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Simplifying tax filing for gig workers

The time has come for us to begin exploring models that reduce friction in tax filing to ease tax compliance matters for gig workers and empower them to contribute to our country's tax revenue.

Run-up to Belanjawan 2026 MALAYSIA MADANI

THE International Labour Organisation broadly defines gig workers as "self-employed or independent contractors, managing their own clients, projects and income without a fixed salary or long-term employment contract".

In Malaysia, the recently passed Gig Workers Bill 2025 further codifies this, recognising gig workers as individuals who perform services for platform providers or non-platform providers.

On the one hand, this includes delivery workers and drivers for online platforms such as Grab, Foodpanda and Shopee.

On the other hand, gig work for non-platform providers extends to those working as actors, tutors, freelance writers, translators, and the list goes on.

The gig economy has accelerated in its growth, driven by flexibility in working hours, growth of digital platforms and the impact from the Covid-19 pandemic, just to mention a few.

In the first quarter of 2025, we had also seen the number of gig workers reaching an estimate of 1.2 million.

Many join the sector for supplemental income, while others juggle multiple gigs for financial stability.

While this lifestyle offers freedom and flexibility, it also comes with more complex tax obligations.

While those in full time employment receive the statement of remuneration (known as Form EA) from employers, making tax filing a rather straightforward affair come every tax season, the same cannot be said for gig workers who may fall behind their tax obligation.

Tax filing challenges

Reasons that may contribute to the challenges in complying with tax obligations among gig workers include:

> The lack of awareness or education in tax reporting obligations.

> The burden in record keeping as it may be difficult for gig workers to handle related deduction of business expenses such as petrol/fuel charges, mobile data subscriptions, and commercial vehicle insurance, especially if the gig worker is working on multiple jobs.

> Complication in tax reporting as workers are paid by different clients and platforms based on the services rendered, each with varying payment cycles and formats.

At present, gig workers in Malaysia must manually track their income and expenses and file their taxes using Form B if their earnings are classified as business income. They may also receive CP500 for instalment payments.

There is no standardised deduction model in place for fuel, mobile data, insurance, and workspace costs.

This fragmented and manual process adds complexity and increases the risk of non-compliance.

Regional best practices

With the gig workforce now a permanent feature of modern economies, the time has come for us to begin exploring models that reduce friction in tax filing to ease tax compliance matters for gig workers and empower them to contribute to our country's tax revenue.

In South-East Asia, Singapore and the Philippines have come up with initiatives to facilitate tax compliance for gig workers.

The Inland Revenue Authority of Singapore provides an auto population of income for "self-employed persons" from third-party reports.

To simplify tax filing, commission agents, delivery workers and private hire car/tax drivers can claim the fixed expense deduction ratio (FEDR), which is a deemed amount of business expenses based on a prescribed percentage of gross income earned.

The FEDR is made available to the following:

> 60% for private hire car/taxi drivers.

Private car/taxi drivers can claim the FEDR based on 60% of the total income comprising fares and incentives or other miscellaneous payments.

> 25% for commission agents with income not exceeding S$50,000.

In this category, an agent who earns commission will be able to claim the FEDR based on 25% of the commission. If the agent's income exceeds S$50,000, he does not qualify for the FEDR.

Instead, the agent can claim the actual allowable business expenses incurred in deriving the income.

> FEDR for delivery workers.

Similar to commission agents, delivery workers are able to claim the FEDR on income earned from the provision of delivery services not exceeding S$50,000.

Delivery workers can claim the prescribed FEDR depending on delivery modes:

> 20% for delivery modes on foot, by public transportation or by non-power assisted bicycles.

> 35% for delivery modes using motorised personal mobility devices, power assisted bicycles or motorcycles.

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Time to take a step towards a more inclusive and equitable tax system

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> 60% for delivery mode using vans.

For delivery modes using cars, lorries or trucks, the FEDR is not available. Instead, the delivery worker can claim tax deductions based on actual business expenses incurred while earning the income.

In the Philippines, the Bureau of Internal Revenue imposes withholding tax of 1% on half of the gross remittances made by e-marketplace operators and digital financial services providers to online sellers/merchants.

Withholding tax will not apply if the annual total gross remittances to an online merchant for the past taxable year has not exceeded 500,000 Philippine pesos, or the cumulative gross remittances to an online merchant in a taxable year have not exceeded 500,000 Philippine pesos.

By shifting the burden of tax reporting and deductions to e-marketplaces and digital financial service providers, the system has simplified tax compliance for gig workers.

Recommendations for Malaysia

Drawing inspiration from countries that have implemented measures to simplify tax compliance for gig workers, we hope the government will consider the following initiatives:

> Adopt a standardised expenses deduction model for Malaysia applying across different types of gig workers to replace the burden of detailed expense tracking.

> Income pre-populations, in which digital platform operators could integrate and report the gig workers' income directly to the Inland Revenue Board (IRB).

This integration would enable IRB to prefill income details in the workers' tax returns during e-filing, where gig workers can verify or amend the information as needed. Additionally, platform operators will be able to issue annual income statements to gig workers and share income data with IRB via secure application programming interface to further streamline the reporting process.

> Withholding at source, whereby digital platforms implement the applicable tax deduction before disbursing payment to gig workers.

> Education and outreach by providing in-app guides, conducting workshops, preparing multilingual quick reference sheets and partnering with influencers to promote awareness and educate gig workers on the importance of tax filing.

> Tax amnesty programme to encourage voluntary compliance among gig workers to declare past undeclared income without fear of penalties.

A timely rethink

The rise of the gig economy reflects a profound shift in how Malaysians work, earn and live.

Traditional employment models no longer capture the reality of a workforce that values flexibility, independence, and digital enablement.

As Budget 2026 approaches, policymakers have an opportunity to ride the momentum and craft a tax system that not only recognises these realities but also ensures fairness and inclusivity.

Simplifying tax filing for gig workers is more than a policy enhancement, it is a step towards a more inclusive and equitable tax system that that sustains revenue while supporting the evolving world of work.

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