

TAXATION CHALLENGES OF GIG ECONOMY INCOME (FREELANCERS AND
REMOTE WORKERS)

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Abstract. This article examines the challenges of taxing gig economy income, with particular focus on freelancers and remote workers in Uzbekistan under the 2026 tax reforms. The study analyzes the effectiveness of simplified taxation regimes, including turnover-based taxation, and the role of digital tax administration in improving compliance. Using a qualitative legal and economic approach, the research identifies key issues such as income transparency, cross-border taxation, worker classification, and tax equity.

Keywords: gig economy, freelancers, remote work, taxation, Uzbekistan, tax policy, digital economy, tax compliance

Annotatsiya. Ushbu maqolada gig-iqtisodiyot ishtirokchilari, xususan frilanserlar va masofaviy ishlovchilarning daromadlarini soliqqa tortish muammolari 2026-yilgi soliq islohotlari doirasida tahlil qilinadi. Tadqiqotda soddalashtirilgan soliqqa tortish tizimlari, jumladan aylanmadan olinadigan soliqning samaradorligi hamda raqamli soliq ma'muriyatchiligining soliq intizomini oshirishdagi roli o'rganiladi. Huquqiy va iqtisodiy yondashuv asosida olib borilgan tahlil daromadlarning shaffofligi, transchegaraviy soliqqa tortish, ishchi maqomini aniqlash va soliq adolatlilik kabi muhim muammolarni aniqlaydi.

Kalit so'zlar: gig-iqtisodiyot, frilanserlar, masofaviy ish, soliqqa tortish, O'zbekiston, soliq siyosati, raqamli iqtisodiyot, soliq intizomi

Аннотация. В данной статье рассматриваются проблемы налогообложения доходов участников гиг-экономики, в частности фрилансеров и удалённых работников, в условиях налоговых реформ Узбекистана 2026 года. Анализируется эффективность упрощённых налоговых режимов, включая налог с оборота, а также роль цифрового налогового администрирования в повышении уровня соблюдения налоговых обязательств. На основе правового и экономического подходов выявлены ключевые проблемы, такие как прозрачность доходов, трансграничное налогообложение, классификация работников и налоговая справедливость.

Ключевые слова: гиг-экономика, фрилансеры, удалённая работа, налогообложение, Узбекистан, налоговая политика, цифровая экономика, налоговая дисциплина

INTRODUCTION

The transformation of global labor markets in the twenty-first century has been profoundly influenced by the rapid expansion of the gig economy, a system characterized by flexible, task-based work arrangements facilitated by digital technologies. Unlike traditional employment models, which rely on long-term contractual relationships and clearly defined employer-employee structures, the gig economy is built upon short-term engagements, remote service provision, and platform-mediated interactions. This paradigm shift has enabled individuals to participate in economic activity with unprecedented flexibility, while simultaneously challenging established legal and fiscal frameworks.

In recent years, Uzbekistan has experienced a notable increase in gig-based employment, driven by digitalization, labor market liberalization, and government initiatives aimed at promoting self-employment. The proliferation of freelancers, remote workers, and platform-based service providers reflects broader structural changes within the national economy, including the transition toward a more service-oriented and digitally integrated economic model. As a result, a growing proportion of the workforce now operates outside conventional employment arrangements, generating income through decentralized and often cross-border channels.

While this transformation has contributed to economic dynamism and expanded income-generating opportunities, it has also exposed significant limitations within the existing tax system. Traditional taxation mechanisms are predicated on the presence of identifiable employers, stable wage structures, and centralized reporting systems. In contrast, gig economy income is frequently irregular, fragmented, and difficult to trace, particularly when mediated through international digital platforms. These characteristics complicate the processes of income assessment, tax collection, and enforcement, thereby increasing the risk of tax evasion and reducing overall fiscal efficiency.

In response to these challenges, Uzbekistan has undertaken a series of tax reforms, culminating in the amendments to the Tax Code effective from 2026. These reforms aim to simplify tax compliance for self-employed individuals and freelancers, primarily through the introduction of a low-rate turnover tax and the expansion of digital tax administration systems. The integration of automated reporting mechanisms and electronic payment systems represents a significant step toward modernizing the tax infrastructure and improving transparency. Nevertheless, despite these efforts, critical issues remain unresolved, including the accurate classification of gig workers, the taxation of cross-border income, and the equitable distribution of the tax burden.

