GIG ECONOMY ON THE RISE

As a gig worker, do you need to pay income tax?

Tech-savvy

Today, there are close to four million freelance workers in Malaysia and the number is increasing by the day.

The gig economy is an economic model dependent on freelancers or “giggers”, whose services are based on skills, short-term contracts and freelance or flexible employment, often involving connecting customers through online platforms.

The gig economy is expected to continue to grow in 2021, as people who lost their jobs due to the pandemic are turning to digital platforms to make a living.

Many gig workers are from the younger generation who are technology-savvy.

As such, it is not surprising that the government has identified the gig economy as a new source of economic growth which would be made part of the 12th Malaysia Plan 2021-2025, further contributing to the gross domestic product (GDP) of the country.

There are three main components in the gig economy: freelance workers, who make a living by taking on on-demand jobs; customers want specific services; and companies connecting gig workers to available jobs via online platforms.

The changing market and consumer demands is one of the push factors in accelerating growth of the gig economy, which in turn attracts more giggers.

Having the time flexibility to work and the freedom to select the type of job are among the reasons for people seeking opportunities in the gig economy.

Gig workers have the time flexibility as long as the task is completed within the given time frame, while technological advancement enables them to work on the go.

Thanks to today’s digital age, gig workers are able to tap into various markets to earn more than one income, as such, the younger generation is able to generate a more lucrative income than those who have worked longer in a company.

As for companies, especially startups, it would make more sense if a freelancer is hired for a limited time to complete a project rather than a full-time permanent, as such arrangement can optimise operational cost efficiencies.

When done right, working with giggers come with the perks of independence, peace of mind and good pay.

Income tax

While being a freelance worker comes with the flexibility to choose how you want to work, it is not an option when it comes to paying taxes.

The frequency of jobs determines the type of return form when declaring the income to the Inland Revenue Board of Malaysia (IRBM).

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For this category, for instance, online businesses can claim tax reliefs under product expenses and delivery costs.

Meanwhile, the BE form is used for one-off jobs or jobs done not more than twice and the income received should be declared under the “other income” section.

In conclusion, any income-generating job, including employment in the gig economy, needs to be declared to the IRBM.

Let us all do our part to ensure prosperity for the country.


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The term “gig” is usually associated with musicians hired for short-term performances or a one-off show, but it has now become a norm in today’s employment landscape.

In a gig economy, temporary and flexible jobs are commonplace and employers tend to hire independent contractors and freelancers instead of full-time workers, according to American financial website Investopedia.

The term “gig economy” was coined by English journalist/author Tina Brown in 2009 in the aftermath of the global economic recession to describe a work-world dominated by freelancing projects, consultancies and part-time jobs.

Other terms that describe this new sector are sharing economy, collaborative economy, digital economy, crowd economy and peer economy.

Those who are part of the gig economy include part-timers, freelancers, independent contractors and project-based workers - people who make a living by taking on on-demand jobs.

Working part-time and freelancing have always been a practice and participation in the gig workforce raised suddenly due to the rise of digital platforms and the Internet, especially in recent times since the Covid-19 pandemic hit and many got laid off.

Counterpoint

The gig economy can contribute to the country’s economy through taxation.

The frequency of jobs determines the type of return form when gig workers declare their income.
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Buskers and food delivery personnel (pic right) are part of the gig workforce.
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SUMMARIES

THE term “gig” is usually associated with musicians hired for shortterm performances or a one-off show, but it has now become a norm in today’s employment landscape. In a gig economy, temporary and flexible jobs are commonplace and employers tend to hire independent contractors and freelancers instead of full-time workers, according to American financial website Investopedia.