplified compliance mechanism tailored to gig workers exacerbates the administrative difficulties associated with GST filings. While corporate entities possess the requisite infrastructure to navigate GST compliance, individual gig workers often struggle with procedural requirements, increasing the risk of inadvertent non-compliance. Introducing a streamlined GST return filing system, potentially modelled on the quarterly filing mechanism for small businesses, could serve as a viable solution to this regulatory challenge.

Observations: Applying GST to gig workers in India necessitates a nuanced and legally coherent approach that acknowledges the distinctive nature of digital labour markets. The existing GST framework has been designed primarily for

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[22]*Supra* note 20
[23]*Supra* note 17
[24]*Supra* note 20

traditional businesses. It imposes undue compliance obligations, tax collection burdens and credit restrictions that hinder gig workers' financial viability. Addressing these challenges requires a targeted legal reform agenda that includes rationalised registration thresholds, a restructured ITC mechanism, clear classification guidelines and simplified compliance processes. Without such reforms, the taxation of gig work will remain a contentious and impractical aspect of India's evolving fiscal landscape.

IV

Gig Economy: Global Approaches to Taxation

1.Canada: ***GST/HST Model for Gig Work****:* Canada's taxation of the gig economy operates within the dual framework of the Goods and Services Tax (GST) and the Harmonised Sales Tax (HST), governed primarily by the Excise Tax Act, RSC 1985. Applying GST/HST to gig workers seeks to ensure tax neutrality between traditional businesses and digital economy participants. Under Canadian tax law, gig workers are classified as '*independent contractors*' rather than employees, which subjects them to distinct tax obligations. Under Section 240(1) of the Excise Tax Act, GST/HST registration is mandatory once a worker's taxable supplies exceed CAD 30,000 annually.[25] Below this threshold, gig workers qualify as small suppliers. They are exempt from GST/HST obligations, mitigating excessive compliance burdens for lower-income freelancers, ride-share drivers, and other gig economy participants. However, upon exceeding the threshold, gig workers must collect, report and remit GST/HST on their services.[26]

2. New Zealand: ***Simplified Freelancer Compliance****:* The principal legislative mechanism governing gig economy taxation is the Goods and Services Tax Act 1985, which mandates GST registration for businesses and individuals with an annual turnover exceeding NZD 60,000. Gig workers are classified as '*independent contractors*' rather than employees, which means they are personally responsible for their tax obligations.[27] Gig workers earning over NZD 60,000 annually must register for GST and charge GST on their services. Those earning below this

[25] Canadian Revenue Agency, *Guidance on Taxation for Gig Workers* (2023) *https://www.canada.ca* (last visited Mar.13, 2025)

[26]OECD, *The Impact of the Growth of the Sharing and Gig Economy on VAT/GST Policy and Administration* (2021) *https://doi.org/10.1787/51825505-en*. (last visited Mar.29, 2025)

[27] Andrew MC Smith, *Taxingthe Gig Economy in New Zealand – Extending the Tax Net*, *Asia-Pacific Tax Bulletin* by IBFD Publications BV, Amsterdam (2023) *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4418366* (last visited Mar.25, 2025)

threshold may voluntarily register for GST to claim input tax credits on business-related expenses.[28] This approach ensures tax neutrality, treating gig economy workers similarly to other self-employed individuals.[29]

3. The United Kingdom: ***The MTD Initiative:*** The United Kingdom administers a Value Added Tax (VAT) system, distinct from the Goods and Services Tax (GST) employed in other jurisdictions. VAT liability and compliance obligations are contingent upon the classification of service providers as taxable persons under the Value Added Tax Act, 1994 (VATA 1994). Within the gig economy, VAT regulations predominantly affect self-employed individuals and the digital platforms facilitating their services. Under the extant legal framework, gig workers are typically classified as '*self-employed*' and must register for VAT if their annual taxable turnover exceeds the statutory threshold of £90,000 (as of 2024). This threshold ensures that smaller-scale gig workers remain outside the VAT scope, while larger operators must comply with tax obligations. Complementing these measures is the Making Tax Digital (MTD) initiative, designed to modernise the UK tax system through digital record-keeping and automated VAT reporting. MTD mandates businesses, including self-employed individuals engaged in gig work, to maintain digital records and submit VAT returns using compatible software.

