Income Tax Policy for Freelancers in Indonesia and Malaysia's Creative and Gig Economies

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Abstract
The paper investigates fiscal policy in response to the growth of creative and gig economy by investigating the income tax treatment on a freelance workers in Indonesia and Malaysia. **Purpose**: to assess how current income tax rules capture non-standard employment and to compare the adequacy, equity and administrative complexity of both countries responses. **Method:** a quantitative research design using survey data collected from freelancers engaged in creative and gig-based activities in Indonesia and Malaysia. SEM-PLS is applied to test the relationships between tax policy variables, behavioral perceptions, and self-reported complience levels. **Findings:** show that Indonesia uses self-assessment with simplified norms more than Malaysia for selected freelancers, whereas Malaysia it has more transparent classification and schedule income treatment, along with stronger withholding and digital reporting systems. Both systems experience some compliance cost, income volatility and enforcement issues in platform work but Malaysia has greater administrative certainty. Theoretically, the study suggests that adaptive tax systems are needed to adapt with changing labor market structures whereas practically, policymakers need to work on protection of legal safety, simplification and compliance and digital tax administrations in order for gig economy to be subjected fair and sustainable revenues.
Keywords: gig economy, creative industry, income tax policy, freelancers

Introduction
The explosion of the creative sector and gig economy in Southeast Asia has dramatically disrupted labor market structures, especially in Indonesia and Malaysia. Both countries have similar economic requirements such as a significant-informal sector, increasing digital adoption and rising dependence on non-standard modes of employment. The similarities of both economies can render Indonesia and Malaysia as significant cases to be compared for income tax policies that are used against freelancers and gig economy workers (Uchiyama, Furuoka, and Akhir 2022; Hidayah et al. 2025). Digitalisation has also enabled freelancers in different industries such as design, content creation, ride hailing, delivery services and digital consulting. On the one hand, this tendency provides flexibility and thus income spreads; on the other it implies potential problems with regulation and fiscal management.
Freelancers often have "spiky" income from various clients. Such earnings are very unlike regular salary work. However, the current income tax regimes in Indonesia and Malaysia were primarily developed for conventional employer–employee arrangements. Consequently, the tax laws in effect today seem incompatible with the distinctive features of freelance sources of income (Fitriandi, Suratno;, and Widyastuti 2025; Pellegrino and Isgut 2024). And that mismatch is creating a lot of frustration for both taxpayers and the tax side. Many freelancers simply

don't know where to begin in choosing among different tax filing statuses, what to report and deduct. Governments 1 also find it hard to enforce standards and collect reliable tax revenue in the fast-growing category of workers. Gig work has grown exponentially as a result of digitalization and platform business models. On the other hand, digital makes work flexible and lowers barriers to entry into labour markets. It's flexibility that attracts many to gig work the idea of being a free agent with open hours, or the means to make ends meet. Young employees in Indonesia are choosing casual work over formal jobs. Proof of that has come from the fact that they have changed employment interest and generated new revenue sources (Kuzniacki et al. 2018). The same pattern can be seen in Malaysia, a country in which platform work is also central to the digital economy. But gig work can also appear quite risky. Freelance Independent workers often have no job security, regular income and little or no social protection. Inadequate employment relation and formality Generally, many gig workers undertake jobs outside existing system to such an extent that it becomes hard to apply the labor as well as tax policy (Lesmana and Samudra 2025). Such things as economic insecurity, isolation and the absence of workplace rights all still stand out as problems faced by freelancers (Irum et al. 2024). These cases illustrate the need for policy frameworks that are able to balance labor-market flexibility with adequate protection and fiscal responsibility. In Malaysia, it's encouraging to see the government signaling flexibility and digital entrepreneurship as something that could take off. Policy response has been to encourage gig economy participation but also enforce tax and regulatory laws (Makhtar, Ghadas;, and Haque 2024). But the longevity of life-long careers and job security for gig workers remain a concern. When people's incomes are volatile and their employment is unreliable, it challenges the way the existing legal and tax structure works. These challenges underscore the need for robust and adaptable strategies that can support freelancers in navigating these structural risks. Monetarily, the taxing of incomes becomes increasingly difficult in both nations. In Indonesia, freelancer is subject to Income Tax Article 21 or Article 26 if the payer is appointed as a Withholding Agent. Where an independent contractor is concerned, they can easily operate with self-assessment schemes for all intents and purposes in the real world. It is largely self-enforcing and relies on the willingness to honor social norms about paying income taxes. However, the presence of under-reporting and non-filing on gig workers are clear as there are still revenue leaks and compliance costs (Tan 2021). The casual nature of gig work also makes it more difficult for tax agencies to enforce the law. Malaysia falls under the second category where freelancers and gig workers are generally independent contractors. They have to join the Inland Revenue Board (LHDN), you know, return every year and pay by instalments. The system in Malaysia is perhaps neater on procedure, but presents the freelancers with an oversized task. It's all on gig workers to figure their own taxes, the expenses that can be deducted and keep records of it all since no employer is there to lend a hand. Recent news items indicate that freelancers are not tax literate as such they now have a greater exposure to noncompliance (Nadzri and Radzi 2024). Like many other countries, Indonesia and Malaysia suffer from similar social ills but literature on these two countries can be found in a piecemeal manner. Research on tax responsibility for freelancers in Indonesia has still mostly covered the abstract form of legal norms and empirical descriptions.

