Asia-Pacific

Indirect Taxes in the Asia-Pacific Digital Economy: Developments, Challenges and Potential

Wu Kunmei [*]

Issue: Asia-Pacific Tax Bulletin, 2026 (Volume 32), No. 3 (Next issue)

https://doi.org/10.59403/2k74dxy

Published online: 16 July 2026

This article examines the ways in which the full potential of indirect taxes in the Asia-Pacific (APAC) digital economy can be unlocked, with reference to Singapore, Australia and Malaysia. While prior debates on taxing the digital economy have focused largely on digital services taxes, this article opines that indirect tax is a neutral and efficient instrument for taxing the APAC digital economy. Drawing on the OECD's destination principle and indirect tax neutrality, the article demonstrates that indirect tax can support stable revenue collection while minimizing distortions to business decision-making. While there are key challenges in tackling the fragmented indirect tax landscape in APAC and managing indirect tax compliance burdens, the full potential of indirect taxation in APAC can be realized by addressing these challenges contextually with better regional coordination, consistent policy design, simplified compliance frameworks and modernized tax administration systems responsive to the evolving digital economy.

1. Introduction

With the rapid growth of the global digital economy, policy discussions on effective ways to generate revenue from this tax base have once again come to the forefront. Much has been said in the debate on the advantages and disadvantages of focusing on digital services taxes (DSTs) or indirect taxes[1] in taxing the digital economy, but prior studies have largely focused on the European Union[2] or the United States.[3] This article furthers the debate in the context of the Asia-Pacific (APAC) region, where the background may be quite different. Notably, tax systems in APAC are much more independent and distinct when compared to jurisdictions in the European Union or the various states of the United States. While many APAC jurisdictions appear to have independently come to the same conclusions as European and American commentators,[4] in prioritizing indirect taxes rather than DSTs, there is much potential for adopting a more harmonized approach in the region. This article focuses on three APAC jurisdictions: Singapore, Australia and Malaysia.

Singapore and Australia have highly developed, stable and open economies with relatively sophisticated and developed tax regimes and administrative capacities, similar to the European Union, yet have different approaches to digital economy taxation. The heterogeneity in APAC's indirect tax approaches and the overall lack of harmonization are evident in Malaysia's Sales and Service Tax (SST) regime, which is the only indirect tax regime in APAC that does not follow a VAT/general services tax (GST) model. These three jurisdictions were chosen to provide comprehensive and contrasting examples of APAC's indirect tax approaches to the digital economy, illustrating differences in coverage and policy design that are instructive for evaluating indirect taxes on the digital economy based on the indirect tax guidance from their respective tax authorities and publicly

* Research Affiliate, Singapore Tax Academy Research Initiative (STARI), Yong Pung How School of Law, Singapore Management University. The author is sincerely grateful to Ms Chua Jia Ying, Senior Research Affiliate at STARI and Assistant Professor Vincent Ooi, Head of STARI, for their professional mentorship and patient guidance in delivering this research article. The author is also sincerely grateful to Dr Yvonne Guo, Junior Fellow at Yong Pung School of Law, Singapore Management University and Mr Koh Soo How, Executive Director at Koh SH & Associates Pte Ltd. for their insightful feedback on this research article.

1. For ease of reading, "indirect tax" refers to VAT, goods and services tax (GST), sales and service tax (SST), consumption tax and any national tax that has the basic features of a value added tax, by whatever name or acronym it is known. For simplicity, "indirect tax" refers to the general indirect taxes on consumption (expenditure), which shall be collectively referred to as "indirect tax" or "indirect taxes" for the rest of this article.
2. Parada, L. (2025, Aug. 11). Balancing DSTs and geopolitics: The European dilemma. *Tax Notes International*. https://www.taxnotes.com/featured-analysis/balancing-dsts-and-geopolitics-european-dilemma/2025/08/08/7swxj, at page 1013.
3. Narotzki, D. (2025, Oct. 6). The U.S. case against the digital services tax. *Tax Notes International*. https://www.taxnotes.com/tax-notes-international/digital-economy/u.s-case-against-digital-services-tax/2025/10/06/7t0tf?highlight=Doron%20Narotzki.
4. *See* Parada (n 22) and Narotzki (n 3).

available literature. This article will conclude that, when well-coordinated, designed strategically and implemented in a timely manner, indirect tax is able to contribute to stable tax collection in the APAC digital economy.

2. Background

2.1. Growth of the digital economy in the Asia-Pacific region

2.1.1. Overview

DSTs have been implemented as a digital tax solution for the European Union and other jurisdictions in recent years but are less common in the APAC region.[5] Based on DSTs' inherent tax attributes and the global political tensions that have ensued upon their implementation, it may not be a sustainable digital tax solution. As a result, there have been proposals for an EU-wide indirect tax as an alternative to DSTs as a more sustainable digital tax solution. By setting out the OECD's guidance for indirect tax regimes, inherent attributes of the tax type, characteristics of the APAC digital economy and its overall tax administrative capacity, the article examines strengths and weaknesses of using indirect tax compared with DSTs.

Digitalization and digital trade have fundamentally altered how multinational enterprises (MNEs) create and derive value. The key features of the digital economy include cross-jurisdictional scale without mass that allows businesses to increase in size and reach with minimal increases in the number of personnel required to manage the daily business operations; reliance on intangible assets in the digital economy, when companies rely heavily on intangibles that, technically, are geographically mobile, to create value and produce income; and data and user participation and value creation in the digital economy through user-generated content and social networking. These features aggravate base erosion and profit shifting (BEPS) risks in a digital economy with mobility, reliance on data, network effects, spread of multi-sided business models and a tendency towards monopoly or oligopoly and volatility.[6] Highly mobile digital activities have weakened the link between physical presence and profit generation. The traditional tax nexus rules built around permanent establishment (PE), source and residence concepts have been challenged and are arguably inadequate to tax income that could be derived from an entity without a taxable presence in a jurisdiction.[7] The conundrum has been the basis on which digital suppliers or sellers should be taxed by market jurisdictions and for what may justify source income taxation and its extent (i.e. allocation of sovereign taxing rights).[8] In this regard, a particular tax instrument or bespoke tax mix to derive stable tax collection from the digital economy will augment governments' fiscal revenue to fund economic and social priorities.[9]

The global digital economy's rapid growth is evident: there were already positive development prospects promised by technological advancements pre-2019 that were propelled during and after the global COVID-19 pandemic where physical trade was restricted. The value of global business-to-business (B2B) e-commerce in 2019 was USD 21.8 trillion, representing 82% of all e-commerce, while business-to-consumer (B2C) e-commerce sales were USD 4.9 trillion in 2019, representing approximately one-fifth of all e-commerce.[10] Based on trending, the value of global B2B e-commerce in 2025 has been estimated at USD 32 to 36 trillion, with projections reaching USD 61 trillion by 2030, representing 80% to 85% of all e-commerce, while B2C e-commerce sales were estimated at USD 6 trillion in 2025. The combined B2B and B2C trade in 2025 are projected to reach USD 38 trillion, with B2B making up 83% of the total digital trade.[11]

The APAC digital economy represents the largest share of global e-commerce with strong growth. According to the World Bank's *Digital Progress and Trends Report 2023*, the share of firms investing in digital solutions such as digital platforms and e-commerce in East Asia quadrupled from 13% to 54% between 2020 and 2022.[12] The growth of the APAC digital economy is steered by deepening digital participation and new monetization strategies with higher pricing, tiered offerings and diversified

5. KPMG, Taxation of the Digitalized Economy: Developments Summary (2026) https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/digitalized-economy-taxation-developments-summary.pdf.
6. OECD (2015), Addressing the Tax Challenges of the Digital Economy, Action 1 – 2015 Final Report, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264241046-en, at pages 63 to 73, sec. 4.3.
7. Jalan, N. (2021). An Analysis of Diverse Unilateral Digital Tax Measures in Asian Countries. *Asia-Pacific Tax Bulletin*, 27(3), 209-220, https://doi.org/10.59403/27mj8hx, at page 5, sec. 2.1.
8. Lucas-Mas, C. O., & Junquera-Varela, R. F. (2021). *Tax theory applied to the Digital Economy: A Proposal for a Digital Data Tax and a global internet tax agency*. World Bank Group, at page xix.
9. Jalan (n 7).
10. OECD/WBG/ADB (2022), VAT Digital Toolkit for Asia-Pacific, OECD, Paris, https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-asia-pacific.htm, at page 24.
11. MordorIntel. (2026). B2B e-Commerce Market Size & Share Analysis – Growth Trends and Forecast (2026-2031). https://www.mordorintelligence.com/industry-reports/global-b2b-ecommerce-market.
12. World Bank. 2024. "Digital Progress and Trends Report 2023." https://www.worldbank.org/en/publication/digital-progress-and-trends-report, at pages 16 and 19.

revenue streams across key sectors, including the e-commerce sector, food delivery model, rise of retail media and eclectic entertainment formats.[13]

Similar to many APAC jurisdictions, Singapore, Australia and Malaysia have implemented indirect tax rules specific to cross-border supplies of digital trade of goods and services. All three jurisdictions also provide comprehensive, publicly available guidance on their respective indirect tax systems. This provides comprehensive and contrasting examples of APAC's indirect tax approaches to the digital economy, illustrating differences in coverage and policy design.