This initiative enhances compliance efficiency by minimising reporting errors, reducing administrative costs and ensuring real-time tax assessment. For gig workers, MTD necessitates adopting digital tools to manage their tax obligations effectively, reflecting the broader trend towards digital integration in tax administration. The progressive implementation of MTD underscores the UK's commitment to modernising tax governance in alignment with global best practices for digital taxation.[30]

4.Singapore: ***Simplified GST and Digital Service Taxation:*** Singapore's Goods and Services Tax (GST) regime, governed by the Goods and Services Tax Act, 2005, is designed to ensure tax neutrality and broad-based consumption taxation across domestic and cross-border transactions. It encompasses the supply of goods and services, including those facilitated through the gig economy. This system ensures that traditional enterprises and digital platforms adhere to GST regulations, particularly as the gig economy expands. Under Section 8 of the GST Act, GST

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[28] Inland Revenue, Ministry of Finance,*Regulatory Impact Statement: Taxation of the gig and sharing economy: GST* (May 25, 2022) *https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2022/2022-ria-perm2-bill/2022-ria-1-gig-sharing-economy-gst.pdf?modified=20220902032412* (last visited Mar.29, 2025)

[29]*Supra* note 26

[30]*Supra* note 26

applies to the supply of goods and services made in Singapore by a taxable person in the course or furtherance of business, provided the person's annual taxable turnover exceeds the prescribed threshold. As of January 01, 2025, the GST rate has been revised from 8% to 9%. Under Sections 9 and 10 of the GST Act, self-employed gig workers are considered taxable if their annual turnover exceeds SGD 1 million, necessitating compulsory GST registration.[31] This ensures that while micro-entrepreneurs remain outside the GST net, larger independent service providers remain subject to tax compliance obligations.[32]

5. The European Union: ***VAT Reforms for the Digital Economy****:* The European Union (EU) administers a harmonised Value Added Tax (VAT) system across its member states, governed by Council Directive 2006/112/EC (the VAT Directive). While the Directive establishes uniform principles, individual member states retain discretion over specific rates and exemptions, leading to variations in national implementations. The advent of the gig economy has introduced complex challenges in VAT compliance, particularly concerning delineating tax obligations between gig workers and digital platforms. Traditionally, gig workers are classified as '*independent contractors*' falling within the scope of Article 9(1) of the VAT Directive, thereby bearing the responsibility for their VAT registration and compliance. According to the VAT Directive, self-employed individuals must register for VAT if their taxable turnover surpasses the threshold established by their respective member state. These thresholds vary, with some countries imposing lower limits for digital services, reflecting differing national approaches to the digital economy.To streamline VAT compliance, the EU introduced the One-Stop Shop (OSS) mechanism, effective from July 01, 2021, through the amendments introduced in Council Implementing Regulation (EU) 2019/2026 and Council Directive (EU) 2017/2455. The OSS allows businesses, including those operating digital platforms, to register and remit VAT through a single electronic portal, thereby reducing administrative burdens associated with cross-border transactions within the EU. This mechanism significantly simplifies gig workers and digital platforms engaging in cross-border transactions within the Single Market.[33]

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[31] Inland Revenue Authority of Singapore, *Freelancer and Self-Employed Taxation Scheme* (2023)
https://www.iras.gov.sg (last visited Mar.13, 2025)

[32]*Supra* note 26

[33]*Supra* note 26

Taxing The Future: Policy Recommendations for India

This section synthesises international best practices and presents structured policy recommendations to make GST more inclusive for gig workers. A key recommendation for India is the re-definition of GST registration criteria to introduce a special GST category for gig workers, with a higher exemption threshold that accounts for the fluctuating nature of gig work. This would ensure that smaller gig workers are not overburdened by compliance requirements while allowing high-earning gig workers to contribute to the tax system in a streamlined manner.

