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From Ola–Uber to Bharat Taxi: Rethinking Platform Economics

As India’s ride-hailing platforms shift to subscription models, tax structures need to catch up with how they actually work.

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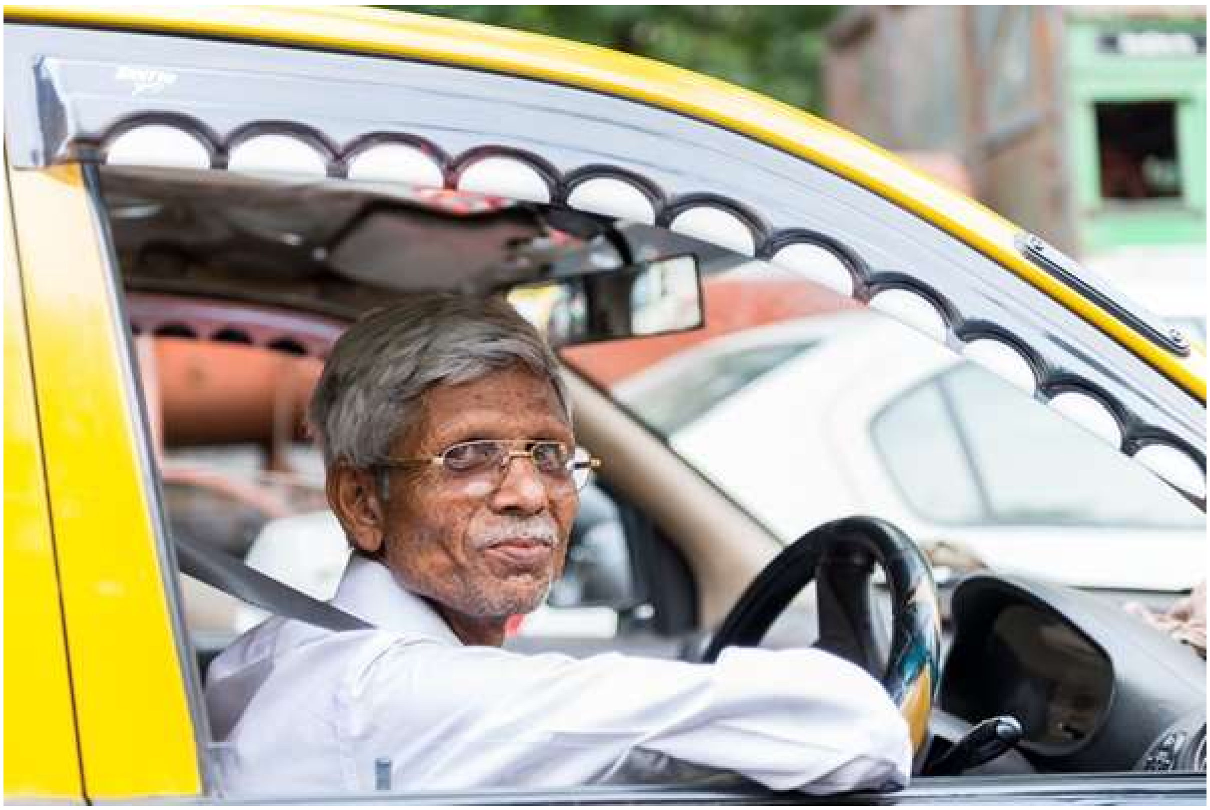

Representational Image

By Nilanjan Banik

Nilanjan Banik is a Professor at the School of Management, Mahindra University, specialising in trade, market structure, and development economics.

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The introduction of Bharat Taxi is a timely development in India's fast-changing mobility landscape. While new ride-hailing platforms are not uncommon, this initiative stands out for what it represents rather than what it adds to the market. It signals a broader attempt to rethink how mobility services are structured, financed and governed, especially at a time when everyday travel needs are rising across cities and smaller towns.

India's mobility challenge today is no longer limited to access. It increasingly centres on affordability, income stability for drivers and the ability to scale services without placing undue financial strain on users or operators.

