The Role of Payment Systems in Philippine Tax Administration*

I. INTRODUCTION

The digital innovation on payment systems is important for tax authorities and taxpayers as it lowers the cost of tax compliance and administration. With the COVID-19 pandemic, the Bureau of Internal Revenue's (BIR) ongoing digital transformation has not only become crucial to ensure the safety of both tax authorities and taxpayers from the threat of the virus, but also helps in making its services seamless.

This paper provides the information on the country's payment systems used for tax payments.

II. BACKGROUND INFORMATION

A payment system provides the channels through which funds are transferred among banks and other institutions to discharge payment obligations arising from economic and financial transactions across the entire economy (Bangko Sentral ng Pilipinas, n.d.). It also allows system users to link their accounts from other financial institutions such as deposit, electronic money (e-money) and credit card accounts. Specifically, operators of payment systems (OPS) perform any of the following activities (Draft Rules and Regulations on the Registration of Operators of Payment Systems, 2019):

a. Maintain the platform that enables payments or fund transfers, regardless of whether the source or destination accounts are maintained with the same institutions;

b. Operate the system or network that enables payments or fund transfers to be made through the use of a payment instrument;

c. Issue payment instrument/s except issuers of payment instruments which can be used for a limited number of well-defined purposes wherein its use is restricted to a number of well-identified points of sale within a well-defined location; and

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d. Provide a system that process payments on behalf of a person, the government, and the like.

In today's era, digital or online payments are becoming ubiquitous and businesses are finding ways to deliver seamless e-commerce customer experience through payments. In the international context, *payment gateway* and *payment processor* are two main links involved in facilitating online payments in e-commerce platform, the primary function of which is to bridge the gap between the customer and the merchant. A *payment gateway* is a tool that creates secure connection between the merchant's website/browser and the payment processing company. This connection is used to encrypt online payment data and securely transmit said data to the payment processor (Uzialko, 2019). It is also responsible in communicating whether the transaction has been approved or declined by the issuing bank (cardholder bank). A *payment processor*, on the other hand, handles the transmission of the online payment data from the merchant's acquiring bank and the customer's issuing bank (First Data Corporation, n.d.).

The role of banks in payment systems is likewise crucial. The acquiring bank is often referred to as the merchant bank since they contract with merchants to create and maintain accounts that allow the business to accept credit and debit cards. It is a registered member of the card associations, such as Visa and Mastercard. It also provides the merchant with equipment and software to accept cards and handle customer services and other necessary aspects involved in card acceptance. On the other hand, the issuing bank is the customer/cardholder bank that issues credit/debit cards to consumers on behalf of the card networks, i.e., Visa, MasterCard. It pays the acquiring bank for purchases that its cardholder make. (Dwyer, 2020)

The digital payment in an e-commerce platform starts as soon as a customer places an order on an e-commerce website and fills his/her payment. Then the web browser encodes the data to be sent between it and the merchant's web server. Afterwards, the payment gateway sends the transaction data to the payment processor used by the merchant's acquiring bank. In turn, the payment processor sends the transaction data to a card affiliation. The cardholder's issuing bank could either approve or deny the request. Once approved, the payment processor then forwards an approval related to the merchant and customer's transaction through the payment gateway. Once the payment gateway acquires the approval, it automatically transmits to the e-commerce website to process the payment. Clearing transactions are activated once the merchant has completed the transaction (Wadhwa, 2020). Note that there are some transaction costs that might be incurred during the processing of transaction payment such as the use of the payment gateway and payment processor. (See Figure 1.)