1. *Introducing a Gig Worker-Specific GST Category*: The increasing prominence of the gig economy in India necessitates a legal and fiscal framework that aligns taxation policies with the unique nature of gig work. The current definition of '*business*' under Section 2(17) of the Central Goods and Services Tax (CGST) Act, 2017, lacks explicit recognition of gig work as a distinct economic activity. While the provision broadly includes '*trade, commerce, manufacture, profession, vocation, adventure, wager, or any similar activity*,'[34] Its applicability to gig workers (who often function as independent service providers with fluctuating incomes) remains ambiguous. The absence of a precise classification has led to inconsistent tax treatment, placing undue compliance burdens on small-scale gig workers while creating gaps in revenue collection from digital platforms. A legislative amendment to Section 2(17) that explicitly defines gig work as a taxable economic activity would provide much-needed clarity, ensuring that gig workers are appropriately classified for GST purposes without being unfairly burdened by the obligations designed for traditional businesses.

Furthermore, adopting a differentiated tax rate structure for gig workers, as observed in jurisdictions like Singapore, would facilitate greater compliance while reducing the economic strain on individual service providers. Singapore's Goods and Services Tax (GST) framework incorporates a simplified registration and taxation model for small-scale service providers, allowing them to pay a reduced tax rate under certain turnover thresholds.[35] India could introduce a similar lower tax slab specifically tailored to gig workers, ensuring that individuals earning below a prescribed limit benefit from reduced GST liability while still being part of the formal tax framework. This reform would incentivise compliance and promote revenue neutrality by ensuring digital transactions remain within the tax net without discouraging gig work participation.

[34]*Supra* note 17
[35]*Supra* note 31

Additionally, implementing a '*special composition scheme*' under Section 10 of the CGST Act for gig workers, similar to that available for small businesses,[36] could be considered. This would enable gig workers to pay GST at a concessional rate without the complexities of input tax credit (ITC) compliance and extensive reporting obligations. Such a scheme could be designed with turnover-based eligibility criteria, ensuring that gig workers with relatively lower earnings are not subjected to disproportionate compliance burdens.

2. *Simplifying GST Registration and Compliance*: A key challenge in applying India's Goods and Services Tax (GST) framework to the gig economy lies in the complexity of registration and compliance mechanisms, particularly for independent contractors and small-scale service providers. Under Section 22 of the Central Goods and Services Tax (CGST) Act, 2017, the existing GST registration process mandates registration for individuals and entities with an annual aggregate turnover exceeding ₹20 lakh (₹10 lakh for special category states).[37] However, while appropriate for conventional businesses, this threshold does not adequately account for the fluctuating nature of gig work, where income levels may vary significantly due to seasonal demand, project-based engagements and intermittent work patterns. A rigid registration threshold fails to capture the economic realities of gig workers, often leading to non-compliance or underreporting of taxable income.To address this issue, India could draw insights from Singapore's and New Zealand's streamlined registration frameworks, which adopt a single-window digital registration system to facilitate ease of compliance for gig workers and small businesses.

In Singapore, businesses and self-employed individuals can register for the Goods and Services Tax (GST) through an integrated online portal that seamlessly consolidates tax compliance, invoicing and return filing.[38] New Zealand follows a similar model, offering a simplified online GST registration process that integrates with tax reporting systems, reducing the administrative burden on small taxpayers.[39] India's GSTN (Goods and Services Tax Network) already operates as an electronic compliance portal, but it lacks integration and user-friendliness in these jurisdictions. Implementing a single-window registration system designed for gig workers, with minimal documentation requirements and auto-populated tax return filing based on platform-reported earnings, would significantly enhance compliance rates and reduce procedural complexities.

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[36]*Supra* note 20
[37]*Supra* note 17
[38]*Supra* note 26
[39]*Supra* note 27

Additionally, India must consider revising the GST registration threshold for gig workers to accommodate their income volatility. A viable alternative is the introduction of a voluntary simplified registration scheme, wherein gig workers can register under GST without being subject to the standard compliance burdens applicable to businesses. This could be modelled after Singapore's voluntary registration system, which allows self-employed individuals to opt for GST registration if they anticipate future tax benefits, such as claiming input tax credits on business-related expenses.[40] Under such a framework, gig workers in India who register voluntarily could be granted a reduced compliance burden, such as less frequent filing requirements, simplified invoice reporting and automated tax reconciliation through GSTN's backend system.

