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TAX MANAGEMENT: Tax Compliance Based on Tax Regulations in ASEAN Countries

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ABSTRACT

This study is a comparative study of tax treatment policies in ASEAN countries in an effort to improve tax compliance. Tax compliance is very important for the country because it will have a direct impact on increasing state revenues in an effort to ensure the smoothness of public spending. In addition, tax compliance is one indicator of public trust in the government in the tax system implemented. Tax compliance in ASEAN shows significant variations between countries as reflected in the tax ratio. ASEAN countries have a tax ratio ranging from 6% to 16%, there is a very diverse gap between countries. The factors that influence compliance Taxes include tax regulations, taxpayer income, tax rates, income, knowledge, tax services, commitments as well as coordination between state institutions , perception about tax , role owner business in collect , deposit as well as report taxes and others. ASEAN countries can implement all policies in terms of tax collection for corporations and individuals in supporting sustainable development policies, building community welfare and avoiding double taxation. This study aims to compare the treatment of tax policies in ASEAN countries and at the same time provide strategic recommendations in efforts to improve tax compliance in order to ensure the sustainability of dignified and just governance.

Keywords: Tax management, Tax Compliance, Tax Regulation

INTRODUCTION

The Association of South East Asian Nations (ASEAN) consists of ten countries, each of which has unique and different tax regulations and systems from one country to another. However , the discussion in this article aims to provide an overview of the tax regime in 7 countries with complete data availability in 2024 which includes Indonesia, Singapore, Malaysia, Thailand, Vietnam, Cambodia and Brunei Darussalam, highlighting the main aspects and differences in tax treatment among these ASEAN countries. The Association of Southeast Asian Nations (ASEAN) comprises ten countries with diverse tax systems and regulations. This article focuses on seven countries with the most complete 2024 data: Indonesia, Singapore, Malaysia, Thailand, Vietnam, Cambodia, and Brunei Darussalam. It highlights key aspects and differences in tax treatment across these nations.

In terms of taxation, Indonesia seeks to implement business-friendly for business actors and does not apply progressive tax rates for companies and competitive and progressive personal income tax when compared to ASEAN countries. The corporate tax rate is 22%

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of fiscal adjustments, the personal income tax rate is 5% to a maximum of 35% of gross income, for small and medium enterprises (SMEs) on income of Rp500,000,000.00 (five hundred million rupiah) is not subject to tax. For income amounts up to Rp4,800,000,000.00 (four point eight billion rupiah) a rate of 0.5% is imposed (for a limited period and is applied practically to companies and/or new business actors) with the aim of stimulating the business world (Law No. 36 of 2008 concerning the Fourth Amendment to Law No. 7 of 1983 concerning Income Tax, 2008) . Meanwhile, Singapore is known for its business-friendly tax environment and competitive corporate tax rates. The country has a territorial tax system, meaning that only income sourced from Singapore is taxed. The corporate tax rate is 17%, one of the lowest in the region. In addition, Singapore offers tax incentives and schemes to encourage investment in various sectors, such as research and development, finance, and manufacturing.

Malaysia has a self-assessment tax system, where taxpayers are responsible for calculating and reporting their own taxable income. The corporate tax rate is 24%, with a preferential rate of 17% for small and medium enterprises (SMEs) on the first taxable income of RM600,000. Malaysia also offers various tax incentives for industries such as manufacturing, agriculture and technology, as well as for activities related to environmental protection and green initiatives.

Thailand has a progressive tax system for individuals and a flat tax rate for companies. The corporate income tax rate is 20%, with some exemptions for certain types of businesses or activities. Thailand also provides tax incentives for businesses in certain industries, such as agriculture, technology, and environmental protection. In addition, the country has introduced strict transfer pricing regulations and tax compliance requirements. Vietnam has a progressive personal income tax system and a flat corporate income tax rate of 20%. However, foreign companies may be subject to higher tax rates, depending on their industry and location. Vietnam's tax laws are constantly evolving, with recent changes aimed at aligning with international standards and attracting foreign investment. The country offers tax incentives for businesses operating in certain sectors or regions, such as high-tech industries and economic zones.

