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Research Article

Assessing The Country's Legal Framework for Taxing Digital Transactions: A Basis for Recommending Policy Measures

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ABSTRACT

This study aims to assess the country's legal framework for taxing digital transactions. Specifically, the extensiveness of which the provisions of the legal framework can implement the value of digital transactions to taxpayers. This study employs a qualitative method by reviewing and further analyzing relevant case studies, recent gap analysis, policies, and literature on taxing digital transactions, and conducting interviews with policy experts from the Bureau of Internal Revenue (BIR). Recent study recommends enhanced policy measures based on the findings on new digital technology and its possible interactions with both current and proposed tax policies, three (3) policies were recommended. First, optimizing existing authority to tax over online platforms. Second, to have a digital-ready tax administration. Finally, to have an expanded and continued investigation for enhancement and liability regarding these digital transactions. Findings include that the BIR doesn't have enough systems to capture all revenue-generated digital service providers and is unable to track all revenue-generating digital platforms. The Philippines should continue improving taxing rights and administration pursuant to modern times. This study concluded that digital platforms can be designated as withholding agents, improve communication channels with these digital platforms and tie them up with BIR exclusively for data access, and finally, a centralized BIR portal where all digital service providers will be registered and monitored. This will be the tax platform for online transactions that is convenient and accessible for taxpayers and is deemed a highly resilient revenue generation and imposition of tax administration as time changes.

Keywords*: Digital Service Providers, Digital Technology, Digital Transactions, Philippines, Tax Administration, Tax Policies*

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Introduction

According to Digital Taxes Around The World (2023), several Southeast Asian countries, such as Malaysia, Singapore, and Indonesia set 6-11% Digital Service Taxes (DST) rate imposed upon revenues generated by foreign tech companies involved in specific digital services like online advertising, streaming, e-commerce that are within their borders wherein such foreign digital service providers are having significant economic presence in these countries are required to register for DST, collect the tax from their customers, and remit it to the tax authorities. Malaysia, in particular, required domestic entities to withhold tax at the DST rate when making payments to foreign digital service providers. Meanwhile, some countries, like Thailand and Vietnam, adopted Value-Added Tax (VAT) and Goods and Services Taxes (GST) systems to include digital services wherein digital service providers with a significant economic presence in these countries likewise register for VAT/GST and collect tax from their customers and remit the tax to authorities. A widespread trend happening across countries is that governments want to change tax based on the location of the purchase of the product. These are also commonly called "internet sales tax" rules. According to Digital Taxes Around The World (2023), other countries also imposed taxes on digital transactions, most of them are collecting 10%-20% value-added taxes on electronic services from non-resident digital service providers like in Algeria, Albania, Argentina, Armenia, Australia, Bahamas, Bahrain, Bangladesh and many more. Some of them also have a VAT threshold just like in the Philippines. The burden of VAT falls on their local banks, domestic credit card issuers, or payment processors via Withholding VAT. It is important to note however that tax laws and regulations can change rapidly, and the approach to taxing the digital economy may vary from one country to another and that specific measures are evolving.

This is why in 2013, which was well before the emergence of the COVID-19 pandemic, the Bureau of Internal Revenue released Revenue Memorandum Circular (RMC) No. 55-2013. This circular acknowledged the growing trend of consumers turning to online stores for their purchases. This shift was primarily driven by the remarkable convenience that online shopping offers, allowing individuals to shop from the comfort of their homes, offices, or even public places with internet access. RMC No. 55-2013 clarified that existing laws and regulations regarding the taxation of both local and imported purchases, as well as the sale of goods and services (whether tangible or intangible), would be applied uniformly. This meant that the tax treatment would remain consistent, regardless of whether transactions occurred online through the internet or digital media or via the traditional physical channels.