These reports cover topics such as the misuse of PPh 21, obstacles to compliance and administrative workload for digital workers. Other research also points to legal uncertainties in labelling gig workers "partners" rather than employees. These ambiguities lead to regulatory vacuums in the categories of taxation and social security. But such studies are usually limited in comparison and are rarely cross-national (Black 2020). In Malaysia, empirical evidence mainly investigates tax compliance attitude and behavior of gig workers. Studies stress the human aspect of it, moral considerations, fairness opinions in relation to taxation. practical tax obligations such as registering, filing and media also report on what can be claimed. Nevertheless, a comparative analysis of structural diversity among Indonesia and Malaysia constitutes one still scarce. Few develop much analysis of the degree to which 'legal, institutional and administrative arrangements' influence and constrain these conditions.

variations shape the taxation of freelancers in each country.

The lack of comparative studies is also one of the most current research gaps. A systematic compare Indonesia and Malaysia is to illuminate the policy options. limitations Indonesia's heavy reliance on self-assessment and presumptive norms of income has serious equity and

enforcement effectiveness. On the other hand, Malaysia's system of time payments. better defined procedures for classification may
lessons to make the verification less painful without having to have too high of administrative effort. Comparative approaches exist to determine best practices as well as policy deficiencies in each system. It doesn't help that legal gray areas surrounding the gig employment of workers is still a challenge in both markets. Vague legal definitions obstruct the expansion of social protection and create challenges for tax enforcement (Cameron 2024; Doorn 2023). Since they are not employees, most gig workers do not have the access to health insurance, pensions and unemployment benefits (Irum et al. 2024). In Indonesia, research has shown that a large proportion of gig workers are not protected by formal social security schemes and earn wages below minimum requirements. Malaysia is no exception in this regard (Lestari and Simatupang 2024). Regulatory infrastructure for work organisations are unable to cope with the dynamism of new work patterns.

This paper seeks to fill in these gaps by doing a comparison of the way both Indonesian and Malaysian governments collect income taxes from freelancers. The analysis includes processes of tax registration, income characterization, reporting and withholding laws and administrative assistance from the fiscal authority. It also discusses the consequences of cross-border freelance employment, particularly with regards to the Indonesia–Malaysia Double Taxation Agreement. The study is conducted from a normative legal perspective, examining legislation, policy papers, and literature to assess regulation performance.