Cambodia has a relatively simple tax system, with a flat corporate tax rate of 20% for most businesses. The country offers a range of tax incentives to encourage investment, particularly in priority sectors such as agriculture, manufacturing and tourism. Cambodia has signed double taxation treaties with several countries to prevent double taxation and encourage foreign investment. Darussalam has a unique tax system, whereby corporate income tax is levied only on non-Brunei citizens. Brunei citizens and permanent residents are exempt from personal income tax. The corporate tax rate for non-Brunei companies is 18.5%. Brunei Darussalam offers tax incentives for certain sectors, such as manufacturing, oil and gas, and Islamic finance.

METHODS

This study uses a quantitative descriptive method focusing on seven ASEAN countries based on available 2024 data. ASEAN member countries will be the object of research. The population includes ASEAN countries consisting of 10 countries, namely Indonesia, Malaysia, Singapore, Thailand, Vietnam, Cambodia, Brunei Darussalam, the Philippines, Laos and Mayanmar. However, of the ten countries in question that have complete data related to individual taxpayer rates, corporate tax rates or corporate tax rates, sales tax rates or value added tax and tax ratios in 2024, there are 7 countries, namely Indonesia, Malaysia, Singapore, Thailand, Vietnam, Cambodia, Brunei Darussalam. Purposive sampling was applied, targeting countries with complete data on personal income tax, corporate income tax, VAT, and tax ratios..

RESULT AND DISCUSSION

In the international context, tax is defined as a mandatory payment to the government without direct compensation based on applicable laws (OECD, 2018a) . Each country has a tax policy regarding tax rates, tax deduction and collection systems, tax bases, types of taxes including sanctions for tax violators that vary (Manrejo, 2016) . Each country relies on its largest revenue from taxes, even Indonesia reaches almost 80% of state revenue from taxes (Ministry of Finance, 2024) . Taxes are used to finance various public activities and services , such as infrastructure, education, health, security and defense and government administration (OECD, 2019) . Meanwhile, taxes can be in the form of income tax, value added tax, sales tax, property tax (OECD, 2018) . When viewed from the perspective of the tax subject, it can be divided into 3 large parts, namely personal income tax, corporate or corporate income tax and value added tax.

Table 1 ASEAN Country Tax Rates

No	Country	Types and Tax Rates		
		Private Person	Body	VAT
1	Indonesia	5% - 35%	22%	11%
2	Malaysia	11% - 30%	24%	10%
3	Singapore	0% - 24%	8.5%-17%	7%
4	Thailand	0% - 35%	25%-28%	7%
5	Vietnamese	0% - 35%	20%	10%
6	Cambodia	20%	20%	10%
7	Brunei Darussalam	0-8%	18.5%	-

Source: from various sources processed by the author

One indicator of tax compliance is related to the tax rate, because the rate multiplied by the tax base will get the amount of tax owed (Manrejo, 2016) . The implications of tax compliance will be reflected in the tax ratio (OECD, 2015) . The tax ratio is the ratio or comparison between total tax revenue and a country's Gross Domestic Product (GDP). The tax ratio is used as an indicator to measure a country's ability to collect taxes and finance government activities (Ministry of Finance, 2024) . The tax ratio is calculated using the formula: Total Tax Revenue / GDP) x 100% (Our State Budget, January 2019 Edition, 2019) . A high tax ratio indicates that a country has good ability to collect taxes and finance government activities, while a low tax ratio indicates that a country has poor ability to collect taxes. Table 2 show the tax ratio of ASEAN countries in 2024

Table 2 Tax Ratio of ASEAN Countries

No	Country	Tax Ratio
1	Indonesia	10.39%
2	Malaysia	13%
3	Singapore	16%
4	Thailand	13.2%
5	Vietnamese	11.5%
6	Cambodia	13.5%
7	Brunei Darussalam	1.8%

Source: from various sources processed by the author

Countries have made efforts to cooperate and harmonize taxation, but there are still differences in taxation systems, rates and policies among member countries. (Asean, 2019) . As for how to handle tax regulations and implementation in business, both for the government and companies is to try to better align their tax systems, especially in areas such as corporate income tax rates, value added tax (VAT), and withholding tax rates. (Manrejo, 2021) . This will create a more conducive and predictable tax environment for businesses operating across ASEAN, which will encourage intraregional trade and investment. (Nizar, 2014) . The government should work to simplify and streamline tax processes, such as registration, reporting and payment procedures. This could include implementing online tax portals, standard forms and clear guidelines to reduce the administrative burden and tax compliance costs for businesses.