On June 1, 2020, the BIR issued RMC No. 60-2020 to reiterate the obligation of all individuals engaged in various forms of income-generating activities, particularly those involved in digital transactions through electronic platforms and other digital means. They were required to ensure their businesses were registered in accordance with Section 236 of the Tax Code, as amended, and ensure that they were in compliance with tax regulations. The phrase "income from any source whatever" under Section 32 of the National Internal Revenue Code (NIRC) of 1997 provides a legislative intent to include all income not expressly exempted within the class of taxable income. Thus, regardless of how a sale is transacted, whether through an online platform or not, the income generated may be subjected to income tax. Nevertheless, it is important to distinguish sellers and logistic providers who are non-resident citizens, aliens, or foreign corporations who have no physical presence in the Philippines. This is because, under our system of income taxation, the generation of income itself does not automatically make it taxable under Philippine law. For sellers and service providers who are resident citizens and domestic corporations and sell goods and services online (referred to as onshore sellers), the question of tax liability of them is not difficult to answer because under our income tax system, income derived within and outside the Philippines is subject to income tax. The challenge arises in the complexity of transactions in terms of when the seller or service provider is a non-resident citizen, alien or foreign corporation who sells goods and services online but has no physical presence in the Philippines (referred to as offshore sellers). This is because income from sale of property or performance of service shall be subject to income tax only when the income is sourced within the Philippines. Several gap analyses, case studies, and stakeholder feedback have been conducted by government agencies namely the National Tax Research Center, Philippine Institute for Development Studies, University of the Philippines School of Economics as well as the Congressional Policy and Budget Research Department relevant to taxation of digital transactions. All of them identified gaps and opportunities, which we had summarized into eight categories as shown in Table Four in our Chapter 4.1-Summary of Findings.

All of them have their own findings and insights but none really had a comprehensive review of the tax policies and provided specific policy recommendations which we found to be important in bridging the gaps effectively with an end in mind of modernizing the tax system to adapt to the digital economy's evolving nature. Hence, in this study we endeavor to contribute to the comprehensive review of the tax policies and provide specific policy recommendations to the Commissioner of Internal Revenue. It may not be as vast as recommending a draft tax bill permitting the imposition of income tax and VAT on certain online transactions but clear, simple, and meaningful rules such as the application of situs rules when applied to online business transactions and the proper characterization of digital products and services, or clarificatory rules stating the place where the e-commerce transaction is performed and become taxable, among others. It may also be noted that even though there are many positive effects of these digital transactions on the economy, the financial recovery will drive an even greater need to be able to implement digital technology for effective revenue generation. Although the taxation through the help of digital transactions offers a readily available source of revenue for the government, the end-users usually have issues with either erroneous remittance of amount logged by the user or the system itself.

The complexity of digital technology can also be a hindrance in executing a proper revenue generation of the government. A national tax system in partnership with digital technologies can be the easiest way to revenue generation but also can have the most issues and concerns. That's why the absence of a comprehensive legal basis regarding digital tax transactions is important to be addressed in order to properly guide taxpayers in navigating through the system and remitting correct taxes. The related pieces of literature to this study have their own findings and insights and the relevance of these literatures would inform the readers about the tax legislations currently imposed in the Philippines. Like, House Bill No. 7425 was not approved by the Senate primarily because of its exemption on value-added tax for online information materials such as newspapers, books, etc. which would be in contrast to what the House Bill is implementing; the imposition of VAT on the sale of goods and services rendered through digital platforms. However, this House Bill proposed to amend the current Tax Code of the Philippines by imposing taxes on digital transactions, but it would not be enough to impose value-added tax on certain goods and services provided online thus, the creation of another House Bill has been created.

The House Bill No. 4122 which also proposed to amend the Tax Code by imposing 12% VAT on digital transactions such as mobile apps, online software, webcasts, and other digital contents. This House Bill will also impose a tax on information materials but will be limited to the sale of online subscription-based services to education institutions recognized by the Department of Education, Commission on Higher Education, and state universities and colleges. However, House Bill No. 4122 still needs to be reviewed and approved by the Senate before the approval of the President. These House Bills represent the resilient taxing system of the Philippines that is also adapting to the changes of the modern world by using digital platforms to perform sales and services online. However, compliance with these house bills will set implementation challenges to the Bureau of Internal Revenue and other related tax regulators.

