

Digital Tax for Developing Asia Countries: a Systematic Literature Review

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Abstract

Purpose: This study examines digital taxation within the global economy, analyzes the role of Pillar One by OECD-G20 in addressing the limitations of traditional international tax rules, and assesses the potential impact of digital tax reform on developing countries, especially those in Asia.

Methodology: This study employs a Systematic Literature Review (SLR) using the PRISMA methodology. Data were collected from 30 peer-reviewed journal articles indexed in Scopus, published between 2020 and 2025. These articles were selected through keyword-based searches and analyzed using bibliometric techniques with the VOSviewer application to identify research trends and thematic patterns in the digital taxation literature.

Results/Findings: The findings reveal that digital taxation has become a crucial policy instrument for overcoming challenges posed by the digital economy, particularly the difficulty faced by market countries in taxing foreign digital companies.

Conclusions: This study finds that OECD-G20 Pillar One addresses the limitations of traditional international tax rules by redefining the nexus and reallocating taxing rights toward market jurisdictions. The results further indicate that digital tax reform has significant potential to expand the tax base and strengthen fiscal capacity in developing Asian countries.

Limitations: This study is limited by its reliance on Scopus-indexed journal articles, potentially excluding relevant literature from other databases or grey sources. Additionally, the literature-based and bibliometric approaches do not allow for the direct measurement of the fiscal impact of digital tax reforms.

Contributions: This study contributes to the literature by offering a systematic overview of digital taxation and providing policy-relevant insights for developing economies.

Keywords: *Developing Countries, Digital Economy, Digital Tax, Global Economy, Tax Reform*

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1. Introduction

The rapid expansion of the digital economy in recent years has generated new challenges for international taxation, which has traditionally been based on physical presence. The conventional tax system, grounded in physical presence, is no longer aligned with the realities of the digital economy. Economic value, intangible assets, user data, and commercial transactions can now be created and conducted without any physical presence (Chowdhury, 2020; Corrado, Haskel, Jona-Lasinio, & Iommi, 2022). This misalignment creates opportunities for large digital corporations to generate profits across multiple jurisdictions without being subject to commensurate tax obligations (Hak et al., 2025).

In response to these challenges, the Organisation for Economic Co-operation and Development (OECD) and the Group of Twenty (G20) initiated a comprehensive tax reform package, the Two-Pillar Solution, under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). Pillar One, in particular, proposes new rules on nexus and profit allocation (Amount A), enabling market jurisdictions where digital transactions take place to obtain a share of taxing rights over the profits of multinational digital enterprises operating across borders. This initiative positions digital tax reform as a central component of the broader agenda for reforming the international tax system ([Milogolova and Berberov, 2021](#)).

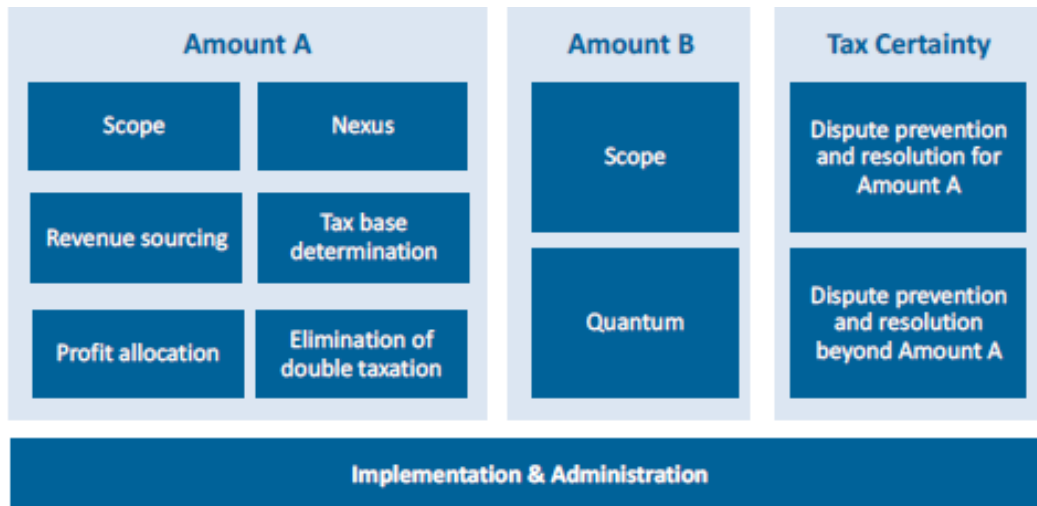


Figure 1. OECD–G20 pillar one tax reform framework

Figure 1 shows that, conceptually, digital-based international taxation focuses on reallocating taxing rights to jurisdictions where economic value is created ([Fajar & Irawan, 2024](#)). Such economic value may be derived from market participation, data, and the engagement of local users. The determination of taxing rights can be conducted without regard to the company’s legal domicile or physical presence, as digital products closely associated with today’s digital economy lack a physical form.

This condition renders the determination of income arising from the use or transfer of such products a distinct challenge for tax authorities, including the allocation of taxing rights ([Wijaya & Utamawati, 2018](#)). OECD Pillar One responds to this issue by identifying activities that entitle a market to a share of profits, thereby shifting part of the tax base to the market jurisdictions. Consequently, countries that previously lost taxing rights due to digital business models may potentially obtain new revenue from Amount A if the policy is implemented.

This initiative in international tax reform is aligned with the policies adopted by Indonesia to tax digital transactions. Since 2020, Indonesia has implemented a Value-Added Tax (VAT) by [Kiptulon et al. \(2024\)](#) on Electronic System-Based Trade (*Perdagangan Melalui Sistem Elektronik/PMSE*), initially regulated under Minister of Finance Regulation (PMK) No. 48/PMK.03/2020, which has subsequently undergone several regulatory amendments. This policy orientation stems from the rapid growth of the domestic digital economy during the 2015-2019 period. During this period, streaming services such as Netflix and Spotify experienced significant expansion. However, Indonesia lacks a regulatory framework for levying taxes on digital transactions.