ASEAN countries need to invest in capacity building and training programs for tax officials to improve technical skills, knowledge of international tax practices, familiarity with digital tax administration tools. This will encourage more efficient and effective tax administration. (Harmonization, 2019) . The government should work to increase transparency in tax policy-making and actively engage stakeholders, including business and industry associations, to gather input and insights. This will help ensure that tax policies are well-founded and aligned with the needs of the private sector. (Damayanti, 2015) . ASEAN countries should establish robust and efficient dispute resolution mechanisms, such as mutual agreement procedures (MAPs) and advanced pricing agreements (APAs), to resolve tax disputes and provide certainty for businesses operating across borders. (Nizar, 2014) .

In tax policy, ASEAN countries should focus on improving the overall ease of doing business by simplifying regulations, improving infrastructure, and reducing bureaucratic barriers. Enhanced initiatives such as simplifying business registration processes, improving access to finance, and promoting good governance can create a more conducive environment for business. ASEAN countries should continue to deepen regional economic integration efforts, such as the ASEAN Economic Community (AEC), to facilitate the free movement of goods, services, investment and skilled labor in the region , remove non-tariff barriers and harmonize regulations that can create a larger and more attractive market for business. (ASEAN DJKS, 2016) .

The Association of Southeast Asian Nations (ASEAN) consists of 10 member countries with diverse tax systems and regulations , so that the tax landscape in various major ASEAN economies, especially Singapore, Indonesia, Malaysia, Thailand, the Philippines, Vietnam, Cambodia, and Brunei Darussalam, will be visible. ASEAN countries have varying levels of tax regulatory complexity, reflecting their varying levels of economic development. Singapore is renowned for its business-friendly tax regime, low tax rates and efficient tax administration. Malaysia and Thailand have well-established tax frameworks, albeit with higher corporate tax rates. Indonesia has a complex tax system but has introduced reforms to improve compliance and collection. The Philippines and Vietnam have developed tax regimes to attract foreign investment. Cambodia and Brunei have relatively simpler tax structures. (Nizar, 2014) . Singapore, Malaysia and Thailand have robust online tax reporting and payment systems, making compliance easier. Indonesia has made strides in digitizing tax processes but faces challenges in implementation. The Philippines and Vietnam have introduced electronic reporting but still rely on manual processes in some areas. Cambodia and Brunei have less developed tax infrastructure. (Harmonization, 2011) .

Tax avoidance and transfer pricing remain significant issues in ASEAN. Countries such as Singapore and Malaysia have strict transfer pricing regulations and documentation requirements. Indonesia, Thailand and Vietnam have intensified efforts to combat transfer pricing abuse. The Philippines and Cambodia have less comprehensive transfer pricing rules, potentially allowing for profit shifting. (ASEAN DJK, 2009) . Tax evasion is a persistent challenge in ASEAN, with varying degrees of severity across member countries. Indonesia, Malaysia, and Thailand have stringent anti-tax evasion measures, including stiff penalties and increased audits (Anugrah & Fitriandi, 2022) . The Philippines and Vietnam have intensified efforts to curb tax evasion but face capacity constraints. Cambodia and Brunei have a relatively higher risk of tax evasion due to weaker enforcement. Tax audit practices vary across ASEAN countries. Singapore, Malaysia and Thailand have well-established risk-based audit selection processes and well-trained audit personnel. Indonesia has improved its audit capabilities but faces resource constraints. The Philippines and Vietnam are strengthening their audit functions, while Cambodia and Brunei have more limited audit capacity. (Indawati et al., 2024) .

ASEAN countries have strengths in tax compliance such as the efforts of several ASEAN countries (Singapore, Malaysia, Thailand) to simplify the tax system, and adopt digital technology for efficient tax administration , increasing focus on eradicating tax avoidance. However, it is undeniable that there are also several weaknesses including the complexity and inconsistency of tax laws and regulations across ASEAN countries that hinder regional integration and cross-border business activities , limited capacity in tax administration, audit, and law enforcement, especially in less developed ASEAN countries , vulnerability to tax avoidance and evasion due to profit shifting, transfer pricing abuse, and weak law enforcement in some jurisdictions , limited exchange of tax information and cooperation between ASEAN tax authorities, hampering efforts to eradicate tax avoidance and evasion. (Indawati et al., 2024) .