Figure 1. Flow of digital payments in e-platform
Note. Lifted from Net Solutions (Kaushal, 2020)

a. Regulatory Framework

In 2000, in recognition of the role of information technology in nation-building, the government enacted Republic Act (RA) No. 8792[1], otherwise known as the "Electronic Commerce Act", to promote the universal use of electronic transaction in the government and general public, among others. Section 22 of the Implementing Rules and Regulations (IRR)[2] of RA 8791 provides that all electronic transactions involving banks, quasi-banks, trust entities, and other institutions, which under special laws, are subject to the supervision of the BSP and covered by the rules and regulations by the same pursuant to Section 20 of Article XII of the Philippine Constitution and Section 59 of RA 8791[3], and RA 7653[4]. Also, Section 7 of RA 8792 recognizes electronic documents as having the legal effect, validity or enforceability as any other document or legal writing, and that for evidentiary purposes, an electronic document shall be the functional equivalent of a written document under existing laws.

To further bolster digital payments in the country, the BSP launched the National Retail Payment System (NRPS) in December 2015. The NRPS aims to create a safe, efficient, and reliable electronic retail payment system that is interconnected and interoperable. Such retail payment system presents the potential for increased efficiencies, greater opportunities for consumers and businesses, and increased access to financial services. With the NRPS, two automated clearing houses were established in order to transition the batch interbank fund transfer service of the

[1] Entitled, "An Act Providing for the Recognition and Use of Electronic Commercial and Non-Commercial Transactions and Documents, Penalties for Unlawful Use Thereof and for Other Purposes", approved June 14, 2000.

[2] Entitled, "Implementing Rules and Regulations of the Electronic Commerce Act", approved July 13, 2000.

[3] Entitled, "An Act Providing for the Regulation of the Organization and Operations of Banks, Quasi-Banks, Trust Entities and for Other Purposes", approved May 23, 2000.

[4] Entitled, "The New Central Bank Act", approved June 14, 1993.

Philippine clearing house corporation, namely, Philippine EFT System and Operations Network (PESONet) and the Instapay.

Moreover, the BSP issued Circular No. 980[5] on November 6, 2017, which operationalizes and enforces the adoption of the NRPS by the BSP-supervised financial institutions (BSFIs). With the issuance of the said Circular, all BSFIs are required to adopt transparent and fair market pricing of electronic payments, transition from exclusive bilateral to multi-party clearing house agreements, and provide electronic fund transfer facilities in all available channels, among others.

In 2018, payment systems in the country were officially regulated by the BSP pursuant to RA 11127, otherwise known as the "National Payment Systems Act" (NPSA). The IRR of the said law is not yet available to date, but there is a published draft IRR as of April 8, 2019. In the said law, a payment system is defined as the set of payment instruments, processes, procedures, and participants that ensures the circulation of money or movement of funds. All OPS, as defined under RA 11127, are mandated to register with the BSP. (See Table 1.)

Table 1

Laws and BSP Issuance on Payment Systems

Issuances/Laws	Subject/Objective	Date of Issue/Approval
RA 8792- "An Act Providing for the Recognition and Use of Electronic Commercial and Non-Commercial Transactions and Documents, Penalties for Unlawful Use Thereof and for Other Purposes"	Promotion of the use of electronic transaction in the government and the general public, among others.	June 14, 2000
BSP Circular No. 980	Adoption of the NRPS by the BSFIs	November 6, 2017
RA 11127- "An Act Providing for the Regulation and Supervision of Payment Systems"	Provision of safe, secured, efficient, and reliable operation of payment systems through the BSP to control systemic risk and an environment conducive to the sustainable growth of the economy.	October 30, 2018

[5] Entitled, "Adoption of National Retail Payment System (NRPS) Framework", approved November 6, 2017.

b. Profile of Digital Payments in the Philippines

As of July 17, 2020, there are 98 operators of payment system (OPS) with certificates of registration with the BSP, including G-cash and PayMaya, while 25 OPS have provisional license.

Prior the enactment of the NPSA, there had been various payment systems in the market. Based on the estimates in the study published by the *Better than Cash Alliance* in 2019, where it defined digital payment as monetary transaction between two parties through a digital payment instrument[6] in which both the payer and the payee use an electronic medium, the monthly transaction volume of digital payments reached 472 million, sharing 8% of the estimated total monthly volume of payments in the country. The government had the highest percentage volume of digital payments out of its total payment at 59%, while individuals and businesses had 9% and 4%, respectively. In terms of value, the estimated monthly amount of digital payments was P1.1 trillion, sharing 18% of the total value of estimated monthly payments. (See Table 2.)