A major shift occurred on July 1, 2020, when the government formally implemented VAT on PMSE. This marked the commencement of a systematic digital tax collection from foreign companies conducting transactions in Indonesia. Netflix, Google, Amazon, and Spotify were among the first platforms subject to taxation by the government DJP in 2020. The tax collection mechanism is regulated under PMK No. 48/2020, which stipulates that only PMSE entities meeting specified turnover or annual traffic thresholds may be designated VAT collectors. The initial VAT rate for PMSE was set at 10 percent, followed by national rate adjustments, increasing to 12 percent in 2025.

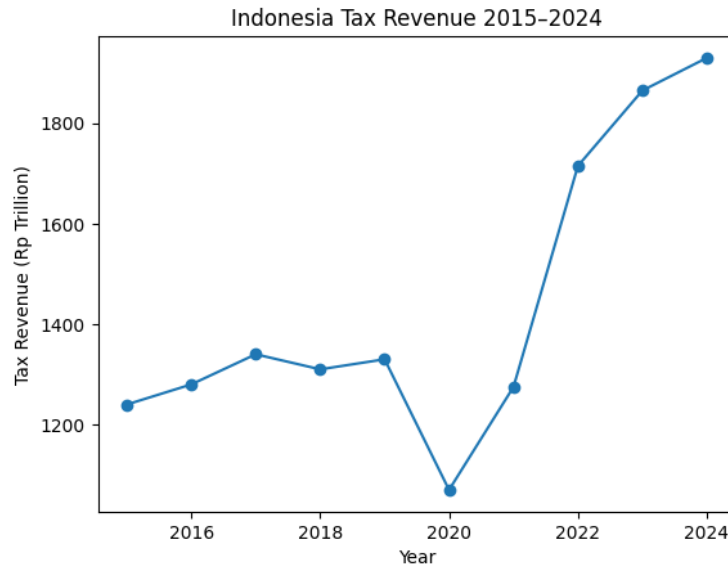


Figure 2. Indonesia's tax revenue trends for the 2015-2024 period

Figure 2 shows that, based on data compiled from the Directorate General of Taxes (DGT) of the Ministry of Finance and Statistics Indonesia, Indonesia's tax revenue exhibits a notably positive post-pandemic trend, coinciding with the recovery and acceleration of economic growth. Nevertheless, it should be emphasized that tax revenue performance is not solely dependent on economic growth; it is also determined by the effectiveness of taxpayer compliance, tax audit, and collection activities (Pratiwi, Khairunnisa, Ramadhandy, & Savitri, 2024).

The impact of VAT on Electronic System-Based Trade on the overall national tax revenue has been substantial since the onset of the COVID-19 pandemic in 2020 and continues to be significant to date. This trend has been supported by economic recovery strategies, particularly through the expansion of the tax base via the PMSE VAT. Although digital taxation is not the sole driver of economic recovery, imposing taxes on digital transactions has demonstrably contributed positively to government revenue.

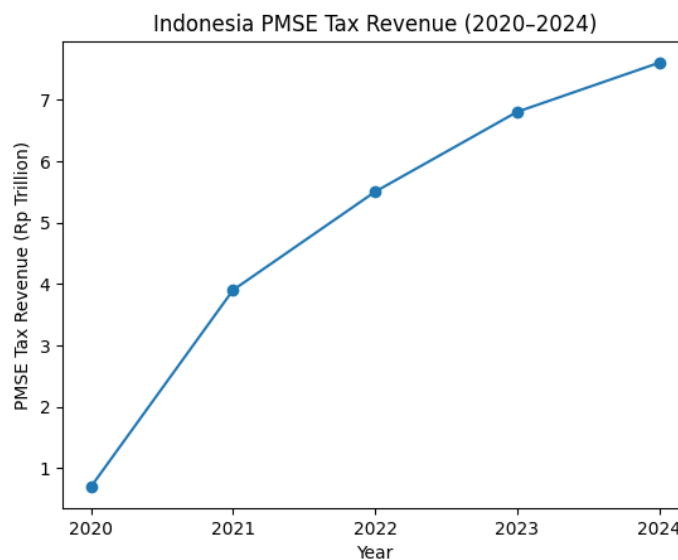


Figure 3. PMSE Tax Revenue Trends for the 2020-2024 Period

Figure 3 shows that the realization of VAT on Electronic System-Based Trade has grown rapidly over a five-year period, increasing from IDR 731 billion in 2020 to IDR 7.58 trillion in 2024. This growth reflects the effectiveness of the PMSE VAT mechanism and indicates that digital taxation has become

an important component of Indonesia's tax system. Compared to countries that have not yet implemented digital taxation, Indonesia is considerably more advanced in terms of implementation, collection mechanisms, and fiscal revenue contribution ([Mahpudin, 2024](#)). The growth in tax revenue generated through PMSE VAT serves as evidence that Indonesia is increasingly prepared to address taxation challenges in the era of the global digital economy.

This policy is also aligned with international trends spearheaded by the OECD-G20, particularly in supporting international tax reforms that are more responsive to cross-border economic dynamics in the digital age. The objective of this article is to map the literature on Digital Taxation in the Global Economy through a Systematic Literature Review (SLR), as well as to provide an understanding of the importance of digital taxation as a key instrument for increasing state revenue, especially for developing countries, based on existing factors and policy instruments. The study concludes with suggestions and recommendations aimed at optimizing global digital-based tax reform.

Accordingly, this study formulates two central research questions as follows. First, it seeks to examine the role of digital taxation in the global economy, particularly in the context of developing Asian countries, with specific emphasis on Indonesia. Second, it aims to analyze the potential future development of digital taxation in the global economic landscape, especially for developing Asian countries, by assessing emerging trends, regulatory dynamics, and strategic policy implications without altering the substantive focus of this inquiry.

This study analyzes journals and scholarly articles related to Digital Taxation in the Global Economy sourced from the Scopus database. The article selection process began with a search for publications relevant to the research theme, yielding 113 publications between 2020 and 2025. After undergoing a series of screening and selection stages, only 30 journals were ultimately selected as meeting the predefined criteria in accordance with the theme and objectives of this study.

