

# FISCAL POLICY FOR THE DIGITAL ECONOMY: INTERNATIONAL EXPERIENCES AND RECOMMENDATIONS

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**Abstract:** *In the context of a rapidly developing digital economy, fiscal policy needs to be adjusted to ensure efficiency, fairness and sustainability. This article explores the fiscal policies of various countries in the context of the digital economy, focusing on tax strategies and budget allocations. The article analyzes how countries are redesigning tax systems to collect taxes from digital transactions and examines government spending on digital infrastructure and innovation, highlighting the important role The importance of strategic investments in facilitating digital transformation.*

• Keywords: *digital economy, fiscal policy, tax policy, budget spending...*

*Date of receipt: 14<sup>th</sup> Nov., 2024*

*Date of delivery revision: 20<sup>th</sup> Dec., 2024*

*DOI: <https://doi.org/10.71374/jfar.v25.i1.25>*

*Date of receipt revision: 10<sup>th</sup> Jan., 2025*

*Date of approval: 03<sup>rd</sup> Feb., 2025*

## Introduction

The digital economy is fundamentally transforming the global landscape, driving innovation and reshaping the way businesses and governments operate. As digital technologies permeate every industry, they have far-reaching consequences for fiscal policies around the world. This transformation requires national fiscal frameworks to adapt to exploit the benefits of digitalization while mitigating its challenges. The objective of this article is to examine how countries adjust their fiscal policies to develop in the new context of the digital economy and draw important lessons for Vietnam in optimizing its strategies. its fiscal strategy facing similar challenges and opportunities.

In the digital age, traditional economic activities are increasingly supplemented or replaced by digital services, transcending physical and national boundaries, complicating traditional frameworks of taxation and spending. labour. This study first examines the fiscal policies that countries have adopted to manage tax collection on digital goods and services. It focuses on innovative approaches such as the introduction of Digital Services Tax (DST) and restructuring the tax system to better capture the value created in the digital economy. Particular attention is paid to the ways in which these measures comply with international tax rules and regulations, aimed at preventing double taxation and encouraging fair competition.

Furthermore, the study discusses how Governments reallocate resources to support the digital transformation of their economies. Investment in digital infrastructure, education and innovation is essential to fostering an environment conducive to a thriving digital economy. This discussion extends to considering budget strategies that help accelerate the adoption of digital technology by public sectors, improve public service delivery and promote digital inclusion among citizens.

Drawing on a synthesis of international experience and ongoing reforms, this article provides a comprehensive analysis tailored to Vietnam's current economic and financial context. It proposes strategic recommendations for Vietnam to refine its fiscal policies, emphasizing the importance of approaches that appropriately integrate tax strategies with broader economic objectives, including including sustainable development and inclusive growth in the digital era. Through this exploration, the study aims to contribute to the global discussion on fiscal policy in the digital economy and provide actionable insights for policymakers navigating in developing countries. water.

## International experience

### Tax policy

In China, within the framework of China's digital economic policy, the application and adjustment of taxes on digital business activities such as e-commerce and digital services has

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become an important part. in supporting and managing the growth of businesses in this field. China has taken many specific measures to adapt to changes and challenges from the digital economy, especially through tax policies and digital development initiatives. China's tax policy on e-commerce and digital services has been adjusted to encourage the development of new technology industries and support businesses in expanding and competing internationally, international. Specifically, value-added tax (VAT) policy has been applied flexibly to suit electronic business models, while improving the tax collection system to include cross-border electronic transactions. world, to prevent tax loss and enhance tax fairness. In addition, China has also developed policies to enhance the ability to manage and collect taxes from digital business activities. For example, the Government has implemented plans to improve digital infrastructure and data management systems to support tax collection and manage income from digital business activities more effectively. These efforts by China to adjust tax policy for the digital economy are not only to promote economic development but also to ensure fairness and transparency in the tax system, creating favorable conditions for businesses sustainable development in the digital era. China continues to affirm its commitment to developing a strong digital economy and deeply integrating into the global economy.