It is worth mentioning that in 2020, House Bill No. 6765 (Salceda) was introduced and coined the term "network orchestrators" which it referred to persons, typically aided by information technology, that act to create a network of accredited service providers and service consumers, and likewise act as intermediaries that facilitate the matching of a consumer's service needs with a provider's available services. The Bill made notable proposals of two (2) key changes to the taxation of the digital economy that are meaningful for this study. First, it seeks to make "network orchestrators" like Grab and Angkas withholding agents for income taxes, and network orchestrators for lease services (e.g., AirBnB) and electronic commerce platforms (e.g., Lazada, Shopee, Shein) act as withholding agents for VAT, thus, relieving platform's partners of the burden of paying their own taxes, and on one hand, remitting VAT on behalf of their partners, which lead to simplifying the tax process and promoting compliance. The Bill further proposes that services rendered electronically in the course of trade or business are liable to VAT. This includes digital advertising services provided by internet giants like Google and Facebook, as well as subscription-based services like Netflix and Spotify. Second, it requires those who render digital services to do so through a resident agent or representative office in the Philippines in order to ensure that businesses with a significant presence in the country, even without a physical establishment, can be held liable for tax obligations. The Bill was eventually substituted by House Bill No. 7425 in 2021.

According to Calundan (2013), he classified the participating parties in relation to online business transactions to (1) Business to Consumer (B2C) which involves online stores selling goods and services to final consumers; (2) Consumer to Consumer (C2C); and (3) Business to Business (B2B) which encompasses job recruitment, online advertising, credit, sales, market research, technical support, procurement and different types of training. Calundan (2013) also stated the common types of online business transactions in the Philippines such as (1) Online shopping or online retailing; (2) Online intermediary service; (3) Online advertisement/classifies ads; and (4) Online auction. The source of Calundan (2013) were from Revenue Memorandum Circular No. 55-2013 that also outlined the duties and obligations of the parties who rendered their business through the above-stated types of online business transactions. According to Philippines: Preparing for VAT on Digital Transactions-12% VAT to Digital Service Providers (DSP) that operate through online platforms (2023), the House Bill No. 7425 was seeking to amend Section 105 of the NIRC by imposing 12% value-added tax (VAT) to digital service providers (DSP) that operate through online platforms. It also stated the effectivity of the Bill which has a transition period of 180 days from when VAT can be imposed on non-resident digital service providers, the tax rate of 12% on (1) goods or properties including those electronic or digital in nature; and (2) services including those rendered electronically, the scope of the Bill such as the digital services and digital content and the VAT exemptions such as (1) Sales below PHP 3 Million; (2) Electronic or online sale/importation/publication of books/newspaper/magazine/review or bulletin appearing at regular intervals with fixed prices or subscription and sale not devoted principally to the publication of paid advertisements; and (2) Educational services including online courses and webinars, and books and other printed materials which are sold electronically or online which are not devoted principally to the publication of paid advertisements.

From the study published in the University of the Philippines School of Economics by Renato E. Reside Jr., it tackled the importance of economic models to offer a good insight for policymakers regarding taxation of digital services which would be relevant in our study in recommending an improved policy for tax regulators. The key is to recognize that digital platforms are two-sided markets. Given these traits of two-sided digital markets, traditional outcomes of taxation in one-sided market models may not apply. In such markets, users on one side of the market can create value for participants on the other side. Digital platforms can capitalize on network externalities created by both sides as well as scale economies, which is one basis for taxing digital services taxes. This study used the recent economic models from the Asian region given by Reside (2022) as a basis for recommending an improved tax policy that will also benefit the Philippine government for a better revenue generation. Like our study, Reside (2022) also stated that the House Bill No. 7425 is also compared against emerging VAT and DST practices around the world. Reside's study also observed some differences between the bill and global VAT practice.

Methodology

From the methodological perspective, this study was grounded in qualitative methods that helped the construction of the recommendations. This study analyzed documents, literature, and case studies that are related and relevant to the formulation of improved policy measures for digital transactions. This study also explored the professional opinions of BIR Chief Officers regarding the assessment of our country's legal framework for taxing digital transactions. The same forms part of the basis of the findings in recommending to the BIR improved tax policies on digital transactions involving resident or non-resident digital service providers.

Filipinos always use social media to interact in their daily lives. Social media can also be the bridge to business owners to make their businesses known nationwide. That's why this study covers participants of the digital marketplaces which would be the place where the digital service providers and consumers interact regarding the sale of goods and services conducted online, particularly resident and non-resident digital service providers. Tracking of tax remittances for the services rendered through digital or electronic means consumed in the Philippines will probably be a challenge but will be a start of keeping up with the constant change in the modern technology. That's why this study also included as participants, the tax regulators of the Philippines which will be the Bureau of Internal Revenue who will impose the guidelines and tax policies to the digital service providers and collect taxes conducted through these digital transactions.

