

Fiscal Impact of the Gig Economy: Taxation, Regulation, and State Revenue

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Abstract

The fast growth of the gig economy has reshaped labor markets through its provision of flexible work options yet it creates major problems for tax collection and regulatory oversight. The Indonesian economy has seen millions of workers join ride-hailing and food delivery and online freelancing platforms which drive digital transformation and economic expansion. The sector faces three major barriers to public revenue generation and social protection system support because of its unstructured payment systems and unclear employment status and weak enforcement mechanisms. The research investigates the fiscal aspects of Indonesia's gig economy through a combination of qualitative literature review and comparative policy evaluation. The fiscal impact of the gig economy in Indonesia occurs through three main channels which include platform transaction taxes and worker income taxes and corporate profit taxes and social security contributions. The implementation of platform agent VAT collection and standardized income reporting and presumptive tax systems for micro-earners leads to better tax compliance and reduced tax evasion. The tax base expansion depends on platform accountability and proportional taxation and digital compliance tools according to evidence from other countries. The research demonstrates how regulatory obstacles related to worker misclassification and fragmented income streams and institutional coordination problems create barriers to fiscal sustainability. The research supports hybrid approaches which combine platform-based tax withholding systems with expanded VAT coverage through platform responsibility and basic tax systems for low-income workers and distinct legal frameworks for worker protection and digital taxpayer service development. The implementation of these measures by Indonesia will create revenue stability while enhancing social security programs and guarantee the gig economy contributes to enduring economic stability and fair fiscal involvement.

Keywords: Gig Economy, Fiscal Policy, Value-Add Tax, Social Security, Regulation, State Revenue, Indonesia

1. Introduction

The rise of the gig economy has redefined the nature of work in both developed and emerging economies. Unlike traditional employment models characterized by long-term contracts and stable benefits, the gig economy thrives on short-term, flexible, and task-based work arrangements. This

model is heavily mediated by digital platforms, which facilitate the interaction between service providers and consumers across multiple sectors, including transportation, delivery, freelancing, and professional services (Koutsimpogiorgos et al., 2020). Although this transformation has enabled broader labor-market participation, it has simultaneously raised complex fiscal and regulatory challenges related to taxation, compliance, and worker classification (Adam et al., 2017; Thomas, 2018).

From a fiscal perspective, the gig economy generates both opportunities and risks for national tax systems. On one hand, the large volume of microtransactions facilitated through platforms presents significant potential for value-added tax (VAT), sales tax, and income-tax collection. On the other hand, fragmented earnings, informal payment methods, and inconsistent legal definitions of employment status create loopholes that reduce tax compliance (Adelakun, 2024; Black, 2020). This situation reflects a broader international trend where traditional tax frameworks struggle to keep pace with digital innovations, exposing weaknesses in revenue mobilization and enforcement (Bolcu & Ștefan, 2023).

In Indonesia, the gig economy has grown into a significant phenomenon, particularly through ride-hailing and food delivery platforms such as Gojek and Grab, as well as global freelancing marketplaces. This development has created millions of job opportunities for young people, women, and individuals seeking supplementary income. Studies highlight that the gig economy contributes not only to employment absorption but also to the achievement of Sustainable Development Goal (SDG) 8 on decent work and economic growth (Alfarizi et al., 2025; Muhyiddin et al., 2024; Suryadi & Nasution, 2023). In addition, gig platforms have accelerated digital transformation, improving service efficiency and expanding access to economic participation in previously underserved regions.

Despite this potential, regulatory ambiguities remain a persistent challenge in Indonesia's labor and fiscal systems. The employment relationship between gig workers and platforms is often undefined, leading to uncertainty in the application of income-tax rules and social-security contributions (Muhyiddin et al., 2024). Scholars argue that such ambiguity creates "partial formalization," where workers participate in the economy but are excluded from protection and taxation structures, undermining equity and fiscal sustainability (Tobing, 2024; Wibowo, 2023). Addressing these ambiguities is critical for ensuring that gig work can contribute fairly and effectively to public revenue.