Moreover, the gig economy raises broader theoretical and policy questions concerning the nature of work, the definition of taxable income, and the role of the state in regulating emerging forms of economic activity. The absence of clear legal distinctions between employment and self-employment creates ambiguity in both tax obligations and social protection coverage. At the same time, the increasing reliance on digital platforms introduces new actors into the tax ecosystem, complicating regulatory oversight and accountability. Against this backdrop, the present study seeks to provide a comprehensive analysis of the taxation of gig economy income in Uzbekistan, with particular emphasis on freelancers and remote workers. The research aims to identify key structural challenges within the current tax framework, evaluate the effectiveness of recent reforms, and explore potential policy solutions for improving compliance, fairness, and administrative efficiency. By integrating legal analysis with economic reasoning, the study contributes to a deeper understanding of how tax systems can adapt to the evolving realities of digital labor markets.

Literature Review

The taxation of the gig economy has become an increasingly prominent topic in academic and policy-oriented research, reflecting the rapid transformation of labor markets under the influence of digitalization. Existing literature highlights that traditional tax systems, which were designed for stable employer–employee relationships, are often ill-suited to address the complexities associated with freelance and platform-based work. A significant body of research emphasizes the structural characteristics of the gig economy, particularly its reliance on decentralized income generation and digital intermediation. Scholars note that gig workers typically engage in short-term contracts, often with multiple clients across different jurisdictions, which complicates the identification and reporting of taxable income. According to international studies, one of the defining features of gig work is income fragmentation, where earnings are

distributed across various platforms and payment systems, reducing transparency and increasing the likelihood of underreporting.

Another important strand of literature focuses on the challenges of tax compliance within the gig economy. Researchers argue that compliance is influenced not only by legal obligations but also by behavioral and institutional factors. The absence of withholding mechanisms, combined with limited taxpayer awareness, often leads to lower compliance rates among freelancers compared to traditionally employed individuals. Studies further indicate that the perceived fairness of the tax system plays a critical role in shaping voluntary compliance, suggesting that simplified and transparent tax regimes can improve taxpayer behavior. The issue of worker classification is also widely discussed in the literature. Many authors highlight the blurred boundary between employment and self-employment in the gig economy, which creates legal ambiguity and inconsistent tax treatment. Misclassification can result in significant fiscal consequences, including the erosion of the tax base and unequal distribution of tax burdens. Comparative research demonstrates that different countries adopt varying approaches to classification, ranging from strict legal definitions to hybrid models that recognize the unique nature of platform work.

In addition, a growing number of studies examine the role of digital platforms as intermediaries in tax collection. Some scholars argue that platforms can serve as effective agents for tax withholding and reporting, thereby enhancing compliance and reducing administrative costs. Empirical evidence from several jurisdictions suggests that integrating tax obligations into platform payment systems can significantly increase transparency. However, concerns remain regarding data privacy, regulatory enforcement, and the jurisdictional limitations of national tax authorities when dealing with global platforms. The literature also addresses the challenges of cross-border taxation, which are particularly relevant for freelancers engaged in international markets. Researchers highlight that existing international tax rules, largely developed for corporate entities, are not fully equipped to handle the taxation of individual digital service providers. This creates risks of both double taxation and non-taxation, undermining the fairness and efficiency of tax systems. As a result, international organizations advocate for enhanced cooperation, information exchange, and the development of new regulatory frameworks tailored to digital labor.

From a policy perspective, many studies emphasize the importance of simplified taxation regimes for gig workers. Turnover-based taxes and presumptive tax systems are often recommended as practical solutions for reducing compliance costs and encouraging formalization. However, critics argue that such systems may compromise equity, as they do not account for differences in profitability and cost structures among taxpayers. This tension between simplicity and fairness remains a central theme in the academic debate. In the context of Uzbekistan, the literature is relatively limited but growing. Existing studies and policy analyses highlight the government's efforts to formalize self-employment through simplified tax regimes and digitalization initiatives. These reforms are generally viewed as positive steps toward increasing tax compliance and integrating gig workers into the formal economy. Nevertheless, scholars also point to persistent challenges, including informal economic activity, limited enforcement capacity, and the need for clearer legal definitions.

