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# Telangana Gig and Platform Workers Union

To,  
The Hon'ble Minister of Finance & Corporate Affairs.



30/Aug/2024

The Chairman, Central Board of Indirect Taxes & Customs and Special Secretary to the Government of India.

The Directorate General of Goods and Services Tax (DGGST),  
5th Floor, MTNL Telephone Exchange Building, 8, Bhikaji Cama Place, New Delhi - 110066.

The Chief Commissioner of Hyderabad GST & Customs,  
GST Bhavan, L.B. Stadium Road, Basheerbagh, Hyderabad - 500 004.

Sub: Notes on the applicability of GST to platforms and services mediating mobility, ride-hail and personal services

Since the passage of legislation on social welfare for gig and platform workers in the state of Rajasthan, and the conduct of discussions in Karnataka, questions pertaining to financing social security and the intersection of these laws with the Code on Social Security (CoSS) have been raised. A specific question relates to the mode of financing of the welfare programmes and intersection of, and applicability of GST to transactions within this domain.

To shed light on emergent issues, TGPWU has reviewed research on business models in the platform economy. This review looks at the various business models in this sector and outlines the modalities of revenue flow.

Additionally, with this letter, TGPWU has outlined a few points for consideration pertaining to the levy of GST on businesses. We believe that these highlights on business models (Annex 1) and a broader understanding of the business models (Report in Annex 2) may inform discussion on financing social welfare programmes.

TGPWU is available to share further information regarding this research, should it be informative.

Receipt & Dispatch Section  
GATE No. 1  
दिनांक : 30/8/24  
प्राप्त डाक संख्या / Receipt No.:

Sincerely,

**Shaik Salauddin,**  
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## Platform business models and implications for revenue generation + taxation: A snapshot

The platform economy is characterised by a diversity of work arrangements that not only affect how gig workers engage with a platform, but also dictate how platforms themselves earn revenue through gig services. The diversity of platform business models can be categorised into 4 overarching typologies that are described in detail below:

Sl. no.	Payment model	Description	Worker pay	Platform revenue
1	<b>Commissions</b> (Uber, Urban Company)	<i>A percentage cut is taken out of the fee users pay for each gig/ service, like booking a cab to the train station.</i>	Workers receive money from their gigs as <b>payouts</b> , which are periodic, aggregated payments representing the amounts left after the platform has collected its commissions.  Workers can also get <b>tips</b> from service users.	Platforms levy commissions on gigs, taking a percentage cut from the amount due from the user who availed the platform's services.
2	<b>Rate Cards</b> (Zomato, Swiggy, Blinkit)	<i>In platform work sectors like food delivery and hyperlocal delivery, workers are paid at flat rates, not percentages, for every gig they complete.</i>	Each completed gig is remunerated in the form of fees, charged at particular rates based on factors like the distance travelled.  Workers can also get <b>tips</b> from service users.	Platforms charge fees from service users (those who order the food, groceries, or some other goods over the platform).  In arrangements like delivery platforms, platforms also charge the restaurants using the platform.
3	<b>Subscriptions</b> (Namma Yatri, Rapido Auto)	<i>Instead of harvesting every gig, subscription models require flat rate fees from workers that give access to the platform's matching functions as long as the subscription fee is paid up.</i>	Workers receive the trip fare without a percentage being automatically deducted.  <b>Example:</b> Namma Yatri (NY) is a subscription-driven ride hailing service involving cabs and autos. It does not keep money to itself before sending funds to workers. Instead, riders pay workers directly, via cash or UPI, and workers pay their subscription dues to NY separately. <b>NY positions itself as a software service provider (SaaS) and not an aggregator platform.</b>	Platforms collect periodic fees that allow workers continued use of their matching functions.  <b>Case: Namma Yatri Plans</b> Bengaluru-based Namma Yatri has a subscription model for those involved in the cab and auto services it offers. On a daily basis, workers can either pay an " <b>up-front</b> " amount that allows the use of the app for a given day, or a " <b>per gig</b> " amount. In the latter, workers pay a fixed fee for the first n trips, after which, they no longer have to pay a fee for each trip.
4	<b>Contracting/ "Workforce as a Service"</b> (Loadshare, Shadowfax, Delhivery)	<i>Similar to temp agencies, certain businesses help "loan" workers to platforms, integrating them into platforms' gig flows for short stints.</i>	Firms that provide manpower to platforms can have rate cards, earnings slabs and incentive systems of their own, separate from the platforms they serve. Workers are paid periodic payouts (e.g. every Thursday on Shadowfax) from the contracting platforms.	Platforms invoice their customers, which can be other platforms (like Swiggy or Flipkart) periodically, like on a monthly basis. They can have a commission on each order completed by the contractor for another platform.