Bharat Taxi provides a helpful point of reference for analysing how mobility platforms are evolving to satisfy these demands, given that it is based on shared digital infrastructure and aligned with public policy goals.

At a broader level, the platform reflects an ongoing shift within the sector. Mobility providers are moving away from transaction-heavy, commission-led models towards arrangements that focus on enablement rather than intermediation. In such systems, platforms provide the digital backbone while drivers operate as independent earners who manage their own rides and schedules.

Model Shift

This is most evident in the growing adoption of SaaS-based and subscription-led models. Under these systems, platforms charge fixed fees or subscriptions rather than taking a percentage of earnings from each ride. Their role is focused on providing tools for ride discovery and lead generation for both customers and drivers.

Both public initiatives like Bharat Taxi and private platforms such as Rapido and Uber have begun to reflect elements of this approach. The reasoning is practical. Removing per ride commissions gives drivers a clearer understanding of their earnings, particularly in markets where margins are tight. For users, it helps keep fares within reach, especially for short, frequent trips that form the bulk of daily travel.

The implications are most visible in Tier 2 and Tier 3 cities. Access to employment, education, and other essential services is directly shaped by mobility costs in these areas. Subscription-based platforms allow mobility networks to expand without requiring large investments in vehicles or depots. Software-driven convenience also strengthens first-mile last-mile connectivity, extending the reach of public transport systems.

As these models gain popularity, they offer a glimpse of a future where technology supports livelihoods and access rather than extracting value from each transaction. However, policy frameworks have not fully adjusted to this shift.

GST Challenge

App-based mobility services currently attract a 5% GST on rides billed through digital platforms. In a sector characterised by high frequency, low value trips, this has meaningful consequences.

This directly affects driver earnings and, over time, places upward pressure on fares. For users who rely on daily short-distance travel, even small increases accumulate across a month. The result is a gradual erosion of the benefits that SaaS based platforms are primarily designed to provide, such as income predictability and affordable access.

This issue is not confined to any one operator. The tax applies equally to government-backed initiatives like Bharat Taxi and to private platforms such as Rapido and Uber that follow similar operating models. The challenge is therefore structural rather than company specific.

Regulatory uncertainty adds another layer of complexity. Differing interpretations of whether facilitator platforms are required to collect GST have created a lack of clarity across the sector. In many cases, it is impractical to collect GST from riders when payments do not flow through the platform. Riders and drivers increasingly settle payments directly through cash or UPI. Drivers prefer this as it gives them more control over their earnings. The problem lies not in unwillingness to comply, but in rules that no longer reflect how these platforms function.

From a policy perspective, concerns around tax neutrality are understandable. App-based mobility services offer features that traditional transport does not, including verified drivers, digital records and grievance mechanisms. At the same time, taxing these services more heavily risks pushing activity back into informal channels.

Bharat Taxi brings this tension into sharper focus. When a public initiative encounters the same constraints as private platforms, it suggests the need for alignment rather than correction. Mobility platforms are evolving towards models that support steady driver incomes and daily commute. Tax structures must evolve in step with these changes rather than lag behind them.

Clear guidance on GST treatment for SaaS-based mobility platforms would help ensure that policy objectives around inclusion and formal participation are preserved as the sector continues to develop.

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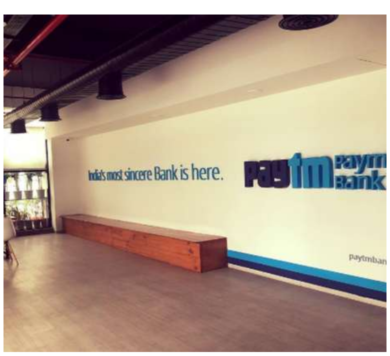

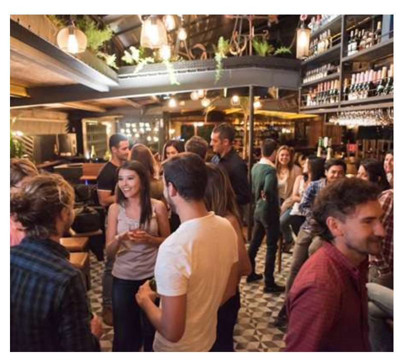

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