Facts in Figures
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Revenue Performance of Value-Added Tax in the ASEAN

Value-added tax (VAT) is a broad-based tax applied to the sales of goods and services, levied at multiple stages as a good or a service is sold. It is also referred to as a general sales tax. (ADB, 2022) VAT is charged only on the value-added portion of sales as firms are allowed to deduct the tax they incur on their inputs or purchases.

In the ASEAN, six (6) countries are imposing VAT, namely, Cambodia, Indonesia, Lao PDR, Philippines, Thailand, and Viet Nam. Meanwhile, three (3) countries are imposing an equivalent tax on consumption, i.e., Goods and Services Tax (GST) for Singapore, Sales and Service Taxes for Malaysia, and Commercial Tax for Myanmar. Brunei does not impose an equivalent consumption tax.

Table 1
Tax Rates on VAT and Equivalent Taxes on Consumption

Country	Type	Tax rates (%)	
		Pre-pandemic	Present[1]
Philippines	VAT	12	12
Indonesia	VAT	10	11[2]
Cambodia	VAT	10	10
Viet Nam	VAT	10	8
Lao PDR	VAT	10	7
Singapore	GST	7	7[3]
Thailand	VAT	10	7
Myanmar	Commercial tax	5	5
Malaysia	Sales tax and Service tax	5 or 10 and 6	5 or 10 and 6

Notes: [1] Present tax rates as of October 2022
[2] To be increased to 12% by January 2025
[3] To be increased to 8% and 9% by 2023 and 2024, respectively
Source: PricewaterhouseCoopers (PwC) Worldwide Tax Summaries

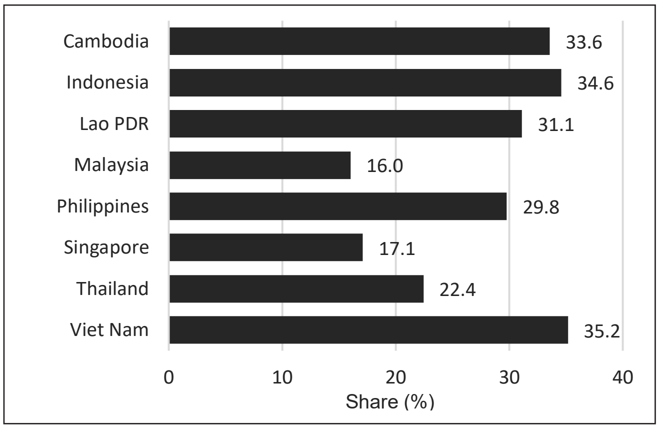
At present, the Philippines imposes the highest tax rate among ASEAN countries at 12%, followed by Indonesia (11%), Cambodia (10%), and Viet Nam (8%). Lao PDR, Singapore, and Thailand each levy a VAT/GST rate of 7%. Meanwhile, three (3) countries impose multiple-tiered tax rates. Malaysia imposes a service tax of 6% and a sales tax of 5% or 10% depending on the class of goods. Myanmar imposes a commercial tax at a standard rate of 5%, except for certain goods/services with rates ranging from 1%-15%. Viet Nam imposes a lower VAT rate of 5% for essential goods and services.

As seen in Table 1, several ASEAN countries have adjusted their tax rates due to the impact of the COVID-19 pandemic. Thailand and Lao PDR reduced their VAT rates from 10% to 7% beginning September 2020 and January 2022, respectively. Viet Nam cut its VAT rate from 10% to 8% for the period February to December 2022.

On the other hand, Indonesia increased its VAT rate from 10% to 11% on April 2022, and further to 12% on January 2025. Singapore also announced a GST rate hike from 7% to 8% effective January 2023, and to 9% effective January 2024.

Figure 1 presents the share of general taxes on goods and services to total tax revenue. As defined by the OECD (2022), general taxes on goods and services include all taxes, other than import and export duties, levied on the production, leasing, transfer, delivery, or sales of goods and/or the rendering of services, irrespective of whether they are domestically produced or imported. It thus covers VAT, sales taxes, and multi-stage cumulative taxes, e.g., turnover taxes.

Figure 1
Average Share of General Taxes on Goods and Services to Total Tax Revenue, 2016-2020



Note: Data is not available for Myanmar.
Source of basic data: OECD 2022

Viet Nam, Indonesia, and Cambodia rely heavily on general taxes on goods and services as they recorded average shares to total tax revenue of around 34%-35% for the period 2016-2020. Conversely, Malaysia (16%) and Singapore (17.1%) rely the least on said taxes among ASEAN countries. The Philippines ranked in the middle of the group with an average share of about 30% of its total tax revenue.

Tax-to-GDP Ratios. Table 2 shows the collection on general taxes on goods and services as a percentage of GDP from 2016-2020. On the average, Viet Nam (6%) and Cambodia (5.8%) posted the highest tax-to-GDP ratios during the period, followed by the Philippines at 4.1%. Malaysia and Singapore registered the lowest ratios at 2.1% and 2.3%, respectively.

