



From Pixels to Taxes: A Comparative Study of Digital Economy Tax Policies in the Philippines to Selected ASEAN Member States

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Abstract:

This research focuses into the proposed Digital Economy Taxation Act, scrutinizing its provisions aimed at bolstering income tax and value-added tax (VAT) compliance. The bill mandates network intermediaries and ecommerce platforms, including those without a physical presence in the country, to act as withholding agents, a move that has sparked debate over its implementation challenges, such as the requirement for non-resident entities to establish a representative office within the Philippines. Utilizing qualitative method through documentary analysis, this study compares the Philippine approach to digital taxation with initiatives undertaken by other ASEAN countries, analyzing literature, articles, reports, blogs, and media releases to gain insights to the regional tax landscape. The paper

seeks to uncover the nuances of each country's digital tax policies, focusing on the variance in tax rates and the thresholds set for business registration. The analysis extends to the potential economic impacts of the Digital Economy Taxation Act on the Philippines, considering both the opportunities and complexities posed by its enforcement. The paper underscores the imperative nature of digital taxation in an era increasingly reliant on digital transactions while highlighting the challenges associated with tax collection from non-resident digital service providers. The research provides a comprehensive understanding of the ASEAN digital taxation framework and offer insights into establishing unambiguous rules that ensure effective tax collection without hindering the growth of the burgeoning digital economy.

Keywords: *digital economy, digital tax policies, value-added tax, Southeast Asia, taxation.*

Introduction

In an era where digitalization is heralded as the most transformative force since the industrial revolution, the taxation landscape is encountering unprecedented challenges. The University of Mannheim's study on digital economy taxation underscores the profound impact digitalization has on society and economic structures, highlighting the pressing need for international tax systems to evolve

(Olbert & Spengel, 2019). As noted by Zdravko Maric, Croatia's Minister of Finance, the advent of digital taxation signifies a shift in business operations so fundamental that it demands a cohesive global response to align taxation frameworks with the realities of the digital age (European, 2020). This need for adaptation is underscored by the growing adoption of digital taxes worldwide, as countries either revise their tax codes to incorporate digital revenue streams



or introduce new legislation targeting the digital economy.

The year 2020 marked a watershed moment for Southeast Asia as nations like Singapore and Malaysia pioneered the imposition of taxes on cross-border digital services. This regional development was in step with global efforts to address tax base erosion amidst a prospering digital economy (Vertex, 2020). The proliferation of digital business models—unconstrained by physical borders—has been transformative for tax regimes. These models encompass a wide array of services, from social media to e-commerce, cloud computing, and online platforms, all of which have necessitated a reevaluation of traditional tax rules (Bunn, Asen, & Enache, 2020).

Literature Review

The digital economy's expansion in Southeast Asia raises pivotal taxation questions, particularly regarding internet sales (Katz, 2015). Katz's seminal work, "The Impact of Taxation on the Digital Economy," highlights the debate over whether the traditional tax model—where sales taxes align with the physical store's location—is applicable or adequate in an online context. The lack of a tangible retail address complicates tax collection for governments, as the rise of e-commerce outpaces the current taxation framework. Although theoretically, consumers should remit taxes to their local jurisdictions, enforcement is inconsistent, leading to a shortfall in collected taxes. Katz (2015) observes that governments are considering alternative approaches, such as taxing based on the consumer's residence, to mitigate this issue. However, the effectiveness and implementation of such strategies remain under scrutiny and debate challenging to tax online sales. In theory, the consumer is required to pay the tax to the government authority where he resides. However, this is not always the case. While the volume of e-commerce as a proportion of retail trade continues to increase, sales taxes on goods purchased on the Internet are not paid in many cases. Governments are attempting to balance this out by taxing online sales (Katz, 2015).

Stakeholders who will Pay for the Digital Tax

Bauer (2018) critically examines the effective incidence of digital taxation, challenging the assumption that corporations alone bear the financial burden of such taxes. In his report for the European Centre for International Political Economy (ECIPE), Bauer posits that ultimately, individuals carry the cost of corporate taxes, as businesses cannot shoulder these expenses in isolation. This distribution of tax burden among various stakeholders—shareholders, employees, customers, and other associated parties—necessitates a thorough analysis of new corporate tax types, such as those on digital services. Bauer underscores the importance of understanding the tax incidence, which refers to the analysis of who ultimately pays the tax, to inform policy decisions regarding digital taxation. This understanding is crucial for policymakers to avoid unintended consequences when implementing digital services taxes (Bauer, 2018).