In conclusion, simplifying GST registration and compliance for gig workers requires a multi-pronged approach that incorporates global best practices while addressing the unique characteristics of India's gig economy.

3. ***Strengthening ITC Provisions for Gig Workers***: Section 17(5) of the CGST Act currently places significant restrictions on Input Tax Credit (ITC) eligibility for various expenses, including those incurred by gig workers. Reforming this provision to allow ITC claims for gig work-related expenditures, such as vehicle costs for ride-share drivers or internet expenses for freelancers, would reduce effective tax rates and promote compliance.

A comparative analysis of Canada's ITC framework provides valuable insights into how India can enhance its tax credit mechanism for gig workers. Under Canada's Goods and Services Tax/Harmonised Sales Tax (GST/HST) system, self-employed individuals and freelancers can claim ITC on a broad range of business-related expenses, provided such expenditures are incurred during commercial activities. The Canadian Revenue Agency (CRA) allows ITC claims for expenses such as office rent, advertising costs, legal and professional fees and even partial ITC on home office expenses.[41] Unlike India's restrictive approach under Section 17(5), Canada's tax administration ensures that freelancers and gig workers are not disadvantaged by excessive input tax costs, thereby promoting business viability in the gig economy.

India could adopt a similar approach by issuing specific guidelines under the GST law to define eligible ITC categories for gig workers. Similar to Canada's, a sectoral approach would ensure that tax neutrality is maintained while preventing revenue leakage. Moreover, integrating an automated ITC reconciliation system within the

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[40]*Supra* note 31
[41]*Supra* note 25

GSTN (Goods and Services Tax Network) could facilitate seamless credit claims by gig workers, ensuring that their tax burden reflects only the net value addition rather than gross revenue.

4. *Addressing Inter-state and Cross-Border Digital Transactions*: India's current GST structure requires businesses engaged in interstate and cross-border supplies to obtain separate GST registrations in each state with a taxable presence. This creates excessive administrative burdens for freelancers and gig workers operating digitally, who often provide services to clients across multiple states and internationally. A One-Stop-Shop (OSS) model, similar to the European Union's mechanism for digital service providers[42], should be implemented to simplify GST compliance for Indian gig workers providing services across state or international borders. This would allow gig workers to register in a single jurisdiction while remitting taxes on interstate and cross-border digital transactions without engaging in multiple-state compliance procedures.

To operationalise such a system, amendments to the CGST and IGST Acts would be required, introducing a distinct category for digital service providers who can opt for centralised GST registration. Additionally, the GSTN (Goods and Services Tax Network) would need to integrate a dedicated OSS portal, allowing gig workers to declare their place of supply and remit taxes accordingly. Such reforms would align India's digital taxation regime with global best practices and enhance the competitiveness of its gig economy.

Under the current IGST framework, the place of supply rules under Sections 12 and 13 of the IGST Act, 2017, govern the taxation of inter-state and cross-border services.[43] However, these provisions do not adequately address the complexities of online freelancing, particularly when the recipient of services is outside India. Section 13 of the IGST Act prescribes that, for cross-border services, the place of supply is the recipient's location, unless the service falls under specific exceptions. In the context of gig work, this rule raises concerns regarding tax liability, as freelancers providing services to foreign clients may still be required to comply with GST registration and export documentation requirements. Moreover, ambiguity persists regarding whether such transactions qualify as '*exports*' under Section 2(6) of the IGST Act, which mandates that services must be supplied outside India, with the payment received in convertible foreign exchange or Indian rupees as permitted by the Reserve Bank of India (RBI).[44]

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[42]*Supra* note 26
[43]*Supra* note 20
[44]*Supra* note 17

To ensure clarity, the GST Council must provide a detailed clarification specifying that online freelancing services qualify as zero-rated supplies under Section 16 of the IGST Act, thus exempting them from GST while allowing input tax credit (ITC) refunds. An explicit ruling should also be introduced to establish the place of supply for gig workers who provide services to multiple jurisdictions, ensuring that tax compliance obligations do not hinder cross-border digital trade.