The fiscal implications of this sector are particularly relevant for Indonesia's economic resilience. Evidence shows that effective platform-based withholding, VAT remittance, and reporting systems can reduce underreporting and increase compliance without imposing excessive burdens on workers (Jalilvand et al., 2022; Kind & Schjelderup, 2025). International studies further suggest that platforms, when designated as tax intermediaries, can serve as efficient collection agents by leveraging their technological infrastructures to automate compliance (Benzell & Collis, 2020; Pantazatou, 2020, 2025). For Indonesia, adopting such measures could significantly expand the tax base and strengthen fiscal stability.

Therefore, this article examines the fiscal dimensions of the gig economy with a focus on Indonesia. Specifically, it explores how gig workers and platforms contribute to national tax revenues, identifies the challenges of regulating informal and digitally mediated labor markets, and evaluates potential policy options to integrate gig work into the formal economy. By doing so, it positions the gig economy not only as a driver of employment and innovation but also as an emerging fiscal frontier that requires adaptive policies to harness its full contribution to state revenue (Banik, 2019; Dedema & Rosenbaum, 2024).

2. Research method

This study employs a qualitative synthesis approach that integrates literature review, comparative policy analysis, and conceptual modelling (Creswell & Creswell, 2018). The objective is to examine the fiscal implications of the gig economy, with a particular focus on taxation, regulation, and state revenue in Indonesia. The design follows academic practices used in labor and fiscal policy studies, allowing for critical reflection on both global and domestic experiences.

First, a targeted literature review was conducted to identify key debates surrounding the taxation and regulation of gig economy activities. Peer-reviewed journal articles, working papers, policy briefs, and national-level studies published between 2017 and 2025 were analyzed. Sources were drawn from international databases such as *Scopus*, *Copernicus*, *Science Direct* and recognized Indonesian outlets accredited in SINTA 1 and 2. Emphasis was placed on scholarship dealing with tax compliance in multi-sided platforms (Jalilvand et al., 2022; Kind & Schjelderup, 2025), labor misclassification and its fiscal implications (Erllich, 2021; Freedman, 2020), and Indonesia-specific case studies of platform work and employment relations (Muhyiddin et al., 2024; Wibowo, 2023).

Second, a comparative policy analysis was conducted to map approaches adopted in different jurisdictions. This included reviewing strategies for value-added tax (VAT) collection in digital marketplaces, income-tax withholding mechanisms for independent contractors, and platform liability frameworks. International experiences, such as Canada, the United Kingdom, and the European Union, were compared with regulatory practices emerging in Indonesia (Adam et al., 2017; Black, 2020; Pantazatou, 2020, 2025). These comparisons provide insight into both the strengths and weaknesses of existing models and their adaptability to Indonesia's context.

Third, a conceptual fiscal-impact framework was developed. This framework categorizes the potential revenue streams from the gig economy into three main channels: (a) indirect taxes on digital transactions, (b) direct taxes on gig workers' income and platform profits, and (c) social-security contributions. By adopting insights from public-finance theory on multi-sided platforms, the framework emphasizes how transaction design, legal classification, and platform accountability affect fiscal outcomes (Banik, 2019; Benzell & Collis, 2020; Bruckner & Forman, 2022; Collins et al., 2019; Dürselen, 2024; Jalilvand et al., 2022; Kind & Schjelderup, 2025; Thomas, 2018).

Finally, the study integrates Indonesian policy documents and recent empirical studies to contextualize global findings within the domestic landscape. Particular attention was given to

publications in *Jurnal Ketenagakerjaan (J-Naker)* that discuss gig workers' rights, employment ambiguity, and regulatory gaps (Alfarizi et al., 2025; Muhyiddin et al., 2024; Suryadi & Nasution, 2023; Wibowo, 2023). This step ensures the analysis remains grounded in national realities while drawing lessons from comparative experiences. Through this methodology, the research provides a systematic and context-sensitive understanding of how the gig economy impacts fiscal policy and how regulatory interventions can be structured to maximize state revenue while maintaining fairness and sustainability.

3. Results and Discussion

This section presents the study's findings on how the gig economy influences Indonesia's fiscal landscape. Drawing from comparative analysis and conceptual modeling, it highlights both opportunities and structural weaknesses within the existing system. The discussion is organized into three key dimensions: the potential revenue streams generated by gig activity, the regulatory and administrative challenges undermining effective collection, and the policy options available to integrate gig work into the formal economy. Together, these sub-chapters provide a comprehensive understanding of how taxation, regulation, and platform accountability interact to shape fiscal outcomes.

