

**Two-Day National Conference on
"GST Reforms: Challenges, Opportunities, and Socio-Economic Effects in Telangana State"
on 09th & 10th June 2026**



CMR TECHNICAL CAMPUS

Department of MBA

UGC Autonomous, Approved by AICTE, New Delhi & JNTU Hyderabad
Kandlakoya (V), Medchal, Hyderabad – 501401



GST, Compliance Gaps, Formalisation Paradoxes, and Policy Pathways in India's Gig Economy

Venkata Siva Kumar, S.

Associate Professor, Department of Management Studies, Vardhaman College of Engineering
, Email: venkatasks@gmail.com

Abstract

The gig economy in India has grown at a striking pace, drawing millions of workers into platform-based employment across ride-hailing, food delivery, logistics, and digital services. With Telangana and its capital Hyderabad at the forefront of this shift, understanding how Goods and Services Tax (GST) affect these workers has become urgently important. This review paper examines three core challenges: the ambiguity surrounding GST registration thresholds for gig workers, the difficulty of accessing Input Tax Credit, and the unequal distribution of compliance responsibilities between platforms and individual workers. Evidence is drawn from international research on platform work, Indian government reports, and tax policy studies published between 2009 and 2022. The findings show that GST's current design does not adequately account for the irregular, informal nature of gig work, resulting in compliance burdens that fall disproportionately on low-income platform workers. The paper calls for targeted reforms including a simplified compliance pathway for gig workers, an expanded reverse-charge mechanism, and a link between GST registration and social protection benefits in Telangana and across India.

Keywords: GST, gig economy, platform workers, tax compliance, informal labour, formalisation, Telangana

1. Introduction

India's labour market is changing faster than its tax laws can keep up. Over the past decade, millions of workers have moved into the gig economy—earning income through mobile apps and digital platforms that connect them to customers for short-term, task-based work. Whether they deliver groceries, drive passengers, repair home appliances, or offer freelance skills online, these workers now form a significant and fast-growing part of the Indian economy. The numbers are hard to ignore. NITI Aayog (2022) estimated that around 7.7 million people were working in India's gig and platform sector in 2020–21, with that figure expected to cross 23.5 million by 2029–30. Telangana, anchored by the technology and services hub of Hyderabad, has one of the

highest concentrations of platform workers in the country—particularly in ride-hailing, food delivery, and domestic services.

When GST was introduced across India on 1 July 2017, it was designed to simplify a fragmented indirect tax structure and bring more economic activity into the formal sector. For large businesses and established MSMEs operating through clear, documented transactions, this reform made a great deal of sense. Gig work, however, does not fit neatly into that picture. Gig workers earn irregularly, work across multiple platforms, and are legally classified as self-employed contractors—not employees. They are not the kind of taxpayer the GST system was built for, and this mismatch is creating real, everyday problems. This paper reviews what we currently know about the relationship between GST and gig workers in India. It draws on published research, government reports, and policy analysis, with a particular focus on Telangana. The goal is to identify where the current system falls short, highlight gaps in existing research, and propose practical directions for reform.

2. The Gig Economy: What It Is and Why India Is Different

The term “gig economy” refers to a labour market in which people earn income through short-term, task-based arrangements rather than stable, salaried employment (Wood et al., 2019). Work is matched and managed through digital platforms, payments are tied to tasks completed, and workers typically provide their own equipment and set their own schedules. This way of working has grown rapidly worldwide, and India is no exception. Platforms like Ola, Uber, Zomato, Swiggy, Urban Company, and Porter are now embedded in daily life across Indian cities. Researchers describe these companies as part of the “platform economy”—a system where digital intermediaries sit between workers and customers, controlling prices, ratings, and access to work while maintaining legal distance from the people whose labour they depend on (Rosenblat & Stark, 2016). Workers are classified as independent contractors, not employees, which has significant implications under both labour law and tax law.