Effects of Digital Tax on Downstream Output and Offline Sales

The impact of a digital tax on downstream output and offline sales is a critical concern, as Bauer (2018) articulates in his research report on digital services tax. The pass-through effect, or the indication that businesses will pass off the burden of taxes to customers, is most obvious for those companies that have a very slim profit margin. For example, a company working with a two-percent profit margin might not have any choice but to raise prices on customers in order to stay afloat. Failure to pass on the costs may eventually lead to lower profitability that could, in turn, create an impediment to market competition and force an increase in prices across the board. Bauer's report has repeated a call for due consideration on part of policy makers while talking of digital service tax; it often has massive consequences both in digital and offline sectors (Bauer, 2018).

Potential Effect of Digital Tax to Micro and Small Enterprises

Bauer (2018) had already foreseen the plight of small and micro-businesses given the probable negative effects of the digital tax. According to his postulations, in case a digital tax is applied, then the cost would be levied against business-to-business (B2B) users of online services, likely sending cascading negative effects around various economic sectors. The high vulnerable are SME and micro-businesses. These are businesses that usually operate on thin profit margins, and of which the capability to transfer the tax burden to the consumers is hugely constrained. As major customers for digital advertising and online intermediary services, these businesses meet threats to their value addition, profitability, and even solvency when they are slapped with additional tax burdens. Attention will be focused on avoiding losing sight of how digital taxes could potentially destroy small businesses, which are crucial for economic diversity as well as competition. (Bauer, 2018)

Comparative research instead would be on approaches that Southeast Asian countries adopt, digital taxation, and some substantial differences within the policies that should be enforced. For instance, although Singapore and Malaysia could be in front of many in the implementation of digital taxes, other countries within the region could be seen lagging or adopting different frameworks. It would base such an analysis as the best-practice areas, loopholes present, and hence what level of economic impact such taxes could possibly have on the various parties.

This is a gaping area in research to make sure that wholesome comparative studies are conducted at both the micro and macro levels of these regions. These should compare the different models of the countries around Southeast Asia and their effects on long-term economic growth. This would be considered in line with the peculiar country-level economic landscapes, with due regard to size and scale of digital economies and potential of such taxes for promoting growth or furthering inequalities.

Additionally, they need to consider its impact on international trade agreements and cross-border arrangements for digital service provision. That said, the paper sought a meticulous review of the Philippine Digital Economy Taxation Act (DETA Bill) of 2020 and delimiting the coverage that it oversees and the big opportunities it envisions in terms of prevailing tax systems. This test, therefore, was very pivotal in the sense that it would offer some insightful teasers of the reforms Philippines had in its taxing regime driven by the fast growth of a digital economy. In line with these objectives, the scope of the study broadened to cover other ASEAN countries' experiences with similar legislation on digital tax in countries such as Malaysia, Singapore, and Thailand together with Indonesia and Vietnam. The study was, in fact, a regional comparison that is very necessary for insight into the fiscal setting within the Southeast Asia horizon at a much deeper plane. Compare between the digital tax policies of Malaysia and Indonesia to what is proposed in the Philippines under the DETA Bill.

The study, therefore, dealt with the issue of digital taxation affecting the overall operational framework of digital enterprises, finding and elaborating new evolutions and deriving implications arising out of such taxes. This kind of detail analysis was quite indispensable for policy makers to make assessments about the impact of digital taxes on the vitality of economic activities and on innovation and entrepreneurship in the digital sector.

The study has further compared the digital tax regimes of Indonesia and Vietnam with those of other ASEAN member states to what is contained in the DETA Bill of the Philippines for purposes of finding the areas of convergence and divergence. This was thus a benchmarking regime on regional best practice, as well as a source of lessons for possible pitfalls moving forward. The recommendations identified formed the basis for institutionalization of digital taxation in the Philippines. The above recommendations had, therefore, attempted to suggest to policymakers clear ways where they could strike a balance between the growth of the digital economy, ensuring that the Philippines

keeps its competitive nature within ASEAN, and one that ensures fairness in the operations of digital businesses.