2. Literature Review

2.1. Digital Taxation in the Global Economy

Under Law No. 7 of 2017 on Income Tax (*Undang-Undang Pajak Penghasilan/UU PPh*), digital taxation refers to income received or accrued by taxpayers from outside the territory of Indonesia or through electronic media that is deemed income derived from within Indonesia, including income from digital transactions. Digital taxation encompasses various types of transactions, including the sale of goods and services, online advertising, digital services, and the sale of digital content, such as music, films, and electronic books. It also covers the taxation of domestic and international digital companies that operate and generate income in the Indonesian market ([Affardi, 2024](#)).

Digital taxation in Indonesia is regulated by statutory laws and their implementation regulations. The principal legal instruments governing digital taxation are as follows:

- a. Law No. 7 of 2017 on Income Tax (*UU PPh*). This law constitutes the legal basis for imposing taxes on digital transactions. UU PPh provides a clear legal foundation for taxing income derived from digital transactions conducted by both domestic and foreign digital enterprises operating in Indonesia.
- b. Government Regulation No. 8 of 2019 on Electronic System-Based Trade (*Perdagangan Melalui Sistem Elektronik/PMSE*). This regulation establishes a legal framework for trade conducted through electronic systems, including digital transactions. This is particularly important as it sets out more detailed provisions regarding digital transactions that constitute taxable objects.
- c. Minister of Finance Regulation No. 120/PMK.04/2018 on Procedures for the Purchase, Identification, and Use of Taxpayer Identification Numbers (TIN) for Domestic Taxpayers Conducting Transactions Through Electronic Systems. This regulation provides guidance on the identification and use of TIN by taxpayers engaging in electronic transactions. This is significant in facilitating the identification and monitoring of digital transaction activities carried out by domestic taxpayers.

The global economy is an economic system characterized by interdependence and interaction among countries worldwide. Economic activities such as international trade, cross-border investment, and capital flows are key elements shaping global economic dynamics. Its scope includes the exchange of goods, services, and resources among countries while considering factors such as currency fluctuations, international trade policies, and financial market dynamics that influence global economic welfare.

The global economic system is an overarching structure involving interaction and interdependence among countries within the frameworks of international trade, investment, capitalism, and global finance. This system is shaped and influenced by various forces, including global markets, international institutions such as the World Bank and World Trade Organization, and national economic policies. It is also affected by technological and informational advancements, as well as social, political, and environmental factors ([Islam & Surahmah, 2023](#)).

The transformation of the global economy driven by digitalization has created fundamental challenges for tax systems, leading to the emergence of digital taxation. This reform reflects a paradigm shift from conventional taxation based on physical presence to taxation grounded in economic activity within digital markets. In this context, the design of digital tax policies must simultaneously promote the expansion of the digital economy and ensure a fair contribution to state revenue ([Maliarchuk, Rylieiev, Skrypnyk, Matsak, & Kolomiets, 2025](#)). Nevertheless, the implementation of digital tax policies continues to face challenges in the form of cross-country coordination, technical complexity, and divergent interests between developed and developing countries ([Devereux, Vella, & Wardell-Burrus 2022](#)).

Indonesia has responded to global economic challenges and the need to strengthen national fiscal resilience by enacting Law No. 7 of 2021 on the Harmonization of Tax Regulations (*Harmonisasi Peraturan*). This national-level tax reform represents the government's effort to align tax policy with global economic dynamics while simultaneously increasing the tax ratio without hindering the growth of micro, small, and medium enterprises ([Hartini & Suwandewi, 2022](#)).

At the international level, tax reform (including digital taxation) is essential to improve the distribution of global tax revenue ([Tørslov, Wier, & Zucman, 2023](#)). Simultaneously, strengthening technology-based tax administration capacity, updating digital tax regulations, and enhancing international cooperation are urgent necessities to close loopholes associated with digital tax avoidance ([Hidayatulloh, Tanzil, & Priyono, 2024](#)).

2.2. Digital Taxation for Developing Countries

The United Nations (UN) classifies countries into two broad categories: developed and developing countries. This classification is based on the Human Development Index by [Khassawneh and Abaker \(2022\)](#), which incorporates multiple dimensions, including economic growth, life expectancy, health, education, and overall quality of life. HDI scores categorize countries into two groups: developed countries with HDI values ranging from 0.80 to 1.00 and developing countries with HDI values between 0.35 and 0.80.

From an economic perspective, the World Bank categorizes countries into four groups based on their per capita income. First, countries with a per capita income of less than or equal to USD 1,135 per year are classified as low-income countries. Second, countries with per capita incomes between USD 1,136 and USD 4,495 per year are categorized as lower-middle-income countries. Third, countries with per capita incomes ranging from USD 4,496 to USD 13,935 per year are classified as upper-middle-income countries. Fourth, countries with a per capita income above USD 13,935 per year are categorized as high-income countries ([Birdsall, 2025](#)).

According to the World Bank's classification, countries included in the low- and middle-income categories are generally referred to as developing countries, while high-income countries are considered developed countries. Thus, countries with a per capita income above USD 13,935 per year may be classified as developed countries. The introduction of digital taxation has the potential to expand the

tax base in developing countries through the utilization of information technology. This expansion may directly increase per capita income, particularly in low-income countries. However, limitations in institutional capacity and the risk of increasing compliance burdens remain major challenges for developing countries worldwide ([Friday, Lawal, Ayodeji, & Sobowale, 2022](#)).

In practice, several countries in the Asia-Pacific region (particularly developing countries) have not yet implemented digital taxation regimes. For example, Timor-Leste does not yet have a value-added tax system. Instead, it applies an import sales tax of 2.5 percent and is currently designing tax reforms for the 2024-2028 period. Similarly, Brunei Darussalam does not impose VAT and has not introduced a specific digital taxation regime. Myanmar applies a commercial tax of 5 percent, that does not specifically address digital trade taxation.

Based on data released by the official Vatcalc website, many countries in the Asia-Pacific region have implemented digital taxation, primarily through VAT mechanisms applied to non-resident digital services. This includes developed countries such as Singapore (9 percent), Japan (10 percent), and Australia (10 percent), as well as developing countries such as Sri Lanka (18 percent) and Tajikistan (14 percent) ([Sroka, 2026](#)). The list of these countries below, was published as of 9 November 2025.