The ILO distinguishes between two types of platform work: online cloud work done remotely, such as software development or content writing, and location-based work done in person, such as driving or delivering goods (De Stefano, 2016). In India, location-based gig work is by far the dominant form. It is concentrated in cities, involves physical travel, and requires workers to invest in their own vehicles and mobile devices. One important distinction between India and Western economies is that gig work here is rarely a supplementary income. Graham et al. (2017), drawing on a large multi-country study, found that workers in developing countries depend on platform earnings as their primary livelihood far more than workers in higher-income countries. For millions of Indian gig workers, platform income is not a side activity—it is everything. This matters enormously for policy. Research on employment insecurity shows that workers without stable, formal jobs face heightened vulnerability across multiple dimensions—income, health, and retirement savings (Kalleberg, 2009). For this group, added compliance burdens or regulatory confusion are not minor inconveniences. They are genuine financial risks. Any tax policy affecting gig workers must take this reality seriously, particularly in a state like Telangana where platform-based employment is growing so rapidly.

3. How GST Applies to Platform Workers—and Where It Falls Short

Under the GST framework, gig workers are treated as service providers. If their total annual earnings exceed ₹20 lakh, they are required to register for GST, file returns regularly, and maintain detailed transaction records. Telangana falls under this ₹20 lakh threshold (the lower ₹10 lakh limit applies only to designated special category states). Here lies the first major problem. Many full-time gig workers in Hyderabad—cab drivers and delivery partners in particular—earn somewhere between ₹12 lakh and ₹28 lakh a year. This places them right at the boundary of the registration threshold. Since their monthly income fluctuates, they often have no reliable way of knowing in advance whether they will cross the limit in a given year. One strong month can push them over; a slow period can drop them below. This uncertainty creates ongoing anxiety and, in many cases, leads workers to avoid registration even when they may technically be required to register (Rani & Furrer, 2021). The GST law does offer some relief through Section 9(5) of the Central GST Act. Under this provision, platform companies acting as Electronic Commerce Operators are required to directly pay GST on certain services arranged through their apps—including passenger transport and food deliveries. This shifts the primary GST obligation away from the individual worker and places it on the company. For workers covered by this provision, it removes one important layer of compliance. However, Section 9(5) covers only a limited category of services. Workers in logistics, household maintenance, digital freelancing, and other sectors are not covered. For them, the compliance obligation falls entirely on the individual.

Even where Section 9(5) does apply, gig workers miss out on Input Tax Credit (ITC)—the mechanism that lets registered businesses recover the GST they have already paid on their business inputs. A driver who pays GST on fuel, vehicle servicing, or a smartphone for navigation should, in principle, be able to claim that amount back. But because the platform—not the driver—is the registered supplier under Section 9(5), the driver cannot access ITC.

4. The Real Costs of Compliance

Complying with GST is not free. GST-registered workers must file GSTR-1 and GSTR-3B returns each month or quarter, maintain records of every transaction, cross-check invoices on the government portal, and keep up with changing filing requirements. For a delivery worker in Hyderabad earning ₹18,000 to ₹22,000 a month, hiring a tax professional to handle this costs between ₹500 and ₹2,000 monthly—money that makes a real difference when margins are this tight. Making things harder, most platforms do not give their workers the documentation they need to file returns easily. Workers typically have to piece income records together from multiple app dashboards, which are designed for earnings tracking rather than tax compliance. The information provided rarely maps onto the format required by GST filings.

In response to this gap, many gig workers have built their own informal support networks. Vallas and Schor (2020), reviewing research on how platform workers navigate the gig economy, found that workers globally create communities—WhatsApp groups, social media forums, online chat threads—to share practical knowledge, including about taxes. These networks exist because formal support systems are failing them. ILO

(2021) research confirms that confusion about tax obligations is common among platform workers across different countries, especially when compliance falls on individuals rather than on platforms. Many workers assume the platform manages all tax matters on their behalf—an assumption that is often legally wrong but completely understandable given how little platforms communicate about this. When workers discover their true obligations after the fact, they may face penalties and backdated liabilities they are completely unprepared for.