Table 2

Estimated Monthly Digital Transactions by Major Transaction, 2019

Particulars	Volume (In Million)			Value (In Billion Pesos)		
	Total	Digital	% to Total	Total	Digital	% to Total
Grand Total	**5,734.80**	**471.69**	**8.23**	**6,104.42**	**1,090.44**	**17.86**
Government (G2X)	23.29	13.63	58.55	308.77	239.31	77.51
Businesses (B2X)	1,092.94	48.30	4.42	4,280.04	506.88	11.84
People (P2X)	4,618.58	409.76	8.87	1,515.61	344.24	22.71

Note. G2X comprises of government's transactions with another government, business, and people.
B2X comprises of business' transactions with government, another business, and people.
P2X comprises of people's transactions with government, business, and other people.
Value converted using December 2019 end-period exchange rate at 50.7440
Data gathered from The State of Digital Payments in the Philippines (Massally K. N., Ricart, Bambawale, Totapally, & Bhandari, 2019)

c. Adoption of E-Payments in Government Transactions in the ASEAN

The 2018 Government E-payments Adoption Ranking (GEAR) is a global index which measures the governments' efforts to enable e-payments adoption across 73 countries (The Economist Intelligence Unit, 2018). This includes the availability of government transaction services and the underlying factors that affect e-payment adoption, such as policy and infrastructure. The GEAR index ranges from 0 to 100. Getting a high score means that the government is doing

[6] Such as cards, bank transfer, mobile wallet, among others.

relatively well in facilitating digital payments and promoting broad digitization within its borders as compared to other countries. Countries with a score of 75.1 to 100 are described as having a mature environment for e-services, while countries with a score of 0 to 25 are considered as having a nascent e-services industry. (See Table 3.)

Table 3

GEAR Index Score

Range	Description
75.1 – 100	Mature
50.1 – 75	Intermediate
25.1 – 50	Emerging
0 – 25	Nascent

Among the ASEAN member-countries included in the study, only Singapore and Malaysia have mature environment for public e-services. The Philippines ranked 55 out of 73 countries in the study with an overall score of 58.2, which implied an intermediate environment for public e-services, the same level as Indonesia, Thailand, and Vietnam. (See Table 4.)

Table 4

Government E-Payment Adoption Ranking in the ASEAN Region, 2018

Country	Rank	Score	Description
Cambodia	72	23.8	Nascent
Indonesia	60	55.5	Intermediate
Malaysia	19	78.8	Mature
Philippines	55	58.2	Intermediate
Thailand	47	63.8	Intermediate
Singapore	8	87.6	Mature
Vietnam	62	51.1	Intermediate

Note. Brunei Darussalam, Lao PDR, and Myanmar were not included in the survey. Data gathered from the 2018 Government E-Payments Adoption Ranking

As stated in the study, one of the factors that contributed to the slow adoption of digital payments in the country was the persistent belief of the general public that the use of cash remains the fastest and safest way to go about their transactions (Vicente, 2018). According to Fintech's (Financial Technology) presentation during *The Future of Finance* Convention held in the Philippines in 2017, 96% of transactions in the Philippines were still done in cash (Crisanto & Wang, 2018). Moreover, there was also the lack of reliable and secure payment infrastructure in the country, which plays an important role in the public's acceptance of digital payment. Another major factor that inhibited the development of digital infrastructure in the country cited in the study was connectivity issues. While major cities already have access to fast internet connection, some areas in the country still struggle with unstable, and sometimes lack of connectivity to the internet (Vicente, 2018).

