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Master of ASEAN Studies

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**MULTIPLE STREAMS ANALYSIS ON THE TAX TREATMENT OF DIGITAL
ASSETS IN MALAYSIA AND SINGAPORE: UNDERSTANDING THE POLICY
THROUGH AGENDA-SETTING**

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Consociatione Hortati !!!

Biographical Sketch

Michael Angelo T. Tiu is a tax researcher and lecturer specializing in public finance, sectoral taxation, and comparative indirect tax policy, with more than seven years of experience in comparative tax policy research within ASEAN and ASEAN+6. He obtained his Bachelor of Science degree in Business Economics from Pamantasan ng Lungsod ng Maynila (PLM), also known as the University of the City of Manila, where he graduated *cum laude*, consistently made the dean's list, and was recognized as a *Liderato & Sobresaliente* Awardee.

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His work reflects a consistent engagement in fiscal policy research, academic instruction, and regional economic integration within ASEAN.

Abstract

The evolving technology of digitalization is paving the way for emerging financial channels through which the economy interacts with society, one of which is channels is the formation of digital assets (DAs). Within the ASEAN bloc, Malaysia and Singapore are the frontrunners in digital transformation among their regional peers, and they provide a fertile foundation for assessing the existing tax treatment of DAs and their implications for regional integration.

This study applies Kingdon's Multiple Streams Framework (MSF) to analyze how the problem, policy, and politics streams converged to shape the tax treatment of DA across the regional bloc. To assess it, the study utilizes Stake's multiple case study approach, drawing from official documents, policy papers, and institutional guidelines issued by the central bank (e.g., Bank Negara Malaysia, Monetary Authority of Singapore), tax authorities and regulators (e.g., Inland Revenue Board of Malaysia, Inland Revenue Authority of Singapore), as well as securities commissions (e.g., Securities Commission Malaysia). This study also considered secondary academic, policy, and industry perspectives to understand their respective insights on DA regulation.

Based on the gathered data, the findings indicate that while both Malaysia and Singapore share a common British law heritage and an income-based tax system, their approaches to DA tax treatment differ. Malaysia employs a broad, interpretive "badges of trade" approach under the Malaysian Income Tax Act 1967, which affords flexibility but introduces case-by-case uncertainty. In contrast with Singapore, it adopts a functional classification system that distinguishes between payment, utility, and security tokens, providing greater clarity and predictability. In indirect taxation,

Malaysia imposes Sales and Services Tax (SST) on DA-related activities and transactions, whereas Singapore exempts qualifying digital payment tokens from Goods and Services Tax (GST).

The study can be drawn about the situation of Malaysia and Singapore regarding the DA regulation. The study identified that DA classification ambiguity, compliance risks, and global pressures shaped the problem stream; stakeholder proposals and institutional guidance shaped the policy stream; and political determination, agency leadership, and ASEAN commitments shaped the politics stream. The coupling of these streams opened policy windows for DA reform in both AMS, with regulatory agencies serving as policy entrepreneurs. This comparative analysis provides insights into how Malaysia and Singapore's DA tax frameworks can inform ASEAN's ongoing efforts toward tax harmonization and collaboration.

Keywords: *DAs; Tax Treatment; Malaysia; Singapore; ASEAN; Multiple Streams Framework; Tax Harmonization; Digital Economy*

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List of Acronyms	
AML – Anti–Money Laundering	
APEC – Asia–Pacific Economic Cooperation	
ASEAN – Association of Southeast Asian Nations	
AMS – Association of Southeast Asian Nations Member States	
CBDC – Central Bank Digital Currency	
CFT – Countering the Financing of Terrorism	
CARF – Crypto–Asset Reporting Framework	
EU – European Union	
FATF – Financial Action Task Force	
KYC – Know Your Customer	
MAS – Monetary Authority of Singapore	
OECD – Organisation for Economic Co-operation and Development	
P2P – Peer-to-Peer	
PS Act – Payment Services Act	