2.1.2. Singapore

As a premier business hub in APAC, Singapore's digital economy is centred on high-value investments including artificial intelligence (AI), finance and digital tools. Singapore's digital economy reached USD 29 billion in 2025 as transport and online media usage accelerate and the country progresses as a top regional AI hub with USD 1.31 billion in private AI funding.[14] With strong physical infrastructure capabilities, 82% of the users in Singapore have access to the platform economy, and the country has 100% coverage for same-day delivery of both physical and digital products "offline".[15]

2.1.3. Australia

Australia's digital economy is set for exponential growth because of technological advancements, government support and shifting consumer behaviours expedited by the aftermath of the COVID-19 pandemic.[16] Australia's digital sector is expected to be one of the fastest growing sectors in the economy, and the digital activity share of the Australian economy is expected to increase from 6.1%[17] to about 10%[18] by 2030. Further reports indicate that Australia stands to gain up to USD 56.7 billion in annual economic value in 2030 by adopting digital technologies to manage developing societal challenges, including digital skills shortages, cybersecurity risks and the ubiquity of climate change-induced natural disasters.[19] The information technology (IT) services industry accounts for approximately one third of the total IT market in Australia and is valued at nearly USD 23.5 billion.[20]

2.1.4. Malaysia

Malaysia's digital economy reached USD 39 billion in 2025, with strong gains in e-commerce and online travel. Its digital economy contributed 23.5% to its 2024 gross domestic product (GDP), with projections aiming for around 25.5% by 2025.[21] Malaysia has healthy mobile Internet penetration that supports access to the platform economy at 87%. It also has strong coverage of same-day delivery, with two in three having the option of a speedier "offline" experience.[22]

2.2. Evaluating digital services taxes

2.2.1. Overview

To collect tax revenues quickly from the booming digital economy while waiting for a global tax solution to crystallize under the OECD's BEPS agenda, the European Union and other jurisdictions have leveraged DSTs as an interim solution. The current DST landscape for the tax digital economy is evidently more established and parameterized in the European Union and other

13. Hoppe, F., Chang, W., Baijal, A., Chadha, S., & Hoong, F. W. (2025, Nov. 11). *e-Conomy SEA 2025*. Bain. https://www.bain.com/insights/e-conomy-sea-2025/, at page 11.
14. *Online Platforms to Catalyze Inclusive Growth by ADB Economists' Forum* (13 Jan. 2021), available at https://www.adb.org/sites/default/files/event/668976/files/online-platforms-catalyze-inclusive-growth-sawada.pdf, at page 87. Private funding includes AI infrastructure, models, platforms and AI-as-a-core product and AI-as-a-feature offerings and excludes data centres.
15. Tech for Good Institute & Bain & Company. (2021, Oct. 3). *The platform economy: Southeast Asia's digital growth catalyst* [Report]. https://techforgoodinstitute.org/research/tfgi-reports/the-platform-economy-southeast-asias-digital-growth-catalyst/, at page 128.
16. Digital Economy Council of Australia (DECA). (2024, June 11). Blockchain Australia evolves to Digital Economy Council of Australia (DECA) to advocate for Australia's growing digital economy. https://deca.org.au/blockchain-australia-evolves-to-deca/.
17. Australian Bureau of Statistics. (2022, Oct. 28). *Digital activity in the Australian economy, 2020-21*. ABS. https://www.abs.gov.au/articles/digital-activity-australian-economy-2020-21.
18. Digital Economy Council of Australia has assumed a 0.4 percentage point average increase per year from the last reported figures, in 2022 for 2020/21, through to 2030, considering the rate of accelerated adoption to arrive at the above projection.
19. Access Partnership. (2022, Oct.). Google's Economic Impact in Australia. https://accesspartnership.com/wp-content/uploads/2022/09/Googles-Economic-Impact-in-Australia.pdf, at pages 4 and 5.
20. International Trade Administration | Trade.gov. (2024, Sept. 20). Australia – Digital Economy. https://www.trade.gov/country-commercial-guides/australia-digital-economy.
21. World Bank (n 12), at page 105.
22. Hoppe et al. (n 13), at page 125.

jurisdictions compared with its limited and heterogeneous adoption in APAC, where unilateral DSTs are comparatively rare.[23] This section of the article provides insights into the implementation trends and challenges of DSTs.

DSTs have been used to tax the digital economy in the European Union and other jurisdictions. For illustration, one of the earliest forms of a DST emerged in Peru in 2007, where payments for digital services to non-resident businesses are subject to 30% withholding tax, which remains in force today.[24] Ever since then, 38 more countries, including France, the United Kingdom and Italy, have introduced or proposed DST measures, with DST rates ranging from 1% to 30% of revenue, to generate additional government revenue.[25] In addition to France, Italy and the United Kingdom, other jurisdictions such as Austria, Canada, Denmark, Spain, Poland and Portugal have also enacted measures targeting digital services revenues, with the scope and design ranging from broad multi-activity DSTs to narrower audiovisual and streaming levies.[26]

By contrast, DSTs are less established and less common in APAC. For illustration, within the region, India was among the earliest jurisdictions to adopt a digital taxation measure, introducing a 6% equalization levy (EL) in 2016 on payments by Indian businesses to non-resident service providers for online advertising services when the non-resident did not have a PE in India or the services were not effectively connected with a PE.[27] The Indian EL was narrower than the European DSTs, focusing specifically on online advertising rather than broader digital marketplace activities. Subsequently, the Finance Act 2020 expanded the EL regime by imposing a 2% levy on e-commerce supply or services provided by non-resident e-commerce operators to Indian residents, specified non-residents or users accessing such services through an Indian Internet Protocol (IP) address.[28] However, the expanded e-commerce EL was withdrawn with effect from 1 August 2024 following concerns regarding ambiguity and taxpayer compliance burden.[29] Based on KPMG's *Taxation of the Digitalised Economy – Developments Summary as of 16 March 2026*, Nepal is the only APAC jurisdiction with an enacted DST at 2% on the value of electronic services above the local threshold, effective 17 July 2022. The DST proposal was withdrawn in New Zealand on 20 May 2025, and other APAC jurisdictions, such as Japan, China, Singapore, Australia, Thailand, Indonesia, Malaysia, Pakistan, Chinese Taipei and Vietnam, have not enacted DSTs, although these jurisdictions have proposals for withholding tax, significant economic presence and/or PE rules or indirect tax regimes on digital services.[30]

2.2.2. The pros and cons of using digital services taxes to tax the digital economy

DSTs are levied on gross revenue (instead of profits) generated through certain digital services provided by digital companies, unlike ordinary corporate income taxes typically levied on net profits after deductions.[31] DSTs are also conceptually different from indirect taxes as they are not designed to be passed on to end users but constitute targeted levies imposed directly on the gross revenues of digital service providers.[32] DSTs seek to tax revenues derived from digital services provided to users within their territory, even in the absence of a physical presence by the digital service provider and regardless of its place of business.[33] Notably, the EU proposal of an interim measure to implement DSTs in 2018 was intended to tax revenues generated by the supply of certain digital services based on value creation and establish an EU-wide DST to prevent single-market fragmentation and distortion arising from uncoordinated and unilateral measures and to generate a sustainable source of tax revenue for the European Union and its members.[34] The DST project failed because of the European Union's need for unanimous approval to pass tax-related directives, design flaws, possible legal disputes and geopolitical pressures.[35]

DSTs have been favoured by tax authorities such as those in the European Union as their prescriptive nature eases tax administration and allows for direct tax revenue collection certainty. This design feature naturally increases effectiveness and

---

23. KPMG (n 5).
24. *Texto Único Ordenado de la Ley del Impuesto a la Renta* [Income Tax Law Consolidated Text], *Decreto Supremo* N.º 179-2004-EF, art. 9(i) (2004) (Peru).
25. Borders, K., Balladares, S., Barake, M., & Baselgia, E. (2023). Digital service taxes (Note). EUTAX Observatory. https://www.taxobservatory.eu/www-site/uploads/2023/06/EUTO_Digital-Service-Taxes_June2023.pdf, at page 7, Table 1.
26. KPMG (n 5).
27. Income Tax Department, Government of India. (n.d.). *Equalisation levy*. Income Tax Department – Equalisation Levy. https://www.incometaxindia.gov.in/equalisation-levy3.
28. Income Tax Department, Government of India (n 27).
29. India Briefing. (2024). India to abolish 2% equalization levy on foreign digital companies from 1 Aug. 2024. https://www.india-briefing.com/news/india-to-abolish-2-percent-equalisation-levy-on-foreign-digital-companies-from-august-1-2024-33736.html.
30. KPMG (n 5).
31. Sim, S., & Li, D. (2025). Policy Note: An Asian Perspective on Pillar One Amount A and Digital Service Taxes. Intertax, 53(Issue 2), 205-217. https://doi.org/10.54648/taxi2025022, at page 207.
32. HM Government. (2025). Digital Services Tax review report. GOV.UK. Digital Services Tax Review Report. https://www.gov.uk/government/publications/digital-services-tax-review/digital-services-tax-review-report.
33. Sim & Li (n 31), at page 207.
34. Pantazatou, K. (2024). Why EU revenue matters: A case for an EU digital levy. *European Law Open*, 1-20. https://doi.org/10.1017/elo.2024.40, at page 927.
35. Parada (n 22), at page 1013.

efficiency in collecting taxes on the highly mobile tax bases that are ubiquitous in the digital economy.[36] Further, DSTs, as a unilateral tax measure, allow countries to exercise sovereign discretion and freedom in designing the type of DSTs suited to the local digital economy. However, this feature is not unique to DSTs, as indirect taxes similarly allow domestic policy flexibility; the distinction becomes more pronounced only when compared with multilateral frameworks such as OECD- or UN-led approaches, which aim to standardize cross-border tax treatment.

The effectiveness of DSTs has been limited by the strong political backlash and retaliation received from large US MNE groups and the US government, which led to section 301 investigations and the imposition (and subsequent suspension) of retaliatory tariffs on imports from several jurisdictions that had adopted DST measures from 2019 to 2021, pending multilateral negotiations under the OECD Inclusive Framework.[37] The Office of the United States Trade Representative announced proposed tariffs on approximately USD 887 million in imports from the United Kingdom, USD 386 million from Italy, USD 323 million from Spain, USD 310 million from Turkey, USD 118 million from India and USD 65 million from Austria as retaliatory responses to their adoption of DSTs.[38] Subsequent and renewed tariff escalation in 2025 reflects a ripple effect of the sustained policy uncertainty and broader trade tensions rather than implemented DST-specific trade war measures.