This study gathers data through document analysis of many related literature and case studies and will also conduct interviews from the Chief Revenue Officers of the Bureau of Internal Revenue. The questions asked are from this study's statement of the problem. These questions were answered through a face-to-face interview with the Bureau of Internal Revenue officers from Revenue Region No. 5-Caloocan and Revenue District Office No. 28-Novaliches. These conducted interviews will answer the study's statement of the problem that will contribute to the findings, recommendations, and conclusions of this study. The answers from the conducted interviews and the data analyzed from the related literature and case studies will have the greatest impact in establishing this study's goal which is to construct an enhanced policy to improve the country's taxation against digital transactions.
Below are the two tables showing analyses of data captured from related pieces of literature and case studies.

Table 1. A Sampling of Literature and Data Analyzed

LITERATURE SELECTED	DATA ANALYZED
1. Unciano, R. (2023). *Clarifying VAT on Digital Transactions*. Tax Law for Business of Du-Baladad and Associates.	• Digital services consumed by the buyer in the Philippines are subject to VAT. • Tracking what is actually consumed in the Philippines would be a challenge for the tax administration.
2. Lleno, R. M., Romero, J. (2023). *New Bill seeks to Impose VAT on Digital Transactions*. SyCip Salazar Hernandez & Gatmaitan.	• Amendments to the Tax Code by imposing value added tax including non-resident digital service providers.

LITERATURE SELECTED	DATA ANALYZED
	• Differences between House Bills No. 7425 and 4122 through the sale of online subscription-based services to educational institutions.
3. 3. Capa, K. (2023). *The Uncharted Waters of Taxing Digital Services*. Klynveld Peat Marwick Goerdeler.	• Definition of Section 108 of Tax Code or the 12% VAT imposed on gross receipts derived from sale or exchange of services through digital transactions. • Poses an issue regarding the borders of other countries and makes it challenging to impose taxes on other entities that are outside the taxing jurisdiction of the Philippines.
4. Union Bank GlobalLinker. (2021). *Taxation of Digital Services and Transactions in the Philippines*. Mandaluyong City.	• Mentioned House Bill No. 7425 that proposed an amendment to Section 105 of the Tax Code and provides that the sale of goods and properties that are digital or electronic in nature and services that are rendered electronically shall also be subject to 12% VAT. • It also stated that a non-resident digital service provider will be liable to register for VAT in the Philippines if annual gross sales or receipts exceed, or are likely to exceed P3,000,000.00.
5. Calundan, O. (2013). RMC 55-2013: Tax Rules and Obligations on Online Business Transactions. Philippine Accounting Updates.	• Classified the participating parties in relation to online business transactions. • Listed the most common types of online business transactions in the Philippines. • Listed the summary of policies and guidelines on entering online business transactions. • Stated the duties and obligations of parties to online transactions.
6. Global VAT Compliance (2023). Philippines: Preparing for VAT on Digital Transactions-12% VAT to Digital Service Providers (DSP) that operate through online platforms.	• Mentioned the House Bill No. 7425seeking to amend Sec. 105 of the NIRC by imposing 12% VAT to digital service providers. • Defined the term Digital Service Providers and Sale or exchange of services. • Discussed the effectivity, tax rate (12%), scope and VAT exemptions.