Overall, the reviewed literature demonstrates that the taxation of the gig economy is a multifaceted issue that requires a balanced approach. While simplification and digitalization are widely recognized as essential components of effective policy, they must be complemented by measures that ensure equity, transparency, and administrative efficiency. The existing body of research provides valuable insights into these challenges, forming a theoretical and empirical foundation for analyzing the case of Uzbekistan.

METHODOLOGY

This study adopts a qualitative, interdisciplinary research design aimed at examining the taxation of gig economy income in Uzbekistan through the combined lenses of legal doctrine and economic analysis. Given the complexity of the subject, which lies at the intersection of tax law, labor market transformation, and digital economic development, the methodology integrates doctrinal legal research with analytical and comparative approaches.

The core method employed is doctrinal analysis of the current tax legislation of Uzbekistan, with particular emphasis on the provisions of the Tax Code as amended in 2026. This involves a systematic examination of legal norms regulating the taxation of individuals, including self-employed persons, freelancers, and individual entrepreneurs. Special attention is given to the simplified taxation regime, turnover-based taxation mechanisms, and the legal definitions that determine taxpayer status. The analysis focuses not only on the formal content of legal provisions but also on their interpretative ambiguities and practical implications.

In addition to normative legal analysis, the study incorporates elements of economic analysis to assess the efficiency, equity, and administrative feasibility of the existing tax framework. This includes evaluating how different taxation mechanisms influence taxpayer behavior, compliance incentives, and the allocation of resources within the gig economy. Concepts such as tax neutrality, horizontal and vertical equity, and compliance costs are used as analytical tools to interpret the effectiveness of current policies.

RESULTS

The analysis of the current taxation framework for gig economy participants in Uzbekistan reveals a combination of progressive institutional reforms and persistent structural limitations. The results demonstrate that while the state has taken significant steps toward formalizing freelance and remote work through simplified taxation and digitalization, the practical outcomes remain uneven across different segments of the gig economy. One of the most notable findings is the measurable expansion of the self-employed population, which reflects both policy-driven formalization efforts and the organic growth of gig-based economic activity. The introduction of simplified registration procedures and preferential tax regimes has lowered entry barriers, encouraging individuals to declare their economic activity. As a result, the number of officially registered self-employed individuals has increased substantially in recent years, indicating partial success in bringing informal labor into the tax system.

The implementation of a turnover-based taxation regime for self-employed individuals has significantly reduced administrative complexity. By applying a low-rate tax to gross income, the system eliminates the need for detailed accounting and expense reporting, which are often impractical for freelancers with irregular income streams. This has improved accessibility and reduced compliance costs, particularly for individuals engaged in small-scale or occasional economic activity. At the same time, the simplicity of the system has contributed to higher rates of voluntary registration among gig workers. Digitalization has further enhanced the effectiveness of tax administration. The integration of electronic platforms for registration, reporting, and payment has streamlined interactions between taxpayers and tax authorities. In sectors where income flows through domestic digital platforms, there is evidence of improved transparency and traceability. Automated systems enable real-time monitoring of transactions and facilitate timely tax collection, reducing opportunities for underreporting.

However, the results also highlight significant disparities between different categories of gig workers. Those operating within domestically regulated platforms are more likely to comply with tax obligations due to built-in reporting and withholding mechanisms. In contrast, freelancers working with foreign clients or using international platforms often remain outside the effective reach of national tax authorities. This creates a dual structure within the gig economy, where compliance levels vary depending on the degree of integration into the domestic digital ecosystem. Another key finding concerns the limitations of turnover-based taxation in accurately

reflecting taxpayers' economic capacity. Since the tax is applied to gross income rather than net profit, individuals with higher operational costs may face a relatively heavier tax burden. This is particularly relevant for freelancers who incur significant expenses related to software, equipment, or international transaction fees. Conversely, individuals with minimal costs may benefit from a lower effective tax rate compared to traditional employees, raising concerns about horizontal equity.