In contrast, digital payments in Malaysia and Singapore are already established due to their governments' active role in the transition to electronic payments. Singapore has committed significant resources to developing regulation which encourages innovation in payment services (Rooke, 2019). Meanwhile, Malaysia gave a particular focus on improving the infrastructure to promote greater use of e-services in the country (Bank Negara Malaysia, n.d.). Internet connectivity was also not an issue for both countries. Internet connection in Singapore was one of the fastest and most reliable in the world while Malaysia ranked third in terms of internet speed (fixed broadband) among the counties in the ASEAN region in 2019 (Thomas, 2019).

III. TAX REGIME OF DIGITAL PAYMENTS IN THE PHILIPPINES

Given the continuous rise of online transactions in the country, the BIR issued Revenue Memorandum Circular (RMC) No. 55-2013[7] to remind the parties involved in online transaction of their tax obligations. The said Circular defined the payment gateways/payment settlement entities as banks or other organizations and third party settlement organizations that have contractual obligation to make payment to participating payees in the settlement of the transactions. These include, but are not limited to, credit card companies, banks, financial institutions, and bill paying services.

Per RMC 55-2013, credit card companies are obliged to issue a payment confirmation (in the name of merchant seller) for purchase charged to buyer, and withhold one half of one percent expanded withholding tax (EWT)[8] upon its remittance to the merchant-seller. The credit card company will then remit the amount withheld to the BIR and receive the agreed commission from merchant-seller, net of EWT of 10%. This applies to the four most common types of online business transactions identified by the Circular, namely: (a) online shopping

[7] Entitled, "Reiterating Taxpayers' Obligations in Relation to Online Business Transactions", dated August 5, 2013.

[8] The withholding of creditable tax at source, or simply called Expanded Withholding Tax, is a tax imposed and prescribed on the items of income payable to natural or juridical persons, residing in the Philippines, by a payor-corporation/person which shall be credited against the income tax liability of the taxpayer for the taxable year. (BIR, n.d.)

or online retailing; (b) online intermediary service; (c) online advertisement; and (d) online auction. Furthermore, on June 10, 2020, the BIR issued RMC 60-2020[9] to ensure that all persons doing business and earning income through digital transactions using any electronic platforms and media are duly registered pursuant to Section 236 of the National Internal Revenue Code of 1997, as amended, and hence, are tax compliant. This applies to all entities involved in the transaction, such as, but not limited to, merchant-sellers, payment gateways, delivery channels, internet service providers, and other facilitators.

The BIR extended the July 31, 2020 deadline stated in RMC 60-2020 of the business activity and/or updates with no penalty imposition to August 31, 2020 pursuant to RMC 75-2020[10]. In addition, those who voluntarily declare their past transactions subject to pertinent taxes and pay the taxes due thereon when declared and paid on or before the said date shall not be subject to the corresponding penalty for late filing and payment. The deadline was further extended to September 30, 2020 pursuant to RMC 92-2020[11].

Under House bill No. 7425[12], payment processing services are included in the proposed definition of "digital service", which will be subject to the 12% value-added tax (VAT).

IV. DIGITAL PAYMENT AND TAX ADMINISTRATION

RA 10963[13], otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) law", made reforms in the tax administration by introducing several provisions on electronic reporting. The TRAIN law provided for electronic sales reporting system for taxpayers engaged in the export of goods and services, and large taxpayers at their own expense within five years from the effectivity of the said law. Moreover, it requires the issuance of electronic receipts sales/commercial invoices in lieu of manual receipts and sales/commercial invoices for taxpayers engaged in the export of goods and services, e-commerce and large taxpayers from the effectivity of the said law and upon establishment of a system capable of storing and processing the required data.

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[9] Entitled, "Obligations of Persons Conducting Business Transactions Through Any Forms of Electronic Media, and Notice to Unregistered Businesses", dated June 1, 2020.

[10] Entitled, "Extending the Deadline for Business Registration of those Digital Transactions under Revenue Memorandum Circular (RMC) No. 60-2020", July 29, 2020.

[11] Entitled, "Further Extending the Deadline for Business Registration of those in Digital Transactions under Revenue Memorandum Circular (RMC) Nos. 60-2020 and 75-2020", dated September 1, 2020.