Table 2
Tax-to-GDP Ratios of General Taxes on Goods and Services (In Percent), 2016-2020

Country	2016	2017	2018	2019	2020	Ave.
Cambodia	5.1	5.3	5.6	6.6	6.2	5.8
Indonesia	3.3	3.5	3.6	3.4	2.9	3.4
Lao PDR	3.6	3.5	3.4	3.3	2.7	3.3
Malaysia	3.3	3.2	1.7	1.0	1.0	2.1
Philippines	4.1	4.2	4.3	4.3	3.8	4.1
Singapore	2.5	2.3	2.2	2.2	2.2	2.3
Thailand	3.5	3.4	3.5	3.2	3.1	3.4
Viet Nam	6.0	6.3	6.2	6.0	5.4	6.0

Source of basic data: OECD 2022

The tax-to-GDP ratios of ASEAN countries generally remained stable during the period except for Cambodia and Malaysia. Cambodia recorded constant increases from 5.1% in 2016 to 6.6% in 2019, prior to the decline in 2020. Meanwhile, the trend for Malaysia began to decline in 2018 when it abolished the GST and replaced it with the sales and service taxes. The effect of the pandemic on collection performance is also evident as the tax-to-GDP ratios of most countries dropped in 2020. The decline in performance even went below the ratios in 2016, except for Cambodia.

VAT Collection in the Philippines. VAT is collected by the Bureau of Internal Revenue (BIR) on the sale, barter, exchange or lease of goods or properties, and services in the Philippines and by the Bureau of Customs (BOC) on the importation of goods into the Philippines. VAT is an indirect tax that may be passed on to the buyer, transferee or lessee of goods, properties, or services.

Table 3
Contribution of BIR and BOC to VAT Collection, 2016-2021

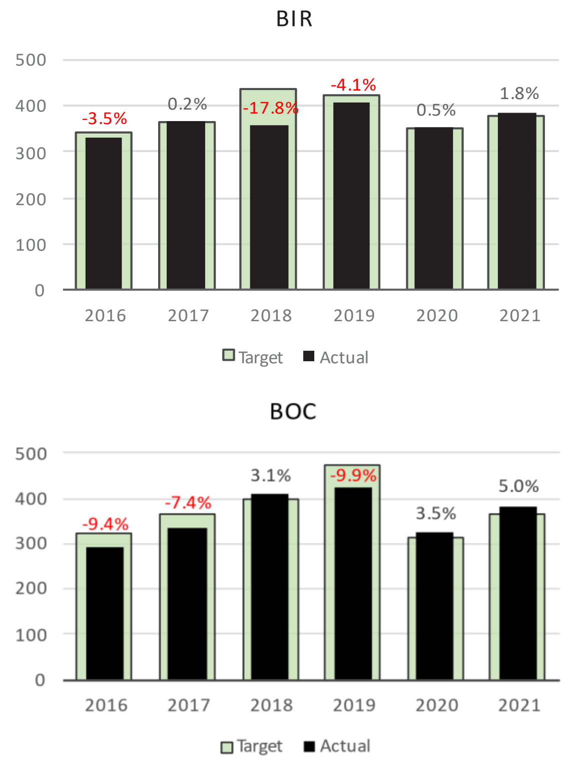
Year	In Billions			Share (%)	
	BIR	BOC	Total	BIR	BOC
2016	331	292	623	53	47
2017	365	337	702	52	48
2018	358	410	768	47	53
2019	406	427	833	49	51
2020	352	325	677	52	48
2021	386	384	770	50	50

Source of basic data: BIR and BOC

As presented in Table 3, total VAT collection steadily improved during the period 2016-2021, except when collection declined by 19% in 2020 due to the pandemic. On the average, BIR and BOC contributed equally to the total VAT collection. It is observed that BOC VAT collection has started to catch up with that of the BIR. Over the period 2016-2021, BOC VAT collection grew by 32% while BIR VAT collection grew by only 16%.

Actual versus Target. Figure 2 shows the actual and target VAT collection of BIR and BOC, and corresponding percentage excess or shortfall. During the six-year period, both collecting agencies surpassed and missed their revenue targets three (3) times. It is noted however that shortfalls are larger than excesses.

Figure 2
BIR and BOC Actual and Target VAT Collection (In Billions), 2016-2021



Source of basic data: BIR, BOC and DBM

The BIR missed its revenue targets in 2016, 2018, and 2019 with shortfalls ranging from 3.5% to 17.8%. The largest shortfall of P78 billion was recorded in 2018, which is mainly due to the surge of imports that adds to input VAT claims thus lower VAT revenues (Department of Finance, 2020). Also, the repeal of VAT exemptions under special laws as provided under the TRAIN Law did not bring in the expected additional revenues. Revenue target was therefore reduced in 2019.

Meanwhile, the BOC missed its targets in 2016, 2017, and 2019 with an average shortfall of about 9%. The largest was recorded in 2019 at 9.9% or P47 billion. It is noted that based on DBM data, BOC's revenue program in 2019 was adjusted upwards by P36.2 billion which amounts to majority of the shortfall.