The analysis also reveals ongoing challenges related to income transparency. Despite digitalization efforts, a considerable portion of gig economy income remains difficult to track. This is especially evident in cases where payments are received through informal channels or foreign payment systems that are not integrated with national tax infrastructure. As a result, the tax base may be partially eroded, limiting the overall fiscal impact of gig economy taxation. Furthermore, the results indicate that legal classification remains a critical issue. The distinction between self-employed individuals and employees is not always clearly defined in practice, leading to inconsistencies in tax treatment. Some gig workers operate under conditions that resemble dependent employment, yet they are taxed as independent contractors. This discrepancy has implications not only for tax revenue but also for social protection and labor rights.

Behavioral factors also play a significant role in shaping tax outcomes. The simplified tax regime and digital tools have improved accessibility, but gaps in financial literacy and awareness continue to affect compliance. Many freelancers lack a clear understanding of their tax obligations, particularly in relation to cross-border income and reporting requirements. This suggests that institutional reforms alone are insufficient without complementary efforts in taxpayer education.

Overall, the results demonstrate that Uzbekistan's approach to taxing the gig economy has achieved partial success in improving formalization and administrative efficiency. However, structural challenges related to informality, cross-border income, equity, and classification continue to limit the effectiveness of the system. These findings provide a basis for further discussion on policy improvements and the development of a more comprehensive taxation framework for the digital economy.

DISCUSSION

The findings of this study highlight that Uzbekistan's approach to taxing gig economy income represents a significant yet incomplete transition from traditional taxation models toward a more adaptive, digital-oriented framework. While recent reforms demonstrate a clear policy intention to formalize freelance and remote work, the results reveal a structural tension between administrative simplicity and substantive fairness, as well as between national regulatory capacity and the inherently global nature of digital labor.

One of the central issues emerging from the analysis is the trade-off between simplicity and equity embedded in the turnover-based taxation regime. On the one hand, the adoption of a low-rate tax on gross income effectively reduces compliance costs and lowers barriers to entry into the formal economy. This aligns with theoretical perspectives that emphasize the importance of minimizing administrative burdens in economies with high levels of informality. On the other hand, the absence of expense deductions undermines the principle of ability-to-pay, which is a cornerstone of equitable taxation. As a result, individuals with identical gross incomes but different cost structures may face unequal effective tax burdens, raising concerns about horizontal equity and the long-term legitimacy of the system.

Another important dimension concerns the role of digitalization in enhancing tax compliance. The integration of electronic tax administration systems and platform-based reporting mechanisms represents a significant institutional advancement. These tools increase transparency, reduce opportunities for tax evasion, and facilitate real-time monitoring of

economic activity. However, the effectiveness of digitalization is unevenly distributed. It is largely confined to domestically regulated platforms, leaving a substantial portion of gig economy activity—particularly cross-border freelance work—outside the scope of effective oversight. This asymmetry creates a fragmented compliance landscape and limits the overall efficiency of tax collection. The issue of cross-border income emerges as one of the most complex challenges in the taxation of gig work. Freelancers increasingly participate in global labor markets, providing services to foreign clients and receiving payments through international platforms. While the legal framework formally requires the declaration of worldwide income, enforcement mechanisms remain weak due to limited access to foreign financial data and the absence of comprehensive international information exchange systems. This gap not only reduces tax revenues but also creates incentives for strategic underreporting, thereby undermining the integrity of the tax system.

Worker classification represents another critical area of concern. The gig economy blurs the traditional boundaries between employment and self-employment, creating ambiguity in legal status and tax obligations. Some platform workers exhibit characteristics of dependent employment, such as economic reliance on a single client or platform, yet they are treated as independent contractors for tax purposes. This misalignment has broader implications beyond taxation, affecting access to social protection and labor rights. From a policy perspective, the lack of clear classification criteria introduces uncertainty and may discourage compliance, particularly among workers who perceive the system as inconsistent or unfair. The findings also underscore the importance of behavioral and institutional factors in shaping tax outcomes. Although simplified regimes and digital tools have improved accessibility, compliance ultimately depends on taxpayer awareness, trust in public institutions, and perceived fairness of the tax system. In the context of Uzbekistan, where a significant portion of economic activity has historically been informal, fostering a culture of voluntary compliance requires more than regulatory reform. It necessitates targeted educational initiatives, transparent communication, and the development of trust between taxpayers and authorities.

