



THE DIGITAL ECONOMY ERA: THE APPLICATION OF E-COMMERCE TAXES IN ASEAN COUNTRIES

By

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ABSTRACT

Overview of digital economy, e-commerce in malaysia, taxation: what happen in malaysia, taxation: what happen in asean, conclusion. The various governments across the Southeast Asian region face their own, individual challenges and have their ideas on how the E-Commerce taxation system should be implemented, on a localised level. Between now and 2020, Internet platforms and operators have little influence on the new tax policies but it's the customers and the shift in their behaviour that will be largely impacted. Given the rate of growth of E-Commerce, the potential revenue loss would be very significant if left unaddressed. Tax jurisdictions have to find the right balance to amend its tax laws to ensure the digital economy transactions are taxed.

Keywords: E-Commerce Taxation System

A. Introduction

1. Overview of Digital Economy

The Digital Economy is the result of a transformative process brought by information and communication technology (ICT), which has made technologies cheaper, more powerful, and widely standardized, improving business processes and bolstering innovation across all sectors of the economy.

2. The rise of digital economy

Uber, the world's largest taxi company, owns no vehicle. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate." Something interesting is happening, indeed. 75 million jobs may be displaced. 133 million new roles may emerge by 2022 that are more adapted to the new division of labour between humans, machines and algorithms. Artificial intelligence will double the value of the digital economy to \$23 trillion by 2025.

Market for internet advertising grows 12.1% p.a. 2014 to 2019, B2B e-commerce sales is expected to reach \$25tn by 2020. Global internet traffic are at 66 times higher in 2019 than in 2015, 2.5bn gigabytes of data everyday generated from mobile financial transactions, social media traffic etc.

3. Digital business model

online retailer model - e-commerce (i.e lazada, amazon, alibaba), social media model - online advertising (i.e facebook, google), collaborative platform model



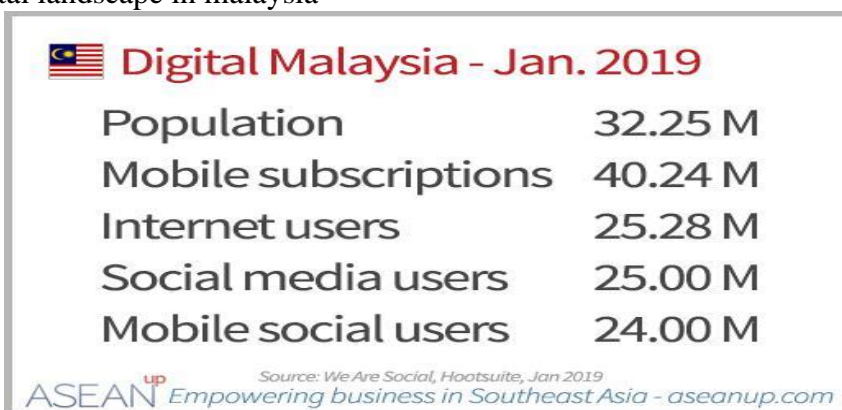
(i.e.airbnb), subscription model (i.e netflix), app store (i.e waze app, grab app), payment services (i.e paypal, alipay, e-wallet).

B. Research Finding

1. E-commerce in Malaysia, top 10 e-commerce websites in malaysia:

Website	Monthly Traffic Estimate (Feb 2019)
Lazada	45,000,000
11street	13,000,000
Shopee	12,500,000
Lelong.my	9,050,000
Carousell	2,450,000
Zalora	2,350,000
Qoo10	1,800,000
Ebay	1,600,000
Fave	1,250,000
Hermo	1,200,000

2. Digital landscape in malaysia



C. Malaysia crafts digital economy initiatives

Malaysia launched the world's first Digital Free Trade Zone (DFTZ) outside of China, which has the potential to double the growth rate of Malaysian small and medium enterprises' (SMEs) goods exports by 2025.



Country	Direct Tax	Indirect Tax
Malaysia	✓	✓ (year 2020)
Indonesia	✓	x
Singapore	✓	✓ (2020)
Thailand	✓	✓ (2019)
Philippines	✓	✓ (2016)
Vietnam	✓	✓ (2017)

1. It estimate to be able to support US\$65 billion worth of goods moving through DFTZ. Additionally, DFTZ is expected to create 60,000 jobs by 2025.
2. With the launch of DFTZ, Malaysia will be the regional e-fulfilment centre & become the regional hub for SMEs, marketplaces and mono-brands.

D. Discussion

1. Taxation of digital economy: what is happening in ASEAN COUNTRIES? E-commerce law harmonisation in asean

Member Country	Electronic Transactions	Privacy	Cybercrime	Consumer Protection	Content Regulation	Domain Names
Brunei Darussalam	Enacted	None	Enacted	Partial	Enacted	Enacted
Cambodia	Draft	None	Draft	None	Draft	Enacted
Indonesia	Enacted	Partial	Enacted	Partial	Enacted	Enacted
Lao People's Democratic Republic	Enacted	None	None	Draft	Enacted	Partial
Malaysia	Enacted	Enacted	Enacted	Enacted	Enacted	Enacted
Myanmar	Enacted	None	Enacted	Enacted	Enacted	Enacted
Philippines	Enacted	Enacted	Enacted	Enacted	None	Enacted
Singapore	Enacted	Enacted	Enacted	Enacted	Enacted	Enacted
Thailand	Enacted	Partial	Enacted	Enacted	Partial	Partial
Viet Nam	Enacted	Partial	Enacted	Enacted	Enacted	Enacted

2. Countries comparison:
 - a. Most ASEAN countries tackle the digital transactions issues via indirect taxes i.e. value-added tax or consumption tax.
 - b. Most of the countries imposed direct tax to the foreign online seller, through withholding taxes.



3. Countries comparison - indirect tax

	Type of Indirect Tax	Standard Rate	Reduced rates, zero rates, or exemptions	Voluntary registration possible for an overseas company?	Electrical invoicing available?
Philippines	VAT	12%	Zero rated supplies, exempt supplies	No	Yes
Thailand	VAT	7%	Zero rated supplies, exempt supplies	Yes	Yes
Singapore	GST	7%	Zero rated supplies, exempt supplies	Yes	Yes
Vietnam	VAT	10%	Zero rated supplies, exempt supplies, reduced rates	Yes	Yes
Malaysia	GST	6%	Zero rated supplies, exempt supplies	Yes	Yes
Indonesia	VAT	10%	Zero rated supplies, exempt supplies	No	Yes

Source: EPRO 2017 Asia Pacific indirect tax guide

ecommerce

E. Conclusion

1. The various governments across the Southeast Asian region face their own, individual challenges and have their ideas on how the E-Commerce taxation system should be implemented, on a localised level.
2. Between now and 2020, Internet platforms and operators have little influence on the new tax policies but it's the customers and the shift in their behaviour that will be largely impacted.
3. Given the rate of growth of E-Commerce, the potential revenue loss would be very significant if left unaddressed. Tax jurisdictions have to find the right balance to amend its tax laws to ensure the digital economy transactions are taxed.

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