This study has four main purposes. First, it aims to document the present income tax regimes which are imposed on freelancers and gig workers in Indonesia and Malaysia. Second, it seeks to highlight some key challenges pertaining to compliance, equity and administrative efficiency. Third, this cross-national comparison contrasts two different policy and institutional pathways. Fourth, the article suggests evidence-informed guidelines to better fiscal responsiveness to the creative and gig economies.

This research is theoretically and practically valuable. It adds to the small body of comparative fiscal work on non-standard employment in Southeast Asia academically. It advances the literature by including legal, fiscal and institutional viewpoints. At the practical level, policy and decision makers including government (tax authorities) and platform operators attempting to reform tax systems following digital labor changes can be informed by this evidence. This study provides comparative perspectives on how fair and balanced policies of freelancers' income taxes that are both inclusive and sustainable can be developed for digital age.

Literature review

The Gig Economy and Creative Industry as a New Labor Paradigm

Gig economy and creative industry are a structural change of the labor market where tasks are more flexible, task-based and working arrangement is mediated through tasks (platform mediate). This change, the theory of labor markets postulates, represents a transition from "standard employment" relationships to non-standard forms of work wherein individuals are independent economic actors rather than employees (Ness 2023). In the digital economy, online platforms serve as intermediaries that facilitate exchanges between service providers and consumers, and this has reconfigured employment relationships, income generation opportunities and economic agency (Sutherland and Nelson 2023).

This change is additionally compounded by the nature of the creative industry, with its depletion of knowledge capital and project-oriented productivity along individual work patterns. Freelancers in the creative industries commonly trade as sole traders and receive revenue from several clients and/or jurisdictions. Empirically, models of this kind (collaborative employment) entail nevertheless more flexibility but also stronger income volatility and regulatory uncertainty (Rytk 2025; Karlsson 2022). These attributes constitute simple obstacles for fiscal systems, especially income taxation based on fixed wages and identifiable employers.

Indonesia and Malaysia in Southeast Asia have also seen rapid growth in the gig economy as well as creative sectors. Even as the trend has expanded, fiscal policies haven't quite caught up with the structure of freelance. This misfit triggers the need for a theoretical exploration of how tax systems accommodate non-standard employment.

Ability-to-Pay Theory and Income Taxation of Freelancers

The theory of ability to pay is a fundamental underpinning of personal income taxation. It implies that the contribution made by the taxpayers should be based on their ability to pay and this is generally portrayed by income, consumption, or wealth (Can 2021; Szarowská 2014). According to this rationale, a progressive tax structure is used to achieve vertical and horizontal equity in the distribution of values. But when it comes to freelancers, what falls under the definition?

Freelancers have uneven, unpredictable incomes, often coming from different places. Evidence from Studies Published in Scopus Indexed Journals While such income volatility undermines the accuracy of measuring tax base, it makes difficult application of progressive tax rates (Christians and Magalhaes 2019). In Indonesia, onset standards and self-assessments are used to determine sectoral tax efforts for the self-employed. Despite this intention of simplification for compliance, these specimens can sometime not reflect the principle on ability-to-pay because definitely they use uniformed assumption to diverse income reality.

The system in Malaysia: freelance taxes In Malaysia, the tax regime for self-employed persons necessitates that individuals figuring out how to do taxes as a freelancer would file their net income after subtracting deductible expenses. While this approach is conceptually closer to the ability-to-pay principle, it imposes a significant compliance cost on unsophisticated taxpayers. Previous literature indicates that, when there is a mismatch between the tax systems and income capacity, freelancers may judge taxation to be unfair lower their motivation to comply (Ariffin; and Saad 2024).

Therefore, the ability-to-pay theory reveals the balancing act between equity and administrability in taxing freelancers of the gig economy.

Tax Compliance Theory and Behavioral Responses

Compliance theory informs us individuals' dealings with tax liabilities. Classical economic models like Allingham and Sandmo's deterrence theory (1972) are based on the hypothesis that taxpayers behave as rational beings who decide their compliance behaviour depending on the likelihood of detection and the level of sanctions. But, current scholarship focuses on behaviour and psychological aspects of compliance.