DSTs, as unilateral tax measures, were criticized for generating tax inefficiencies such as double taxation and double dipping on the same transaction in the source jurisdiction, with no existing plausible recourse to alleviate this as it is not creditable.[39] DSTs are typically not creditable in the residence jurisdiction because they are imposed on gross revenues rather than net income and therefore do not qualify as covered taxes on income for treaty purposes. Accordingly, DSTs fall outside the scope of both treaty "covered taxes" and domestic foreign tax credit mechanisms.[40] In this regard, DSTs create juridical double taxation for foreign digital suppliers, which are taxed on their income in their residence country and taxed on their revenue in the market jurisdictions. DSTs also create economic double taxation as the same transaction may be taxed from both the supplier side (direct taxation) and the customer side (indirect taxation) and also taxed thrice when certain functions of the digital value chain are outsourced to local providers in the market jurisdiction.[41]

DSTs are viewed as discriminatory by US commentators because certain countries' tax administrations may set a revenue threshold high enough that most businesses impacted are US-based digital companies such as those carrying on the business of online streaming services and digital advertising.[42] From an overall economic perspective, DSTs do not fulfil the principle of neutrality because of their selectivity, contrary to a broad-based measure.[43]

With the severity of political tensions that have ensued, DSTs are likely not an appropriate long-term digital tax solution.[44]

2.3. Evaluating indirect taxes

This section of the article evaluates the inherent attributes of indirect tax and its strengths and weaknesses as a tax instrument to tax the APAC digital economy.

According to OECD's *Consumption Tax Trends 2024*, indirect tax revenues account for approximately 20.8%[45] of total tax revenue on average and total consumption tax for approximately 29.6%,[46] underscoring the central role of indirect taxes in modern tax systems and their comparatively robust and established collection mechanisms. In the APAC region, indirect tax is a major revenue source, accounting for more than one-fifth[47] of total tax revenues on average and reaching up to approximately 31%[48] in some sub-regions, such as Central and West Asia.

---

36. Parada (n 22), at page 1015.
37. Islam, F. (2020, June 19). Sunak urges US to back Digital Services Tax. https://www.bbc.com/news/business-53099785.
38. Office of the United States Trade Representative. (n.d.). Sec. 301 investigations: Digital services taxes. https://ustr.gov/trade-topics/enforcement/section-301-investigations/section-301-digital-services-taxes.
39. Schön W. Ten Questions about Digital Services Taxes. Intertax. 2021;49(2):142-160.
40. Cordilia Eke. (2024). The Digital Economy and Tax Justice: Evaluating the effectiveness of digital services taxes (DSTs). International Journal of Science and Research Archive, 12(1), 3233-3249. https://doi.org/10.30574/ijsra.2024.12.1.1267, at pages 3238 and 3241.
41. Jalan (n 7), at pages 7 to 9.
42. Bunn, D. (2024, Mar. 7). The OECD's Pillar One Project and the Future of Digital Services Taxes. https://gop-waysandmeans.house.gov/wp-content/uploads/2024/03/Bunn-Testimony.pdf.
43. OECD (2020), Tax Challenges Arising from Digitalisation – Economic Impact Assessment: Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OEC), page 1D Publishing, Paris, https://doi.org/10.1787/0e3cc2d4-en, at pages 20 and 182 to 183.
44. KPMG International. (2025, Mar. 31). Top geopolitical risks 2025 – Opportunities for businesses to navigate uncertainty with confidence. https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2025/03/top-geopolitical-risks-2025-web.pdf, at page 21.
45. OECD. (2024). Consumption Tax Trends 2024: VAT/GST and Excise, Core Design Features and Trends. Paris: OECD Publishing. https://doi.org/10.1787/dcd4dd36-en, at page 12 and Annex Table 1.A.4.
46. OECD (n 45), at page 15 and Annex 1.A Table 1.A.6.
47. OECD/WBG/ADB (n 10), at page 19 and Fig. 1.

As indirect tax systems rely mainly on transaction-based reporting, well-developed compliance frameworks and staged collection processes, they can be less administratively demanding to implement than profit-based direct tax measures or DSTs.[49] The systemic and inherent design of output tax and input tax in the indirect tax regime is a form of natural verification in the tax administration process that is different from direct tax, which typically requires comparably more checks and balances.[50] Indirect tax instruments may therefore provide a more administratively feasible approach for taxing digital economy activities.

2.3.1. The destination principle and indirect tax neutrality

The 2017 OECD VAT/GST Guidelines[51] set forth broad principles and standards for indirect tax treatment of common cross-border transactions to minimize uncertainty and risks of double taxation and unintended non-taxation in global trade. Particularly, the key principles are neutrality, in that taxation should seek to be neutral and equitable between different forms of commerce and not dictate business decisions, and efficiency, in that compliance costs for taxpayers and tax authorities are minimized when possible.[52] In addition, the 2022 OECD VAT Digital Toolkit for APAC provides detailed practical guidance to assist APAC tax authorities in the design and implementation of robust policies for the application of indirect tax to digital trade.[53]

The 2017 OECD VAT/GST Guidelines and related reports also recommend that countries apply the destination principle by applying taxation in the customer's residence country for cross-border digital supplies and the principle of indirect tax neutrality.[54] Under the destination principle, exports are zero-rated and free of indirect tax with a right to deduct the input tax, and imports are taxed on the same basis and at the same rates as domestic supplies. Accordingly, the total tax paid for a supply is determined by the rules applicable in the jurisdiction of its consumption, and all revenue accrues to the jurisdiction where the supply to the final consumer occurs.[55] The indirect tax base is generally broad and similar to income tax. Indirect tax allows for input tax credits on all investments used to make taxable supplies. Researchers have hence argued that broadening indirect tax's tax base and removing reduced rates would increase revenues and reduce costs.[56] *Ceteris paribus*, when the deduction of input tax credit is allowed and input tax credit refunds are paid promptly, there is no tax on production, all businesses face the same production price, production decisions are not distorted and neutrality is preserved.[57]

Based on the above OECD principles, the inherent attributes and policy design of indirect tax allow for it to be a tax instrument for stable tax collection when designed strategically. This is also the basis for some scholars' proposals for an EU-wide indirect tax as an alternative to DSTs, as elaborated in section 2.3.2.

2.3.2. The role of indirect tax and its pros and cons

Leopoldo Parada's article "Balancing DSTs and Geopolitics: The European Dilemma" opined that Europe should use European indirect tax to tax digital services as it holds distinct advantages vis-à-vis DST. Most notably, he argued that indirect tax is inherently non-discriminatory, highly harmonized across Europe and trade-neutral.[58] This was echoed by Doron Narotzki in his article "The U.S. Case Against the Digital Services Tax", as he argued for indirect tax as neutral and much less distortionary than other taxes as it is destination-based and already harmonized in Europe. He also recommended matching the tax instrument to the problem of digital consumption when the appropriate instrument is indirect tax given that it is destination-based and already institutionalized in Europe and hence enforceable through neutral collection rules that generate tax revenue without discriminating against any nationality.[59]

---

48. OECD/WBG/ADB (n 10), at page 19 and Figs. 1.2 and 1.3.
49. OECD (n 45), at pages 17 and 18.
50. OECD (n 45), at page 17.
51. OECD (2017), International VAT/GST Guidelines, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264271401-en.
52. Guglyuvatyy, E., & Milogolov, N. (2021). GST treatment of electronic commerce: Comparing the Singaporean and Australian approaches. *eJournal of Tax Research*, *19*(1), 17-47. https://www.unsw.edu.au/business/sites/default/files/documents/17-GST-treatment-of-electronic-commerce.pdf, at page 37.
53. OECD/WBG/ADB (n 10), at page 47.
54. OECD (n 51), at page 16, paras. 1.9 and 1.11.
55. OECD (2024), Consumption Tax Trends 2024: VAT/GST and Excise, Core Design Features and Trends, OECD Publishing, Paris, https://doi.org/10.1787/dcd4dd36-en, at page 18, sec. 1.3.1.
56. M. van Oordt & M.C.S. Lamensch, Unlocking VAT's Potential: Its Role, Challenges and Policy Responses, 37 Intl. VAT Monitor 1 (2026), Journal Articles & Opinion Pieces IBFD, https://doi.org/10.59403/1mns7wd, at page 4.
57. OECD (n 55), at page 42, sec. 2.3.2.
58. Parada (n 22), at page 1020.
59. Narotzki (n 3), at page 75.

The above opinions about indirect tax in Europe ring true given the very tax nature of a non-cumulative indirect tax under a VAT/GST model.[60] The staged collection process, whereby tax is in principle collected from businesses only on the value-added component at each stage of production and distribution, allows indirect tax to "flow through the businesses" and support its essential character as an economically neutral tax. The full right to deduct input tax through the supply chain, except by the final consumer, ensures tax neutrality, whatever the business model, transaction structure and product nature.[61]

Digital e-commerce typically comprises buying and selling low-value goods and services. The large number of digital users means that significant indirect tax revenue can be derived from these transactions, assuming that indirect tax can be collected and function as a stable tax collection instrument.[62] However, critics of indirect tax argue that an indirect tax designed as a pure revenue-raising instrument is regressive when measured against income and therefore reduces equity in the system. However, indirect tax may be considered less regressive if another indicator is used, such as consumption as a proxy for lifetime income.[63] In addition, the registration threshold of indirect tax can result in smaller businesses not charging indirect tax, which is relevant in countries where low-income individuals buy from smaller and informal businesses.[64] Lastly, the revenues generated by indirect tax may be used to redistribute to the economy, which results in progressive net impact of the tax.[65] Parada argued that, while excess profits are not directly redistributed when indirect tax applies, placing the incidence of tax on companies instead of consumers can, at least partially, mitigate this disadvantage of indirect tax.[66]

The challenge related to the application of the destination principle to the taxation of supplies of digitized goods and digital services in the digital economy is in the determination of the place of consumption/supply, type of supply, taxable person and applicable indirect tax rate of the jurisdiction, particularly for cross-border supplies of digital trade of goods and services. Generally, most jurisdictions implement proxies to determine place of consumption, for example, using the consumer's location or consumer residence or place of performance.[67] There are also other indirect tax challenges connected to global digital trade, including indirect tax double taxation and indirect tax double non-taxation in the absence of coordinated rules or international harmonization of countries' approaches to indirect tax to allocate taxing rights for the high volume of cross-border e-commerce B2B and B2C transactions, as depicted in Table 1. As the indirect tax regulations in various countries could be inconsistent, the indirect tax neutrality of a cross-border e-commerce transaction may be compromised.[68] Therefore, coordination of the indirect tax regimes across jurisdictions is necessary.

