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Taxation in the gig economy

New Straits Times, Malaysia

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KUALA LUMPUR: The gig economy started to gain ground last year during the Covid-19 pandemic as thousands of people shifted to the new sector.

Also known as Sharing Economy, Collaborative Economy, Digital Economy, Crowd Economy and Peer Economy, the gig economy, as defined by Investopedia, is one where flexible jobs are commonplace and companies tend to hire contractors and freelancers rather than full-time employees.

DEVELOPMENT

The gig economy has become an incre-

asingly popular segment of the economy, especially among the younger generation.

It is expected to continue to grow this year in line with the unemployment rate, which is also expected to rise following the pandemic.

This high unemployment rate is causing gig economy platforms like Grab and foodpanda to start becoming options for people to make a living.

Therefore, it is not surprising that the government wants to focus on the gig economy as a new source of economic growth in drafting the 12th Malaysia Plan 2021-2025.

COMPONENTS AND CHARACTERISTICS

There are three components in the gig economy. First, independent workers are paid based on specific tasks. Second, customers want specific services. Third, the company builds a medium between freelancers and customers using technology application platforms, such as Grabfood, foodpanda, TaskRabbit, BungkusIt as well as drive-thru services, such as Grab and MyCar.

There are no specific guidelines to describe employment in this gig economy, but it has several features.

First, the system of work is without a contract. Employees are not tied to one company or occupation and can work in three or more companies at once without limitation in the digital age.

Second, employees have flexible hours without being tied to normal working hours. They are free to work at any time as long as the work done can be completed at an agreed time.

Third, they can produce more. It is not surprising that the millennial generation can generate a more lucrative income and even reach hundreds of thousands of ringgit compared with those who have worked in a company for a long time, because the gig economy allows them to work in multiple places without being bound by certain rules.

The last feature is the freedom to complete jobs. One can work while relaxing as long as the job can be completed



The different types of return forms for reporting income.

at a specified time. In this way, one can reduce stress. Freedom to work may be a key feature of those choosing to be freelancers or self-employed.

TAX IMPOSITION IN THE GIG ECONOMY

The gig economy has opened up greater space for the economic development of Malaysians and the country as it provides employment opportunities to many people affected by the pandemic.

Most of those affected have turned to the gig economy by doing part-time jobs, such as being a Grab driver, working as a food deliveryman and getting involved with online businesses.

The question arises, do people who work part time like this have to report their income?

This depends on how often the part-time work is done. If the job is done only once or twice, they can use the BE form to report the income. Income received from part-time employment must be

filled in the other income section.

However, if the part-time job is done regularly as it is done every month, then it is more of a business model, and must be reported as income using form B (Individual with Business Income).

For this category, for example, an online business, the purchase of goods and the cost of expenses for the delivery of goods are allowed to be claimed as tax relief.

The frequency of work performed determines the type of Return Form when reporting income to the Inland Revenue Board.

In conclusion, any income-generating employment, including employment in the gig economy, must be reported to the Inland Revenue Board for income tax.

Any inquiries can be made through the customer feedback form or contact the HASIL Care Line at 03-8911 1000. Further tax information can be obtained at www.hasil.gov.my.



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SUMMARIES

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