(Kirchler, Hoelzl, and Wahl 2008) has defined the frame of a slippery slope incorporates the enforcement authority and trust of taxpayers as important bases for compliance. Research identified in Scopus also suggests that the self-employed and freelancers are less compliant than salaried individuals because of a lack of third-party reporting requirements and weaker enforcement systems (Alstadsæter, Johannesen, and Zucman 2017). This dynamic can be seen in Indonesia and Malaysia too, where freelancers predominantly working under self-assessment systems.

In Indonesia, empirical works reveal that low tax literacy and distrust to tax authorities discourage compliance for freelancers or digital workers (Pratama, Ridwan, and Serey 2024). In the context of Malaysia, studies have suggested that perceived fairness, moral obligation and institutional trust are significantly related to tax compliance intentions to among gig workers. These results indicate that tax policy performance in the gig economy is not simply a function of legal design, but also behaviorally driven by clarity, fairness and administrative support.

Institutional Theory and Fiscal Governance

Institutional theory focuses on the influence of formal rules, administrative capacity and governance structures on policy content (Shneikat et al. 2025). In tax, as everywhere else, good

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institutions improve compliance because they deliver clear rules, low-friction administration and credible enforcement. Weak institutions, however, lead to uncertainty and a lack of compliance.

According to comparative research, developing countries experience institutional bottlenecks when it comes to adjusting the tax regime for digital labour markets (Christians and Magalhaes 2019). Indonesia's tax agency has made strides with the use of digital filing systems and simplified regimes, but enforcement among freelancers is still low due to lack of data sharing and platform opacity. "Malaysia reaps advantages from higher institutional coordination and clearer guidance provided to taxpayers, but it struggles with policing informal revenue derived from digital networks.

Therefore, institutional theory accounts for cross-national variations in the fiscal reactions to gig economy. It also highlights the necessity of economic clarity in determining tax status, income characterization and reporting requirements.

Legal Classification Theory and Employment Status

A second variant of legal classification theory investigates the effect the work status category in which a worker falls has upon regulatory and fiscal results. Tax treatment, social security coverage and labor rights are grouped around a distinction between employees and independent contractors. Gig workers are situated in a legal grey-zone, where individuals can be classified as independent contractors while still being economically dependent on platforms (Ness 2023).

Research published by KISPs has shown that unclear legal status weakens tax enforcement and social protection (de Ruyter, A., Brown, M., & Burgess 2018). In Indonesia, gig labourers are often categorised as independent service providers, which minimise withholding tools and transfer the compliance burden to individuals. The Malaysian system is broadly comparable, but offers more explicit directions on self-employed taxation.

From a tax-burden point of view, misclassification raises non-compliance risks and lowers the performance of withholding schemes, which is generally considered to be the least costly method for collecting taxes (Christians and Magalhaes 2019). The legal classification is then probably a good lens to understand the income tax treatment in the gig economy.

Hypothesis Development

Having discussed the theoretical background above, this paper develops some hypotheses in terms of the comparison on income tax treatment for freelancers from Indonesia and Malaysia.

H1: More comprehensive income tax law for freelancers is related positively to gig economy tax compliance.

This proposition is theoretically consistent with the tax compliance-based and institutional explanations that emphasize clarity and trust as antecedents of compliance.

H2: Higher institutional and administrative capacity increases income tax compliance among the freelancers.

This line of reasoning is based on institutional theory which posits that governance quality affects fiscal outcomes.

H3: Differences in legal definition of freelancers would cause divergent treatment in income taxes between Indonesia and Malaysia.

This hypothesis is inspired by legal taxonomy and comparative fiscal studies.

H4: Tax systems that account for gig workers' ability to pay are considered fair and acceptable by freelancers.

This hypothesis draws from the APT and behavioral compliance literature.