3.1. Channels of Contribution to National Revenues

To assess the fiscal potential of the gig economy, it is necessary to identify the mechanisms through which it can contribute to state revenues. Gig work generates taxable transactions at multiple levels, including value-added taxes on services, direct income taxes on workers, corporate taxes on platform profits, and contributions to social security schemes. Each channel carries distinct opportunities and risks depending on the level of compliance, enforcement, and institutional design. This sub-chapter examines these channels in detail, showing how fiscal strategies can leverage the unique features of platform-mediated work to strengthen national revenue systems.

The gig economy generates millions of microtransactions daily, which are, in principle, taxable under value-added tax (VAT) or goods and services tax (GST). Digital platforms can play a central role in VAT compliance when designated as intermediaries responsible for collection and remittance. Comparative studies have shown that shifting tax obligations from individual micro-entrepreneurs to large platforms significantly reduces administrative burdens and improves compliance (Benzell & Collis, 2020; Collins et al., 2019; Dürselen, 2024; Jalilvand et al., 2022; Kind & Schjelderup, 2025; Thomas, 2018). In Indonesia, VAT on digital services has already been extended to major platforms, demonstrating the feasibility of such mechanisms. Experiences from the European Union and Canada confirm that requiring platforms to act as "deemed suppliers" minimizes tax leakages and ensures a more equitable distribution of fiscal

Gig workers face fragmented and irregular income streams, making accurate income reporting difficult. Research shows that tax non-compliance is particularly acute among self-employed workers without access to withholding systems (Adam et al., 2017; Black, 2020; Bolcu & Ştefan, 2023). In

Indonesia, drivers, couriers, and freelancers often operate within a “shadow economy” with limited contribution to tax revenues (Kalsum & Hadili, 2025). This situation mirrors global findings that independent workers in the gig economy frequently underreport earnings, reducing fiscal capacity (Argilés-Bosch et al., 2021; Bolcu & Ştefan, 2023; Collins et al., 2019; Dürselen, 2024). To address this, simplified tax regimes such as presumptive taxation or turnover-based levies have been proposed to increase participation while minimizing compliance costs (Adelakun, 2024; Banik, 2019).

Platforms themselves represent an important source of revenue, though their multinational nature complicates tax collection. Cross-border profit allocation, digital nexus rules, and transfer pricing often limit the capacity of national governments to capture fair tax shares from global platforms (Benzell & Collis, 2020; Lipniewicz, 2024). For Indonesia, the challenge lies in aligning domestic regulations with emerging global frameworks such as the OECD’s Pillar One and Pillar Two, which aim to ensure fair taxation of multinational digital companies. Without reforms, there is a risk of “double non-taxation,” where revenues generated locally escape fiscal capture altogether (Pantazatou, 2025; Pignatari, 2023; Thomas, 2018). Incorporating digital services tax frameworks and strengthening cross-border reporting could significantly enhance Indonesia’s ability to tax platform profits fairly.

The inclusion of gig workers in social-protection schemes is essential not only for labor rights but also for fiscal sustainability. Current practices exclude many platform workers from health insurance, pensions, and unemployment protection, limiting the state’s ability to build resilient safety nets (Bruckner & Forman, 2022; Freedman, 2020; Kalsum & Hadili, 2025). In Indonesia, this issue is evident in the debates surrounding online motorcycle taxi drivers, whose “partner” status excludes them from mandatory contributions (Muhyiddin et al., 2024; Wibowo, 2023). Scholars propose intermediate legal categories such as “dependent self-employment” to anchor proportional and portable contributions, thereby balancing flexibility with fiscal responsibility (Tobing, 2024; Wibowo, 2023). Formalizing such mechanisms could expand the contribution base while ensuring social protections are more inclusive.