[12] Entitled, "An Act Imposing Value-Added Tax on Digital Transactions in the Philippines Amending for the Purpose Sections 105, 108, 109, 110, 113, 114, and 236 and Adding a New Section 105-A of the National Internal Revenue Code of 1997, as Amended", filed August 18, 2020.

[13] Entitled, "An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, and 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, As Amended, and For Other Purposes, entitled, "Tax Reform for Acceleration and Inclusion"

Modes of collecting taxes are crucial for tax efficiency as these allow the tax authorities to determine whether the method or payment option adopted optimizes tax efforts. In the past years, the BIR has adopted several digital modes for collecting taxes, to wit:

a. **Bank Debit System** – refers to a system whereby a taxpayer/withholding agent, e.g., a business enterprise or government entity, authorizes its servicing bank (through a bank debit memo or advice) to debit from its accounts, payments of his/her tax liabilities. The bank debit system is allowed only if the taxpayer has a bank account with the Authorized Agent Banks (AABs). (Salvador, 2009)

b. **Electronic Filing Payment System (eFPS)** - refers to the system developed and maintained by the BIR for electronically filing tax returns, including attachments, if any, and paying taxes due thereon, specifically through the internet(BIR, n.d.). The eFPS allows the e-payment of respective taxes. The three modes of payment under e-payment are Fund Transfer, Tax Debit Memo (TDM), and Tax Remittance Advice (TRA). The TDM refers to the legal authority authorizing the utilization of the Tax Credit Certificates as payment to customs duties and tax obligations of the holder with the Bureau of Customs or as payment to national internal revenue obligations of the holder with the BIR, while the TRA refers to a serially-numbered document that should be used by the national government agencies in the remittance of withheld taxes on funds coming from the Department of Budget and Management (BIR, n.d.).

c. **PESOnet**– refers to an electronic funds transfer service that allows taxpayers to pay their taxes online. It is under the NRPS framework initiated by the BSP. (Department of Finance, 2019).

d. **Mobile payment** – refers to online tax payments through mobile applications. RMC 54-2020[14] informs the taxpayers and other concerned that PayMaya Philippines Inc. is now accepting tax payment through its mobile application. All payments made through the said mobile application will be settled by PayMaya with the Development Bank of the Philippines, an AAB of the BIR, for remittance to the Bureau of the Treasury. Taxpayers are required to file their corresponding tax returns using the eFPS. On the other hand, the GCash was first introduced for national tax payments in 2005 (Globe, 2016). In 2016, the BIR had relaunched the use of GCash by allowing payments for all types of taxes (BIR, 2016).

Based on the estimates of the Better Than Cash Alliance, the monthly transaction volume or payment transactions on taxes through digital payment reached 360,000 sharing 30% of total monthly volume for tax payments. Of this amount, 270,000 were tax payments of businesses, while 90,000 were made by individuals or people. In terms of value, the estimated monthly tax collection through digital payment reached P160.8 billion or 89.5% of the P179.6 billion total monthly tax collection. (Massally K. N., Ricart, Bambawale, Totapally, & Bhandari, 2019)

[14] Entitled, "Payment of Internal Revenue Taxes through the Mobile Application Facility of the Paymaya Philippines, Inc.", dated February 12, 2020.

Moreover, the digitally enhanced administrative reforms being undertaken by the BIR had begun to pay off by way of significantly improving the country's tax effort from 13% of gross domestic product in 2015 to 14.5% in 2019, and encouraging the more convenient and efficient electronic filing of tax payments (DOF, 2020).

At present, the BIR has identified the digital transformation as one of the programs under its Strategic Plan 2019-2023[15] to improve revenue collection, tax compliance and client satisfaction. Also, under the said Strategic Plan, the BIR identified the development of the e-invoicing/e-receipting and e-sales reporting system to increase the level of taxpayer's satisfaction.

As previously mentioned, during the COVID-19 pandemic, the digital transformation of BIR's digital services has become crucial to ensure the safety of taxpayers from the threat of the virus. With lower revenue expectation due to the COVID-19 pandemic, the increased use of digital technologies along with strong macroeconomic fundamentals can help the government quickly return to high growth once the health crisis is over (DOF, 2020).

