



HIGH-LEVEL REGIONAL TAX CONFERENCE 2025

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Session 3: VAT at a Strategic Crossroads – Navigating Reform in a Digital Era

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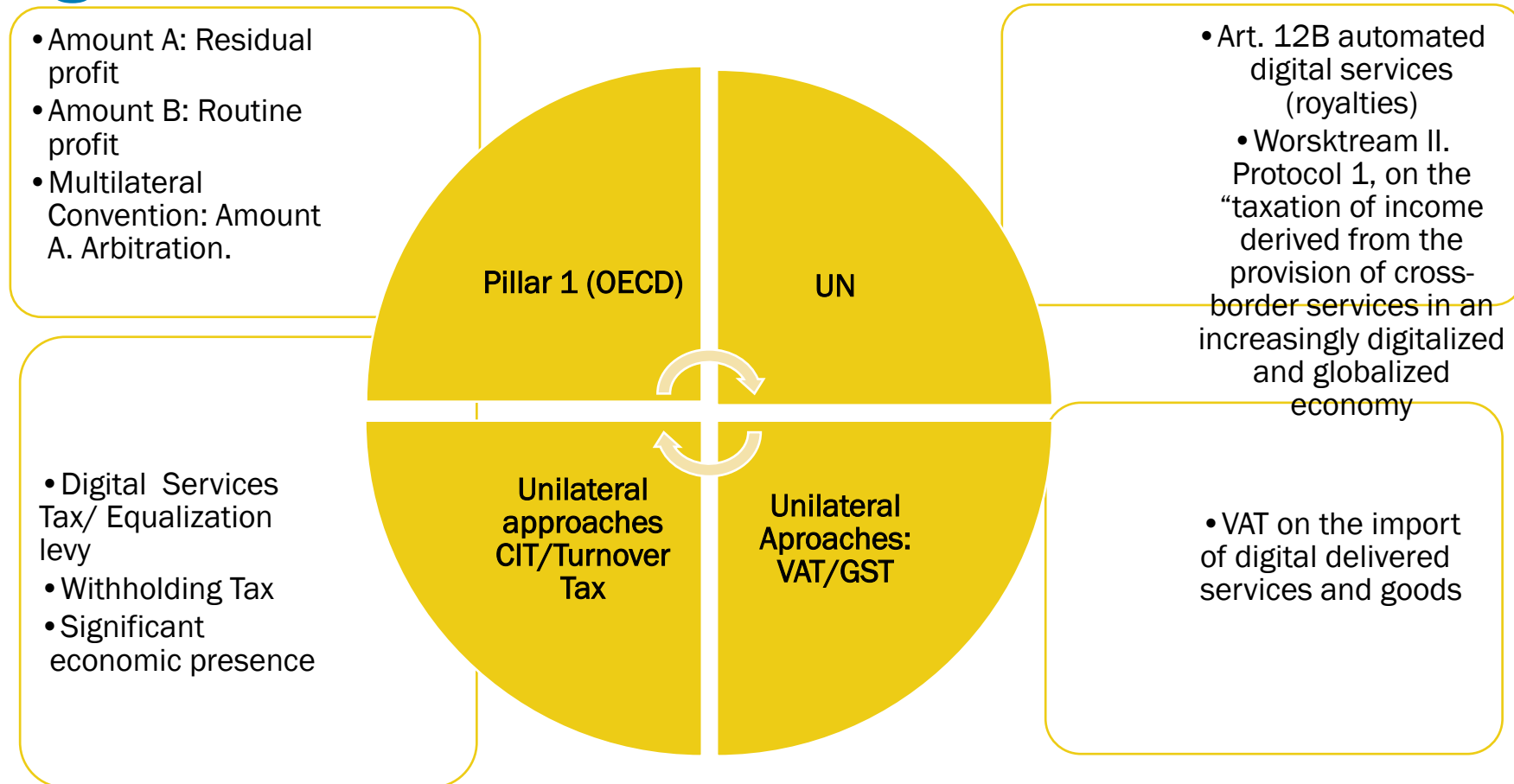
1. VAT's Industrial Origins and the shift to Digital Trade

VAT was designed for the industrial age and now faces structural pressure from the digital economy.

VAT is at the crossroads, and therefore, more attention should be given by countries to the challenges of VAT not only for digital business, but for digital trade in general.

And that presents a structural challenge for countries, to develop a tax on the very distinction that the digital economy is eroding.

2. From E-commerce to taxation of digital business



The Prosumer Economy: From Marginal to Systemic



If one considers the big picture, one can observe the emergence of a “prosumer segment” that runs across sectors and borders. The transactions are often negligible on the individual level but as a collective they cannot be ignored. And thus, the challenge is to adapt the collection models in order to effectively deal with many micro-transactions, and particularly in a cross-border context.

The EU's Response: Platform Liability

- E-commerce package (2021)
- ViDA



The EU experience shows that harmonization is no longer only legal – it is technical. Real-time data exchange, APIs, and analytics become core to VAT governance.

The Emerging Technical Dimension of Harmonization

For ADB member countries, this raises several strategic considerations:

(1) First, whether to pursue interoperability at an early stage — ensuring that digital reporting systems can communicate regionally.

(2) Second, whether to leapfrog legacy models, moving directly to real-time data capture and analytics. Note that this does require comparable levels of IT-infrastructure.

(3) Third, how to design governance arrangements that balance data sovereignty with the efficiency gains of shared information infrastructures. Data about one's residents, especially tax-sensitive data is not something countries tend to share lightly. It raises questions of trust: such as pertaining to how trust might be built, institutionalized and sustained.

Strategic Considerations for ADB Member States

- Invest in digital tax infrastructure
- Design for proportionality and inclusion
- Strengthen regional coordination

Closing Reflection: VAT Beyond the Industrial Paradigm

- Invest in digital VAT infrastructure – e-invoicing, data analytics, interoperable reporting.
- Design proportional and inclusive compliance – enable small actors without overburdening them.
- Pursue regional coordination – harmonize data and legal frameworks to prevent tax leakage and overlap.





Thank you.