The Fairwork India Ratings 2022 report, which assessed working conditions across twelve major Indian platforms including Ola, Uber, Swiggy, Zomato, and Urban Company, found that most platforms score very low on transparency—particularly around worker pay, legal status, and compliance obligations (Fairwork, 2022). This is not incidental. Opacity around workers' legal and tax status is partly what makes GST compliance so difficult to manage at the individual level. Taken together, the compliance burden under GST is regressive. It takes proportionally more from lower-income gig workers, and it does so without offering them any corresponding social protection or employment security in return.

5. Formalisation: The Promise and the Paradox

One of GST's central goals was to draw more of India's informal economy into the formal sector. For gig workers, this argument has genuine appeal. A GSTIN registration gives workers a verifiable identity in the government's fiscal system, which can—in principle—help them access credit, participate in welfare schemes, and build a documented financial track record. Rani and Furrer (2021) argue that linking platform income data to the tax system could extend formal economic recognition to millions of workers who have never been visible to state institutions.

In practice, though, platform companies do exactly the opposite. They classify workers as independent contractors to avoid the legal and financial costs of formal employment—minimum wages, provident fund contributions, paid leave, and access to labour courts. Prassl and Risak (2016) have shown how this classification is embedded in platform agreements and app design. It is a deliberate structural choice, not an oversight. Field evidence from India backs this up. Ghosh (2022), studying small businesses in India following GST implementation, found that while the reform did introduce formal practices into daily operations, it also disrupted established informal networks and created compliance costs that left small operators worse off rather than better off. The same dynamics apply to gig workers: they bear the costs of the formal tax system without gaining the protections that genuine formalisation would bring.

The result is a genuine structural paradox. GST pulls gig workers toward formalisation on the tax side. But the platform relationships through which they earn their income are structured to keep them informal on the labour side. They are caught between two incompatible institutional logics. Early analysis of India's GST design warned that threshold-based exemptions would need careful calibration to protect low-income self-employed persons from unintended consequences (Poddar & Ahmad, 2009). That warning was not heeded with gig workers in mind—and it shows.

6. What the Evidence Shows

Direct research on how GST affects gig workers specifically is still very limited. The gig economy is relatively new, workers are geographically spread out, and platform-based employment is chronically under-counted in official labour statistics. Even so, several converging sources begin to tell a coherent story.

The most important starting point is the NITI Aayog (2022) report on India's gig and platform economy. Although it does not address GST compliance directly, its income data reveals that a large share of full-time platform workers earn in ranges that sit close to the ₹20 lakh registration threshold. For these workers, registration uncertainty is not an occasional problem—it is a permanent feature of their financial lives. The report also notes that most gig workers lack any meaningful financial buffer, meaning that even a small unexpected compliance cost can cause immediate hardship. Global ILO evidence adds important context. The ILO's (2021) report on digital labour platforms found that platform workers worldwide consistently struggle to understand and fulfil their tax obligations, especially when compliance falls on individuals rather than platforms. The report recommends simplifying compliance procedures and, wherever feasible, shifting responsibility to platforms that have far greater capacity to manage it.

An earlier ILO (2018) study focused specifically on developing countries found that platform workers in Asia often have little knowledge of their legal and tax status, and that platforms rarely fill this information gap voluntarily. Workers without access to professional advisors are particularly disadvantaged—and most gig workers in India fall into exactly this category. Graham et al. (2017), in their multi-country comparison of platform workers, found a consistent pattern: when taxation is placed on individuals rather than platforms, compliance rates fall sharply. Workers resort to informal workarounds and avoid registration—not out of dishonesty, but out of genuine confusion and fear. India appears to follow this pattern closely.

