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KARNATAKA'S GIG WORKER ORDINANCE: A GAME-CHANGER FOR INDIA'S PLATFORM ECONOMY

In a pioneering move, the Karnataka government has enacted the Karnataka Platform-Based Gig Workers (Social Security and Welfare) Ordinance, 2025, setting a precedent for gig worker welfare in India. This ordinance introduces a structured framework to provide social security benefits to gig workers, impacting platforms, consumers, and the broader economy.

KEY PROVISIONS OF THE ORDINANCE

Mandatory Registration And Data Reporting

- All digital platforms operating in Karnataka must register with the newly established **Karnataka Platform-Based Gig Workers Welfare Board** within 45 days of the ordinance's commencement.
- Platforms are required to maintain and regularly update a comprehensive database of their gig workers, including onboarding and offboarding details.

Welfare Fee Implementation

- A **welfare fee ranging from 1% to 5%** of each transaction involving gig workers is mandated.
- The specific percentage will be determined based on the nature of services provided and notified by the state government within six months
- This fee is to be collected quarterly and deposited into the **Karnataka Gig Workers Social Security and Welfare Fund**.

Establishment of the Welfare Board

- The ordinance establishes a **16-member Welfare Board** comprising representatives from the government, gig workers, aggregator platforms, and civil society.
- The board will oversee the implementation of welfare schemes, monitor compliance, and manage the welfare fund.

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Payment and Welfare Fee Verification System (PWFVS)

- A state-administered **PWFVS** will be implemented to track payments made to gig workers and the corresponding welfare fee deductions.
- Until the PWFVS is operational, platforms must self-report and submit transaction details quarterly.

Worker Protections and Benefits

- Platforms are prohibited from arbitrary termination or deactivation of gig workers.
- Termination requires a **14-day prior notice** with valid reasons provided in writing.
- Gig workers are entitled to regular payouts—daily, weekly, bi-weekly, or monthly—as per contractual agreements.
- Delayed payments attract a **12% annual simple** interest penalty.



COMPLIANCE REQUIREMENTS FOR PLATFORMS

To adhere to the ordinance, platforms must:

- **Register** with the Karnataka Platform-Based Gig Workers Welfare Board within the stipulated 45-day period.
- **Maintain accurate records** of all gig workers and update the board on any changes
- **Collect and remit** the mandated welfare fee quarterly into the designated fund.
- **Integrate with the PWFVS** once operational, ensuring transparency in transactions and deductions.
- **Ensure fair contractual terms**, including clear payment schedules and conditions for task refusals.

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IMPLICATIONS FOR STAKEHOLDERS

For Platforms:

- Increased operational costs due to the welfare fee may impact profit margins.
- Necessitates updates to contractual agreements and payment systems to comply with new regulations

For Gig Workers:

- Enhanced social security benefits, including support during unemployment, illness, maternity, and work-related injuries.
- Greater job security with protections against arbitrary termination.

For Consumers:

- Potential increase in service costs as platforms may pass on some of the additional expenses.

CHALLENGES AND CONSIDERATIONS

- **Implementation Complexity:** Ensuring seamless integration of platforms with the PWFVS and adherence to reporting requirements.
- **Legal Ambiguities:** Navigating conflicts between the ordinance and existing contracts or national labor laws.
- **Stakeholder Engagement:** Balancing interests of platforms, gig workers, and consumers to ensure equitable outcomes.

LOOKING AHEAD

Karnataka's ordinance marks a significant step towards formalizing the gig economy and providing much-needed protections to gig workers. As the state prepares to roll out the welfare fund by the end of August 2025, the success of this initiative will depend on effective implementation, continuous stakeholder engagement, and adaptability to evolving challenges.

This legislative move could serve as a blueprint for other states and potentially influence national policies aimed at safeguarding the rights of gig workers across India.

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