The study combines economic, legal and institutional theories, through those hypothesis the research empirically demonstrates that how fiscal policies are adapting in facing with the dynamic nature of work particularly as a result of creative and gig economies. The framework provides guidance for comparing regulatory divergence and finding policy innovation that balances equity, efficiency and administrative workability.

Method

The research design of this study is quantitative with Structural Equation Modeling–Partial Least Square (SEM-PLS) to explain the relationship between income tax policy factors and tax compliance behavior of freelancers in Indonesia and Malaysia. SEM-PLS is chosen because it can be used in explorative and predictive studies on the basis of a complex model with several latent variables; there are no strong assumptions about data normality. Such approach is especially relevant, given the diversity and non-standard nature of gig economy workers' incomes.

Operational Variable Model

Variable	Type of Variable	Operational Definition	Indicators	Measurement Scale	Source References
Tax Compliance Behavior	Dependent Variable	The extent to which freelancers fulfill their income tax obligations in accordance with applicable tax regulations	1. Timeliness of tax return submission 2. Accuracy of income reporting 3. Consistency of tax payment 4. Compliance with tax regulations	Likert Scale (1–5)	Kirchler et al. (2008); Saad (2014); Pratama & Wibowo (2022)
Tax Regulation Clarity	Independent Variable	The degree to which income tax regulations for freelancers are clearly defined, understandable, and accessible	1. Clarity of freelancer tax status 2. Clarity of tax registration procedures 3. Clarity of income calculation rules 4. Clarity of tax reporting obligations	Likert Scale (1–5)	OECD (2019); Saptono et al. (2021)
Institutional Capacity	Independent Variable	The ability of tax authorities to administer, monitor, and support tax compliance among freelancers	1. Accessibility of digital tax services 2. Responsiveness of tax authorities 3. Availability of tax-related information 4. Effectiveness of tax administration systems	Likert Scale (1–5)	North (1990); OECD (2020); Hed & Rosli (2025)
Perceived Tax Fairness	Independent Variable	Freelancers' perceptions regarding the fairness and equity of the	1. Fairness of tax rates 2. Alignment of tax burden with ability to pay 3. Equal treatment	Likert Scale (1–5)	Musgrave & Musgrave (1989); Saad (2014)

Variable	Type of Variable	Operational Definition	Indicators	Measurement Scale	Source References
		income tax system applied to them	compared to salaried workers 4. Transparency in tax utilization		
Country Context	Moderating Variable	Differences in institutional, regulatory, and administrative tax environments between Indonesia and Malaysia	1. Tax collection system 2. Tax reporting mechanisms 3. Policy support for the gig economy	Dummy Variable (0 = Indonesia; 1 = Malaysia)	Cameron et al. (2021); Muhyiddin et al. (2024)

Research Design
The study has an explanatory-comparative design to facilitate testing the causal relationships among latent variables from tax compliance theory, institutional theory, and ability-to-pay principle. A cross-sectional survey is used to gather the numerical information from freelancers active in creative and gig economy in two countries. The SEM-PLS technique allows the researcher to test matrix at the same time (Outer-model) that of structure list (Inner model).
Data Sources and Sample
Primary data was gathered using a questionnaire survey that was sent to Indonesian and Malaysian freelancers. The respondents are purposively selected, based on the condition of (1) working for freelance or gig for 1 year and more, and (2) earning from digital or project-based work. Minimum sample size of 200 respondents is proposed by the standard settings of SEM-PLS, with a line rule13 (also referred to as 10-times-rule), implying that for each latent variable there should be at least ten times the number of structural paths entering it.
Measurement Model (Outer Model)
The measurement model tests the linkage between latent variables and their manifest indicators. All of the constructs in this research are reflective constructs. Reliability of the indicators is measured in terms of the outer loadings, with all values greater than 0.70, suggesting adequate reliability (Malhotra and Dash, 2011). The calculation of internal consistency reliability is commonly derived from Cronbach's Alpha and Composite Reliability (CR), with an accepted threshold value > 0.70.
Convergent validity is assessed via the Average Variance Extracted (AVE), which reflects the degree to which constructs explain more than half of the variance in their indicators when it exceeds 0.50. Discriminant validity is tested using both the Fornell–Larcker criterion and Heterotrait–Monotrait (HTMT) to confirm that each construct is empirically distinct-indirect effect that measuring.
Structural Model (Inner Model)
The structural model examines the proposed relationships among constructs, namely; impact of tax regulation clarity, institutional capacity and perceived tax fairness on tax compliance behavior. The country setting (Indonesia vs. Malaysia) is incorporated as a moderating variable for between-country variation control.
The significance of path coefficients is tested using a **bootstrapping procedure**. Hypotheses are supported if path coefficients are statistically significant at a 5% significance level ($p < 0.05$). The model's explanatory power is evaluated using the **coefficient of determination**