Table 1. Asia Pacific VAT on Digital Services

No.	Country	VAT Rate on Digital Services (%)
1	Australia	10
2	Azerbaijan	12
3	Armenia	20
4	Bangladesh	5-15
5	Bhutan	7
6	Cambodia	10
7	China	6-13
8	Cook Island	15
9	Fiji	9
10	India	18
11	Indonesia	11
12	Japan	10
13	Kazakhstan	12
14	Kiribati	12,5
15	Kyrgyzstan	12
16	Laos	10
17	Malaysia	8
18	Nepal	13
19	New Caledonia	11
20	New Zealand	15
21	Pakistan	2
22	Palau	10
23	Philippines	12
24	Singapore	9
25	South Korea	10
26	Sri Lanka	18
27	Taiwan	5
28	Tajikistan	14
29	Thailand	7
30	Uzbekistan	12
31	Vietnam	10

Table 1 shows that the objectives of Pillar One are particularly significant from a fiscal perspective for developing countries. By allocating a portion of profits to market jurisdictions, Pillar One has the potential to expand the tax revenue base of these countries, especially those that constitute large markets for digital products and services (Fajar and Irawan, 2024).

However, these benefits cannot be obtained automatically or at a low cost. Countries must establish effective tax mechanisms and robust tax administration systems to implement this new dimension of international taxation. This includes enhancing the digital literacy of their population. Digital literacy should be positioned as a strategic investment in domestic economic development, enabling countries to integrate more effectively into the global market (Suryaputra et al., 2024).

3. Research Methodology

The methodology employed in this study adopts a qualitative approach using a Systematic Literature Review (SLR) to examine the development of literature relevant to the research theme. The SLR is a method specifically designed to minimize bias in the literature review process through a series of structured and transparent steps (Snyder, 2019). In addition, SLR serves as a foundation for generating literature-based conclusions that are not merely descriptive but also analytical and capable of contributing to policy development. Thus, SLR functions not only as a literature search process but also as an evidence-informed mechanism for knowledge acquisition (Paul & Criado, 2020; Snyder, 2019).

In its implementation, this study also refers to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework. PRISMA supports the research stages by providing comprehensive guidelines that encompass the following steps: (1) identification of published journals and articles; (2) screening of journals and articles; (3) selection of relevant and eligible studies; and (4) presentation of the selected journals and articles for further analysis (Page et al., 2021).

Table 2. PRISMA Flow Diagram

PRISMA Stage	Process Description	Number of Articles
Identification of Articles	Articles identified through searches in the Scopus database	113
	Additional articles identified through other sources (e.g., manual references, reports, working papers)	-
Total articles identified		113
Screening of Articles	Duplicate records removed	-
	Titles and abstracts screened based on inclusion/exclusion criteria	77
Articles screened		36
Eligibility of Articles	Full-text articles assessed for eligibility	-
	Articles excluded (e.g., not relevant, not meeting methodological criteria)	6
Eligible articles		30
Article Analysis	Articles included in the final SLR synthesis	30

Table 2 shows how the PRISMA method was implemented in this study. The first step in this study involved selecting journal articles through the official website www.scopus.com. The search was restricted to document types classified as articles indexed in Scopus, with a publication period ranging from 2020 to 2025. To collect articles related to digital taxation in the global economy, the author employed the keywords “digital tax,” “digital economy,” and “tax reform.”

The initial search yielded 113 articles, which were subsequently subjected to a second-stage screening by limiting the selection to English-language articles that were freely accessible (open access), resulting in 36 articles being selected. The third step consisted of manually selecting articles based on their titles and abstracts to assess their thematic relevance to the research topic, which further narrowed the sample

to 30 articles. The final step involved data analysis and presentation using VOSviewer software to visualize themes or keywords related to the research topic based on the selected articles.

4. Results and Discussion

4.1 Research Results

Keyword analysis was conducted on 30 selected articles using the VOSviewer application, resulting in a visualization that illustrated the relationships among keywords. Figure 4 presents the clustering of research themes based on article titles, indicating that the topics most frequently associated with digital taxation in the global economy are “digital economy” and “taxation.” Furthermore, the analysis of the visualization revealed that the clustering could be grouped into four distinct categories, as summarized in Figure 5. These clusters represent interrelated topics across all the analyzed articles. In Cluster 1, themes such as “digital economy,” “digital transformation,” “taxation,” and “value creation” are closely interconnected in the discussion of the 30 articles under review. Similar interrelationships were observed in the remaining clusters, reflecting the thematic structure and focus of the literature analyzed.

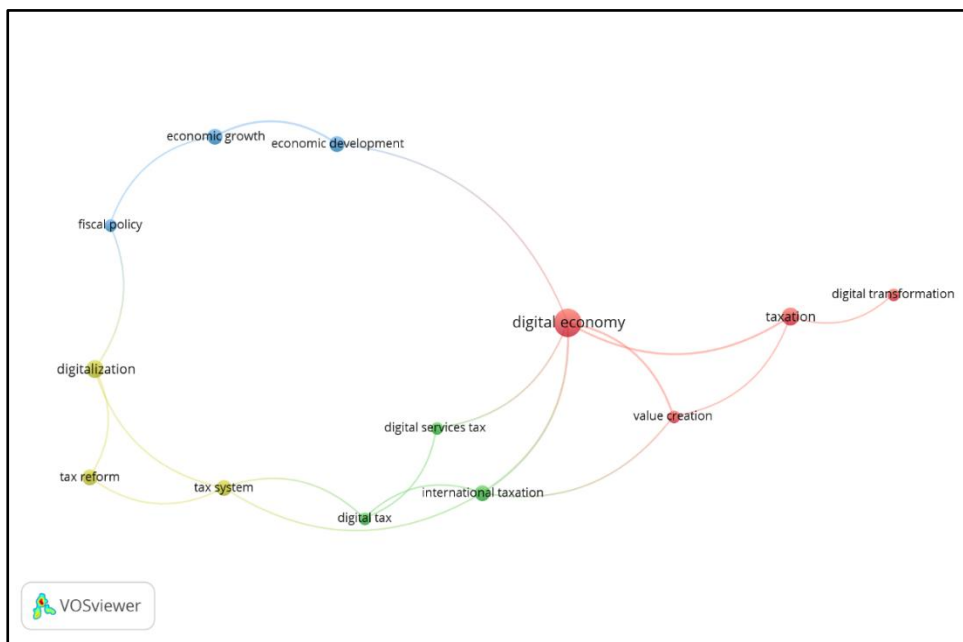


Figure 4. Network visualization of articles related to “Digital Taxation in the Digital Economy”