Theoretical Framework

This research is aligned with the Consumption Tax Theory outlined by law professor Young Ran Kim in her article last year in 2020. As elaborated through the above theory, "DSTs are all designed as turnover taxes. In the most general sense, a turnover tax is defined as 'a tax levied on the value of the sales revenue of a firm' rather than other commonly used tax bases such as corporate profits or sales price. Likewise, DSTs are imposed on the "gross revenue" of specific digital business models where revenues are linked to the participation of the business's local users. Some commentators interpret DSTs as a disguised income tax, but this Article observes what positive law provides and analyzes DSTs as a turnover tax. Turnover tax is a subcategory of consumption tax. A consumption tax refers to a taxing system where taxpayers are taxed based on how much they consume rather than how much they earn — income tax. Consumption taxes can take the form of turnover taxes, tariffs, excise taxes, and other taxes on consumed goods and services." (Frieden & Lindholm, 2023)

A consumption tax framework is undoubtedly well suited to the recognizable components of a DST. A DST is often calculated using gross receipts rather than net profits. The market jurisdiction where the consumer resides or consumes the services is where a DST is sourced, not the location of the income-producing activity. Additionally, historically, taxes that are based on gross receipts have been regarded as a type of consumption tax (Frieden & Lindholm, 2023).

Figure 1 represents the conceptual framework of this research indicating the key elements that are needed to be analyzed in order to generate the desired outcome. At the top level we have the two main points of comparison which are the proposed digital tax in the Philippines and the digital tax imposed in other southeast Asian countries. Data will be filtered according to similarities and differences of the taxation considering different aspects. After that data would be refined to either development, implication or challenges which will become basis in curating a recommendation of institutionalization of the practice of digital tax in the Philippines.

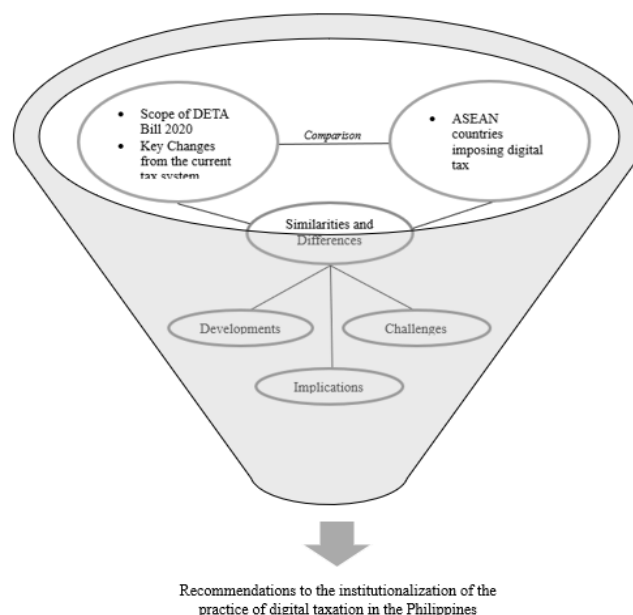


Figure 1. Conceptual Framework

Digital Tax in the Philippines

In the Philippines, the current VAT legislation operates on the principle of supplier location, taxing services rendered within the country. The proposed bill, however, shifts the responsibility of VAT assessment, collection, and remittance to nonresident digital service providers for transactions conducted via their platforms. This means that if a service is purchased by a Philippine resident through such a platform, the nonresident provider is accountable for the VAT. This is outlined in HB No. 7425, which defines digital service providers expansively to include various online intermediaries and platforms, such as online marketplaces, auction hosts, subscription-based services, and providers of a wide array of digital services accessible over information networks like the internet.

Furthermore, the bill categorizes buyers as individuals or businesses in the Philippines obtaining taxable digital services for personal or business use. Digital services encompass an extensive range of online offerings, from software and firewall licenses to webinars, games, digital content distribution, and advertising platforms." It also includes electronic marketplaces, search engines, social media services, and other such digital services. For purposes of ensuring VAT compliance, non-resident digital service providers whose sales or receipts of services exceed three million pesos for the previous year or those who are reasonably expected to exceed the prescribed threshold for the next year shall likewise be mandatorily required to register as such for VAT. Registered providers may issue electronic invoices and receipts. These are also those without registrations and are to have an amount of withholding tax of 12% at payment. The Department of Finance directs the Bureau of Internal Revenue (BIR) to formulate a simple registration process for the said providers.