Stanford (2017), examining the historical and economic dimensions of gig work, argues that the expansion of the platform business model consistently externalises costs and risks onto individual workers. Tax compliance is one clear example of this—a cost that would naturally be borne by an employer in a conventional employment relationship is instead transferred to the worker. Katz and Krueger (2019), studying alternative employment in the United States, found that workers without stable employer-reported income systematically underestimate their tax obligations. Variable earnings make accurate forward planning difficult, and year-end tax liabilities can come as a genuine shock.

7. Future Directions: Research Gaps and Policy Reforms

7.1 Research Priorities

The most pressing need is for a properly designed primary survey. Currently, no representative dataset in India links gig worker income with GST registration status, compliance behaviour, and platform type. Such a study would need to cover multiple platform types—ride-hailing, food delivery, domestic services, and digital freelancing—and should be conducted across Telangana's main urban centres. Hyderabad, with its high density of platform workers and advanced digital governance infrastructure, is the natural starting point.

A second priority is smarter use of administrative data. The GSTN holds detailed transaction-level information. If this could be linked, with appropriate privacy protections, to platform income data, researchers could map compliance patterns across different worker categories without needing entirely new data collection. This kind of linked administrative dataset could also track whether GST registration affects gig workers' subsequent income trajectories—a question with direct policy relevance. International experience also has much to offer. Countries like the United Kingdom, France, and Australia have each taken distinct approaches to taxing platform workers, with varying results. A comparative analysis benchmarked against India's GST framework could identify design principles worth adopting—and mistakes worth avoiding.

7.2 Policy Reforms

Several reforms to the current system stand out as both practical and high-impact. *First*, a simplified flat-rate compliance scheme for gig workers should be developed. The existing Composition Scheme allows small businesses to pay a fixed percentage of turnover rather than navigate the full GST return machinery—but it currently excludes service providers. Extending a version of this option to platform workers would cut compliance friction significantly without causing major revenue loss.

Second, Section 9(5)'s reverse-charge mechanism should be extended to cover a wider range of platform-mediated services, including logistics, household services, and online freelancing. Bringing these categories under the platform's tax liability would move compliance responsibility to companies that have the financial and legal capacity to handle it properly. This is the most structurally efficient reform available within the current GST architecture.

Third, platforms should be legally required to provide workers with annual GST-compliant income summaries. This is a low-cost step that would make it significantly easier for workers who are required to file returns to do so accurately. At present, there is no obligation on platforms to produce such documentation for their workers.

Fourth, and perhaps most transformatively, GST registration should be connected to social protection access. If workers who register for GST became eligible for a portable welfare account—covering health insurance, accident cover, and retirement savings contributions—the incentive to register would be far stronger and more equitable. Telangana already has experience operating welfare boards for unorganised sector workers. This existing infrastructure could serve as the foundation for exactly this kind of integration, and the state is well-placed to pilot such a scheme before broader national rollout.

8. Conclusion

India's GST framework and its growing gig economy are not a good fit, and gig workers are bearing the cost of that mismatch. A tax system built for organised, stable businesses is being applied to a workforce that is dispersed, irregular, and legally ambiguous. The result is a set of compliance burdens that are confusing to navigate, expensive to meet, and regressive in their impact. This review has traced the main fault lines: a

registration threshold that keeps millions of gig workers in permanent legal uncertainty, an ITC framework that denies workers access to legitimate cost relief, platforms that classify workers as contractors but leave them to face the tax system entirely alone, and compliance costs that fall hardest on those who can least afford them. These are not minor administrative glitches. They reflect a fundamental mismatch between how GST was designed and how gig work actually operates.