Table 1. Indirect tax double taxation and indirect tax double non-taxation

Core issue	Type of transaction	Nature of supply	Challenge
Indirect tax double taxation	B2B, reverse charge	Exempt supply	Non-recoverability of full input tax credit (for example, financial services or residential property developer business)
Indirect tax double taxation	B2B	Cross-border taxable supply	Jurisdiction of consumption applies the country of destination principle to cross-border supplies but jurisdiction of supply applies the country-of-origin principle[a]

60. Ecker, T. (2013). A VAT/GST Model Convention. IBFD. 15 Feb. 2026, https://doi.org/10.59403/3hmm0dt, at page 93, Chapter 7.
61. OECD (n 55), at page 18, sec. 1.3.1.
62. van Oordt and Lamensch (n 56), at page 22.
63. van Oordt and Lamensch (n 56), at page 5.
64. van Oordt and Lamensch (n 56), at pages 5 to 9 and 26 to 28.
65. van Oordt and Lamensch (n 56), at page 2.
66. Parada (n 22), at page 1021.
67. van Oordt and Lamensch (n 56), at pages 11 to 13.
68. Guglyuvatyy and Milogolov (n 52), at page 44.

Indirect tax double non-taxation	B2C	Cross-border taxable supply	Countries interpret the place of consumption differently resulting in one country zero-rating the transaction while no other state taxes the supply in a B2C transaction[b]
[a] It is noted that not many countries apply the country-of-origin principle. [b] OECD/WBG/ADB (2022), VAT Digital Toolkit for Asia-Pacific, OECD, Paris, https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-asia-pacific.htm, at page 37, sec. 1.3.1.			

3. The Experience of Singapore, Australia and Malaysia in Digital Economy Indirect Taxation

Within APAC, the indirect tax regimes of Singapore, Australia and Malaysia have progressively adapted and expanded to cover imported digital services and low-value cross-border supplies, reflecting the relative administrative practicality of destination-based indirect taxes.

3.1. Singapore goods and services tax and taxation of the digital economy

Singapore introduced its GST regime in 1994[69] and currently applies a standard GST rate of 9%.[70] GST registration is required when a resident business exceeds an annual taxable turnover threshold of SGD 1 million.[71]

For cross-border digital trade, Singapore implemented its overseas digital services GST regime on 1 January 2020, applying it broadly to digital services, remote services and low-value goods supplied by overseas vendors.[72] From 1 January 2023, the GST has been extended to cover all imported remote services. "Remote services" are defined to mean any services for which, at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance.[73]

Singapore adopts a broad approach by extending the Overseas Vendor Registration Regime (OVRR) beyond purely digital services to non-digital remote services as well.[74] For digital services, Singapore distinguishes between B2C supplies taxed under OVRR and B2B supplies taxed under reverse charge mechanisms. These are in line with the OECD recommendations.[75]

For B2B transactions, imported services are excluded from Singapore GST taxing net under the OVRR and instead a reverse charge mechanism is applicable when the recipient business is not entitled to full input tax credit recovery.[76] Businesses entitled to full input tax credits may qualify for a waiver from performing reverse charge obligations.[77] The value of B2B purchases subject to reverse charge is included when assessing registration thresholds.[78] The OVRR, in addition to the

69. Goods and Services Tax Act 1993 (2020 Rev Ed), sec. 7.
70. Goods and Services Tax Act 1993 (2020 Rev Ed), sec. 16(cb).
71. Goods and Services Tax Act 1993 (2020 Rev Ed), para. 1 of the First Schedule. Under Singapore GST rules, prospective GST registration is mandatory when a business has reasonable grounds, based on objective evidence, to expect taxable turnover exceeding SGD 1 million in the next 12 months. Voluntary GST registration in Singapore allows businesses with turnover below the GST registration threshold of SGD 1 million to be GST registered, typically to recover input GST on their purchases, subject to GST compliance obligations and a minimum two-year registration period.
72. Inland Revenue Authority of Singapore. (2026). e-Tax Guide on GST: Taxing imported remote services by way of the overseas vendor registration regime (5th edition). https://www.iras.gov.sg/media/docs/default-source/e-tax/gst-e-tax-guide_taxing-imported-remote-services-by-way-of-the-overseas-vendor-registration-regime_(1st-ed).pdf.
73. Goods and Services Tax Act 1993 (2020 Rev Ed), para. 2A of the Seventh Schedule.
74. Goods and Services Tax Act 1993 (2020 Rev Ed), para. 3(1)(b) of the First Schedule.
75. Guglyuvatyy and Milogolov (n 52), at pages 24 to 26, 38 to 39 and 42 to 43.
76. OECD/WBG/ADB (n 10), at pages 70 and 72. The 2022 OECD VAT Digital Toolkit for Asia-Pacific Guidelines mentioned that jurisdictions may decide to provide administrative relief by waiving the obligation to perform a reverse charge if the customer is entitled to full recovery of input VAT on the supply.
77. Inland Revenue Authority of Singapore, e-Tax Guide on GST: Reverse Charge https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/GST%20Taxing%20imported%20services%20by%20way%20of%20reverse%20charge%20(2nd%20Edition).pdf.
78. IRAS e-Tax Guide (n 82).

reverse charge mechanism, covers digital and non-digital B2C transactions and is applicable to foreign businesses that meet registration threshold requirements of global turnover exceeding SGD 1 million in the calendar year and supply digital services exceeding SGD 100,000 annually to non-registered customers in Singapore. For GST registered customers, reverse charges apply.[79] Under paragraph 4 of the Seventh Schedule of the Goods and Services Tax Act 1993,[80] the electronic marketplace operator may seek the comptroller's approval to charge and account for GST on all B2C digital services made on behalf of both local and foreign suppliers through the marketplace.

In relation to low-value goods, Singapore taxes imported goods valued at or below SGD 400 that are imported via air or post.[81] B2B imports of low-value goods are exempted, while B2C transactions are taxed under the OVRR when the GST obligation is imposed on the foreign supplier.

Upon registration for GST, foreign businesses are required to submit a simplified GST return quarterly stating the value of digital services and tax charged on these services. Foreign businesses are not required to issue GST invoices. However, a simplified GST invoice or a receipt must be issued if requested by the customer. The GST-registered customers will have to self-account for reverse charge GST if these cross-border purchases fall within the scope.[82]

3.2. Australia's general service tax and taxation of the digital economy

Australia introduced its GST regime in 2000 and applies a standard GST rate of 10%.[83] Businesses, including foreign suppliers, freight forwarders and/or online marketplace intermediaries, are required to register when annual turnover exceeds AUD 75,000.[84]

Australia implemented GST rules targeting cross-border digital trade from 1 July 2017.[85] The regime applies broadly to "services, rights or digital products" supplied to Australian consumers.[86] Australia does not include the value of reverse charge B2B purchases when determining GST registration thresholds.[87] Imported B2B services are excluded from GST under the offshore vendor rules, although reverse charge may apply when acquisitions are non-creditable, such as financial supplies.[88] Waivers from reverse charge obligations may apply to supplies used to make GST-exempt supplies or supplies not connected with Australia.[89]For digital services,[90] Australia differentiates between B2C supplies, which are subject to simplified GST registration obligations for foreign suppliers, and B2B supplies, which are addressed through reverse charge rules.

For low-value imported goods, Australia applies GST to goods valued below AUD 1,000 under an expanded Vendor Collection Model.[91] Foreign suppliers, Internet platforms, express carriers and postal operators may be responsible for collecting GST on B2C transactions under the expanded Vendor Collection Model.[92] Moving away from the collection of tax at the point of importation, the Australian Taxation Office (ATO) is of the view that this collection mechanism based on the destination principle can improve indirect tax neutrality and competitiveness for Australian retailers, which entails lower administrative costs for governments with less delays and disruptions to goods delivery for consumers.[93] B2B imports of tangible goods are excluded from the low-value imported goods regime. Australia also offers a simplified GST registration system for foreign suppliers, including an option for limited GST registration without refund entitlement.

79. Jalan (n 7), at page 9.
80. Goods and Services Tax Act 1993 (2020 Rev Ed), para. 4 of the Seventh Schedule.
81. Goods and Services Tax (Imports Relief) Order, Item No. 33 of The Schedule.
82. Bal, A. (2022b, Oct. 7). Selling Digital Services Into Asia Pacific – Tax Compliance (Part 2). https://news.bloombergtax.com/tax-insights-and-commentary/selling-digital-services-into-asia-pacific-tax-compliance-part-2.
83. *A New Tax System (Goods and Services Tax) Act 1999,* Chapter 2, Part 2-2, Division 9, paras. 9-70.
84. *A New Tax System (Goods and Services Tax) Act,* Chapter 2, Part 2-5, Division 23, paras. 23-15.
85. Treasury Laws Amendment (GST Low Value Goods) Act 2017 (Cth). https://www.legislation.gov.au/Details/C2017A00077, sec. 2.
86. Australian Taxation Office (2017), Goods and Services Tax Ruling – GSTR 2017/1 Goods and services tax: making cross-border supplies to Australian consumers at https://www.ato.gov.au/law/view/document?docid=GST/GSTR20171/NAT/ATO/00001, at para. 10.
87. OECD/WBG/ADB (n 10), at pages 70 and 72. The 2022 OECD VAT Digital Toolkit for Asia-Pacific Guidelines mentioned that jurisdictions may decide to provide administrative relief by waiving the obligation to perform a reverse charge if the customer is entitled to full recovery of input VAT on the supply.
88. Low Value Parcel Processing Taskforce, Final Report (July 2012); Productivity Commission, Collection Models for GST on Low Value Imported Goods, Discussion Paper (July 2017).
89. OECD/WBG/ADB (n 10), at page 72.
90. Australian Taxation Office. (2025, Sept. 11). GST on imported services and digital products. https://www.ato.gov.au/businesses-and-organisations/international-tax-for-business/gst-for-non-resident-businesses/gst-on-imported-services-and-digital-products. The ATO defines digital services as "inbound intangible consumer supplies". These are services or products delivered through a digital network, for example, the Internet, with minimal human intervention.
91. *A New Tax System (Goods and Services Tax) Act 1999*, Chapter 4, Part 4-2, Division 84-C, paras. 84-79(3).
92. Low Value Parcel Processing Taskforce, Final Report (July 2012); Productivity Commission, Collection Models for GST on Low Value Imported Goods, Discussion Paper (July 2017).
93. Guglyuvatyy and Milogolov (n 52), at page 33.