Cluster 1 (4 items)	Cluster 2 (3 items)	Cluster 3 (3 items)	Cluster 4 (3 items)
digital economy	digital services tax	economic development	digitalization
digital transformation	digital tax	economic growth	tax reform
taxation	international taxation	fiscal policy	tax system
value creation			

Figure 5. Types of Network Visualization Clusters

Figure 6 shows that based on the color density displayed in the VOSviewer visualization derived from article titles, the author also identifies research gaps that may serve as a basis for further studies. Topics exhibiting lower density, such as “international taxation” and “tax reform,” can be regarded as key areas of concern and prioritized for future research endeavors.

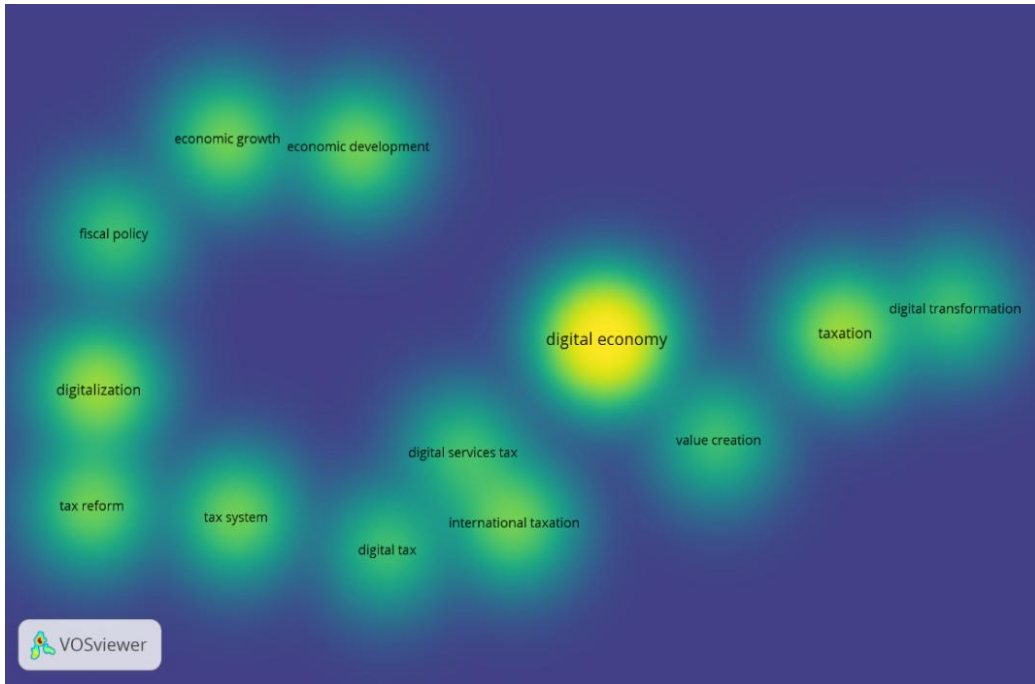


Figure 6. Density visualization of articles related to “Digital Taxation in the Global Economy”

Furthermore, Figure 7 and 8 show that based on the publication year analysis, the author finds that Scopus-indexed research on digital taxation experienced its most significant growth in 2024 and 2025. This trend indicates a rising level of scholarly interest in conducting studies on digital taxation and related topics in recent years.

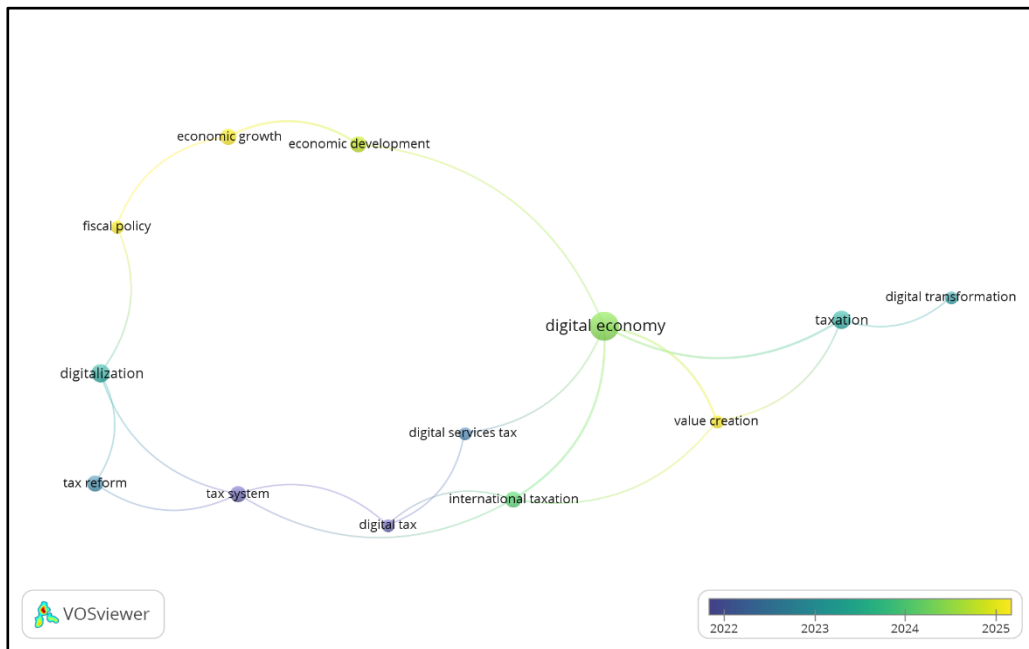


Figure 7. Overlay visualization of articles related to “Digital Taxation in the Global Economy”
Source: processed data, 2026