Table 2. A Sampling of Studies and Data Analyzed

STUDIES SELECTED	DATA ANALYZED
1. Bañez, E. (2022). *Rethinking Taxation in the Digital Economy*. Philippine Institute for Development Studies.	• Recommended the centrality of platforms. Recognized the disparity of tax coverages. • Addressed different challenges in taxation in the digital economy such as (1) Corporate Inversion (2) Base erosion and profit shifting (3) Tax jurisdiction-based. • Provided solutions from the OECD, European Commission, developments in the US, UN proposals, ASEAN, and developing economies. • Prescribed policies such as (1) optimizing existing tax authority over platforms, (2) digital-ready tax administrations, (3) expanded scope for investigation and liability and (4) engagement in the international level.
2. Reside, R. Jr. (2022). *Digital Services Taxes: Multilateral and Unilateral Efforts and an Overview of Recent Economic Models*. University of the Philippines School of Economics.	• Stated that even though there are newer models and advances in theory, they do not account for the possible interaction between digital marketplaces and traditional marketplaces. • Recommended to evaluate the merits of introducing digital services taxes for other aspects of digital transactions. • Recognized that much of the advances in digital taxation in the last decade have come in the form of allocating cross-jurisdictional taxing rights.
3. National Tax Research Center. (2020). *The Role of Payment Systems in the Philippine Tax Administration.*	• Provided the information on the country's payment systems • Introduced the BIR's several digital innovations adopted to encourage more tax compliance such as (a) Bank Debit System, (b) Electronic Filing Payment System (eFPS), (c) PESOnet, and (d) Mobile Payment • Highlighted the importance of digitized tax administration thus encouraged both tax authorities and taxpayer to maximize the use of payments systems to collect much needed funds for the economy.
4. Chooi, A., Chongvilaivan, A. (2021). *A Comprehensive Assessment of Tax Capacity in Southeast Asia*. Asian Development Bank.	• Identified country-specific-tax-related areas where Asian Development Bank support may be beneficial in supporting resource mobilization. • Stated that tax policy and tax administration are important levers in meeting revenue challenges across the region.

STUDIES SELECTED	DATA ANALYZED
	• Stated that the increasing connectivity and access to technology will enable improvements in service and supervision. • Stated that value-added taxes may be eroded by complexity in design, as well as difficulties in taxing cross-border sales of goods and services.

The subjectivity conducted in this study is influenced by the personal perspectives and preferences of our respondents; the BIR Chief Officers. The opinions of the respondents were taken into due consideration because they are directly involved in implementing tax regulation of our country and have expert assessments of current tax policies imposed against digital service providers whether resident or non-resident sellers.

The related literature and case studies that have significant impact on this study were also taken into consideration because of the author's findings and recommendations regarding taxation of digital transactions. The authors of the related case studies were also taken into consideration because of their published study in a dignified government research institute which is the Philippine Institute for Development Studies. The relevant case studies and literature greatly helped this study's formulation of improved tax policies on digital transactions that we will be recommending to the Commissioner of the Bureau of Internal Revenue.

Results and Discussions

Based on the table that the researchers are created from the analyses and understandings from the related literature and case studies, the results are clear that even the published studies and literature from respectable authors arrived at a conclusion that the difficulty in tracking the remittances of these digital service providers would be the primordial problem needed to be solved. Some of the results would be the challenge of taxing what is actually consumed in the Philippines. Another related literature also poses an issue regarding the borders of other countries and makes it challenging to impose taxes on other entities that are outside the taxing jurisdiction of the Philippines.

Another case study also recommended the centrality of the platform and recognized the disparity of tax coverages. The related study also prescribed policies such as (1) optimizing existing tax authority over platforms, (2) digital-ready tax administrations, (3) expanded scope for investigation and liability, and (4) engagement in the international level. The results of the study also recommended evaluating the merits of introducing digital services taxes for other aspects of digital transactions and recognized that much of the advances in digital taxation in the last decade have come in the form of allocating cross-jurisdictional taxing rights.

Based on the face-to-face interviews with the BIR Chief Officers of Revenue Regions 5, 7A, and Regional District Office No. 28, the latter asserted that BIR does not have the system to capture all income generated by individuals online since there are lots of platforms and most of them are from other countries which the Bureau does not have jurisdiction. Relatedly, the issue lies in the fact that the existing tax laws were created before the rise of digital transactions and e-commerce, and as a result, it lacks specific provisions that would enable the government to efficiently capture digital transactions. The BIR will also have a hard time to map out all transactions since any person can create multiple accounts and be anonymous. There is also the effect of the rapidly evolving nature of digital markets and digital technologies that makes it difficult to keep up with and effectively capture their value. Further, the current tax policies implemented still need revisions just like the Tax Reform for Acceleration and Inclusion Law, particularly in the filing of value-added tax. In their perspective, reformulation of existing tax policies across all tax types which properly covers and improves the collection of digital revenues and subsequent dissemination thereof to the public as wide as possible is found to be a valuable opportunity for the Philippines.

Second, levying companies that provide digital services such as online advertising, social media platforms, and streaming services. This tax would be based on the revenue generated by these services, and would be designed to ensure that the companies pay their fair share of taxes in the countries where they operate. Another policy that could be implemented is the requirement for digital platforms to collect and remit sales tax on behalf of their sellers.