What is needed is a set of targeted, practical reforms: simplify the compliance process for gig workers, extend the reverse-charge mechanism to more service categories, require platforms to provide tax documentation, and link registration to real social protection benefits. None of this requires building entirely new systems. It means updating existing ones to reflect the reality of twenty-first century work. For Telangana, the opportunity is especially significant. The state has the technology infrastructure, the concentration of platform workers, and the policy capacity to lead on this issue. What it needs is the research evidence to guide reform design. The intersection of GST and gig work is not a narrow academic concern. For millions of workers who depend on platform income to sustain their families, it is a matter of daily economic survival.

References

- De Stefano, V. (2016). *The rise of the “just-in-time workforce”: On-demand work, crowdwork and labour protection in the “gig-economy.”* International Labour Office. <https://doi.org/10.2139/ssrn.2682602>
- Fairwork. (2022). *Fairwork India ratings 2022: Labour standards in the platform economy.* Oxford Internet Institute, University of Oxford. <https://fair.work/en/fw/publications/fairwork-india-ratings-2022-labour-standards-in-the-platform-economy/>
- Ghosh, S. (2022). Formalising the informal through GST: Evidence from a survey of MSMEs. *Review of Development and Change*, 27(2), 150–169. <https://doi.org/10.1177/09722661221130138>
- Graham, M., Hjorth, I., & Lehdonvirta, V. (2017). Digital labour and development: Impacts of global digital labour platforms and the gig economy on worker livelihoods. *Transfer: European Review of Labour and Research*, 23(2), 135–162. <https://doi.org/10.1177/1024258916687250>
- International Labour Organization. (2018). *Digital labour platforms and the future of work: Towards decent work in the online world.* ILO Publishing. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_645337.pdf
- International Labour Organization. (2021). *World employment and social outlook 2021: The role of digital labour platforms in transforming the world of work.* ILO Publishing. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_771749.pdf
- Kalleberg, A. L. (2009). Precarious work, insecure workers: Employment relations in transition. *American Sociological Review*, 74(1), 1–22. <https://doi.org/10.1177/000312240907400101>
- Katz, L. F., & Krueger, A. B. (2019). Understanding trends in alternative work arrangements in the United States. *RSF: The Russell Sage Foundation Journal of the Social Sciences*, 5(5), 132–146. <https://doi.org/10.7758/RSF.2019.5.5.07>
- NITI Aayog. (2022). *India's booming gig and platform economy: Perspectives and recommendations on the future of work.* Government of India. https://www.niti.gov.in/sites/default/files/2022-06/25th_June_Final_Report_27062022.pdf
- Poddar, S., & Ahmad, E. (2009). *GST reforms and intergovernmental considerations in India* (Working Paper No. 1/2009). Ministry of Finance, Government of India.
- Prassl, J., & Risak, M. (2016). Uber, TaskRabbit, and Co.: Platforms as employers? Rethinking the legal analysis of crowdwork. *Comparative Labor Law and Policy Journal*, 37(3), 619–651.
- Rani, U., & Furrer, M. (2021). Digital labour platforms and new forms of flexible work in developing countries: Algorithmic management of work and workers. *Competition & Change*, 25(2), 216–243. <https://doi.org/10.1177/1024529420905187>

- Rosenblat, A., & Stark, L. (2016). Algorithmic labor and information asymmetries: A case study of Uber's drivers. *International Journal of Communication*, 10, 3758–3784. <https://ijoc.org/index.php/ijoc/article/view/4892>
- Stanford, J. (2017). The resurgence of gig work: Historical and theoretical perspectives. *The Economic and Labour Relations Review*, 28(3), 382–401. <https://doi.org/10.1177/1035304617724303>
- Vallas, S., & Schor, J. B. (2020). What do platforms do? Understanding the gig economy. *Annual Review of Sociology*, 46, 273–294. <https://doi.org/10.1146/annurev-soc-121919-054857>
- Wood, A. J., Graham, M., Lehdonvirta, V., & Hjorth, I. (2019). Good gig, bad gig: Autonomy and algorithmic control in the global gig economy. *Work, Employment and Society*, 33(1), 56–75. <https://doi.org/10.1177/0950017018785616>