Tax avoidance refers to not paying or paying taxes illegally, whereas tax evasion involves exploiting tax laws to minimize tax liabilities. According to the OECD report "Tackling Tax Avoidance and Evasion in Singapore," tax avoidance remains a significant challenge in the country, with an estimated tax gap of 1.5% to 4.5% of net tax revenues annually. (OECD, 2018) . The report recommends strengthening legislation, improving audit capabilities, and increasing taxpayer compliance. Since tax management involves strategies and techniques to ensure compliance with tax laws while minimizing legal tax liabilities (Casal, Sandro, 2016) . s Tax regulations refer to the laws, rules, and policies that govern taxation in a jurisdiction (Harmonization, 2020) .

These references and sources from various tax authors provide a comprehensive overview of tax avoidance, tax management, taxation, tax regulation, tax audits and transfer pricing in ASEAN countries, including Singapore, Malaysia, Indonesia, Thailand, the Philippines, Vietnam, Cambodia and Brunei Darussalam. While ASEAN countries share some similarities in their tax regimes, such as offering incentives for targeted industries and activities, there are significant differences in corporate tax rates, personal income tax structures, and specific tax regulations. Understanding these variations is critical for businesses operating in the ASEAN region to effectively manage their tax obligations and optimize their tax planning strategies. Consulting with a tax professional who is familiar with local tax laws is highly recommended for companies operating in multiple ASEAN countries. (Natsir et al., 2022) .

ASEAN countries have entered into various tax treaties and agreements to facilitate cross-border trade, investment and economic cooperation. These agreements aim to prevent double taxation, encourage the exchange of information and provide guidelines for the tax treatment of various transactions. ASEAN countries have been working to harmonise their tax policies, particularly in areas such as corporate income tax, value-added tax (VAT) and withholding tax rates. This harmonisation aims to create a more consistent and predictable tax environment for businesses operating across ASEAN. (ASEAN DJKS, 2016) . Transfer pricing regulations have been implemented by ASEAN countries to ensure fair allocation of profits among related entities operating in different jurisdictions. These regulations help prevent tax avoidance practices and ensure that taxes are paid where the economic activity occurs. Many ASEAN countries offer tax incentives and establish special economic zones to attract foreign investment and promote certain industries or regions.

These incentives may include tax exemptions, reduced tax rates, or exemptions from certain taxes. ASEAN countries have made efforts to improve tax administration, simplify tax processes, and enhance tax compliance. This includes measures such as e-filing systems, taxpayer education, and strengthening tax audit and enforcement mechanisms. In addition, ASEAN countries have established mechanisms for the exchange of tax information and cooperation on tax matters. This includes sharing of taxpayer information, joint audits, and mutual assistance in tax collection and enforcement. Efforts for dispute resolution, such as mutual agreement procedures (MAPs) and advanced pricing agreements (APAs), to resolve tax disputes and provide certainty for businesses operating across borders (Nizar, 2014) . ASEAN countries collaborate on capacity building and technical assistance programmes to enhance the skills and knowledge of tax officials, promote best practices, and facilitate the implementation of tax policies and initiatives.

CONCLUSION

Efforts are needed to reduce tax rates and increase business opportunities in ASEAN countries, thus requiring a comprehensive approach that combines tax policy reform, regulatory improvements, regional economic integration, and efforts to encourage innovation and diversification to strengthen the region in a sustainable manner.

There is a need for agreement on several fiscal facilities, among ASEAN countries to create a more conducive environment for business, to attract foreign investment, and to encourage vibrant and sustainable economic growth. Optimization of tax management, tax reform , adaptation of tax regulations, and simple tax implementation are crucial aspects of a country's modern economy , which shape the business environment and influence investment flows and economic activities.

Effective tax policies and practices are needed to play an important role in encouraging national and regional economic integration in an effort to increase competitiveness to encourage sustainable economic growth for member countries of the Association of South East Asian Nations (ASEAN). It is necessary to simplify tax rates and regulations as well as create a conducive business climate and reduce the high-cost economy so that the government's main goal in the comprehensive reform program in various fields such as taxation, customs and bureaucracy can be achieved.

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