The ultimate idea underlying the proposed system is an operational basis for pragmatic regional integration and further operable extraterritorial VAT regime. It is targeted to get efficiency in levy administration and compliance

manageable by the MNCs without complexities of the local hindrance, which is envisaged to scale up full-scale compliance with the tax regime in a manner that is scalable and easy to non-resident companies (Bernas et al., 2020).

Singapore

Singapore has modernized its tax landscape to keep abreast of the rapidly growing digital economy in order to ensure that digital services are given equal Goods and Services Tax (GST) treatment. The territory applies a 7% GST on digital services given by suppliers outside the country since January 1, 2020. It is the same for all: the fee is levied on digital services consumed by businesses and individuals or from one business to another and irrespective of where it is provided - domestically or internationally. New provisions, therefore, now articulate that for the purpose of uniformity with goods and services bought within the country, those purchased online from abroad are now liable to GST.

These include the introduction of a compliance threshold for foreign digital service providers, requirements to register for GST and to collect the tax from the Singaporean consumer, where their global sales and supply of digital services to the market in Singapore exceed S\$1 million and over S\$100,000. This is expected to net an extra SGD 90 million yearly into the Ministry of Finance (MOF).

While this imposition of GST on digital services will have the effect of possibly tempering the speed of digital service adoption in Singapore, it is not expected to really stem the overall tide of digital service usage. The challenge to the taxman is that he must adjust tax laws so that flow from transactions in the digital economy will not be disabled.

Malaysia

Starting on January 1, 2020, Malaysia has thus applied a 6% service tax to imported digital services (SToDS) so as not to preclude its local service industry players under the digital technology category from the level field. Akin to that which will be brought into practice in

Singapore under a different but similar tax, probably to be effectuated in unison with a Singapore-like Goods and Services Tax. It implicates both individual and business consumers, thereby causing concerns to businesses. The government has introduced measures to refine the SToDS regime, such as exempting certain services from service tax, such as online distance learning services and online newspapers, journals, and periodicals (Yeoh & Ong, 2021).

Previously, no intra-group relief was available under the SToDS regime, requiring FSPs to charge service tax on digital services provided to their related companies in Malaysia. However, the Malaysian government has introduced a similar intra-group relief with effect from May 14, 2020. FSPs are encouraged to stay updated on the SToDS regime and consider the legislation, rules, and policies carefully to ensure compliance with SToDS requirements and obligations (Beh, 2020).

Indonesia

Indonesia's digital taxation rules have had a significant impact on multinational technology companies and the tax revenue generated. Starting August 1, 2020, Indonesia introduced Value Added Tax on non-resident providers of digital services, with a registration threshold of IDR 600 million per annum and more than 12,000 Indonesian consumers per annum. The tax office has been identifying large international providers of streaming and download media, as well as other online services. The tax has collected Rp 297 billion (US \$20.9 million) from 22 digital technology companies under the new digital tax. In an effort to tax the nation's digital economic activity, the tax administration has designated dozens of technology companies and e-commerce platforms as value-added tax collectors (Sukardi & She Jiaqian, 2020).

Suryo Utomo, taxation directorate general, expects the 10% VAT collected from foreign and services sold by tech companies to increase over the next several months as the office aims to appoint more companies as VAT collectors. With the most recent additions, there are now 46 designated VAT collectors in total. The

Indonesia government has moved to tax digital tech companies with no physical presence in Indonesia but a "significant economic presence" through their business activities in the country. The tax is aimed at ensuring that tech giants pay their fair share of taxes on local earnings they make (Eloksari, 2020).

Thailand

Thailand has approved draft legislation amending the Thai Revenue Code to collect 7% value-added tax (VAT) on foreign digital platform providers and sales of digital products. The bill aims to improve collection of Thai VAT on digital services rendered by e-business operators in foreign countries to individuals in Thailand. Key changes include requiring foreign e-business operators to register for and pay Thai VAT, a registration threshold of THB1.8 million (approximately US\$57,000) annually, simplified VAT registration, tax payment, and filing, no input tax deductions, and no tax invoices. The legislation will need passage through Parliament before enactment (Medina, Thailand to Impose Digital Service Tax: Impacting Foreign Providers, 2020).