Beyond formal revenue channels, fiscal policy also shapes behavioral responses within the gig economy. Evidence suggests that taxation schemes affect workers’ willingness to participate, platforms’ pricing strategies, and consumers’ demand (Mol & Molho, 2024; Ouro, 2023; Pantazatou, 2020, 2025). For instance, overly burdensome compliance requirements may push workers further into informality, while transparent and simplified systems can encourage voluntary compliance (Watson, 2019). Moreover, equitable taxation enhances trust in government institutions, reinforcing the legitimacy of the tax system. Thus, fiscal measures in the gig economy must be designed not only for revenue generation but also for maintaining labor participation and fostering inclusive economic growth (Banik, 2019; Kalsum & Hadili, 2025).

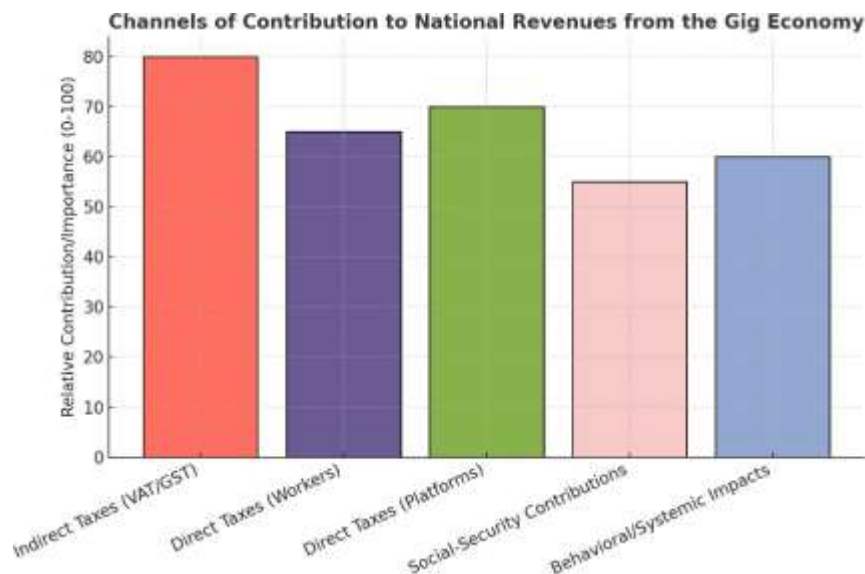


Figure 1. Channels of Contribution of Gig Economy to State Revenues

The Figure 1 highlights the relative importance of different channels through which the gig economy contributes to national revenues. Indirect taxes (VAT/GST) emerge as the most significant source, reflecting the large volume of platform-mediated transactions that can be effectively captured when platforms act as collection agents. Direct taxes on platforms also play a strong role, particularly where profit allocation and corporate taxation frameworks are well enforced, while direct taxes on workers contribute moderately due to fragmented income streams and weak compliance. Social-security contributions currently rank lowest, underscoring the limited integration of gig workers into contributory schemes despite their potential to enhance fiscal sustainability. Finally, behavioral and systemic impacts, though indirect, remain important as taxation policies influence compliance behavior, platform pricing, and labor participation. Together, the chart suggests that revenue strategies should prioritize platform accountability for VAT and corporate taxes, while gradually expanding simplified worker taxation and social-security coverage to stabilize long-term fiscal contributions.

The gig economy provides multiple fiscal entry points through VAT, income taxation, corporate profits, and social-security contributions. While these channels hold significant promise, their effectiveness depends on well-structured compliance mechanisms and supportive legal frameworks. Without such measures, revenue potential remains underutilized, reinforcing reliance on narrow tax bases. This leads directly to the next concern: the regulatory and administrative obstacles that limit the state's ability to fully capture these revenues.

3.2. Regulatory and Administrative Challenges

Despite the gig economy's potential to expand the tax base, several regulatory and administrative barriers hinder its integration into Indonesia's fiscal system. Ambiguities in worker classification, fragmented income streams, and weak data-sharing mechanisms reduce compliance and create loopholes for underreporting. Moreover, institutional fragmentation and capacity constraints limit the government's ability to enforce fiscal obligations in digital markets. This sub-chapter explores these

challenges, situating them within both domestic and international contexts to demonstrate why conventional tax frameworks struggle to adapt to platform-based labor markets.

