

Tax challenges in the gig economy

Huda Mohammed Khudhair

Hdym8260@gmail.com

Faculty of Administration and Economics/ Al-Iraqia university

Asst. Prof. Manal Hussein Lafta

[*manalalsalmany@gmail.com*](mailto:manalalsalmany@gmail.com)

Faculty of Administration and Economics/ Al-Iraqia university

Abstract: Taxes on the gig economy are viewed from two different angles. On the one hand, some see that subjecting transactions that take place over the Internet to taxes (or fees) is a curb on technological growth, while others see that tax exemption leads to a reduction in state resources, because individuals They prefer online deals because they are inexpensive in terms of both value and time. In addition, the restriction of tax systems to traditional non-electronic business transactions makes them tax systems of limited efficiency. The issue of the default tax also raises two problems, one at the theoretical level and the other at the applied level. From the practical side, there is a difficulty in applying the familiar and current laws to traditional trade, but from the theoretical side, we find the problem of the absence of tax concepts and rules that take into account the new nature of the gig economy.

Keywords: Gig Economy, Tax systems

Research problem

This research discusses the challenges of imposing tax for the activities of the cart economy. The following question can be formulated for the research problem:

What are the most important challenges facing the imposition of taxes on the activities of the gig economy, and to what extent does the gig economy represent a challenge to the traditional tax system?

The importance of the research: The importance of the research comes from trying to find solutions to meet the tax challenges arising from the activities of the cart economy.

The aim of the research: to provide an idea of the modern economic literature that focuses on imposing a tax on the gig economy, as well as identifying the modern global trends in imposing the tax, and identifying the challenges facing the imposition of tax on the activities of the gig economy.

Study hypothesis: The study assumes that the traditional tax rules face many challenges resulting from the growth of the gig economy activities, and these challenges would constitute a supportive environment for non-imposition of the tax, and the state would lose control over its tax bases, and the lack of public revenues.

Previous studies (Ilyas, 2019) The study sheds light on the problem of imposing taxes on The digital economy, in order to extract its outstanding advantage, which made it difficult for African countries Developing countries are subject to tax legislation, and the study aimed to address the challenges of imposing taxes on The digital economy, and also aimed to provide possible solutions in order to harmonize the digital economy with The rules that govern traditional companies, the study used the descriptive-analytical approach, and came to a conclusion The reason why digital companies can avoid paying taxes is that they don't need physical space. To sell its goods and services to consumers, the study recommended the necessity of applying digital tax, and that it be subject to This tax is for bilateral and multilateral agreements between the country in which the foreign company has a number between it and the state on whose territory the foreign company is established, and the African Union must Lobbying for a global or continental consensus toward a law requiring all companies to attend Digital Provide a database showing revenue generation sources

Introduction

The gig economy is based on virtual markets that eliminate the constraints of time and space. Accordingly, it is difficult to apply the laws and restrictions that are familiar in the real economy. Taxes are one of the most important legal aspects that translate the state's intervention, given that taxation constitutes an important resource of the state's financial resources. The association of the wagon economy with taxes will constitute an important resource of the state's resources, characterized by a continuous increase, commensurate with the volume of electronic trade exchange, as this calls for the development of a policy Taxes that are compatible with the nature of e-commerce activity, as the success of the tax system depends on the nature of the economic activity subject to tax, and in light of the growing activities of the cart economy, and the rapid development in information and communication technology, fundamental changes have occurred in the business environment, in production patterns and images of economic activity, and the borders have vanished. And the spatial restrictions that impede the launch and movement of goods and services, and many intangible goods appeared, and the markets were no longer the traditional places for buying and selling, but the market became the electronic space., the cart economy does not require The physical presence of the seller and buyer, where sales are carried out remotely through electronic platforms This puts many challenges in front of these traditional systems at the technical and legislative levels, when imposing a tax on the activities of the gig economy. The main challenges of the gig economy indicate that the economy based on the Internet and global platforms represents a supportive environment for the impossibility of imposing tax, because of the difficulty it raises in proving transactions, and the difficulty in tracking tax bases.