The BIR has to tie up with these companies so they can access their data which is not something a company is willing to give because it will violate their privacy and confidentiality policies. In the future, there may be a time that they will be able to create a system to capture all transactions in one platform, but there will always be a new platform that will rise. Fourth, tax authorities could also establish better communication channels with digital platforms in order to ensure that they are complying with the tax laws, and lastly, a centralized BIR portal where all the transactions of a particular company, whether trade or non-trade, are registered and monitored.

Table 3. Response to the Statement of the Problem

Statement of the Problem	Findings of this Study
1. Are the current Philippine tax policies sufficient to capture revenues from digital transactions?	No. The current Philippine tax policies were insufficient to properly guide digital service providers and consumers on how online sales were taxed, which primarily stemmed from the fact that the Tax Code was promulgated before the rise of digital transactions and e-commerce.
2. Can the current tax policies map out the value of digital markets?	Mapping out the value of digital markets remains a challenge for the Philippines since a person can create multiple accounts and be anonymous, and digital services performed through online servers outside the Philippines are considered services rendered outside the Philippines, thus, making the transaction outside the taxing jurisdiction of the Philippines. Lastly, with the rapid changes and evolving nature of digital markets and digital technologies, it's making it difficult to keep up and effectively capture the digital market's value.
3. What improved policies can be established in order to ensure these digital transactions can appropriately be taxed?	Despite the limitations of our current tax policies, the improved implementable specific policies that the Philippines may adopt are the following, contributing to appropriate taxation of digital transactions: **First,** online platforms and payment systems can be delegated by the BIR as withholding agents wherein the BIR may categorize the online platforms and payment centers, create a working group that shall establish unanimous agreements with each category in terms of withholding and remittance procedures, and consequently, issue a

Statement of the Problem	Findings of this Study
	Revenue Memorandum Circular based on these agreements. **Second,** the BIR may allocate a budget for the establishment of robust IT infrastructure that allows centralization of the digital platform systems, provides dashboards, and is likewise capable of coping with fast-evolving and growing digital transactions, and ensures compliance in withholding and remittance of taxes. **Third,** BIR may submit a proposal to President Ferdinand R. Marcos Jr., through the Finance Secretary, pertinent multilateral policies for reallocating taxing rights in order to prevent profits from shifting to low or no tax jurisdictions, wherein it also includes encouraging the non-resident digital service providers to designate a representative office or agent, which must be a resident corporation under the Philippine law to assist them in complying with the provisions of the Tax Code; and **Fourth,** the BIR may institute a Memorandum of Agreement with the Department of Information and Communications Technology (DICT) to develop a centralized BIR portal equipped with upgraded and security measures.

In line with this new information from related literature and case studies, the researchers were able to create a summary of gap analysis generated from their findings.

Table 4. Summary of Gap Analysis

CATEGORIES	GAPS	OPPORTUNITIES
• Lack of Specific Digital Taxation Framework	The Philippines did not have a comprehensive framework for taxing digital transactions	Develop specific legislation or regulations targeting digital transactions, ensuring that all relevant aspects, such as e-commerce, online services, and digital advertising, are covered. This would help in capturing revenues from the growing digital economy.

CATEGORIES	GAPS	OPPORTUNITIES
• Difficulty in Identifying Digital Transactions	It can be challenging to identify and track digital transactions effectively, especially those conducted through international digital platforms.	Invest in technology and data analytics to improve the monitoring and reporting of digital transactions. Collaboration with international tax authorities may also be necessary to capture revenues from cross-border transactions.
• Taxation of Digital Services and Products	Inconsistent taxation of digital services and products exists, with some being subject to value-added tax (VAT) while others are not.	Review and update the tax laws to ensure a consistent approach to taxing digital services and products. Expanding the VAT base to include more digital transactions could be considered.
• Tax Evasion and Non-Compliance	Digital transactions can be conducted anonymously or through offshore entities, leading to potential tax evasion and non-compliance.	Strengthen enforcement mechanisms and international cooperation to combat tax evasion in the digital economy. Implementing stricter Know Your Customer (KYC) regulations for online payment platforms could also help.
• Transfer Pricing Issues	Transfer pricing challenges can arise in multinational digital companies that shift profits to low-tax jurisdictions.	Enhance transfer pricing regulations and ensure that multinational digital companies are appropriately taxed on their Philippine-related revenues. Cooperation with international organizations can help address base erosion and profit shifting (BEPS) concerns.
• Need for Clarity in Taxation Rules	Ambiguities in tax laws related to the digital economy can lead to confusion and disputes.	Provide clear and comprehensive guidelines on the taxation of digital transactions, including thresholds, rates, and definitions. This clarity will benefit both taxpayers and tax authorities.