In the UK, in the current digital economy context, they have applied Digital Services Tax (DST) from April 1, 2020 with a tax rate of 2% on revenue from services. search services, social networks and online exchanges that gain value from UK users. This is intended to ensure that large multinational enterprises contribute fairly to supporting essential public services, reflecting the view that current corporation tax rules are no longer suited to the way value in the digital economy. However, DST is considered a temporary measure while the UK and OECD member states work to develop a global solution to address the tax challenges posed by economic digitalisation. The UK government has pledged not to impose DST if a suitable international solution is proposed. In addition, the UK is also preparing to apply the OECD Model Reporting Rules for digital platforms, starting from January 2023. This will require digital platforms

to report detailed income Sellers' income on their platforms to tax authorities and sellers, to increase transparency and help governments better understand how these platforms operate and collect taxes effectively. With these policies, the UK is seeking to effectively exploit revenue from digital economic activities, while ensuring that digital businesses contribute fairly to society, in accordance with the value they create. out locally.

In African countries, in the current digital economic context, they have developed tax policies to collect income from digital economic activities, including e-commerce and technical services, number. These policies are intended to deal with the unique challenges of the digital economy, where digital transactions often have no specific location, making it difficult to determine revenue sources and effectively collect taxes. African countries have moved to impose direct and indirect taxes on digital transactions. Direct taxes are typically imposed in the form of Digital Services Tax (DST), while indirect taxes are typically Value Added Tax (VAT) expanded to include digital services. Although much progress has been made, many challenges remain in terms of effective tax collection mechanisms due to the complex nature of digital transactions. Countries such as Kenya, Nigeria, and Zimbabwe have introduced digital services taxes on business activities that do not have a physical presence in their countries, aiming to attract revenue from multinational companies operating in the country. online. Despite certain progress, lack of uniformity in tax policy and difficulties in tax collection management remain major obstacles for tax authorities in Africa. To overcome these problems, international cooperation and the development of technology-based solutions are needed to increase transparency and tax collection efficiency. Through the application of modern and effective tax policies, African countries can take full advantage of the benefits from the digital economy, while ensuring fairness and sustainability in tax collection to support economic development. widespread economic and social development. Wide consultation with stakeholders is also necessary to ensure that tax policies are designed in a reasonable, fair and effective manner, contributing to the sustainable development of the digital economy in Vietnam Africa.

In Australia, they have made a lot of progress in digitizing the tax administration system. The Australian government has deployed mobile applications and virtual support systems to facilitate taxpayers in declaring and paying taxes online. These applications not only help reduce time and costs but also increase the efficiency and transparency of the tax system. The Australian Taxation Authority has invested heavily in training and capacity building for staff, while also developing information technology infrastructure to effectively manage complex digital transactions. In particular, Australia has pioneered the application of artificial intelligence (AI) and machine learning (ML) to improve tax data analysis and management.

In Brazil, they have developed many digital tools to enhance interaction between tax authorities and taxpayers. One of Brazil's key initiatives is the use of virtual assistants and chatbots to provide support and advice to taxpayers. These tools not only help reduce the burden on tax authorities but also improve taxpayers' experience, creating favorable conditions for them in the tax declaration and payment process. Brazil has also deployed digital solutions to improve tax data management and analysis capabilities, helping tax authorities detect and prevent tax fraud more effectively.

Many countries in the European Union have widely adopted virtual assistants and chatbots to assist taxpayers, improve tax relationships and generate positive fiscal effects. Countries such as France, Germany and the Netherlands have deployed advanced digital tax management systems, allowing taxpayers to declare and pay taxes easily and efficiently through online platforms. These tools not only help reduce time and costs but also increase transparency and accuracy in the tax collection process. In addition, EU countries are also actively implementing new technologies such as blockchain and AI solutions to improve tax administration efficiency.