The central challenge in regulating the gig economy lies in the ambiguous classification of workers. Indonesian scholarship highlights persistent uncertainty regarding whether drivers, couriers, and freelancers are employees, independent contractors, or “partners” of platforms, leading to inconsistent tax treatment and limited access to social protection (Muhyiddin et al., 2024; Wibowo, 2023). This ambiguity undermines the enforcement of income-tax withholding and social-security contributions, contributing to what has been described as “partial formalization,” where workers participate in economic activity but remain outside fiscal obligations (Alfarizi et al., 2025; Nuraeni, 2020). International research further supports this concern, noting that misclassification erodes both worker rights and government revenue bases (Erich, 2021; Freedman, 2020).

The prevalence of cash-based or peer-to-peer digital payments complicates the ability of tax authorities to monitor and capture gig earnings. Workers often operate across multiple platforms, generating fragmented income streams without consolidated reporting mechanisms. Studies on e-commerce and labor-tax avoidance suggest that without third-party reporting obligations, substantial losses occur in both income taxation and social contributions (Argilés-Bosch et al., 2021; Collins et al., 2019). In Indonesia, weak data-sharing frameworks between platforms and tax authorities further reduce traceability, reinforcing fiscal leakages. Scholars argue that platform liability and automated reporting systems are critical to bridging this gap (Thomas, 2018; Watson, 2019).

Tax authorities face the dual challenge of building capacity to regulate digital platforms while avoiding excessive burdens on small-scale gig workers. Conventional reporting systems are often too complex for micro-earners, discouraging compliance and incentivizing informality (Adelakun, 2024; Banik, 2019). The high transaction volume of platforms, combined with irregular income streams, strains administrative systems not yet optimized for digital taxation. International cases demonstrate that simplified regimes, such as presumptive taxation or standardized digital interfaces, can lower compliance costs while broadening the tax base (Pantazatou, 2020; 2025; Bolcu & Ștefan, 2023). Without such measures, enforcement remains inconsistent and risks exacerbating inequality between formal and informal sectors.

The gig economy functions as a multi-sided market, where workers, platforms, consumers, and merchants interact. Taxation measures introduced without proper calibration may inadvertently shift burdens across these groups, leading to unintended economic distortions. For instance, higher tax rates on platforms may result in lower earnings for workers or higher service fees for consumers (Benzell & Collis, 2020; Kind & Schjelderup, 2025). Reviews of international cases emphasize the importance of thresholds, safe harbors, and proportional designs that account for cross-group externalities (Pantazatou, 2025; Jalilvand et al., 2022). In Indonesia, this risk is particularly acute given the dominance of ride-hailing and delivery platforms, where price-sensitive consumers and precarious workers are most vulnerable to cost pass-through.

Finally, regulatory reforms face institutional and political economy barriers. Platform companies wield significant lobbying power, shaping regulatory debates and slowing the adoption of stricter fiscal

frameworks (Murdani & Wijayati, 2023). Policymakers must balance the goals of revenue mobilization, job creation, and innovation, often leading to regulatory compromises that dilute enforcement (Suryadi & Nasution, 2023). Moreover, fragmented coordination between Indonesia's labor, finance, and digital economy ministries creates overlapping mandates, reducing regulatory coherence. Comparative studies stress that strong institutional coordination and stakeholder engagement are prerequisites for sustainable gig economy regulation (Dedema & Rosenbaum, 2024; Dürselen, 2024). Without addressing these governance challenges, fiscal and social objectives may remain only partially realized.