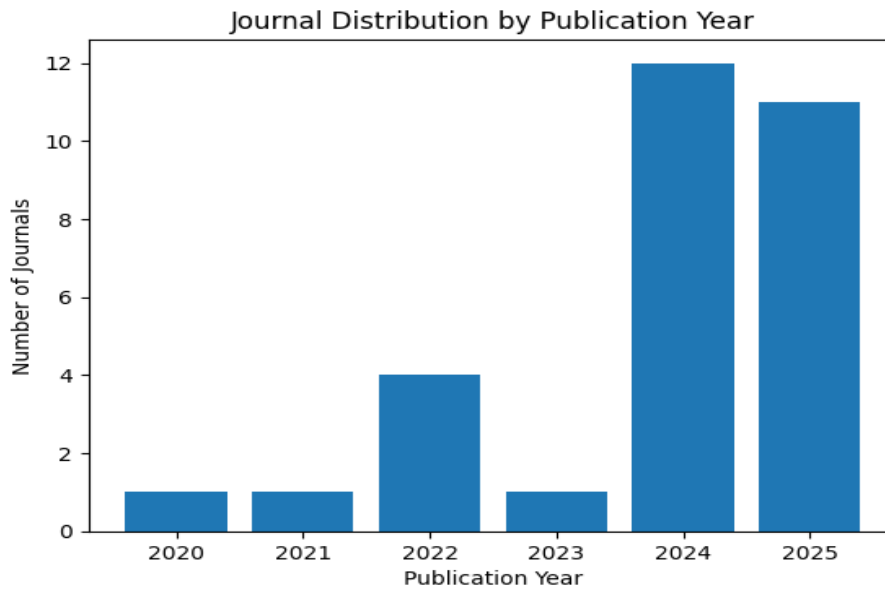


Figure 8. Distribution of articles by year of Publication

4.2. Discussion

This study employs a Systematic Literature Review (SLR) method to examine a range of articles discussing digital taxation and fiscal policy changes in the context of the digital economy. The literature review reveals largely convergent thematic patterns, viewing digital taxation as an adaptive response to shifts in the global economic structure. This perspective is reflected in the expansion of VAT schemes for cross-border digital services, implementation of specific taxes on platform-based activities, and strengthening of international profit allocation mechanisms.

Numerous studies on digital trade and e-commerce emphasize that cross-border transactions necessitate fiscal adjustments to accommodate them ([Karwat & Werner, 2025](#)). Several analyses of digital taxation highlight the importance of clearly defining the objectives of digital taxes as a prerequisite for designing appropriate policy instruments ([Parsons, 2024](#)). The optimization of tax revenue from the e-commerce sector should also focus on modernizing tax administration and understanding the economic behavior of digital business actors rather than relying solely on the enforcement of formal sanctions ([Alfi & Wijaya, 2024](#)). This indicates that the design of digital tax policies is inherently linked to a country's normative and institutional structure.

This study aims to provide a comprehensive overview of the paradigm shift in global taxation resulting from the digitalization of the economy and its implications for developing countries in Asia. The findings demonstrate that traditional tax models based on physical presence are no longer sufficient to capture cross-border digital economic activity. The OECD-G20 global initiative through the Two-Pillar Solution, particularly Pillar One, which regulates nexus and profit allocation, is widely regarded as a primary response to addressing imbalances in taxing rights between market jurisdictions and the residence countries of digital enterprises.

Applying the SLR method, this study identifies four main clusters within the literature: (1) the digital economy, (2) digital taxation, (3) international tax reform, and (4) policy implications for developing countries. The results underscore that the most significant challenges faced by developing countries lie not in the substance of policy design but in administrative and technological readiness. Capacity gaps, underdeveloped digital infrastructure, limited fiscal data availability, and varying levels of taxpayer compliance are structural barriers to the effective implementation of digital taxation. Conversely, numerous studies emphasize that instruments such as the digital VAT can serve as a stable source of revenue, provided they are supported by simple collection mechanisms and adequate international coordination.

The clusters generated from the VOSviewer analysis are conceptually aligned with the discussion section, although not all cluster labels are explicitly articulated as standalone subtopics. Instead, several clusters are implicitly embedded within broader analytical narratives. Cluster 1 (digital economy, digital transformation, taxation, and value creation) underpins the discussion on the paradigm shift in global taxation caused by digitalization. Although value creation is not addressed as a separate subsection, it is substantively reflected in the analysis of market jurisdictions, user participation, data utilization, and the OECD-G20 Pillar One rationale, all of which are grounded in the redefinition of where and how economic value is created in digital markets. Cluster 1 functions as the theoretical foundation of the discussion, explaining why traditional physical-presence-based taxation frameworks are no longer adequate.

Cluster 2 (digital services tax, VAT on digital services, platform-based taxation) is reflected in the discussion through the examination of digital VAT/PPN mechanisms, particularly the Indonesian PMSE VAT case and comparative references to other Asian countries. Although the term Digital Services Tax (DST) is not consistently highlighted as a distinct policy category, its underlying logic, taxing digital economic activities in the market jurisdiction, is addressed through the analysis of VAT on cross-border digital services as a pragmatic and administratively feasible instrument for developing countries. Thus, Cluster 2 represents the instrumental and operational dimensions of digital taxation within the discussion, emphasizing implementation feasibility, compliance dynamics, and revenue outcomes.

Cluster 3 (international taxation, tax reform, profit allocation, OECD-G20 initiatives) is closely connected to the discussion of global tax reform, particularly the Two-Pillar Solution and Pillar One's nexus and profit reallocation rules. Even where the term international taxation is not explicitly reiterated, the discussion engages directly with its core concerns, including the redistribution of taxing rights, mitigation of double taxation risks, and necessity of multilateral coordination. Therefore, Cluster 3 serves as the institutional and governance layer of the analysis, linking domestic digital tax policies in developing Asian countries to the evolving international tax architecture.

Cluster 4 (developing countries, policy implications, administrative capacity, compliance, and equity) is explicitly reflected in the discussion sections that address challenges, implications, and policy recommendations for developing countries in Asia. This cluster captures the applied and contextual dimensions of the literature, focusing on how digital tax policies interact with institutional capacity constraints, infrastructure gaps, compliance behavior, and distributional effects. The discussion's emphasis on phased implementation, protection of micro, small, and medium enterprises, capacity building, and mitigation of regressive impacts directly operationalizes the themes in Cluster 4. This cluster bridges theory and practice by translating global digital tax concepts into context-specific policy strategies for developing economies.