tax challenges

During the last decade of the last century, the world witnessed a real revolution in information and communication technology that greatly affected all areas of economic, social and political life. Globalization and the emergence of the Internet constituted an important turning point in economic life. In the context of globalization and the tremendous technological development that our world knows today, many modern tax issues have emerged that have negatively

affected tax revenues, as the tax systems of various countries have become unable to keep pace with them, foremost of which are the challenges posed by the gig economy, as business has become implemented electronically from Through the Internet, which penetrated the political and geographical borders between peoples and countries, and despite the great advantages that this network brought, it created a great challenge for the tax administration due to the difficulty - if not the impossibility - of imposing the current tax laws on the activities of the gig economy, and below are the challenges that face Tax administration is as follows (Proskura,2014:256)

1-The disappearance of paper documents for transactions: where the electronic transaction is not linked to the existence of any paper documents exchanged in the transaction, which makes it difficult to prove contracts and transactions. That is because all procedures and correspondence between the two parties to the transaction are carried out electronically without using any papers. Which leads to the issue of legal proof, which constitutes an obstacle to the growth of the gig economy.

2- The Internet provides the ability to efficiently manage business transactions from any geographical location in the world. This is because the headquarters of the information can be located anywhere without affecting performance. (Ihnatyshyn & Troshchak, 2014, p. 161)

3- Difficulty/impossibility of identification: the two sides of the electronic trading transaction do not usually see each other, and they may not know all the basic information about each other, as is the case in traditional commercial transactions. As a result, online dealing poses a difficulty in completing tax files that restrict legislative authorities to the obligation to identify taxpayers.

4- For digital products: The Internet has made it possible to deliver some products electronically, such as computer programs, music recordings, video films, books, research and electronic reports, in addition to some services such as consultations. This creates a challenge for the authorities, as there are still no agreed mechanisms for taxing unseen electronic products.

5-The speed of change of tax rules: Although the rules for the tax system for the gig economy have not yet been formulated, the laws governing them and the attempts related to them are changing at an accelerated rate. Hence, it is necessary to formulate a legislative framework that is flexible and adjustable in order to keep pace with the achievements of technological progress.

6- The possibility of using modern technologies to hide or change the data in the electronic records, which leads to the inability of the tax administration to rely on the data when examining the electronic records. (Kuznetsov & Yakubov, 2016)

The structure of the tax system

In general, it consists of three main pillars:

1-Tax Legislation: It means the set of regulations, laws, and legislation issued by the specialized agencies for imposing taxes and regulating methods of collection, as well as court rulings and committee decisions related to tax disputes.

2- Tax administration: It is the authority responsible for implementing tax laws, collecting public resources for the state, and following up on financiers.

3- Tax community: It is the community subject to tax legislation, whether it is legal or natural persons.

Armstrong et al., 2015: 1-17)

In light of the applications resulting from the revolution of communications and information technologies, including the gig economy, a shortcoming has emerged in the relationship between the structure of the tax system and the innovations of information technologies, which negatively affects the efficiency of tax performance. It is possible to identify three main gaps in the relationship between each of the components of the tax system structure and information technology, as the tax legislation that was drafted according to the nature of traditional commercial transactions faces shortcomings in the treatment of electronic transactions, as this shortcoming is embodied in three gaps, namely:

- Legislative Gap: Countries must evaluate the prevailing laws and legislative systems and make the necessary amendments or formulate new legislation that is compatible with the nature of the gig economy activities. However, this did not coincide with the announcement of the start of

Necessary legislative reforms.

- Administrative Gap: The tax administration is concerned with implementing laws and legislation and protecting the rights of both the state and the tax community, and thus it has become obliged to use the necessary technical innovations to ensure the highest possible level of efficiency of the tax system, but at the same time it still suffers from shortcomings in the performance of its tasks from inventory, examination Collecting all kinds of taxes.

- Conceptual gap: The tax community suffers from a conceptual gap, despite the development in the size and spread of the gig economy, but there is still a lack of understanding of its vocabulary and the legal considerations arising from it.