Vietnam

To increase tax collection and keep up with the digital economy, considerable amendments to Vietnam's Tax Administration Law have been made. The new law, effective from July 1, 2020, targets non-resident enterprises selling goods and services into Vietnam via digital and e-commerce supply chains. The new withholding tax rules are intended to address the gap between the law on e-commerce and the LTA 2019. Value added tax (VAT) rates of 2% to 5% and corporate income tax rates of 1% to 10% make up the new withholding tax rates, which are changeable. Financial institutions will need to update their customer terms and conditions to accommodate this new law (Teo & Tai, 21).

Articles 27.3 and 42.4 set down the new taxation structure for foreign service providers, including online retailers. Banks and foreign vendors with no permanent presence in Vietnam are both required to register and pay taxes there. The law also requires a Vietnamese contracting party to

use a tax code issued to an organization or individual that has no presence in Vietnam and uses a digital platform to carry out cross-border commercial operations in order to withhold and pay taxes on behalf of that firm or person. In conclusion, the new Tax Administration Law in Vietnam aims to address the challenges faced by e-commerce businesses and ensure compliance with tax regulations. However, further regulatory guidance may be needed to complete the new tax withholding regime (Regfollower, 2019).

Materials and Methods

Research Design

The research design used by the researchers was qualitative research through documentary analysis by way of comparison of data available from the subject to best served to answer the questions and the purposes of the study. It is done through a thematic search of appropriate literature such as articles, reports, blogs, and media releases. To determine the knowledge needs of individual taxpayers operating in the digital economy, these materials were thoroughly examined. Other literature, in the form of articles, reports, blogs and media releases, was sourced using keywords such as 'digital taxation', 'digital tax', 'digital economy', 'DETA Bill 2020', 'tax awareness' and 'tax literacy' on internet and academic databases to find information on digital tax of South-East Asian countries. Refined searches were performed within results to limit the subject field to 'tax' or 'accounting'. The result lists were scanned for relevance and documents were then either retained or rejected. Data was collected and new documents were added until theoretical saturation was reached in terms of the broad themes identified for further analysis.

The document analysis is viewed by Bowen with an emphasis on the voice and meaning given through the analytical process; the documents being critically interpreted by researchers. For him, this is a qualitative method of research which facilitates the exploration and interpretation of meanings of written documents with information formed with regard to a

specific topic of assessment. Complementing this methodology, O'Leary's advice on planning a textual analysis introduces a full 8-step process, aimed at enhancing the rigor and depth of analysis. This starts with coming up with a list of texts to be looked at, which may be from population data, samples, or those responses from participants. Then, there are considerations regarding the access to these texts considering that there may be some linguistic and cultural barriers in understanding. It is very crucial to recognize and combat those biases since that is the only way that research will be conducted in a fair and objective manner. For instance, they need to develop the requisite skills necessary for conducting their research more effectively and strategize ways of enhancing the credibility of their findings. This would essentially involve very clear direction from the person requesting to ensure specifically the data for which one is searching; doubly sensitive to the ethical considerations of working on possibly marked confidentially documents, and have a Plan B in place in case any such unexpected problems crop up. All of these put O'Leary's recommended approach on very well-reinforced scaffolding regarding the conduct of textual analysis. In these ways, researchers are well prepared to enter their selected texts with depth, sensitivity, and integrity.

Bowen summarizes under the general idea of document analysis like this: "This refers to the process of examining documents 'in such a way that empirical knowledge is produced, and understanding is developed.' According to Bowen, document analysis is more than just gathering information to express the researcher's desired message. Researchers must maintain a high degree of objectivity in order for the results of document analysis to be legitimate and believable, as Bowen emphasized. It is an initial concern to consider when using documentary analysis because documents are not created with data research agendas and there require some investigative skills and sometimes documents may be incomplete, or not available and inaccessible. For these reasons, there should be a thorough evaluation of the documents. What is important is that the researchers must have a

clear process planned and know what their objective so that there will be no problems to be encountered in the future (Bowen, 2009)

The fact that this study is not a thorough examination but rather an exploratory account of new tax knowledge requirements as a result of new circumstances and transactions brought on by the digitalization of the economy is one of its limitations. Given the rapidly evolving nature of the digital economy, new transactions and events may come to light on a continuous basis, which may result in additional tax knowledge requirements that are not recognized in this study.