It is also along this line that Senate Bill (SB) No. 1764[16], to be known as the "Use of Digital Payments Act of 2020", aims to facilitate transactions, arrangements, or exchanges of goods and services by promoting the universal use of safe and efficient digital payments[17] in financial transactions of the government and the general public. The bill mandates all national government agencies (NGAs), government-owned and controlled corporations (GOCCs), and local government units (LGUs) to utilize safe and efficient digital payment in the collection of taxes, fees, tolls, imposts and other revenues and in the payment of goods, services and other disbursements. To promote digital payment transactions, the bill mandates NGAs, GOCCs, and LGUs to explore the feasibility of adopting a comprehensive incentive framework for selected financial transactions to encourage the availment of digital payments. The LGUs may, likewise, impose reduced fees or grant other incentives for merchants providing efficient digital payment system. Further, SB 1754 directs the Department of Science and Technology and Department of Information and Communications Technology to implement measures to further enhance the availability and cost of internet connection to support the government's program on the digitalization of financial transactions.

V. CROSS COUNTRY COMPARISON

Many countries have already adopted a progressive movement of taxing digital transactions to capture the fast-growing digital economy and level the playing field. Payment systems have the potential to help tax authorities in monitoring tax compliance and enforcing tax rules.

[15] RMO 21-2019 entitled, "BIR Strategic Plan 2019 – 2023", dated March 20, 2019.

[16] Entitled, "An Act Promoting the Adoption of Digital Payments for Financial Transactions of the Government and All Merchants and for Other Purposes", filed August 10, 2020.

[17] Section 4(b) of the bill defines "digital payments" as the monetary transaction between two parties through a digital instrument in which both the taxpayer and the payee use an electronic medium.

Most of the surveyed ASEAN and other countries are imposing VAT or its equivalent consumption tax, like Goods and Services Tax (GST), on their cross-border digital services. The imposition of taxes on digital economy is intended to effectively capture the contribution of domestic users in the process of value creation of foreign digital businesses.

Most of the countries do not require foreign companies to establish physical entity when they sell digital goods or provide digital services to local consumers. As an alternative, foreign companies may designate representatives in countries they are doing business with as what is being practiced in Austria, Mexico, and Japan. Most of the surveyed countries allow the registration and payment of taxes to be done online. Moreover, in Indonesia and Singapore, electronic marketplace operators can be regarded as withholding agents for the GST/VAT. (See Annex A.)

In Colombia, it provides alternative VAT system wherein its collection and payment is shifted to: (a) credit and debit card issuers; (b) sellers of prepaid cards; and (c) collectors of cash on behalf of third parties. In Ecuador, if the payment for the services is made through an intermediary, i.e. a credit card issuer, who will act as the withholding agent.

VI. CONCLUSION

Payment system has proven to be an effective tool in improving the efficiency of transactions as digital economy grows tremendously over the years. In advanced countries, payment systems, such as those provided by banks, are used as tools to properly capture the sale of cross-border digital services to overseas consumers.

In the country, the utilization of payment systems in tax administration is no longer new. In fact, the BIR has adopted several digital innovations to encourage tax compliance and improve tax collection performance to make tax administration faster and more efficient.

The adverse effect of the COVID-19 pandemic has, more than ever, highlighted the importance of a digitized tax administration not only to ensure the safety of tax authorities and taxpayers from the threat of the virus, but also as a means to effectively collect taxes. Thus, both tax authorities and taxpayers should maximize the use of payment systems to help the government collect the much-needed taxes especially at this time of pandemic to foster growth that would lead to the country's economic recovery. However, aside from internet connectivity issue, the lack of reliable and secure payment infrastructure, and lukewarm attitude of the general public towards digital payment as cited in the 2018 GEAR study and the Fintech, there is also a need to ensure the efficient and effective implementation of payment systems involving cross-border online transactions to ensure that nothing escapes the country's taxation.