The Australian GST regime was reformed in 2017 and 2018 to cover sales of low-value goods less than or equal to AUD 1,000, digital products and other imported services to Australian customers by non-resident entities.[94] The policy intends to level the playing field for Australian retailers to broaden the tax base and improve tax revenue collection.[95] From 1 July 2017, foreign suppliers of digital services to consumers in Australia are required to register for and collect GST at the prevailing standard rate of 10%. From 1 July 2018, the scope broadened, and foreign suppliers, including online platforms, are required to charge GST in the same way as a local seller.[96]

Foreign suppliers may opt into a simplified registration system for ease of GST administration. Foreign suppliers registered under the simplified registration cannot issue tax invoices, cannot claim GST input credits on their acquisitions and are required to file their GST returns and pay GST quarterly.[97] The limited registration obligations entail a lesser compliance burden compared to standard registration to provide administrative relief to foreign suppliers.[98]

3.3. Malaysian sales and service tax and taxation of the digital economy

Malaysia operates on an SST[99] regime introduced in 2018, with standard rates of 6%, 8% or 10% and a registration threshold of MYR 500,000 annual turnover for businesses, including foreign service providers.[100] The Malaysia SST is a single-stage tax at the point of consumption in Malaysia. Non-recoverability of SST incurred from business acquisitions adds to business costs that accumulate along the transaction's supply chain, unlike the input tax credit system, which allows for credits or refunds. However, the SST adopts the destination principle, with tax levied on final consumption in Malaysia.[101]

Malaysia implemented indirect tax rules for cross-border digital trade from 1 January 2020, covering digital services[102] and low-value imported goods. Foreign service providers supplying Malaysian consumers are required to register and account for service tax on B2C transactions, while B2B transactions are typically subject to reverse charge by the Malaysian recipient. Waivers from reverse charge obligations may also be available.[103]

For low-value goods below MYR 500 imported into Malaysia, foreign or local sellers may be required to charge tax at the point of sale for B2C transactions, whereas B2B imports remain subject to standard sales tax upon importation unless sales tax exemption applies.

To compensate for the lack of an input tax recovery mechanism, the Malaysia SST has exemptions and facilities to minimize business tax burdens. Despite this, being a final tax in nature, the Malaysia SST creates a tax-on-tax cascading and compounding effect along the supply chain. There was public discourse feedback to harmonize the service tax regime to allow certain businesses to either claim input tax credit or allow tax exemptions on services procured by businesses.[104] As of the date of this article, SST remains a tax instrument in Malaysia's indirect tax regime.

From 1 January 2020, the scope of taxable services under Malaysia's Service Tax Act 2018 was expanded to cover the provision of digital services, including the provision of electronic media that allow the suppliers to provide supplies to customers or transactions for the provision of digital services on behalf of any person, excluding specific digital services related to banking and financial services.[105] Imported service tax shall be levied on any digital service provided by a foreign registered person to any consumer who meets any two of the following three requirements:[106]

- makes payment for digital services using credit or debit facilities provided by ` any financial institution or company in Malaysia;

---

94. *Treasury Laws Amendment (GST Low Value Goods) Act 2017*, para. 84-79(3) of the Schedule 1.
95. Guglyuvatyy and Milogolov (n 52), at page 30.
96. Jalan (n 7), at page 8.
97. T. Toryanik, Taxing Digital Businesses in Australia, 26 Asia-Pac. Tax Bull. 2 (2020), at sec. 3.1.
98. *A New Tax System (Goods and Services Tax) Act*, sec. 146-25.
99. Sales Tax Act 2018 and Service Tax Act 2018.
100. Service Tax Act 2018, sec. 12. The SST registration thresholds are published on the official website of the Royal Malaysian Customs Department. As of the date of this article, the registration threshold is annual turnover of MYR 500,000 for businesses including foreign service providers. *See* also, e.g. MySST. (2026, May 30). *Registering your Business.* https://mysst.customs.gov.my/registerbussiness#:~:text=SALES%20VALUE%20OF%20TAXABLE%20GOODS,RM500%2C000%20for%2012%20months%20period.
101. Wong, J. S. (2025). VAT/GST versus MySST: Different Yet Similar. International VAT Monitor, 36(3), 109-117, at page 111.
102. Under sec. 2 of the Service Tax Act 2018, "digital service" means any service that is delivered or subscribed to over the Internet or other electronic network, cannot be obtained without the use of IT and the delivery of which is essentially automated.
103. Service Tax (Persons Exempted from Payment of Tax) Order 2018.
104. Lee, E. (2023, Nov. 15). The invisible cost of SST. The Edge Malaysia. https://theedgemalaysia.com/node/688973.
105. Service Tax Act 2018, sec. 2.
106. EY. (2026, Mar. 26). Worldwide VAT, GST and sales tax guide. EY. https://www.ey.com/en_gl/technical/tax-guides/worldwide-vat-gst-and-sales-tax-guide.

- acquires digital services using an IP address registered in Malaysia or an international mobile phone country code assigned to Malaysia; and/or
- resides in Malaysia.

There is no exemption threshold for low-value imports, and no simplified mechanism is available for service tax on digital services and imported taxable services. Unlike Singapore and Australia, Malaysia does not provide simplified compliance measures for foreign suppliers. For imported taxable services, when the taxable service is acquired by a registered person, the person must file a return by the last day of the month following the end of the taxable period (i.e. two months) specifying the amount of taxable goods/services provided and imported taxable services acquired by the person in that taxable period. Meanwhile, a non-registered person must file the return by the last day of the month following the end of the month in which the payment on the imported service has been made or the invoice received.[107]

4. Challenges and Issues with Indirect Tax in Singapore, Australia and Malaysia

4.1. General challenges

4.1.1. Business-to-business situations

The collection of indirect tax in B2B situations can be done via the reverse charge mechanism from the local business customer or foreign vendor registration to collect indirect tax from the foreign supplier. The 2022 OECD VAT Digital Toolkit for APAC recommended the former (i.e. reverse charge mechanism) to collect indirect tax from B2B suppliers of services by foreign suppliers as reverse charge allows the liability to pay the indirect tax to be shifted to the business customer where the place of consumption takes place in accordance with the destination principle while maintaining indirect tax neutrality.[108] When reverse charge applies, the business customer becomes liable to self-assess and pay indirect tax on its own purchases and local tax audits, and enforcement procedures can easily be carried out. There is a system-inherent mechanism in B2B reverse charges to ensure tax compliance, as the business customer is incentivized to recover its input tax credit cash refunds.[109]

However, reverse charging may disrupt the indirect tax chain as it suspends suppliers' indirect tax liability in all the stages of transactions and transforms the indirect tax into a final tax, similar to DSTs, subject to whether the business can fully recover the input tax credit.[110] Table 2 compares the indirect tax mechanics and challenges for the collection of indirect tax in B2B situations in Singapore, Australia and Malaysia.

Table 2. Indirect taxes in Singapore, Australia and Malaysia for business-to-business situations

Country	Type of transaction	Method for indirect tax collections	Challenge
Singapore	B2B imported services supplied to GST-registered business not entitled to full input tax recovery	Reverse charge[c]	As it applies only to businesses with partial input tax recovery in accordance with section 14(1)(b) of the Goods and Services Tax Act 1993 (2020 Rev Ed), this may result in additional compliance complexity for such businesses
Australia	B2B cross-border supplies including imported services	Reverse charge[d]	This reduces GST leakage when full input tax recovery

107. J. Cheang, Taxing Digital Businesses in Malaysia, 26 Asia-Pac. Tax Bull. 2 (2020).
108. OECD/WBG/ADB (n 10), at page 76, para. 3.149.
109. Ecker, T. (2013). A VAT/GST Model Convention. IBFD. Feb. 15, 2026, https://doi.org/10.59403/3hmm0dt, at page 144.
110. Lamensch, M. (2012). Are reverse charging and the one-stop scheme efficient ways to collect VAT on digital supplies. World Journal of VAT/GST Law, 1(1), 1-20, at page 4.

	acquired for a non-creditable purpose (for example, financial supplies)		is unavailable.However, its broadened scope means that businesses and local tax authorities are to undertake detailed assessments of creditable purpose and apportionment, which may translate to increased costs of system administration and compliance complexity[e]
Malaysia	B2B imported taxable services when the local taxpayer is to self-account for service tax	Reverse charge	While this broadens the tax base and applies the destination principle, SST's relatively narrower structure and absent credit and recovery feature under a VAT/GST model reduce indirect tax neutrality[f]
[c] OECD/WBG/ADB (2022), VAT Digital Toolkit for Asia-Pacific, OECD, Paris, https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-asia-pacific.htm, at at pages 70 and 72. [d] Low Value Parcel Processing Taskforce, Final Report (July 2012); Productivity Commission,Collection Models for GST on Low Value Imported Goods, Discussion Paper (July 2017). [e] Guglyuvatyy, E., & Milogolov, N. (2021). GST treatment of electronic commerce: Comparing the Singaporean and Australian approaches. *eJournal of Tax Research*, *19*(1), 17-47. https://www.unsw.edu.au/business/sites/default/files/documents/17-GST-treatment-of-electronic-commerce.pdf, at pages 38-43. [f] Wong, J. S. (2025). VAT/GST versus MySST: Different Yet Similar. International VAT Monitor, 36(3), 109-117, at page 111.			