In light of the platforms' dependence on collecting and analyzing data and converting it into information used in economic activities represents a challenge to the traditional tax system, the tax treatment of the activities of the gig economy raises many challenges, and the most important of these challenges are the problems of exercising the right to tax sovereignty, the digital divide that exists between countries The world, the market concentration of the platforms, as well as the difficulty of proving transactions, the difficulty of determining the tax base, the difficulty of identifying the taxpayers, the absence of specific mechanisms to subject the activities of the cart economy to the tax, the problems of tax inventory and incompatibility with the traditional principles of taxation, especially the principle of tax justice and the principle of certainty. (Tsindeliania: 2016, pp. 3937-3946).

Creating a new global framework for tax concepts

Some proposed solutions for tax processing electronic transactions. In light of the accelerating transformation towards the world of electronic business, government authorities in many countries have begun to think about the possibility of applying traditional tax rules to electronic transactions, as well as the need to formulate new legislation to accompany this type of transaction, including imposing a tax on consumption instead of imposing it on production units. As well as the application of the house tax (bit tax) The house tax appeared in 1994, which is calculated on the basis of the density of electronic transfer of information

through the number of bits, in addition to an attempt to visualize a general framework for taxes in the world of electronic transactions. (Nellen: 2015:17)

1- Imposing a consumption tax: This proposal aims to shift from imposing a tax on income to imposing a tax on consumption and property, as each of them has low flexibility and is difficult to hide. This tax helps in collecting taxes from evaders, even those who achieve high incomes from transactions Intangibles via the Internet that taxation of gig economy activities that the rules of cross-border consumption taxation, are subject to existing mechanisms known to the tax authorities for the control and collection of consumption taxes related to physical products even when these products are sold in cross-border transactions.

2- Implementation of the house tax (tax-bit) is one of the proposed solutions for organizing transactions that involve electronic transmission of data and are collected on the basis of the amount of digital house that can be used or transferred, and this requires the presence of equipment with special specifications In the various devices that transmit information, computers, faxes, and others, especially measuring data on a home basis. This idea stemmed from the paramount importance occupied by information and data in today's world, where it is the pillar of the new environment, the transmission and exchange of information is the main activity of this environment, and despite that, the gains generated by this activity are not visible as there is no sufficient control or monitoring M for this activity and for the next, it is a source of wealth, and the house tax can be considered among the best proposed solutions for imposing a tax on the transmission of electronic goods and services over the Internet, as these goods are transferred to a quantity from the house and the process of transmission is carried out via the Internet, and therefore the tax-Bit will You can count the actual number of the house moved and tax it.

(Babin & Vakaryuk: 2018::28-32)

Gig Economy

The world today is experiencing a wave of wide transformations, a revolution of science and technology, and a wide movement that affects everything as a result of the tremendous development in science and technology, especially those related to remote communication systems. The emergence or existence of new ideas that reflect these developments that allow their embodiment, and among these ideas we find the economic globalization that made it into the form of a small global village. The economy needs it as a factor in shortening the time or time necessary to choose and implement various economic decisions. The Internet is one of the most important and most prominent modern technologies that have become common among the various developed or developing countries of the world. The first appearance and use of the gig economy was in the United States of America, and this contributed to the expansion of the volume of trade exchange between the countries of the world. The electronic market has become wide for various goods and services, and the Internet has helped the gig economy spread enormously.

The concept and definition of the gig economy

The emergence of the concept of the gig economy was the result of the great and rapid development in the field of information and communication technology and the wide spread of the Internet, which facilitated its emergence in transactions

And the reduction of time, effort, and cost, and the growing interest in it, and it has become an insignificant matter in the overall economic processes prevailing in recent times, that the cart economy is an intangible or invisible commodity that makes it distinct from the traditional economy, which can be defined

It is that economy based on modern means of communication and advanced technology, especially the Internet, mobile phones and computers The shift from a resource-rich economy to an economy linked to the individual's ability to produce and invent new ideas to become more responsive and in line with the challenges of globalization and global information and communication technology.. (Gainous: 2018:77)

Characteristics of the gig economy and tax challenges:

Some of the characteristics of the gig economy that represent a challenge to the traditional tax systems, as follows:

1-Absence of paper handling in digital transactions: The activities of the cart economy are not related to the presence of any paper documents in completing transactions, which poses a difficulty for traditional tax systems, which rely on paper forms to prove procedures and correspondence, document rights and obligations, and electronic means of proof, and is linked to the absence of documents. The paperwork for the activities of the gig economy, the emergence of several problems represented in the following:

- * Difficulty in proving, because all procedures and correspondence between the two parties to the transaction are done electronically.