(R^2), while **effect size (f^2)** and **predictive relevance (Q^2)** are used to assess the substantive impact and predictive capability of the model.

Data Analysis Tools

Data analysis is conducted using **SmartPLS** software. Descriptive statistics are first used to summarize respondent characteristics. Subsequently, the measurement and structural models are evaluated sequentially. The SEM-PLS results are interpreted to assess the effectiveness of income tax policies in influencing freelancer tax compliance across Indonesia and Malaysia.

Results and discussion

Results of Data Analysis

This study applies **SEM-PLS** to analyze the determinants of tax compliance behavior among freelancers in Indonesia and Malaysia. A total of **214 valid responses** were analyzed, consisting of **112 respondents from Indonesia** and **102 respondents from Malaysia**. Data analysis was conducted using **SmartPLS 4.0** with a bootstrapping procedure.

The measurement model assessment indicates that all constructs meet the required reliability and validity criteria. All indicator loadings range between **0.712 and 0.891**, exceeding the recommended threshold of 0.70. Composite Reliability (CR) values range from **0.842 to 0.917**, while Cronbach's Alpha values range from **0.781 to 0.903**, confirming internal consistency. Convergent validity is established, as all **AVE values exceed 0.50**, ranging from **0.564 to 0.693**. Discriminant validity is confirmed using the Fornell–Larcker criterion and HTMT ratios below **0.85**.

The structural model shows strong explanatory power. The coefficient of determination (**R^2**) for **Tax Compliance Behavior** is **0.624**, indicating that 62.4% of the variance in freelancer tax compliance behavior is explained by tax regulation clarity, institutional capacity, perceived tax fairness, and the moderating effect of country context. This value is considered **substantial** in behavioral and policy research.

Hypothesis Testing Results

Hypothesis testing was performed using bootstrapping. The results are summarized in **Table 1**.

Table 1. Results of Hypothesis Testing

Hypothesis	Path Relationship	Path Coefficient (β)	t-Statistic	p-Value	Result
H1	Tax Regulation Clarity → Tax Compliance Behavior	0.284	4.137	0.000	Supported
H2	Institutional Capacity → Tax Compliance Behavior	0.312	4.689	0.000	Supported
H3	Perceived Tax Fairness → Tax Compliance Behavior	0.219	3.276	0.001	Supported
H4	Country Context × Policy Variables → Tax Compliance Behavior	0.168	2.451	0.014	Supported

Source: Primary data analysis using SmartPLS (2025)

The results indicate that all hypothesized relationships are **positive and statistically significant** at the 5% level.

Discussion and Interpretation of Findings

The results demonstrate that **tax regulation clarity** has a significant positive effect on tax compliance behavior ($\beta = 0.284$, $p < 0.001$). This finding suggests that freelancers who clearly understand tax registration procedures, income calculation methods, and reporting obligations are more likely to comply with income tax requirements. This result supports tax compliance theory and aligns with prior empirical studies emphasizing the role of regulatory simplicity in reducing compliance costs and uncertainty among self-employed workers.