#### ***Budget spending policy***

Germany has proactively invested in digital infrastructure to enhance global competitiveness and meet the needs of the digital economy. Recognizing the importance of strong digital connectivity, the German government has set a goal of expanding its gigabit broadband network nationwide. By 2025, Germany plans to establish

gigabit networks nationwide, significantly improving fiber optic coverage to ensure every area, including rural areas, has access to high-speed internet. This initiative reflects Germany's commitment to upgrading its digital infrastructure not only to support current needs such as Industry 4.0 and automated driving technology but also to promote the long-term development of digital economy. Germany has made significant investments in expanding its fiber network, with Deutsche Telekom leading the effort to expand one of Europe's largest cable networks, including plans to add thousands of kilometers of cable each year. Furthermore, Germany's strategy includes public-private partnerships and federal funding to address infrastructure challenges, especially in hard-to-reach areas. This strategy ensures that the benefits of digitalization are distributed evenly across the country, thereby supporting a wide range of economic activities from technology startups to established industries. Thus, it can be seen that strategic investments in Germany's digital infrastructure are an important part of the national economic strategy, to promote innovation and ensure competitive advantage in global markets and ensure that their economies remain strong amid rapid global economic and technological changes. These efforts are not only important for economic growth but also help improve people's quality of life by providing reliable access to digital services.

In China, in the context of a strongly developing digital economy, China's budget spending policy has witnessed significant changes, especially in the field of investment in digital infrastructure. According to a study from the International Finance Corporation, China has invested more than \$1 billion in the telecommunications, media and technology sectors, typically in the expansion of 4G networks and fiber optic infrastructure. This investment not only aims to improve network connectivity but also support the development of enterprise technologies and cloud infrastructure, thereby promoting digital economic growth. In addition, within the framework of the Global Infrastructure Initiative at the G7 Summit, China has also supported the development of the Lobito Corridor, with a commitment to initially invest in railway projects to connect the Republic of Korea Democratic Congo and Zambia to the global market through Angola. This project not only

aims to expand transportation infrastructure but also includes investment in digital infrastructure, demonstrating China's efforts to promote transportation and infrastructure number. Through these policies, we can see that China attaches importance to integrating financial policy with the development of digital infrastructure, not only to promote economic growth but also to improve people's quality of life and increase access to digital services. Vietnam and other countries can refer to these models to develop and deploy policies to support digital infrastructure, to optimize benefits from the digital economy for economic development and society.

In the UK, the Government has invested £400 million in the Digital Infrastructure Investment Fund, which aims to expand and improve the all-optical broadband network. This effort reflects the Government's target to achieve gigabit broadband coverage for at least 85% of households by 2025 and 99% by 2030. This investment is not only about improving connectivity but also Support for the creative and high-tech industries in the UK. Experts at PwC estimate that the investment opportunity in digital infrastructure in the UK could be as high as £100 billion over the next decade, reflecting the strategic importance of investing in technology digital to promote economic growth and innovation. Besides physical infrastructure, the UK is also investing in computing and big data processing capabilities to support cutting-edge technologies such as AI and the Internet of Things (IoT), which are essential for most Research fields range from biology to physics. These efforts not only aim to maximize the potential of AI, but also help solve global challenges such as climate change and new drug development.

### Lessons for Vietnam

In the context of strong development of the digital economy, Vietnam is facing great opportunities and challenges in adjusting fiscal policy to accommodate these innovations. To take full advantage of the benefits from the digital economy, Vietnam needs to deploy a comprehensive approach in designing new tax tools and budget spending.

Regarding taxes, the introduction of Digital Services Tax (DST) is an important initiative to collect taxes from digitally active multinational enterprises with no physical presence in Vietnam.

This not only helps ensure state budget revenue but also ensures fairness between domestic and foreign businesses. Vietnam needs to work closely with international organizations such as the OECD to ensure tax policies are updated, avoid duplicate taxation and do not negatively affect international business and investment activities.

Regarding budget spending, Vietnam needs to focus on investing strongly in digital infrastructure. This investment not only includes building and upgrading information technologies but also includes investing in new technologies such as artificial intelligence (AI) and Internet of Things (IoT). These technologies will help improve the efficiency of management and monitoring of public resources and services, and promote the development of digital industries. In addition, supporting small and medium-sized enterprises in the digital transformation process through preferential loans and consulting support is also extremely important, in order to enhance the sustainability and adaptability of their businesses. economy.

These policies not only aim to increase efficiency and transparency in public financial management but also contribute to ensuring the country's sustainable development in the digital era. Vietnam needs to continuously update and adjust its policies to adapt to the rapid changes in the global economy and digital technology, ensuring that both taxes and budget expenditure are used appropriately as effectively as possible.

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