While Singapore, Australia and Malaysia have implemented the OECD-recommended reverse charge destination-based principles for B2B indirect tax collections, each adopts a modified rather than pure reverse-charge approach, reflecting trade-offs among tax revenue preservation, indirect tax neutrality and tax administration practicality.

4.1.2. Business-to-consumer situation

The collection of indirect tax in B2C situations is recommended by the OECD via simplified indirect tax registration for foreign suppliers.[111] The foreign suppliers do not have to identify whether a customer is a consumer or a business to determine the tax treatment, which reduces the risk of consumers misclassifying their nature as businesses to evade indirect tax.[112] When applicable, foreign suppliers or electronic platforms should be made liable for indirect tax collection for both goods and services in the jurisdiction of importation of these goods through simplified registration procedures.[113]

In practice, a downside is that conducting enforcement procedures on the foreign supplier may be more challenging from a local tax enforcement perspective.[114] The complexity arises because jurisdictions may have no or limited means to impose fines and other penalties under domestic tax laws on foreign businesses. There is a trend to use a broad approach in defining the indirect tax base to determine the scope among jurisdictions that have been asserting their taxing rights over supplies of

111. OECD (n 51), at page 71, para. 3.132.
112. van Oordt and Lamensch (n 56), at page 13.
113. Toryanik (n 102), at page 4, sec. 3.1.
114. van Oordt and Lamensch (n 56), at page 13.

services by non-residents.[115] Alternative approaches have been adopted to collect the tax in e-commerce transactions, for example, by requesting financial intermediaries to collect indirect tax instead of the supplier or the platform.[116]

Singapore's OVRR requires foreign vendors and non-resident suppliers whose turnover has exceeded prescribed thresholds to register and account for GST on imported B2C digital services and low-value goods.[117] While this is broadly aligned with OECD recommendations and broadens the GST base, local tax enforcement remains dependent on voluntary compliance by foreign suppliers in the absence of their local presence.

Australia's expanded Vendor Collection Model allows for a simplified GST registration regime for foreign vendors and offshore suppliers and digital platforms supplying services and low-value imported goods to Australian consumers. It is also supported by platform liability rules that shift collection obligations to electronic distribution platforms (EDPs).[118] Although this approach improves tax collection efficiency, the broad scope and reliance on non-resident compliance may create significant administrative burdens for foreign suppliers and local tax enforcement difficulties when foreign suppliers lack sufficient nexus with Australia.

Malaysia implemented a foreign registered services provider framework under its SST regime that requires foreign providers of digital services to register and self-account for service tax supplied to Malaysian consumers.[119] This relies heavily on foreign suppliers' self-compliance and may face certain local tax enforcement challenges, similar to what Singapore and Australia face.

Taken together, Singapore, Australia and Malaysia broadly follow the OECD recommendation of shifting indirect tax collection responsibility to foreign suppliers and platforms for B2C indirect tax collections, the efficiency of which may be limited by practical enforcement constraints. This exposes a need to manage the balance between destination-based taxation principles and the territorial limits of domestic tax administration.

4.1.3. Taxing social media platforms

There is a broad range of monetized services derived from social media platforms, including online advertising, premium subscriptions, data and analytics services and platform intermediation or marketplace fees. Indirect tax may be imposed as there is a consideration received for something done. Under modern destination-based indirect tax regimes, taxation is determined by the place of consumption, with non-resident suppliers required to register in the customer's jurisdiction for B2C supplies while B2B transactions often operate under a reverse-charge mechanism.[120] However, identifying the correct jurisdiction for taxation is often based on proxy indicators, particularly when users access services through multiple devices, virtual networks, or cross-border accounts, which may make it challenging to ascertain the place of consumption.[121] More critically, indirect tax is inherently limited in its ability to capture the full economic value generated on social media platforms because much of this value arises from free and unpaid user participation while indirect tax is applied to the monetary flows from those paid services. This leaves the broader economic value created by free usage of social media platforms untaxed. While indirect tax remains a relatively administratively feasible instrument for taxing monetized digital services from the sheer volume of unpaid user participation, none of Singapore's, Australia's or Malaysia's indirect tax regimes have specific indirect tax measures that can capture the economic value generated through free and unpaid user participation for indirect tax purposes. The challenge could be that free and unpaid user participation may not be transacted at the typical price of a quantifiable consideration to trigger an indirect tax incidence. However, scholars have argued that not only does consideration exist for online user participation, but it can be valued in money measured in the form of "enduring measurement".[122] This is premised on the concept of opportunity cost, in which the non-monetary value of the online user's privacy is foregone for the benefit of the online platforms' data collection for targeted advertising and profiling for third parties. The online user's consent to grant access to such surveillance is a non-monetary consideration in the form of enduring measurement for which the users are presumed to have paid nothing for their online participation.[123] From this perspective, while the online users have, in fact, provided consideration measurable in a non-monetary sense, the existing indirect tax legislation of Singapore, Australia and Malaysia has not sufficiently governed such measurement as a necessary and sufficient condition for indirect tax to be applied.

115. OECD/WBG/ADB (n 10), at page 77, sec. 2.2.2.3.
116. van Oordt and Lamensch (n 56), at pages 12 and 26 to 29.
117. Goods and Services Tax Act 1993 (2020 Rev Ed), para. 1A of the First Schedule.
118. Jalan (n 7), at page 8.
119. EY (n 111), at page 1214.
120. OECD/WBG/ADB (n 10), at pages 57 and 64, secs. 2.1.2 and 2.1.4.
121. Parada (n 22), at page 1021.
122. Paweł Marcin Dudek, "Enduring Measurement as User Consideration on Social Media Platforms Under EU VAT Law," 53(8/9) Intertax (2025), at 599-603.
123. Dudek (n 135), at 611 to 612.

Singapore's GST applies to digital services, including online advertising and platform-based services supplied by non-resident providers under the OVRR.[124] However, Singapore's GST is imposed when there is a taxable supply for consideration, meaning it applies to monetized services rather than non-monetized user engagement or data generation.[125]

Australia's GST applies to digital products and services including online advertising, streaming and cloud-based services supplied by foreign vendors and platforms.[126] However, Australia's GST is triggered on consideration of a supply, meaning non-monetized activities such as user-generated content or behavioural data are outside the GST tax base.[127]

Malaysia's imported digital services, including online advertising and digital platform services supplied by foreign providers, are subject to service tax under the SST regime.[128] However, the Malaysia SST applies to charged digital services (i.e. fee-based supplies) and does not extend to unpaid user participation or data-driven value creation, which falls outside the SST taxable base.[129]

As Parada opined in his article, verifying users' locations and the taxable amount of user data may be overcome with approximations with the aid of automation. In practice, the combination of established registration procedures, compliance frameworks and audit mechanisms allow revenue authorities to capture a substantial portion of the economic activity that is monetized on social media platforms. Even if the entirety of user-generated value that is not valued for a consideration remains outside the tax base, such participation is likely of intrinsic value to a social media platform. As Parada highlighted in his article, the true challenge is to distribute the costs of tax compliance and collection amongst taxpayers of varying profiles, i.e. small, medium and large companies.[130]

4.2. Indirect tax registration thresholds

A high indirect tax registration threshold means that indirect tax is mainly collected from large businesses in a country. Especially in countries where a large proportion of businesses are small and few supplies are charged with indirect tax, this may adversely impact the revenue-raising ability of a country with a narrow tax base. On the other hand, low or no threshold may create pressure on tax administration as a large number of small businesses enter the indirect tax system with limited compliance capacity and knowledge of tax obligations. It may result in regressive indirect tax compliance costs as these are a proportion of turnover and decrease with business size.To maximize tax enforcement efficiency, the indirect tax registration threshold should enable tax administrations to focus on businesses that contribute the greatest share of indirect tax revenues. Irrespective of the threshold level, voluntary registration for indirect tax is essential to allow small businesses to have the right to deduct indirect tax on their inputs which may exceed indirect tax compliance costs.[131] This broad approach allows for equity by ensuring an even playing field between the digital economy and the traditional economy and to prevent digital economy providers and other actors from adjusting their activities or mode of operations to avoid indirect tax obligations.[132]

Singapore adopts a relatively high GST registration threshold based on an annual taxable turnover of at least SGD 1 million (approximately USD 783,000) and supplements it with prospective registration and voluntary registration mechanisms, allowing tax administration resources to focus on larger revenue contributors while preserving input tax recovery flexibility for smaller businesses.[133] Smaller digital suppliers below the threshold that are not GST-registered remain outside the indirect taxing net, potentially creating uneven treatment between GST-registered and non-GST-registered businesses.

124. Inland Revenue Authority of Singapore. (2026, Jan. 30). IRAS e-Tax Guide GST: Taxing Imported Remote Services. https://www.iras.gov.sg/media/docs/default-source/e-tax/gst-e-tax-guide_taxing-imported-remote-services-by-way-of-the-overseas-vendor-registration-regime_(1st-ed).pdf?sfvrsn=7a18d6f5_54, at sec. 5, pages 7 to 10.
125. Goods and Services Tax Act 1993 (2020 Rev Ed), secs. 10(2) and 10(3).
126. Australian Taxation Office. (2025a, Sept. 11). GST on imported services and digital products. https://www.ato.gov.au/businesses-and-organisations/international-tax-for-business/gst-for-non-resident-businesses/gst-on-imported-services-and-digital-products.
127. *A New Tax System (Goods and Services Tax) Act,* Chapter 2, Part 2-2, Division 9, paras. 9-10.
128. Service Tax Act 2018, sec. 12.
129. Service Tax Act 2018, sec. 9.
130. Parada (n 22), at pages 1021 and 1022.
131. van Oordt and Lamensch (n 56), at page 9.
132. OECD (2021), The Impact of the Growth of the Sharing and Gig Economy on VAT/GST Policy and Administration, OECD Publishing, Paris, https://doi.org/10.1787/51825505-en, at page 62, sec. 3.3.1.
133. Goods and Services Tax Act 1993 (2020 Rev Ed), First Schedule. Under Singapore GST rules, prospective GST registration is mandatory where a business has reasonable grounds, based on objective evidence, to expect taxable turnover exceeding SGD 1 million in the next 12 months. Voluntary GST registration in Singapore allows businesses with turnover below the GST registration threshold of SGD 1 million to be GST registered, typically to recover input GST on their purchases, subject to GST compliance obligations and a minimum two-year registration period.