The varying payment models outlined above come with differing tax implications and their own set of burdens for workers. These implications are further complicated by absence of standards on how platform revenues can be taxed, as evidenced by contradictory rulings from Karnataka Authority for Advance Rulings (AAR) in the case of [Namma Yatri](#) and [Rapido](#), as also recent pronouncements by the Tamil Nadu AAR in a matter involving agri tech start-up [Balat Enterprises](#). The relevant parts of the GST Act, 2017 that relate to much of platform-related services can be found in [Section 9\(5\) that relates to taxes paid on supply of a range of e-commerce services](#) including passenger transport, housekeeping, accommodation, restaurants, among others. For brevity, we have summarised each of the typologies and related tax implications in the table below:

Sl. no.	Payment model	Platform revenue	Tax implications of platforms
1.	<b>Commissions (ex: Uber, Ola)</b>	<i>A percentage cut is taken out of the fee users pay for each gig/ service, like booking a cab to the train station.</i>	<ol style="list-style-type: none"> <li>1. GST is levied on each gig at 5% or 12%, depending on platform's choice to avail input tax credit. Usually levied at 5% and paid by customer as a part of final service cost</li> <li>2. GST is collected by the platform and filed as periodic tax compliance</li> <li>3. Additionally, for workers whose platform-based income exceeds 5 lakhs per year, TDS at 10% is levied per transaction</li> <li>4. Certain platforms may provide TDS certificate (Form 16A) to workers engaged with the platform</li> </ol>
2.	<b>Rate cards (ex: Swiggy, Zomato)</b>	<i>In platform work sectors like food delivery and hyperlocal delivery, workers are paid at flat rates, not percentages, for every gig they complete.</i>	<ol style="list-style-type: none"> <li>1. GST is levied on each transaction at 5% of order value. 5% related to the GST costs imposed on restaurants</li> <li>2. Additionally, platforms impose a flat 'platform fee' per order that varied from INR 5 - 20 per order</li> <li>3. GST is not explicitly levied on payments to gig workers</li> <li>4. TDS is not usually deducted from payments to gig workers due to the low value of transactions</li> <li>5. Further, platforms may provide SaaS services that incur GST as per relevant rules on type of service</li> </ol>
3.	<b>Subscriptions</b>	<i>Subscription models</i>	<ol style="list-style-type: none"> <li>1. GST is not levied on each</li> </ol>

	<b>(Namma Yatri, Rapido)</b>	<i>require flat rate fees from workers that give access to the platform's matching functions as long as the subscription fee is paid up.</i>	<p>transaction in the case of Namma Yatri, as per ruling by Karnataka AAR</p> <ol style="list-style-type: none"> <li>2. GST is levied at 5% on cab services provided by Rapido, as per ruling by Karnataka AAR</li> <li>3. In both instances, the platforms use a subscription model where all transaction related payments are made directly by a customer to the gig worker and platform earn money as a function of fixed subscription fee that is charged to the gig worker</li> <li>4. <b>The technicality employed by Namma Yatri in claiming exemption related to GST on cab services is that NY positions itself as a mere software service provider, not an aggregator of mobility services - so NY is eligible to pay taxes as appropriate on its software service alone while actually functioning as an aggregator all the same</b></li> </ol>
4.	<b>Contracting (Loadshare, Shadowfax)</b>	<i>"Loan" workers to platforms, integrating them into platforms' gig flows for short stints.</i>	<ol style="list-style-type: none"> <li>1. GST is levied as per SaaS or e-commerce under Sec 9(5) GST Act, 2017</li> <li>2. GST is not levied per transaction, but as a fraction of the bulk of services enabled by the platform</li> <li>3. TDS is not deducted from workers' payouts</li> </ol>

Sincerely,

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