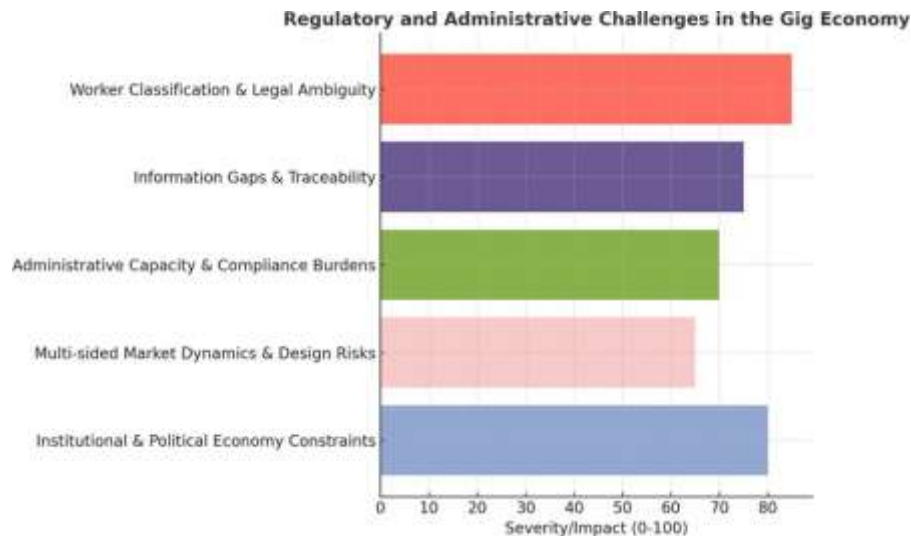


Figure 2. Regulatory and Administrative Challenge in the Gig Economy

The Figure 2 highlights the severity of regulatory and administrative challenges in the gig economy, measured on a 0–100 scale. The most critical issue is worker classification and legal ambiguity (above 80), reflecting persistent uncertainty in defining employment status, which directly affects taxation and social protection. Close behind are information gaps and traceability (~75) and administrative capacity and compliance burdens (~70), underscoring how fragmented income streams and limited institutional resources hinder effective regulation and tax enforcement. Institutional and political economy constraints also score high (~80), showing the influence of fragmented governance and lobbying power in shaping policy outcomes. Meanwhile, multi-sided market dynamics and design risks (~65) rank somewhat lower but remain significant, emphasizing the complexity of balancing interests among platforms, workers, and consumers. Collectively, these findings indicate that while all five dimensions create barriers, addressing worker classification, institutional constraints, and data traceability should be prioritized to strengthen fiscal and regulatory outcomes in the gig economy.

Indonesia's fiscal engagement with the gig economy is hampered by worker misclassification, fragmented reporting, institutional overlap, and limited enforcement capacity. These challenges not only weaken compliance but also risk deepening inequality between formal and informal sectors. Addressing these constraints requires a forward-looking policy agenda capable of bridging gaps in taxation, regulation, and social protection. The next sub-chapter therefore considers a range of policy options designed to formalize gig work and stabilize revenue contributions.

3.3. Policy Options to Formalize Gig Work and Stabilize Revenues

Given the structural constraints identified, innovative policy approaches are required to harness the fiscal potential of the gig economy while safeguarding worker welfare. This sub-chapter outlines key options for formalizing gig work and stabilizing revenues, including platform-level income reporting, simplified tax regimes for micro-earners, expanded VAT liability, clarification of labor status, and the adoption of digital compliance tools. By evaluating their feasibility and effectiveness, the analysis provides a roadmap for policymakers seeking to balance revenue mobilization with fairness, inclusivity, and administrative efficiency.

One of the most promising measures for improving fiscal compliance in the gig economy is to require platforms to provide standardized income statements to both tax authorities and workers. Such reporting allows pre-filled tax returns, reducing underreporting and easing compliance burdens. In addition, platform-facilitated withholding or estimated advance payments can smooth workers' cash flow and minimize arrears (Adam et al., 2017; Thomas, 2018). International literature underscores the feasibility of these approaches, particularly when paired with thresholds to protect very small earners and simplified expense deductions to account for work-related costs (Kind & Schjelderup, 2025; Black, 2020). By positioning platforms as fiscal intermediaries, governments reduce reliance on fragmented self-reporting while improving revenue predictability.