Australia applies a relatively broad GST registration framework with relatively lower revenue turnover thresholds of at least AUD 75,000 (approximately USD 54,000), while extending registration obligations to offshore digital suppliers and platforms.[134] The lower thresholds and expanded digital economy coverage may increase compliance costs for smaller businesses and require more administrative resources to monitor a wider taxpayer population for the tax authorities.

Malaysia's SST regime adopts comparatively higher registration thresholds of MYR 500,000 (approximately USD 126,000) annual turnover based on a narrower tax base, reducing compliance costs and administrative burden for small businesses.[135] However, the narrower scope may constrain revenue mobilization and may create competitive distortions when smaller suppliers or digital service providers fall outside the SST scope.

The above comparisons illustrate nuanced indirect tax policy considerations surrounding indirect tax registration thresholds, taxpayer profiles, scope of tax base and tax administrative efficiency to administer an indirect tax regime suitable for each country's economic goals and priorities.

4.3. Indirect tax refunds process

The timely refund of excess input tax credits to taxpayers has been a problematic feature of indirect tax systems. Weaknesses in refund and risk-detection mechanisms of revenue bodies with less sophisticated verification and enforcement capacity can reduce revenue authorities' detection abilities to combat indirect tax fraud, leading to significant revenue losses. As a result, tax policies may be designed and implemented to reduce the incidence of fraudulent refunds and restrict the timely refund of excess input tax credits to many legitimate refund claimants.[136] Indirect tax systems are prominent in APAC countries' tax mix, operating in 34 of the 45 economies surveyed in the Asian Development Bank's report regarding the regional capacity development project for up to fiscal year 2022 for national revenue bodies in 45 APAC economies based on data from the International Survey on Revenue Administration (2023) survey and for many raising a substantial proportion of government tax revenue. Most have adopted an indirect tax legislative framework in which liability is based on the invoice-credit method on a transactional basis. This allows businesses that have an excess of input tax credit to obtain refunds.[137]

Singapore's GST regime functions on a tax refund mechanism, and refunds are paid out automatically immediately or within a short time frame.[138] Refund fraud risks are mitigated through strong digital administration, risk-based audits and sophisticated compliance systems, allowing relatively efficient processing of legitimate claims.[139]

Australia's GST framework also adopts an automatic tax refund mechanism and advanced data-matching and analytical tools to detect fraudulent refund claims. The ATO has reported that more than 98% of refunds are processed, while higher-risk claims are subject to additional review.[140] Such risk-based verification strengthens fraud detection but may prolong processing times for certain taxpayers.

Malaysia's SST regime does not have any VAT/GST-style refund administration challenges, but this is at the expense of indirect tax neutrality and potential indirect tax double taxation within supply chains.[141]

> These jurisdictions reflect competing indirect tax administrative policy objectives, including timely refunds, fraud prevention and tax administrative efficiency.

4.4. Fragmented indirect tax landscape in the Asia-Pacific region resulting in multiple registration outcomes and indirect tax double taxation and indirect tax double non-taxation

The APAC region is unique in that it does not operate as a coordinated trading bloc, unlike the European Union, which has relatively harmonized tax and regulatory frameworks. Each country in APAC has its own indirect tax regime, which can result in different indirect tax treatment of supplies, including digital service transactions, from market to market. MNEs operating in

134. Australian Taxation Office (2017), Goods and Services Tax Ruling – GSTR 2017/1 Goods and services tax: making cross-border supplies to Australian consumers at https://www.ato.gov.au/law/view/document?docid=GST/GSTR20171/NAT/ATO/00001.
135. Service Tax Act 2018, sec. 12.
136. Asian Development Bank. (2024). *A comparative analysis of tax administration in Asia and the Pacific: Eighth edition*. https://www.adb.org/publications/comparative-analysis-tax-administration-asia-pacific-8th-edition, at page 27.
137. ADB (n 149), at page 28, Table 3.7.
138. Goods and Services Tax (General) Regulations, sec. 1 of the Regulation 63.
139. Inland Revenue Authority of Singapore. (2026, Apr. 29). IRAS: Tax refunds. https://www.iras.gov.sg/quick-links/refunds.
140. Australian Taxation Office. (2026, Feb. 27). Checking refunds. https://www.ato.gov.au/businesses-and-organisations/preparing-lodging-and-paying/business-activity-statements-bas/bas-and-gst-tips/bas-refund/checking-refunds.
141. Wong, J. S. (2025). VAT/GST versus MySST: Different Yet Similar. International VAT Monitor, 36(3), 109-117, at page 111.

the APAC region are likely to juggle multiple indirect tax registration obligations and diverse indirect tax implications in cross-border digital trade.[142] These invoke practical challenges if complex tax registration and compliance procedures are viewed as burdensome and may lead to non-compliance or certain suppliers declining to serve APAC customers. MNEs engaged in cross-border activity may not be entitled to claim input tax credits incurred in other foreign markets, contrary to the input-credit design of indirect tax, eroding indirect tax neutrality. With a fragmented indirect tax landscape in APAC, it is critical to plan and evaluate the nature of cross-border digital supplies to ascertain the indirect tax obligations, prevailing indirect tax rates and any available exemptions or reliefs for any cross-border e-commerce transaction.[143]

In light of a fragmented indirect tax landscape and in the absence of coordinated rules or harmonization of countries' approaches to indirect tax within APAC, tax inefficient outcomes such as indirect tax double taxation and indirect tax double non-taxation are inevitable. Cross-border buy-sell digital supplies can give rise to indirect tax double taxation or double non-taxation because of differing GST/SST rules across jurisdictions such as Singapore, Australia and Malaysia. These issues commonly arise when overseas suppliers do not meet local indirect tax registration thresholds, supplies are incorrectly classified and different exemptions or reliefs and refund systems or taxes are imposed both at the point of sale and upon importation. For B2B digital services, reverse charge mechanisms shift tax obligation to the local business recipient. However, failure to apply reverse charge or incorrect classification of the customer or supply may result in double non-taxation. Conversely, for low-value imported goods, indirect tax may be imposed both by the overseas supplier at the point of sale and again upon importation, creating double taxation risks. For the case of Malaysia, imported B2B digital services may be subject to reverse charge service tax, which is an irrecoverable business cost unless an exemption applies.

In order for indirect tax to realize its full potential to tax the digital economy, even as countries comply with broad principles and standards for indirect tax treatment of common cross-border transactions to minimize uncertainty and risks of double taxation and unintended non-taxation in global trade, policy harmonization and consistent rules for indirect taxes remain critical to contribute to stable tax collection for the region.

5. Unlocking the Indirect Tax Potential in Singapore, Australia and Malaysia

Although Singapore, Australia and Malaysia have expanded their indirect tax frameworks to encompass certain digital supplies, certain gaps remain that could limit the size of the overall taxing net of indirect tax for tax-collection purposes in APAC. Overall, stronger regional coordination, including harmonized registration thresholds, wider administrative concessions, enhanced knowledge exchange on administering indirect taxes for digital economy and place-of-consumption rules, are necessary to ensure consistent indirect tax treatment for digital supplies in APAC that are manageable to comply.

5.1. Consistency in indirect tax registration thresholds and wider administrative concessions

Stronger regional consistency in indirect tax registration thresholds and broader administrative concessions may reduce indirect tax inefficient outcomes of indirect tax double taxation and indirect tax double non-taxation and enhance indirect tax administrative practicality. This reinforces indirect tax neutrality and efficiency for both taxpayers and tax administrations.

Singapore's GST regime functions on a broad-based approach with fewer exemptions, and a single tax rate supports neutrality and focuses on capturing GST from major players. This allows for increasing revenue without significantly raising domestic compliance or administrative burdens while limiting evasion opportunities by consumers.[144] To maintain Singapore's priority to maintain the most business-friendly environment, the Inland Revenue Authority of Singapore may consider providing further administrative relief to those businesses that belong to a partially exempt GST group by removing the obligation to perform a reverse charge when the customer is entitled to full recovery of input GST on the supply.[145] This will ease the administrative burden and compliance costs, as the application of reverse charge for certain supplies and not for others (i.e. only for B2B supplies of digital services) in practice means that businesses need to handle, within one accounting system, several invoices, including invoices for purchases issued on a reverse charge basis, invoices issued for sales on which the reverse charge applies and invoices issued for sales to which the reverse charge does not apply.[146] Allowing for widened administrative relief

142. Chan, Y., & Winthrop, A. (2024, June 12). The convergence of digital services and indirect tax in APAC. https://www.alvarezandmarsal.com/insights/convergence-digital-services-and-indirect-tax-apac.
143. Bal (n 87).
144. Guglyuvatyy and Milogolov (n 52), at pages 26 and 27.
145. Inland Revenue Authority of Singapore, e-Tax Guide on GST: Reverse Charge https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/GST%20Taxing%20imported%20services%20by%20way%20of%20reverse%20charge%20(2nd%20Edition).pdf. In Annex A of the IRAS e-tax guide, currently, GST registered persons that are entitled to full recovery of input GST on the supply and belong to a partially exempt GST group are subject to reverse charge.
146. Lamensch, M (n 115), at page 4.

aims to minimize administrative costs, reduce pressure on the tax administration and capture indirect tax revenues from major taxpayers who are likely better equipped to comply.

Amongst the APAC countries, Australia has a relatively low GST registration threshold. Compared to Singapore and Malaysia, Australia has the highest number of labour force participants and citizens per one ATO full-time employee.[147] The lower GST registration thresholds in Australia may impose pressure on local tax administration, and there is room for the ATO to consider raising the GST registration threshold to ease any tax administration pressures. To ease the administrative burden of GST compliance obligations, the responsibility of GST collection remittances may be placed on online marketplace intermediaries as they are likely better resourced than individual sellers to comply with the Australian GST laws correctly.[148]

Harmonizing the above differences in indirect tax registration thresholds and wider concessions for greater consistency may ensure that indirect tax systems operate more coherently and efficiently in APAC. This facilitates cross-border digital trade within the APAC digital economy, particularly when disparities in threshold levels and input tax recovery rules may result in higher tax and compliance costs for businesses.