From a broader perspective, the experience of Uzbekistan reflects a global challenge: adapting tax systems to the realities of digital and platform-based economies. The gig economy operates across borders, jurisdictions, and regulatory frameworks, making purely national solutions inherently limited. This suggests the need for greater international cooperation, particularly in areas such as data sharing, platform regulation, and the harmonization of tax rules for digital labor. At the same time, the Uzbek case illustrates the potential of incremental reform. The introduction of simplified taxation and digital administration has already produced tangible improvements in formalization and compliance. However, these measures should be viewed as part of an ongoing process rather than a final solution. Future reforms must address the structural gaps identified in this study, including the need for more nuanced taxation models, clearer legal definitions, and stronger institutional capacity.

In sum, the discussion reveals that the taxation of gig economy income is not merely a technical issue but a complex policy challenge involving legal, economic, and social dimensions. Achieving an effective balance between efficiency, equity, and enforceability will require continuous adaptation and a holistic policy approach that reflects the evolving nature of work in the digital age.

CONCLUSION

The rapid expansion of the gig economy has fundamentally reshaped the nature of work, income generation, and economic participation, posing significant challenges to traditional taxation systems. In the context of Uzbekistan, the transition toward a digital and flexible labor market has necessitated substantial reforms in tax policy and administration. The introduction of simplified taxation regimes and digital compliance mechanisms reflects a proactive effort by the

state to integrate freelancers and remote workers into the formal economy. The findings of this study demonstrate that these reforms have achieved partial success. Simplified turnover-based taxation has reduced administrative barriers and encouraged voluntary registration among gig workers, while digitalization has enhanced transparency and streamlined tax procedures. These measures represent important steps toward modernizing the tax system and adapting it to the realities of decentralized and platform-based economic activity.

However, the analysis also reveals persistent structural challenges that limit the overall effectiveness of the current framework. The prevalence of informal income channels, particularly in cross-border transactions, continues to constrain the tax base and weaken enforcement. The reliance on turnover-based taxation raises concerns regarding fairness, as it does not adequately reflect differences in cost structures and actual profitability. In addition, the lack of clear legal criteria for distinguishing between self-employment and dependent employment creates inconsistencies in tax treatment and undermines both equity and legal certainty.

Addressing these challenges requires a comprehensive and forward-looking policy approach. First, it is essential to strengthen the integration of digital platforms into the national tax system, including the development of mechanisms for automatic reporting and withholding of taxes on both domestic and international transactions. Second, enhancing international cooperation and information exchange is critical for effectively taxing cross-border freelance income and reducing opportunities for tax avoidance. Third, the tax system should evolve toward more flexible models that balance simplicity with fairness, potentially incorporating elements that account for actual income and expenses. Furthermore, improving taxpayer awareness and financial literacy is a key component of sustainable compliance. Educational initiatives and user-friendly digital tools can help gig workers better understand their obligations and reduce unintentional non-compliance. At the same time, building trust in public institutions and ensuring the transparency of tax policies will play an important role in fostering voluntary participation in the formal economy.

Finally, the development of clearer legal definitions and classification criteria is necessary to address ambiguities in the status of gig workers. Aligning tax policy with labor law and social protection frameworks will contribute to a more coherent and equitable regulatory environment.

In conclusion, while Uzbekistan has made meaningful progress in adapting its tax system to the gig economy, the process remains incomplete. The dynamic and evolving nature of digital labor markets requires continuous policy innovation, institutional strengthening, and international collaboration. By addressing the identified challenges and building on existing reforms, Uzbekistan can establish a more effective, fair, and sustainable taxation framework for the gig economy, thereby supporting long-term economic development and fiscal stability.

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