Taken together, these four clusters correspond to interrelated analytical layers rather than isolated themes. Cluster 1 provides the conceptual rationale, Cluster 2 supplies the policy instruments, Cluster 3 establishes the international governance framework, and Cluster 4 contextualizes implementation and impacts in developing Asian countries. The discussion section synthesizes these layers into a coherent narrative, demonstrating that the clusters collectively reinforce the article's analytical framework, even when specific cluster labels are not explicitly foregrounded.

4.2.1 Challenges of Digital Taxation in the Global Economy for Developing Countries in Asia

The primary challenge faced by developing countries in Asia regarding digital taxation lies in the gaps in administrative capacity and fiscal technology. Research on tax administration reform indicates that digitalization requires strong institutional preparedness, including data interoperability, digital infrastructure, and technology-based audit practices ([Krutikov, Dorozhkina, & Alekseeva, 2021](#)). Other studies have found that the expansion of digital economic activities increases the complexity of tax administration, particularly for small and medium-sized enterprises and digital content creators, which are often characterized by limited tax management capabilities. Although the digital economy has grown rapidly and emerged as a new engine of economic growth, it has paradoxically contributed to

stagnating tax revenues in some countries because of regulatory limitations in taxing cross-border digital enterprises ([Abbas & Ramadani, 2025](#)).

This situation renders compliance with tax regulations a critical priority ([Sibarani, Fadjarenie, Widayati, & Tarmidi, 2024](#)). Studies on large economies, such as China, demonstrate that countries with high administrative capacity can implement integrated policies, including the integration of fiscal data, regulation of national digital platforms, and comprehensive digital VAT reforms ([Li & Liu, 2022](#)). In contrast, developing countries continue to face challenges such as shortages of skilled human resources, weak tax information systems, and gaps in law enforcement systems.

Another important theme is the fiscal impact of digital tax reform. Several studies argue that digital tax instruments, such as VAT, can enhance government revenue; however, their effectiveness depends heavily on policy planning capacity and the efficiency of tax collection mechanisms ([Mahpudin 2024](#)). Other analyses suggest that in the absence of international coordination, particularly regarding the reallocation of taxing rights in the digital economy, the risks of double taxation and legal loopholes remain substantial ([Paskaleva and Stoykova, 2025](#)).

Moreover, research on tax burden distribution highlights the potential for regressive effects if digital taxes are passed on to consumers through increased prices. This concern is particularly relevant for developing countries, where small business sectors are dominant and consumer demand tends to be more price sensitive. Overall, the literature reviewed indicates that the principal challenges of digital taxation in developing Asian countries stem from a combination of limited administrative capacity, low levels of voluntary compliance, regulatory gaps, and the need for international harmonization.

While developed countries are generally able to implement digital tax instruments more efficiently, developing countries require a gradual and phased strategy, ranging from the registration of foreign digital suppliers and the expansion of digital VAT to integrating data-driven audit systems. In the context of a dynamic global economy, digital taxation is an essential instrument for developing Asian countries to safeguard tax policy sovereignty and enhance fiscal equity. Nevertheless, the success of its implementation remains highly dependent on each country's ability to bridge technological gaps, strengthen tax governance, and actively participate in international frameworks that govern the redistribution of taxing rights within the digital economy.

4.2.2 Implications of Digital Taxation in the Global Economy for Developing Countries in Asia

Based on the reviewed articles, a recurring theme emerges in which digital taxation is regarded as a policy solution to address the transfer of economic value to digital activities. This is primarily pursued through the expansion of VAT/PPN on cross-border digital services, implementation of platform-based or data-driven tax instruments, and efforts to refine international profit attribution rules. The selection of these instruments entails different implications for developing countries in Asia. Conceptual and policy-oriented studies emphasize the importance of clearly defining taxation objectives before selecting appropriate tax instruments ([Parsons, 2024](#)).

This principle repeatedly appears when comparing digital VAT policies with proposals to tax digital data ([Karwat & Werner, 2025](#)). In terms of implementation, empirical studies and case analyses indicate that countries with adequate administrative capacity and digital infrastructure, such as those examined in policy studies on China, can integrate digital VAT reforms with platform oversight and fiscal data monitoring, resulting in higher compliance levels and more stable revenue streams ([Li & Liu, 2022](#)). Conversely, developing countries that continue to face weak tax information systems, limited human resources, and underdeveloped legal frameworks encounter higher risks of noncompliance and elevated compliance costs for small and medium-sized enterprises ([Sarker & Ahmed, 2022](#)).

Several studies suggest that a digital VAT can enhance government revenue when supported by simple administrative arrangements, such as streamlined registration procedures and straightforward tax collection mechanisms. However, in the absence of international coordination, particularly with respect to the allocation of taxing rights, the risks of double taxation and policy distortions remain substantial

(Paskaleva & Stoykova, 2025; Sibarani et al., 2024). Moreover, the literature cautions against the distributive consequences of digital taxation, noting that taxes imposed on users or passed through domestic value chains may have regressive effects in economies with a large proportion of small and medium-sized enterprises and price-sensitive consumers.

From a policy perspective, the synthesis of findings suggests a phased strategy for developing countries in Asia, prioritizing: (1) strengthening administrative management capacity and data interoperability (Krutikov et al., 2021); (2) early adoption of VAT/PPN on foreign digital services with thresholds designed to protect Micro, Small, and Medium Enterprises (MSMEs) (Paskaleva & Stoykova, 2025); and (3) active participation in international forums to adopt profit reallocation principles that reduce the risk of double taxation, consistent with the overarching recommendations identified across the reviewed studies.

Overall, the articles selected through the PRISMA process consistently affirm that digital taxation is crucial for restoring tax bases eroded by the digitalization of the global economy. Nevertheless, its implications for developing countries in Asia are highly contingent upon administrative capabilities, policy designs that are sensitive to domestic economic structures, and the degree of international coordination achieved by these countries.