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Annex A

Tax Administration of Selected Countries of VAT or Its Equivalent on Cross-Border Digital Services

Country/Tax	Tax Administration
1. Indonesia (10% VAT)	A foreign business can be appointed as VAT collector if the value of its transactions with Indonesian buyers exceeds IDR 600 million (PhP1.98 million) in one year or IDR1 million in 1 month and/or the amount of traffic or access in Indonesia exceeds 12,000 in 1 year or 1,000 in 1 month[18] (Direktorat Jenderal Pajak, 2020). The VAT Collector submits the report of VAT collection to the Direktorat Jenderal Pajak (DGT) Portal. The foreign seller, appointed as the VAT Collector, does not need to have a representative in Indonesia in order collect the VAT. The Indonesian consumers who purchase services from a foreign business, who has not been appointed as the VAT Collector, must pay VAT by themselves. The VAT Collector itself will also decide whether to pay and report VAT collection using US dollar or Rupiah currency without the need to get approval from the DGT. (Direktorat Jenderal Pajak, n.d.) In the case of e-commerce platform appointed as the VAT Collector, it must collect, remit, and report VAT collection for any transaction made through its platform. If there is any seller who is also appointed as the VAT Collector makes transactions both directly and through e-commerce platform (the VAT Collector), thus, the seller shall collect, remit, and report VAT only for transactions he/she made directly to the Indonesian consumers.(Direktorat Jenderal Pajak, n.d.)
2. Malaysia (6% Service Tax)	Foreign service providers (FSP) are required to register with the Royal Malaysian Customs Department. Registrations can be made online. They are required to file service tax returns on digital services by way of a prescribed DST-02 Form on a quarterly basis. The payment of the 6%

[18] Conversion rate IDR1.00 = PHP0.0033 (BSP Reference Exchange Rate Bulletin, August 20, 2020).

Country/Tax	Tax Administration
	Service Tax can be done through electronic service or at any institutional banking and is deemed received by Customs Department at the time the payment is made to any institutional banking and the amount is credited to the representative account. It can also be paid from a foreign bank account (Wong & Beh, 2019).
3. Singapore (7% GST)	The overseas suppliers and overseas electronic marketplace operators will be registered under a pay-only regime, with simplified registration and reporting requirements. Under this regime, local rules relating to tax-invoicing and GST-inclusive price display requirements will not be imposed. (Inland Revenue Authority of Singapore, 2019) Overseas vendors[19] can register for GST via online platform. They are not required to appoint a local agent to handle their tax matters in Singapore. The due date for GST return filing and payment is within one month from the end of each accounting period. For payments via telegraphic transfer, the remittance should be at least one week before the due date to ensure on time payment. (Inland Revenue Authority of Singapore, 2019) A local or overseas operator of electronic marketplace can also be regarded as the supplier for digital services made through a marketplace, on behalf of overseas suppliers, when certain conditions are met. It means that such operator is required to charge and account for GST on supplies of digital services made on behalf of the overseas suppliers listed on its platform to non-GST registered customers in Singapore, in addition to current taxable supplies made by the operator.

[19] Refers to an overseas supplier, that is, a person that has neither a business establishment, fixed establishment nor usual place of residence in Singapore, and hence belongs outside Singapore. Under certain conditions, this will also include both an overseas and local electronic marketplace operator.