Subjects/Respondents/Participants/Key Informants

The primary focus of the study is the pending Digital Taxation bill in the Philippines. To guide the researchers in analyzing its continuous development and key changes, selection of sufficient samples was established. The samples were based on the countries that have applicable bill/implementation on Digital Taxation, that may influence the further adjustments of the Philippine Digital Economy Act of 2020 (DETA Bill), amended currently as Value-Added Tax on Digital Transactions Act (HB. 7425). The countries subjected as samples were already adequate to meet the objectives of the study, hence it justifies the lack of respondents, participants, and key informants in the methodology.

Research Locale

The Philippines' neighbor countries, particularly the South - East Asian countries, were used as the research population of the study. The researcher decided to limit the scope of the qualitative research to this region to effectively analyze and interpret each country's Digital Taxation as they were the most comparable to the situation of the Philippines' Digital Economy. The five South – East Asian countries that have applicable bill/implementation that are used as samples of the study includes Malaysia, Indonesia, Singapore, Thailand, and Vietnam.

Research Instruments, Data Gathering Procedures, and Ethical Considerations

In the study, the methodology for data collection involved a thematic search of relevant literature, including articles, reports, blogs, and media releases, through document analysis. This approach was specifically chosen to gather comprehensive insights into the digital taxation policies of South-East Asian countries, which are considered comparable to the digital economy of the Philippines. Deliberate focus on South-East Asian countries was made because data sourced could easily be compared since the economic comparison and that of digital market against the Philippines are almost similar. Indeed, based on the pre-existing or upcoming digital taxation laws and the respective practices in this region, five countries were singled out to meet into the agreed criteria for the study.

The research had sought, then, to collect exact data on the digital taxation regimes of these selected countries, mindful of such an element characteristic as the effective date of implementation, the tax imposed, the rate at which the tax is imposed, to what subjects of taxation. This exercise was carried out for the purpose of testing the appropriateness of other models of digital tax that can best be applicable within the Philippines. First, it was to identify new potential sources of revenue; second, it was to relieve the burden of the taxes from individual taxpayers; and third, it was to seek innovation in ways that could improve the tax compliance in the country.

This information was later summarized and arranged in a manner that allowed comparison to be made. This would ensure that the information will be compared so as to be able to point out similarities and differences of approaches in digital taxation among countries chosen for this study. It also facilitated an evaluation of the advantages and disadvantages observed in countries that have already implemented digital taxes. This comparative analysis was instrumental in providing insights into effective digital taxation strategies that could be adapted or modified for implementation in the Philippines, aiming to

achieve the study's broader objectives of enhancing revenue generation and promoting tax compliance through innovative taxation of the digital economy.

Results

The digital economy in Southeast Asia is on a trajectory of sustained double-digit growth into the next decade, propelled by an expanding internet user base, increasing comfort with online shopping, and rising consumer spending power. According to Global WebIndex, over 90% of Indonesian internet users aged 16 to 64 engage in online shopping monthly, surpassing the global average of 75%. Thailand, Malaysia, and Vietnam also exceed this average, while the Philippines aligns with it. Singapore slightly falls below at 73%. The onset of the pandemic has further accelerated this shift towards digital platforms, with a 17% increase in online shoppers across Southeast Asia in the year leading up to 2020, translating to millions of new consumers entering the e-commerce market.

In the Philippines, internet penetration was at 67% as of January 2020, with approximately 38.9 million individuals making online purchases. This significant digital consumer base suggests that integrating the digital economy into the taxation system could substantially increase national revenue and enhance tax base efficiency.

However, the digitalization of taxation introduces several challenges, including defining tax jurisdictions and amounts, unclear income

characterization, ease of noncompliance, difficulties in identifying and verifying parties involved in transactions, complex registration and collection processes, absence of paper trails, risks of loss and trade distortion, and high administrative costs. These issues are common across countries considering or implementing digital tax systems and necessitate meticulous planning and thorough consideration to mitigate complications and ensure equity within the taxation system. The Philippines is actively addressing these challenges as it progresses with drafting the DETA bill.

The DETA bill of 2020 is in the early stages of the legislative process. Initially proposed to ensure registration and tax compliance among digital businesses, especially foreign digital giants, it has undergone several amendments from House Bill 6765 to 7425. Continuous deliberations and amendments aim to refine the proposed tax regime and address emerging concerns. Key changes introduced include mandating network orchestrators like ride-hailing services and rental platforms to withhold taxes on income earned by their partners, applying VAT to digital or electronic goods and services, including digital advertising and subscription-based services. Furthermore, network orchestrators for lease services and e-commerce platforms are now withholding agents for VAT purposes, with an obligation to remit withheld amounts promptly. Nonresident digital service providers must operate through a representative office or resident agent in the Philippines, with their revenues considered as generated by these local entities for tax purposes.