CATEGORIES	GAPS	OPPORTUNITIES
• Education and Awareness	Many businesses and individuals may not be fully aware of their tax obligations in the digital economy.	Digital transactions can be conducted anonymously or through offshore entities, leading to potential tax evasion and non-compliance.
• International Collaboration	Digital transactions often transcend borders, making it challenging for individual countries to capture tax revenue effectively.	Collaborate with international organizations and neighboring countries to develop common standards and share best practices for taxing digital transactions.

The second is from the conducted face-to-face interviews with BIR Chief Officers from Revenue Region Nos. 5, 7, and Regional District Office No. 28. Based on these interviews, this study found that the current tax policies were insufficient to properly guide the digital service providers and consumers on how the online sales were taxed. The issue lies in the fact that the existing tax laws were created before the rise of digital transactions and e-commerce. As a result, it lacks specific provisions that would enable the government to efficiently capture digital transactions.

This study also found that the Bureau of Internal Revenue doesn't have enough systems to capture all income generated individuals online because of lack of ability to track all social media platforms that most of them are from other countries in which Atty. Unciano (2023) also argued for Clarifying VAT on Digital Transactions. The difficulty of mapping out the value of the digital markets can also be seen because a person can create multiple accounts and be anonymous. Current Bureau of Internal Revenue (BIR) rulings have been consistent that the digital services performed through online servers outside the Philippines are considered services rendered outside the Philippines, thus, this treatment makes such transactions outside the taxing jurisdiction of the Philippines. This poses an issue regarding the borders of other countries and makes it challenging to impose taxes on other entities that have different tax rulings on another territory which Capa (2023) also stated in The Uncharted Waters of Taxing Digital Services. Lastly, with the rapid changes and evolving nature of digital markets and digital technologies, it's making it difficult to keep up and effectively capture the digital market's value.

Conclusions

Based from the findings and results from the data gathered and analyzed in the related literature and case studies, and the conducted face-to-face interviews with the BIR Chief Officers; we therefore concluded that (1) there is a deficiency of the country's current tax policies to guide the digital service providers and consumers on what sales on goods or services were subject to tax, (2) mapping out the value of digital markets in the Philippines remains a challenge, and (3) the difficulty in tracking on what is actually consumed in the Philippines by the buyers of the digital service providers are the primary issues found by this study supported with the other studies that were already published. The issue lies in the fact that the existing legal tax framework was made before these digital transactions emerged resulting in an insufficient provision that would enable the government to effectively capture the sales on the digital transactions.

Therefore, this study will focus on recommending specific tax policies that will properly guide digital service providers on how they are going to be taxed. Specific guidelines starting from registration to filing value-added taxes to the Philippines' tax regulators; which is the Bureau of Internal Revenue. Although the ongoing House Bill No. 4122 proposes to amend the legal framework for these digital transactions, certain further amendments are still needed. House Bill No. 4122 only focused on what specific online services were subject to tax and the threshold of value-added tax on digital transaction revenues. However, the BIR can't possibly ensure that all these digital transactions were in accordance with the tax policies or if they are really imposing tax in their sales because of several digital platforms created and still will be created.

This study obtained several pieces of knowledge and new information that will help in recommending ways for the Bureau of Internal Revenue to effectively track the transactions that are consumed online. Some of the information are: (1) Digital platforms can collect and remit sales tax on behalf of their sellers. (2) BIR must establish better communication channels with these digital platforms in order to ensure compliance with the tax laws. (3) Companies that provide digital services that produce revenue through digital transactions, must partner up with the Bureau of the Internal Revenue in accessing data exclusively from digital platforms' generated revenues. (4) Centralized BIR Portal where all the transactions of a company that provides sales through digital services, must be registered and monitored. This new knowledge resulted from the methods that this study conducted assists the formulation of our recommendation: improved tax policies to the Bureau.

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