5. *Leveraging Technology for GST Compliance*: The increasing digitalisation of tax administration has transformed compliance frameworks globally, enabling more efficient, transparent and automated tax reporting. In India's Goods and Services Tax (GST) context, leveraging advanced technological solutions, particularly Artificial Intelligence (AI) and automation, can significantly improve tax compliance for gig workers, who often lack the administrative capacity to navigate complex filing requirements. The United Kingdom's Making Tax Digital (MTD)[45] Initiative provides a pertinent model for India to enhance its GST compliance mechanisms, while the Goods and Services Tax Network (GSTN) can serve as the backbone for automated tax reconciliation. These technological advancements can reduce compliance costs, prevent tax evasion, and promote voluntary compliance among gig economy participants.

One major compliance challenge gig workers face is tax reconciliation, particularly in claiming ITC and ensuring accurate tax deductions under the Tax Collected at Source (TCS) mechanism under Section 52 of the CGST Act.[46] Currently, gig workers operating on digital platforms are subject to TCS deductions, which necessitate reconciliation between the tax deducted by the platform and the worker's actual GST liability. Given the frequent fluctuations in gig work earnings, manual reconciliation becomes cumbersome, often leading to incorrect filings and loss of ITC benefits. An automated tax reconciliation system within GSTN could resolve this issue by enabling gig workers to link their GSTIN with platform-generated invoices, thereby ensuring real-time reconciliation of GST liability, TCS deductions and ITC eligibility.

Leveraging AI-driven compliance tools and automated tax reconciliation *via* GSTN can revolutionise GST compliance for gig workers in India. Implementing these technological advancements will modernise India's GST regime and promote greater tax compliance in the rapidly expanding gig economy.

[45]*Supra* note 26
[46]*Supra* note 20

Conclusion: Future Proofing GST in India

The gig economy represents work's future, and India's taxation policies must evolve to accommodate this transformation. India's gig economy, propelled by digitalisation, demographic shifts and changing labour market dynamics, has significantly contributed to economic activity. It spans diverse sectors, including ride-hailing, freelance IT services, digital content creation, food and logistics delivery and professional consulting. However, despite its exponential growth, the taxation framework governing gig work remains misaligned with the structural realities of this sector.[47]

The existing Goods and Services Tax (GST) regime, which was initially designed for traditional businesses, poses significant compliance challenges for gig workers, many of whom operate as micro-entrepreneurs without the administrative capacity to navigate complex tax requirements. As highlighted throughout this article, the current GST structure imposes disproportionate compliance burdens on gig workers, particularly in areas such as Input Tax Credit (ITC) restrictions under Section 17(5) and interstate tax complexities under IGST provisions.[48]

The recommendations outlined in this article, through the international tax models, offer critical insights into designing an efficient and fair GST regime for the gig economy. Singapore and New Zealand's single-window GST registration systems simplify tax on boarding for gig workers, ensuring seamless integration into the formal tax net.[49]Canada's approach to the Input Tax Credit (ITC) for freelancers demonstrates how allowing gig workers to offset expenses against GST liabilities can mitigate unfair tax burdens.[50] The UK's Making Tax Digital (MTD) initiative illustrates the role of technology in streamlining tax compliance through AI-driven automation.[51] The next phase of GST reform must integrate these measures, ensuring that taxation does not impede the growth of the digital workforce but is an enabler of economic resilience, entrepreneurial flexibility and sustainable revenue generation.[52]

By implementing these reforms, India can establish itself as a global leader in gig economy taxation, fostering an ecosystem where independent workers and digital entrepreneurs can thrive while contributing to the country's formal economy. The

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[47] *Supra* note 1
[48] *Supra* note 15
[49] *Supra* note 26
[50] *Supra* note 25
[51] *Supra* note 26
[52] *Supra* note 5

success of such reforms will depend on collaborative policymaking, technological adaptation, and continuous dialogue between regulators, platforms, and gig workers.