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## Accounting for the Gig Economy in Malaysia: Challenges and Opportunities

*Salwa Muda, Musliha Musman, Raziah Bi Mohamed Sadique & Asma' Rashidah Idris*

The gig economy has emerged as a vital component of Malaysia's labor market, driven by technological advancements and the increasing prevalence of digital platforms such as Grab, Foodpanda, and Shopee. These platforms offer flexible work opportunities, allowing individuals to earn income outside traditional employment structures. Between 2016 and 2021, Malaysia saw a substantial rise in gig workers and digital platforms, contributing not only to workforce dynamism but also to economic growth. The World Bank's **"Informal Employment in Malaysia"** report (2024) highlights how gig platforms became a lifeline for many Malaysians during the COVID-19 pandemic. The number of workers using **eRezeki**, a platform for digital jobs, more than **doubled from 333,130 in 2019 to 699,517 in 2020**. This rapid growth, especially in location-based gig work, helped many people sustain their income during tough times.

Physical gig activities, like food delivery services, dominate the market compared to digital gig tasks, such as freelance graphic design or online tutoring. The pandemic accelerated demand for online services, giving rise to local digital platforms and creating more earning opportunities. Despite these advancements, challenges remain. Gig workers often face issues such as the lack of social protection, the absence of formal employment contracts, and inadequate regulatory frameworks to safeguard their interests (Ahmad Nawawi et al., 2023). As more Malaysians turn to gig work for their livelihood, accounting practices must evolve to meet the unique demands of this growing workforce.



### Challenges in Accounting for Gig Workers in Malaysia

#### i. **Income tracking**

- For many gig workers, juggling multiple income streams from various platforms makes tracking earnings accurately a complicated task. Traditional employees benefit from structured 'Employee Annual Remuneration Statements' (EA forms), but gig workers must handle their own records. This lack of structure increases the risk of misreporting income, leading to potential compliance issues and penalties from the Inland Revenue Board of Malaysia (LHDN). Accountants often step in to help gig workers streamline their financial records and meet reporting obligations.





**ii. Taxation and Compliance**

- Gig workers in Malaysia are classified as self-employed, meaning they are responsible for their own income tax filings and deductions. Understanding allowable expenses, such as vehicle maintenance for delivery drivers or equipment costs for freelancers, can be daunting. The introduction of the digital service tax (DST) further complicates matters, especially for those earning from international platforms. These complexities call for tailored tax planning support from accountants.

**iii. Worker Classification Issues**

- The debate over whether gig workers should be treated as independent contractors or employees has significant implications for accounting. Misclassification can affect contributions to the Employees Provident Fund (EPF), Social Security Organization (SOCSO), and compliance with labor laws. Businesses relying heavily on gig workers face financial and legal risks if classification issues are mishandled.

**iv. Platform-Specific Variations**

- Each gig platform operates differently in terms of payment schedules, fee structures, and reporting standards. While platforms like Grab provide detailed earnings breakdowns, others may offer only minimal transparency. Accountants need to familiarize themselves with these platform-specific practices to provide accurate financial guidance.

**Opportunities for Accountants**

**i. Tailored Services for Gig Workers**

- The growing gig economy has created a demand for specialized accounting services. Accountants can offer guidance on expense tracking, tax planning, and long-term financial management. Helping gig workers identify allowable deductions, such as fuel costs or mobile data, can result in significant tax savings.

**ii. Leveraging Technology**

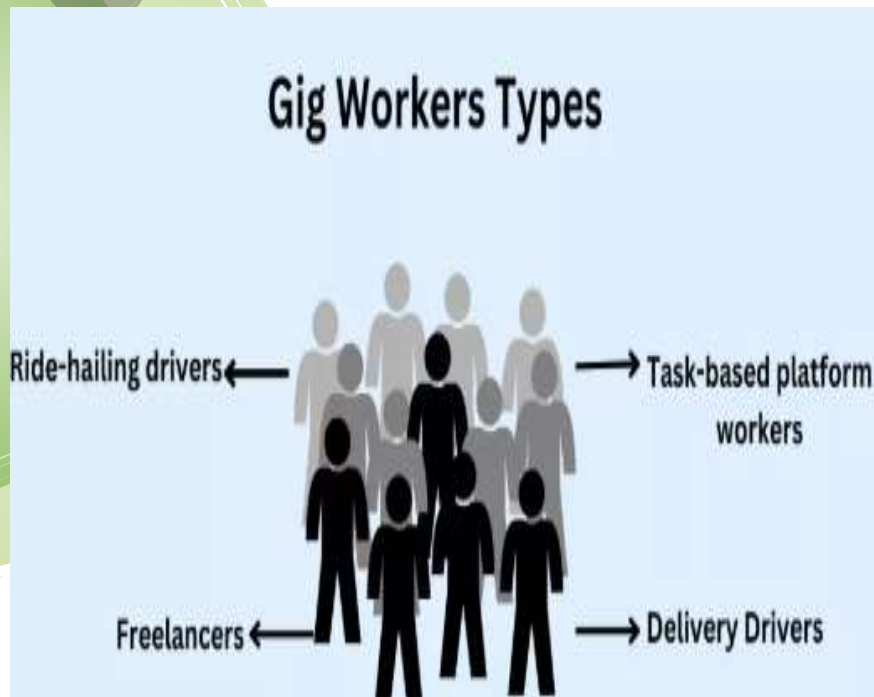
- Technology can simplify accounting for gig workers. Cloud-based tools like AutoCount, QuickBooks, and Wave enable gig workers to track their income and expenses efficiently. Accountants can assist clients in adopting these tools, ensuring their finances are well-organized and compliant.

**iii. Advisory Roles**

- Accountants can guide gig workers toward financial stability by advising them on voluntary EPF contributions, insurance plans, and personal savings strategies. For businesses, accountants can provide insights on worker classification, tax compliance, and efficient financial management.

**iv. Shaping Policy and Standards**

- With the gig economy's expansion, accountants have an opportunity to influence policymaking. Engaging in discussions on tax reforms, labor laws, and platform accountability allows accountants to advocate for fair and practical standards that benefit both gig workers and businesses. Their expertise can bridge the gap between policymakers and the gig economy.



As the gig economy in Malaysia continues to evolve, the focus must remain on creating supportive systems that empower gig workers while ensuring businesses operate ethically and within the law. This means designing frameworks that address the unique needs of this diverse workforce, from improving financial literacy to ensuring fair labor practices. Accountants, with their expertise and innovative approaches, play a crucial role in navigating these challenges. By leveraging the right tools and adopting forward-thinking strategies, they can help turn the complexities of gig work into opportunities for growth, resilience, and innovation—not just for individual workers but for the entire economy. The journey is not without its hurdles, but with collaboration and commitment, the gig economy can become a sustainable and equitable pillar of Malaysia's future.

### References

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