This constitutes a challenge to tax treatment, and an obstacle to the growth of the gig economy in many countries whose legislative environment lacks mechanisms to support electronic transactions. Shestak et al.: 2019).

- * That a large part of the taxable products are intangible, and in light of electronic transactions and with the absence of original documents that can be controlled, the task of tax audit will require the existence of new mechanisms for tax control and electronic audit methods, capable of auditing, collecting and following up transactions for the activities of the cart economy .

- * The activities of the gig economy are characterized by a global nature that transcends the geographical borders of countries. Any commercial project that provides goods or services via the Internet does not necessarily mean moving to the geographical area in which it exercises its activity, without the condition of physical presence in the place where the activity is practiced, which makes it not subject to tax according to the rules traditional tax.

- * Intangible products, which are the operations of the entire commercial cycle via the Internet, and this represents a tax challenge, especially in the field of imposing a tax on imported intangible products, which cannot be subject to border control in the same way as physical goods. (Zhang: 2018:80)

2-Reliance heavily on intangible assets, which include intellectual property and development a and the use of software and algorithms, which analyze a large amount of data generated by a business

on online platforms, as well as creative content that plays a major role in the production or presentation of

Online services.

3-Wide access without a physical presence, where companies can use the Internet and its platforms,

To establish long-distance cross-border relationships with clients, without the need for a permanent establishment in other countries

-4 Shifting from paper-based management to electronic management or paperless management, as a new mechanism To record, store, retrieve and transfer information, which facilitates the decision-making process and increases the his speed.

Advantages of the knowledge economy

The knowledge economy has the following advantages:

1- It has great flexibility and the ability to adapt to changes and developments whose rate of change is accelerating and the size of its impact intensifies.

2- He has the superior ability to renew and fully communicate with other economies that have become eager to integrate into it, so that it is difficult to separate him from them or talk without mentioning them.

3- He has the ability to innovate and find completely new products and services that were not previously known to the market.

4- There are no barriers to entering it, and there are no closed gates to it, but it is a completely open economy. (Cockfield: 2018)

Types of taxes on the gig economy

Despite the difficulties that the issue of taxes poses to the gig economy, and what tax can be imposed, there are two types of taxes that can be imposed:

The first: electronic taxes, which are an updated form of taxes that depend on electronic concepts in a manner consistent with the requirements of the cart economy. Taxes are imposed and collected from the profits of traditional businesses, and this is not achieved towards those who achieve commercial profits using electronic methods. In addition, imposing the tax can constitute an obstacle to the growth of the cart economy, in addition to the difficulties it raises regarding the entity that collects the tax.

The second: traditional taxes, and this trend calls for proposing the imposition of taxes that are actually applied and whose standards and systems for their application and collection are stable, in addition to the possibility of finding solutions to the difficulties that may arise if they are applied to the activities of the cart economy. (Olbert & Spengel: 2017).)

Conclusions

1- The difficulty of imposing tax on the activities of the cart economy in a large way due to the absence of spatial and temporal boundaries between the two parties to the digital transaction, in addition to the absence of documents or digital documents.

2- A possibility to benefit from the experiences of developed countries, in applying a tax on the activities of the cart economy

3- The inappropriateness of tax legislation in financial transactions for the activities of the gig economy, as it challenges traditional tax practices with new business models.

Recommendations

1- The possibility of imposing an effective tax on the activities of the cart economy or Internet resources, by issuing laws and legislative procedures.

2- The need to work on developing the tax administrative system and improving its efficiency, so that it contributes to achieving significant revenues for countries.

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