Country/Tax	Tax Administration
4. Austria (5% digital advertising tax)	The 5% digital advertising tax is imposed on revenue from online advertising. All taxpayers not having a domicile, place of management or permanent establishment in the European Union/European Economic Area (EU/EEA) must appoint an Austrian fiscal representative for purposes of the said tax. Other taxpayers (those with an EU/EEA residence) may either appoint a fiscal representative or alternatively may use an "online digital tax service tool" provided by the tax authorities to file tax returns. (KPMG, 2020)
5. Australia (10% GST)	Both foreign merchants and electronic distribution platform operators are eligible to register for simplified GST registration which is provided through an online platform that is fully secure and accessible via a portal on the Australian Tax Office's website. The system allows non-resident businesses to register, lodge and pay their Australian GST online, manage account details, and authorize others to securely access their account. (Australian Taxation Office, 2020)
6. Colombia (19% VAT)	Pursuant to Resolution 51 of 2018, Colombia's National Tax Authority allows some FSP to voluntarily elect to be subject to the alternative VAT withholding system under which VAT collection and payment to tax authorities shifts from the FSPs to: (a) credit and debit card issuers; (b) sellers of prepaid cards; and (c) collectors of cash on behalf of third parties (EY, 2019).
7. Ecuador (12% VAT)	The importers of digital services (including both business and private consumers) will be liable for payment of the 12% VAT. If nonresident digital services providers are not registered with Ecuador's tax authorities, the importer of services will be responsible for paying the VAT; however, if the payment for the services is made through an intermediary, for instance a credit card issuer, the same will act as the withholding agent on the payment. (Deloitte, 2020)

Country/Tax	Tax Administration
8. Japan (10% Consumption Tax)	In order to register, a foreign business must meet the following requirements: • Be a taxable person of consumption tax; • Provide, or intend to provide, B2C digital services; • Either have an office in Japan to provide B2C digital services or appoint a tax accountant proxy for consumption tax purposes; and • Be fully compliant with national tax liabilities and obligations; a delinquent taxpayer will not be allowed to register for Japanese Consumption Tax. If the above requirements are met, the foreign business must file the "Application for registration as a registered foreign business" with the appropriate attachments via the district director of the tax office who has jurisdiction for the location of the tax payment. (RSM, 2018)
9. Mexico (16% VAT)	Foreign residents with no PE in Mexico that provide digital services will be required to (Deloitte, 2020): • Obtain a Mexican tax ID ("RFC") • Appoint a Mexican legal representative • Request an electronic signature ("e-firma") • Charge and collect VAT on digital services • File VAT returns and remit the VAT collected on a monthly basis • Submit quarterly report information on the number of transactions performed with Mexican recipients, the type of services provided, and price charged • Issue and send electronic receipts to their Mexican customers

Country/Tax	Tax Administration

	Additionally, those foreign residents with no PE in Mexico and operate as intermediaries with regard to digital services, and connecting providers of goods or services with buyers in Mexico, the same requirements for digital services as noted above shall apply, plus said foreign residents must:
	
	• Publish the VAT of the goods, services or the temporary use or enjoyment of goods via their website or platform
	• Provide the tax authorities with information about their customers (whether individuals or legal entities) when they act as an intermediary, even if they do not process the corresponding payment or related VAT
	• Determine that the intermediary collects the sales price plus the amount of VAT for the subject transactions and also:
	  o Withhold VAT and income tax from individuals
	  o Remit the withheld taxes in a monthly basis
	  o Issue electronic invoices
	
	The withholding amount will be 50% of the VAT effectively collected or 100% if the individuals do not provide their Mexican tax number (RFC).

10. South Korea (10% VAT)	There is a simplified online registration process for nonresident suppliers and should be completed within 20 days from the date the registration requirement arose. Upon registration, a foreign supplier is required to file quarterly VAT returns. With respect to invoicing, as B2B digital service suppliers are exempt from VAT, there is no situation where a tax invoice is required as there is no opportunity for a refund of VAT paid on digital services. As such, invoicing will not be necessary when dealing with South Korean customers (RSM, 2018).

Country/Tax	Tax Administration
11. Turkey (18% VAT)	The tax payment of VAT Return for e-service providers can be done on the web page using debit cards (Turkish public bank or all foreign banks) and only foreign bank credit cards or electronic funds transfer. The VAT return period of taxpayers who registered as "Special VAT Registration for Electronic Service Providers" is monthly, and the returns must be submitted electronically via internet by 26th day of the month following the end of the return period. The payment in full must be made by the 26th day of the same month. (Turkey Revenue Administration, n.d.)