Table 1. Summary of Digital Taxes on Selected Southeast Asian Countries

Country	Implementation	Kind Of Tax	Percentage	Subject Of Taxation
Philippines	Bill	VAT through Digital Economy Taxation Act of 2020 (HB No. 6765)	12%	Based on sales of goods and services through the use of <i>electronic or digital means</i> , including those supplied by nonresidents.
		Digital Service Tax (HB No. 6944)	6%	Imposed on <i>all digital service providers</i> based on their gross sales from digital services rendered to Philippine-based consumers.

		Value-added Tax on Digital Transactions Act (HB No. 7425) <i>*in substitute to HB No. 6765 and 6944)</i>	12%	Based on sales of <i>goods and services through the use of electronic or digital means</i> , including those supplied by nonresidents. Extraterritorial collection regime shall be implemented under a simplified registration system without a need for local agent or office for the nonresidents.
Singapore	Effective January 2020	Goods and Services Tax (GST)	7%	Imposed on cross-border business-to-consumer (B2C) and business-to-businesses (B2B) <i>digital service supplies</i> to businesses with a yearly global turnover of more than S\$1 million and sold more than S\$100,000 worth of <i>digital services</i> to customers in Singapore in a 12-month period.
Malaysia	Effective January 2020	Service Tax	6%	Imposed on <i>digital services</i> provided to both individual and business consumers in Malaysia, with exemption to some certain services that needs to be encouraged for further consumption (e.g. online distance learning services, online newspapers/journals, etc.)
Indonesia	Effective August 2020	Value Added Tax	10%	Imposed on non-resident providers of <i>digital services</i> for businesses with an annual sales of IDR 600 million per annum, and/or more than 12,000 Indonesian consumers per annum. The tax covered are only for <i>e-commerce platforms</i> that would collect VAT from foreign goods and services sold by foreign merchants.
Thailand	To be confirmed (approved draft legislation - June 9, 2020)	Value Added Tax	7%	Imposed on <i>foreign digital platform providers and sales of digital products (e-services)</i> , such as e-commerce platforms, online streaming media platforms, smartphone applications, and social media.
Vietnam	Effective January 2021	Tax Administration Law (LTA 2019)	10%	Imposed on offshore entities deriving income from doing cross-border e-commerce business in the country such as enterprises selling <i>goods and services via digital and e-commerce supply chains</i> .

Discussion

The comparative study table illustrates the evolving landscape of digital taxation across Southeast Asia, where countries are increasingly recognizing the need to tax the consumption of

goods and services sold online by non-resident entities. This marks a significant shift from traditional tax policies, with a focus on capturing revenue from the burgeoning digital economy.

The Philippines, for instance, has proposed various forms of digital taxation, including a 12% VAT under the Digital Economy Taxation Act of 2020 (HB No. 6765) and a 6% Digital Service Tax (HB No. 6944), both targeting sales through electronic means. A noteworthy feature of the Philippines' approach is the Value-added Tax on Digital Transactions Act (HB No. 7425), which simplifies the registration process for non-residents, eliminating the need for a local presence.

Singapore's implementation since January 2020 of a 7% GST on cross-border digital services is contingent upon meeting certain global turnover and local sales thresholds, indicating a targeted approach to tax larger digital service providers.

In Malaysia, a 6% Service Tax has been applied to digital services since January 2020, with exemptions for specific services to encourage their consumption. Similarly, Indonesia, with a 10% VAT effective from August 2020, focuses on non-resident digital service providers that meet certain sales and consumer thresholds.

Thailand's draft legislation proposes a 7% VAT on foreign digital platform providers and digital product sales, though the effective date is still pending.

The common thread across these countries is the imposition of VAT on non-resident online sellers, differing only in tax rates and registration thresholds considered equitable by each government. Simplified registration systems are also being put in place to promote compliance among cross-border businesses.

This regional tax reform reflects an acknowledgment of the rapid expansion of e-commerce and aims to broaden the tax base to include the digital economy. By doing so, these countries aim to enhance their tax collection capabilities and increase government revenue, which is essential for national development and financing governmental activities.