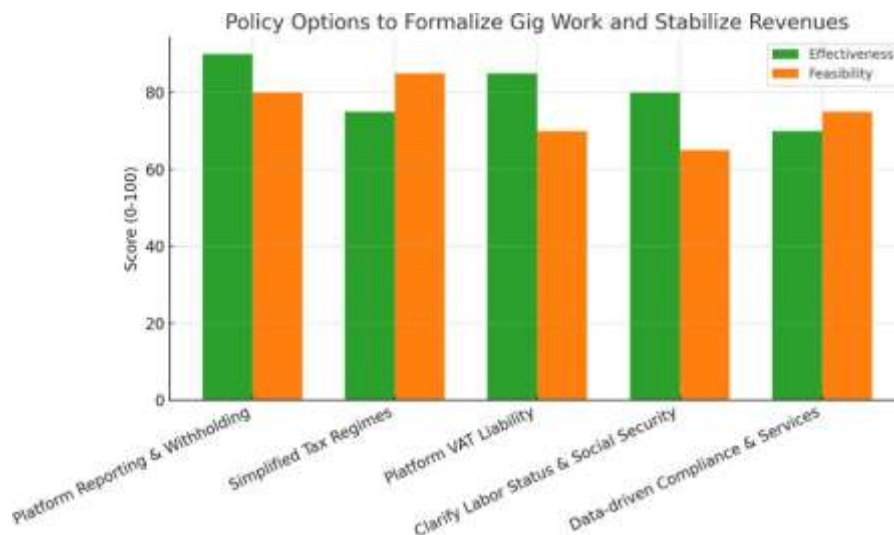
Given the irregular and low-volume nature of many gig incomes, conventional income-tax regimes may deter compliance. Presumptive taxation or turnover-based schemes—where micro-earners pay a low, final-rate levy—have been shown to raise participation without creating excessive administrative costs (Adelakun, 2024; Banik, 2019). Coordinating such schemes with VAT registration rules ensures that workers are not caught between overlapping obligations while expanding the tax net. Comparative evidence from other digital economies indicates that simplified regimes broaden coverage and encourage voluntary participation (Bolcu & Ştefan, 2023; Pantazatou, 2020; 2025). For Indonesia, such mechanisms could provide an effective balance between fairness and simplicity, particularly for online drivers, couriers, and freelancers operating at subsistence levels.

Expanding platform liability for VAT remittance is another key strategy. By designating platforms as “deemed suppliers,” governments shift responsibility for collecting and remitting VAT at the point of transaction. This model has demonstrated significant compliance gains in e-commerce and multi-sided markets, particularly in cross-border contexts where individual sellers may otherwise evade registration (Jalilvand et al., 2022; Pantazatou, 2025). In Indonesia, such policies have already been applied to digital services, showing clear increases in VAT receipts. Extending this framework to gig platforms could reduce administrative burdens on small workers while capturing revenues from international service providers (Kind & Schjelderup, 2025). The approach aligns with global best practices, ensuring tax neutrality between digital and traditional sectors.

The fiscal and social sustainability of the gig economy depends on clarifying employment status and establishing a fair contribution base. Where full employment classification is not politically or economically feasible, intermediate statuses such as “dependent self-employment” can provide a workable compromise. Such categories anchor mandatory, portable contributions to pensions, health,

and accident insurance while preserving the flexibility that makes gig work attractive (Freedman, 2020; Tobing, 2024; Wibowo, 2023). In Indonesia, debates in *Jurnal Ketenagakerjaan* emphasize the urgency of establishing minimum insurance floors to reduce precarity (Alfarizi et al., 2025; Muhyiddin et al., 2024). Formalizing these contributions would expand social-protection coverage while increasing fiscal revenues through contributory schemes.

Finally, the integration of digital tools in tax administration can significantly improve compliance. Pre-filled returns based on platform-reported income, behavioral nudges, and targeted digital education campaigns increase voluntary participation, particularly among micro, small, and medium enterprises (MSMEs) and gig earners (Dedema & Rosenbaum, 2024; Watson, 2019). Indonesian tax scholarship highlights the importance of outreach and socialization in raising awareness of tax obligations (Suryadi & Nasution, 2023). Leveraging mobile applications, e-invoicing, and artificial intelligence for risk-based auditing can also reduce enforcement costs. Collectively, such innovations create a more user-friendly tax environment that fosters trust and legitimacy, encouraging compliance while stabilizing state revenues (Mol & Molho, 2024; Dürselen, 2024).