5.2. Strengthening indirect tax enforcement and greater knowledge exchange and cooperation among tax administrations

Strengthening indirect tax enforcement in cross-border digital trade requires enhanced knowledge exchange and closer cooperation among tax administrations. In practice, this can be operationalized through electronic invoicing[149] (e-invoicing) and platform-based reporting systems.[150] These strategies coordinate enforcement by collecting real-time data from cross-border transactions, and non-resident suppliers improve visibility while complying with destination-based indirect taxation and overcoming the territorial limits of domestic tax administration.

While Australian GST legislation may impose GST on foreign suppliers with the extension of the destination principle to allow offshore digital supplies to be caught within the GST net, Australia has little or no jurisdiction over enforcement of these foreign suppliers or vendors.[151] Without widened enforcement legislation, this will impact the effectiveness of tax revenue collection where the ATO has no legal powers to issue a tax assessment for unpaid GST to a foreign supplier. Currently, as a backstop, Australia’s expanded Vendor Collection Model requires foreign vendors, as well as EDPs and re-deliverers, to register with the ATO for GST, which provides the ATO a certain level of compliance monitoring of overseas-based businesses and allows the ATO to issue default assessments that may have legal implications.[152] Based on tax integrity considerations, the ATO already collects amounts from non-resident businesses for income tax and GST, and the existing compliance-monitoring measures will complement and broaden the existing programme of international compliance for the digital economy.[153] This protects the tax revenue base and creates a level playing field for local and foreign businesses.[154]

E-invoicing allows for real-time reporting of transactions to tax authorities to verify output tax, input tax and invoice-level consistency. Singapore is progressively adopting e-invoicing standards (via InvoiceNow) to improve GST data visibility.[155]Australia uses extensive digital reporting through business activity statements and data matching systems.[156] Malaysia is implementing phased e-invoicing to improve tax transparency and verification of data. Such systemic preventive measures reduce information asymmetry at source and strengthen indirect tax enforcement.[157]

Platform-based reporting systems shift the enforcement responsibility to track non-resident suppliers to digital platforms and intermediaries. The indirect tax regimes of Singapore, Australia and Malaysia allow digital platforms to have full indirect tax liability for B2C supplies of services and for digital platforms to be voluntary intermediaries.[158] Singapore operationalizes

---

147. ADB (n 149), at pages 81 and 82, Tables A.10 and A.11.
148. Explanatory Memorandum to the Tax and Superannuation Laws Amendment (2016 Measures No 1) Bill 2016.
149. OECD/WBG/ADB (n 10), at pages 172 to 175, subsec. 5.2.2.
150. OECD/WBG/ADB (n 10), at pages 92 and 146, subsecs. 2.3.4 and 4.3.
151. Dale Boccabella and Kathrin Bain, ‘Removal of the GST Low Value Threshold: Analysis of Main Design Options and Enforcement Issues’ (2015) 2 Australia Tax Law Bulletin 172.
152. Australian Department of Home Affairs. (2019, Feb. 21). Australia’s vendor collection model explained. https://mag.wcoomd.org/magazine/wco-news-88/australias-vendor-collection-model-explained.
153. Productivity Commission of Australia. (2017, Oct. 31). Regulation Impact Statement – Tax Integrity: Extending GST to Digital. https://oia.pmc.gov.au/sites/default/files/posts/2016/04/RIS.pdf
154. Guglyuvatyy and Milogolov (n 52), at pages 22, 30, 36, 37, 40 and 46.
155. The Inland Revenue Authority of Singapore. (2026, Apr. 16). IRAS: GST InvoiceNow requirement. https://www.iras.gov.sg/taxes/goods-services-tax-(gst)/gst-invoicenow-requirement.
156. EY (n 111), at page 104.
157. EY (n 111), at page 1221.
158. EY (n 111).

platform-based enforcement primarily through the OVRR regime, under which electronic marketplaces can be treated as “deemed suppliers” responsible for accounting for GST on B2C digital services and low-value imported goods. Under paragraph 5(3) of the Seventh Schedule of the Goods and Services Tax Act 1993, the supply of digital services[159] through the marketplace is treated as two supplies: one is the supply of services from supplier to marketplace, and the second is the supply of services from marketplace to customer in Singapore.[160] Australia has one of the most developed platform-based GST enforcement models under its GST framework, where EDPs can be liable for GST on digital products and low-value imported goods supplied through their platforms.[161] Malaysia’s indirect tax enforcement continues to rely more on self-registration and voluntary compliance by foreign providers, with platform or intermediary-level data sharing playing a less central role.[162]

5.3. Preservation of indirect tax destination and neutrality principles

Preserving the integrity of indirect tax systems in the APAC region requires reaffirming the destination and indirect tax neutrality principles. To uphold this, Malaysia can reconsider reforming its SST regime to that of a VAT/GST model to be in line with international best practices and other countries in APAC under the VAT/GST model.

Given its targeted approach and limited scope, Malaysia’s SST regime has lower revenue-raising capabilities than the VAT/GST models in Singapore and Australia. While SST may allow for the effective collection of service tax and reduce the risk of competitive distortion between domestic and foreign suppliers, a broader approach to asserting Malaysia’s taxing rights may be more operationally fit as new technologies and business models continue to emerge in the rapidly changing digital economy.[163] Supporters of the broad-based indirect tax regime rallied for indirect tax reform to replace SST with a 10% VAT/GST given its ability to increase tax revenue at 1% of Malaysia’s GDP with minimal impact on inequality. While there may be other non-tax considerations, an indirect tax regime with an input tax creditability design is recommended by local tax practitioners as part of a long-term fiscal reform to boost Malaysia’s tax revenue and align Malaysia’s indirect tax regime with international best practices.[164] To maximize efficiency, the Inland Revenue Board of Malaysia may evaluate policy decisions relating to registration thresholds, the role of digital platforms as intermediaries and the treatment of B2B supplies to reduce overall compliance costs and optimize the administration of the current service tax regime.[165]

6. Conclusion

While, on balance, indirect tax, with its destination-based and indirect tax neutrality features, is comparatively more tax-efficient than DSTs, the full potential of indirect taxation of the APAC digital economy can only be realized when indirect tax regimes are strategically designed, coordinated and administratively efficient. Scholars have observed a contradiction between global digital business activities, national sovereign taxation powers and tax administration capabilities that can be addressed with intentional cooperation projects to impose “global tax governance” as soft law for indirect taxation of the digital economy.[166]

The full potential of indirect taxation of the APAC digital economy depends on greater regional coordination and alignment of indirect tax rules for higher tax efficiency. While the OECD destination principle and assignment of taxing rights to the place of consumption provide a strong conceptual framework, the fragmented indirect tax landscape in APAC continues to pose challenges of indirect tax double taxation and double non-taxation. APAC jurisdictions should work towards consistent definitions of taxable supplies of a digital economy, place of consumption rules and stronger and more intentional international cooperation mechanisms that support indirect tax neutrality and reduce cross-border indirect tax inefficiencies.

The full potential of indirect taxation of the APAC digital economy also depends on reducing indirect tax compliance and administrative burdens that may erode indirect tax neutrality and efficiency in practice. Although the input tax credit mechanism incentivizes compliant behaviours and minimizes price distortions, businesses continue to face significant costs associated with indirect tax registration, e-invoicing, local reporting obligations and delayed refund processes.[167] APAC jurisdictions can

159. Bal (n 87). The Singaporean definition of digital services is identical to that under art. 7(1) of EU VAT law, “‘Electronically supplied services’ include services which are delivered over the Internet or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention and impossible to ensure in the absence of information technology.” Digitized goods such as music and software will be covered under the definition of digital services.
160. Goods and Services Tax Act 1993 (2020 Rev Ed), para. 5(3) of the Seventh Schedule.
161. *A New Tax System (Goods and Services Tax) Act*, sec. 84-81, Division 146 sec. 146-25.
162. EY (n 111).
163. OECD/WBG/ADB (n 10), at page 79.
164. Wong, J. S. (2025). VAT/GST versus MySST: Different Yet Similar. International VAT Monitor, 36(3), 109-117. https://doi.org/10.59403/1tbvgth, at page 117.
165. OECD/WBG/ADB (n 10), at page 81.
166. Guglyuvatyy and Milogolov (n 52), at page 46.
167. van Oordt and Lamensch (n 56), at pages 8, 9, 10, 12, 13, 27 and 29.

actively manage this challenge by reviewing and harmonizing registration thresholds, widening administrative concessions, simplifying compliance regimes for foreign suppliers and leveraging digital technologies and automation to enhance information sharing on administering indirect taxes for the digital economy.

The full potential of indirect taxation of the APAC digital economy remains dynamic as the digital economy evolves. Existing indirect tax rules may inadequately capture all digitalized transactions, including free and unpaid user participation in social media platforms. This challenge can be overcome by verifying users' data to capture the indirect monetization of these transactions in the indirect taxation net. The higher compliance costs can be managed by distributing such costs more proportionately among players along the digital economy value chain, including online marketplaces as intermediaries.[168]

Ultimately, the growing convergence between the digital economy and indirect taxation in APAC demonstrates that indirect tax is likely to remain central to modern tax systems. Nevertheless, its success depends not only on contextual legislative design that reflects the economic realities of the digital economy but also on the ability of APAC jurisdictions to coordinate policies, modernize tax administration and adapt to evolving digital business practices.[169] When well-coordinated, designed strategically and implemented in a timely manner, indirect tax is able to contribute to stable tax collection of the APAC digital economy.

168. Parada (n 22), at page 1022.
169. Kang, J. W., Helbe, M., Avendano, R., Crivelli, P., & Claire Tayag, M. (2022, Nov.). Unlocking the Potential of Digital Services Trade in Asia and the Pacific. https://www.adb.org/sites/default/files/publication/842321/digital-services-trade-asia-pacific.pdf, at page 215, para. 9.2.4.