Conclusion

In conclusion, the digital revolution has fundamentally altered the commercial world,

enabling businesses to penetrate global markets without the need for a physical footprint. This lack of territorial presence, coupled with the unforeseen rapid advancement of digital technologies, initially left tax authorities without a mechanism to levy taxes on digital enterprises operating across borders.

Southeast Asia has witnessed a pioneering move in digital taxation, starting with Singapore and Malaysia, which began taxing cross-border digital services in January 2020. These initiatives align with global trends where tax administrations are adapting to capture revenue from the flourishing digital sector and address tax base erosion.

Singapore's extension of GST to foreign digital services has been impactful, requiring such service providers to collect and remit GST at a rate of 7% from the beginning of 2020. This move mirrors international efforts to tax the digital economy and reflects a growing consensus on the need for such measures.

Malaysia followed suit, surprising many with a 6% service tax on both individual and business consumers for imported digital services, effective from the same date. The Malaysian Service Tax on Digital Services (SToDS) regime broadened the reach of taxation to encompass a wider consumer base.

Indonesia's introduction of a 10% VAT on digital services by non-residents, which came into effect on August 1, 2020, underscored the region's commitment to capturing revenue from digital transactions. Despite delays and the short timeframe for compliance, non-resident digital businesses are now required to register and remit VAT on B2C sales in Indonesia.

Thailand is poised to join its neighbors with VAT legislation targeting non-resident digital service providers. With legislation approved on June 9, the country awaits a government vote and the announcement of an effective date for these new rules.

In the Philippines, the COVID-19 crisis has accelerated the push for a bill taxing foreign-supplied digital services at the standard 12% VAT rate. As part of a broader strategy, the

Department of Finance and the Bureau of Internal Revenue are developing systems for VAT collection on both local and cross-border digital transactions, while also considering income tax reforms for these services after global consensus is reached.

Vietnam's plans for a tax law affecting cross-border eCommerce have been delayed beyond the anticipated July 1, 2020 start date. Nevertheless, Vietnam enforces a 'Foreign Contractor Tax', effectively withholding a 10% tax on cross-border contracts that include both VAT and income tax components.

The collective movement of Southeast Asian nations towards taxing digital services signals an era of modernized tax regimes that recognize the significance of the digital economy. These regulations not only aim to close loopholes but also strive to ensure fair competition and generate essential revenue for government functions and development initiatives.

In light of the evolving digital economy and its intersection with taxation, a multifaceted approach is required to address the needs and responsibilities of various stakeholders. Governments and policymakers should strive for the harmonization of digital tax frameworks in concert with international bodies, creating standardized policies that reduce the compliance burden and ensure fair competition. It is imperative to establish clear revenue thresholds for digital taxation, providing certainty for businesses, alongside developing streamlined tax filing and payment processes that are particularly accessible for smaller enterprises. Policymakers must also actively engage in multilateral agreements to prevent double taxation and facilitate cross-border digital trade, while also providing educational resources to support businesses in understanding their tax obligations.

Trade officials must now recognize the significant role of digital taxation in trade and incorporate it into trade negotiations. They should work to mitigate any trade barriers that could arise from digital tax policies, ensuring that such policies do not inadvertently restrict market access. It is also crucial for trade officials to

monitor the impact of these taxes on trade flows and adapt policies to support the continued growth of digital trade.

Businesses, particularly those in e-commerce and technology sectors, need to remain vigilant about changes in digital tax laws across all jurisdictions in which they operate. Investing in robust compliance infrastructure is key, whether through developing internal systems or partnering with specialized third-party services. Businesses should also collaborate through industry groups to advocate for equitable tax policies and prepare for potential tax liabilities as they reach new thresholds in various markets.

International organizations like the OECD and WTO have a pivotal role in facilitating global dialogue on digital taxation, issuing guidelines on effective taxation practices, and assisting developing nations in building the necessary infrastructure to tax digital transactions effectively.

Consumers should stay informed about how these taxes might affect the cost of online goods and services, while civil society organizations can contribute by advocating for tax policies that are equitable and do not stifle innovation or access to digital services.

In summary, a collaborative and informed approach is vital for all stakeholders involved in the realm of digital taxation. By working together, it is possible to create a balanced digital economy that benefits all parties without hindering the growth and innovation that characterize this vibrant sector.

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