The Figure 3 illustrates a comparative assessment of five major policy options for formalizing gig work and stabilizing revenues, measured by their effectiveness and feasibility. Among the options, platform-level reporting and withholding stands out as both highly effective and relatively feasible, making it a priority for policymakers. Simplified tax regimes show the highest feasibility, reflecting their practicality for micro and intermittent earners, though their overall revenue impact is moderate compared to broader structural reforms. Platform VAT liability demonstrates strong effectiveness in capturing cross-border and platform-mediated transactions, though feasibility is somewhat constrained by regulatory coordination. Clarifying labor status and social-security contributions is effective in principle for strengthening worker protection and revenue streams but faces lower feasibility due to legal and political complexity in Indonesia. Finally, data-driven compliance and taxpayer services offer moderate effectiveness and feasibility, representing an incremental yet essential strategy to support long-term compliance. Collectively, the results suggest that a hybrid approach, prioritizing

platform accountability while gradually building supportive tax regimes and social-security structures, would provide the most balanced path to fiscal sustainability.

The policy measures discussed underscore the importance of hybrid approaches that combine platform accountability, simplified regimes, clarified labor status, and digital innovation. While each option carries trade-offs in feasibility and effectiveness, their integration can create a more resilient and equitable fiscal framework. By aligning international best practices with Indonesia's domestic realities, such reforms can ensure that the gig economy evolves into both a driver of employment and a reliable source of public revenue. This synthesis sets the stage for the concluding section, which consolidates these findings into actionable recommendations.

4. Conclusion and Recommendations

4.1. Conclusion

The gig economy has emerged as a dynamic contributor to national revenues, primarily through indirect taxation such as VAT on platform-mediated transactions, direct taxation of worker income, and corporate taxation of platform profits. When supported by appropriate legal frameworks, it also holds significant potential for strengthening social-security systems through contributory mechanisms. Yet, these contributions are frequently undermined by structural barriers. Ambiguous employment relations complicate the classification of workers, fragmented and irregular income streams reduce reporting accuracy, and cross-border operations challenge jurisdictional nexus for taxation. Furthermore, the multi-sided nature of gig platforms introduces pricing and incidence complexities, as the fiscal burden may shift unpredictably between workers, consumers, and platforms. Without coherent policies, these issues risk perpetuating informality, revenue leakages, and inequities in the distribution of fiscal responsibilities.

Emerging scholarship in public finance and platform-economy studies suggests that platform-centric compliance mechanisms provide a promising path forward. Mandatory information reporting, non-employee withholding, and the designation of platforms as deemed suppliers for VAT have been shown to enhance both efficiency and equity in taxation systems. Complementary measures, such as simplified and proportional tax regimes for micro-earners, further broaden participation without imposing excessive compliance burdens. Collectively, these approaches not only stabilize fiscal revenues but also integrate gig workers more securely into the formal economy. For Indonesia, adopting such hybrid strategies would strengthen state capacity, reduce dependence on narrow tax bases, and enhance resilience in the face of rapid labor-market transformation.

4.2. Recommendations

1. Strengthen platform-level reporting and withholding. Require digital platforms to issue standardized annual income statements to both workers and tax authorities, while offering opt-in withholding for workers above *de minimis* thresholds. This will reduce underreporting, ease compliance, and smooth income-tax payments for gig earners.
2. Expand VAT collection through platform liability. Designate major gig platforms as “deemed suppliers” responsible for collecting and remitting VAT on mediated services. Harmonizing cross-border VAT rules will prevent leakages from international transactions and ensure fairness

between domestic and foreign providers.

3. Introduce simplified tax regimes for micro-earners. Establish a presumptive or turnover-based tax system with standard cost deductions for small and intermittent gig earners. Integrate proportional micro-contributions to social security within this scheme to broaden coverage while minimizing compliance costs.
4. Clarify labor status to support social protection. Amend labor regulations to either clarify gig workers' employment status or create an intermediate category such as "dependent self-employment." This would anchor mandatory yet portable contributions, ensuring that workers access health insurance, pensions, and accident protection without undermining flexibility.
5. Invest in digital taxpayer services and outreach. Develop user-friendly platforms offering pre-filled returns, behavioral nudges, and targeted education campaigns. Tailored outreach to gig workers and MSMEs will enhance awareness, reduce compliance costs, and build trust in tax administration.
6. Conduct ex-ante impact assessments. Evaluate distributional and market effects of proposed policies before implementation, recognizing that taxation in multi-sided platforms can shift burdens across workers, consumers, and platforms. Use thresholds and rate adjustments to maintain fairness while avoiding unintended distortions.

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