4.2.3 Policy Recommendations for Developing Countries in Asia on Digital Taxation

From an implementation perspective, marked differences emerge between countries with strong administrative capacities and developing economies in the field of digital taxation. Jurisdictions equipped with robust tax information system infrastructure and effective platform oversight capabilities can integrate digital VAT reforms more efficiently, thereby enhancing tax compliance, revenue collection, and the use of data for audit purposes (Li & Liu, 2022). In contrast, many developing countries face technical constraints, shortages of skilled human resources, and high administrative burdens for Micro, Small, and Medium Enterprises (MSMEs), making it difficult to realize the full revenue potential of digital taxation without substantial capacity-building support (Mahpudin 2024).

Studies on data taxation and the reallocation of taxing rights further highlight both technical and normative challenges, such as how to measure and attribute the value of data and the implications of such taxation for innovation and privacy issues. Consequently, several authors recommend that countries clearly define their fiscal and distributive objectives before selecting specific tax instruments to achieve them. Based on the synthesis of the reviewed literature, several recommendations are particularly relevant for developing countries in Asia.

- a. Strengthening tax administrative capacity and building data infrastructure, including payment system interoperability, non-resident registration mechanisms, and data-driven audit capabilities (Krutikov et al., 2021).
- b. Adopting a phased approach by prioritizing the expansion of VAT/PPN on non-resident digital services and using registration thresholds to protect MSMEs and reduce compliance costs (Mahpudin, 2024; Sibarani et al., 2024).
- c. Enhancing participation in international coordination forums to minimize the risk of double taxation and promote a fairer allocation of taxing rights (Paskaleva & Stoykova, 2025).
- d. Designing complementary policy packages in the form of taxpayer education, compliance incentives, and distributional mitigation measures to ensure that policy burdens do not have regressive effects on low-income consumers (Sarker & Ahmed, 2022; Sibarani et al., 2024).

Overall, the 30 reviewed articles consistently affirm that digital taxation constitutes a strategic instrument for safeguarding tax bases in an increasingly digitalized global economy. It must be emphasized that digital transformation, including the digitalization of financial and tax systems, does not automatically stimulate economic growth in the absence of adequate regulatory frameworks and supportive tax policies (Pal et al., 2025). Its effectiveness and equity for developing countries in Asia are strongly shaped by the quality of policy design, administrative capacity, and degree of international coordination achieved (Karwat & Werner, 2025; Li & Liu, 2022; Parsons, 2024).

5. Conclusions

5.1 Conclusion

This study concludes that digital taxation constitutes a strategic instrument with substantial potential to safeguard fiscal sustainability in an increasingly digitalized global economy. Nevertheless, its benefits for developing countries are highly contingent on their ability to bridge technological and administrative gaps, strengthen tax governance, and actively participate in the harmonization of international tax policies. At the domestic level, the implementation of VAT on Electronic System-Based Trade (PMSE) in Indonesia serves as an illustrative example of how developing countries can effectively utilize digital tax instruments to expand the tax base and enhance government revenue.

The empirical evidence presented indicates that digital taxation has become an increasingly significant revenue source over time. PMSE VAT revenue increased from approximately IDR 731 billion in 2020 to IDR 7.58 trillion in 2024, representing an increase of around 937 percent (more than tenfold growth) within five years. This sharp increase indicates that digital taxation significantly strengthened revenue mobilization from previously undertaxed digital economic activities. This improvement is attributable not only to the rapid growth of the digital economy but also to policy factors such as the designation of non-resident digital platforms as VAT collectors, simplified registration mechanisms, and enhanced enforcement capacity by the tax authority.

While this percentage increase does not imply that digital taxation alone drove overall tax revenue growth, it clearly demonstrates that the digital tax regime has become an increasingly important contributor to national fiscal performance and has effectively expanded the tax base in the digital sector. Accordingly, developing countries in Asia should adopt a phased strategy that includes (a) strengthening administrative capacity, (b) expanding the scope of digital VAT taxation, (c) improving data interoperability, and (d) ensuring that policy design adequately considers distributional impacts on consumers and small business actors. This approach enables these countries to derive optimal benefits from global tax reforms without undermining domestic economic stability.

Looking ahead, developing countries in Asia are expected to broaden their fiscal policy frameworks in the era of digitalization. Countries that have already implemented digital taxation as a source of public revenue may serve as useful references and examples. With sufficient commitment and preparedness across multiple dimensions, digital taxation can evolve into a sustainable revenue source in the global economic landscape.

5.2 Research Limitations

This study is subject to several limitations that should be considered when interpreting and further analyzing its findings. First, the research adopts a Systematic Literature Review (SLR) approach, relying on secondary data derived from Scopus-indexed literature published between 2020 and 2025. Consequently, the results were inherently constrained by the scope, quality, and perspectives of the articles included in the database. Second, the analysis remains qualitative, conceptual, and bibliometric in nature, utilizing VOSviewer for visualization. As such, this study cannot empirically measure the magnitude of fiscal impacts or the effectiveness of digital tax policies on government revenue. Third, the focus on developing countries in Asia limits the generalizability of the findings to other regions with different economic structures and institutional characteristics than Asia. These limitations suggest that the findings should be interpreted primarily as a conceptual mapping and policy synthesis rather than as a direct evaluation of the impacts of digital tax policies.

5.3 Suggestions and Directions for Future Research

In light of these limitations, future research offers considerable scope for further development and deeper analyses. Subsequent studies should adopt empirical approaches to assess the impact of digital tax implementation on national revenue performance. In addition, comparative studies across Asian countries could be conducted to identify the best practices in digital tax policy design and implementation. Such research would enable the formulation of more practical and evidence-based policy recommendations for developing countries to respond to international tax reform, particularly in the area of digital taxation.

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Author Contributions

MZH contributed to the conceptualization of the study, overall research supervision, and critical review of the theoretical framework and the policy implications. TMY was responsible for the study design, data collection through the Systematic Literature Review (SLR) process, and bibliometric analysis using VOSviewer. DAL contributed to data screening, eligibility assessment based on the PRISMA guidelines, and validation of the methodological framework. MRR participated in data interpretation, comparative policy analysis, and drafting key sections related to the discussion and recommendations. SS contributed to the drafting, editing, and formatting of the manuscript, as well as coordinating revisions and preparing the final version of the manuscript. All authors critically reviewed the manuscript and approved the final version for publication.

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