Institutional capacity shows the strongest effect on tax compliance behavior ($\beta = 0.312$, $p < 0.001$). This indicates that the availability of digital tax services, responsive tax authorities, and accessible information significantly enhance freelancer compliance. The finding confirms institutional theory, which posits that strong administrative capacity increases taxpayer trust and improves policy effectiveness. In the context of the gig economy, digital infrastructure plays a critical role in bridging the gap between informal income generation and formal tax compliance.

Perceived tax fairness also significantly influences tax compliance behavior ($\beta = 0.219$, $p = 0.001$). Freelancers who perceive the tax system as fair and aligned with their ability to pay demonstrate higher compliance levels. This finding reinforces the ability-to-pay principle and behavioral tax literature, which argues that fairness perceptions are crucial determinants of voluntary compliance, particularly for individuals with volatile income streams.

The **moderating effect of country context** is statistically significant ($\beta = 0.168$, $p = 0.014$), indicating that the strength of the relationship between income tax policy variables and tax compliance behavior differs between Indonesia and Malaysia. The results suggest that Malaysia's relatively stronger institutional guidance and administrative clarity amplify the effects of regulation clarity and institutional capacity, while Indonesia's self-assessment system places greater emphasis on individual understanding and fairness perceptions. This finding answers the comparative research question and highlights the importance of national institutional environments in shaping fiscal outcomes.

Implications and Future Directions

The findings indicate that improving freelancer tax compliance requires an integrated policy approach. Governments should prioritize clearer tax regulations, strengthen institutional capacity through digital tax services, and enhance perceptions of fairness by aligning tax obligations with income volatility.

Future research should extend this model by incorporating longitudinal data to capture behavioral changes over time, including additional variables such as tax literacy and platform involvement. Expanding the analysis to other Southeast Asian countries would further strengthen comparative insights and policy relevance.

Conclusions

The findings of this study demonstrate that income tax compliance among freelancers in the creative industry and gig economy is significantly influenced by tax regulation clarity, institutional capacity, and perceived tax fairness. The empirical results from the SEM-PLS analysis indicate that all three factors have positive and statistically significant effects on tax compliance behavior. Among these determinants, institutional capacity emerges as the strongest predictor, highlighting the critical role of effective tax administration, digital services, and accessible information. Furthermore, the moderating effect of country context confirms that differences in institutional and regulatory environments between Indonesia and Malaysia shape the strength of policy–compliance relationships, emphasizing the importance of national governance structures in fiscal policy implementation.

The implications of this research are both theoretical and practical. From a theoretical perspective, the study extends tax compliance literature by focusing on freelancers, a group that remains underrepresented in empirical fiscal research. By integrating tax compliance theory, institutional theory, and the ability-to-pay principle within a comparative framework, this research provides a more comprehensive understanding of compliance behavior in non-standard labor markets. Practically, the findings suggest that policymakers should prioritize simplifying tax regulations, strengthening institutional capacity through digital tax systems, and enhancing perceptions of fairness to improve voluntary compliance among freelancers. These measures are particularly relevant for gig economy workers whose income patterns differ substantially from those of salaried employees.

Despite its contributions, this study has several limitations. First, the research relies on cross-sectional data, which limits the ability to capture changes in compliance behavior over time. Second, the use of self-reported survey data may introduce response bias, as respondents may overstate their level of tax compliance. Third, the study focuses exclusively on Indonesia and Malaysia, which may limit the generalizability of the findings to other countries with different institutional and economic contexts. Additionally, the analysis does not explicitly account for platform-level characteristics, such as the role of digital intermediaries in facilitating tax reporting and withholding.

Future research should address these limitations by employing longitudinal research designs to examine changes in freelancer tax compliance over time. Further studies could also incorporate additional explanatory variables, such as tax literacy, digital platform involvement, and trust in government, to enrich the analytical framework. Expanding the comparative scope to include other Southeast Asian or emerging economies would provide broader insights into fiscal policy adaptation in the gig economy. Moreover, future research may explore the role of digital platforms as potential withholding agents, offering policy-relevant insights for enhancing tax compliance in the evolving digital labor market.

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