CHAPTER I

INTRODUCTION

The evolving technology of digitalization is paving the way for the advent of new digital channels through which the economy engages with society; one of these digital efforts is the formation of digital assets (DAs). These DAs are powered by blockchain and emerging technologies, which are reshaping the financial ecosystem through secure, decentralized, and efficient transactions [Hu & Ma, 2024; Asian Development Bank (ADB), 2024]. At the present technological phase, DAs are utilized in trading, investment, collateralization, financing, payments, settlements, tokenization, and decentralized finance (Azar et al., 2024). In the digital financial system, DAs are now considered as digital ownership of diverse financial instruments and have become an integral component of the digital economy, as this technological advancement highlights the necessity for a robust and appropriate regulatory framework [ADB, 2024; International Monetary Fund (IMF), 2024].

As these DAs are not a global phenomenon in the financial ecosystem, DAs are experiencing a rapid expansion in the Association of Southeast Asian Nations (ASEAN) region. According to Statista (2025), the DA market is projected to reach USD 10.8 billion by 2025, serving more than 101 million users in the region. Among the types of DAs, cryptocurrencies account for approximately 85.02% of the total revenue, equivalent to USD 9,199.60 million, while decentralized finance (DeFi) applications contribute nearly 14.49% (USD 1,567.80 million), and non-fungible token (NFT) applications account for 0.75% (USD 53.00 million). Notably, cryptocurrencies represent the most widely recognized category of DAs and are experiencing

increasing global adoption. Projections indicate that by 2025, approximately 7.5 percent of the global population will use cryptocurrencies, with adoption rates anticipated to surpass 8 percent (Vishweswaran & Padmavathi, 2025). Although cryptocurrencies remain the primary market driver, other DA applications are increasing in significance.

As these DAs become part of everyday finance and are increasingly used in the region, it is crucial to acknowledge how they can generate additional revenues for each ASEAN member state (AMS) through effective tax regulation. In a comparative study by Tiu (2022), five AMS governments specifically (1) Indonesia, (2) Lao PDR, (3) Malaysia, (4) Singapore, and (5) Thailand, already regulate and tax (either direct or indirect taxes, or a combination thereof) cryptocurrency-related activities, while the remaining five AMS have only issued advisories on the risks of investing in such DAs.

Regardless of the varying levels of engagement and regulation of DAs, the present and continued development of DAs will become a pressing reality in the ASEAN region. It is essential for ASEAN to further engage with these developments, particularly in recognizing how they align with the objectives of the ASEAN Economic Community (AEC) Blueprint. DAs have the potential to further realize the characteristics of the AEC, such as a highly integrated and cohesive economy, through tax cooperation (i.e., bilateral agreements) that involve the exchange of information and address tax issues (e.g., double taxation), thereby enhancing connectivity and sectoral cooperation (ASEAN Secretariat, 2015).

Given the growing relevance of DAs globally and regionally, the mechanisms in place by each AMS for regulating DAs are becoming increasingly important, as well as their contributions to transforming the current regional digital economy. This study,

therefore, takes an interest in DAs and their mechanisms for regulation in aid of promoting a more competitive, innovative, and dynamic ASEAN.

Background of the Study

Development of the Digital Economy Towards DAs

The continuing developments in information and communication technology (ICT) have led to the evolution of the digital economy, which has significantly transformed daily processes and continues to reshape how end-users, firms, and governments operate. As this transformative development reshapes the markets and trades in ASEAN, such as the GO-JEK in Indonesia as a homegrown ride-hailing application and Sea Limited as an online gaming company, and expands to digital money specifically SeaMoney, as well as a retailing platform which is popularly known as Shopee (Feng, 2018; Sea Limited, n.d.).

The continued reliance on ICT has led to the emergence of a “digital economy” through the digitalization of economic activities and trade transactions. However, there remains no standardized definition of the digital economy, as different experts and institutions interpret its scope differently due to the evolving nature of its economic paradigm. Some entities, such as the Organisation for Economic Co-operation and Development (OECD) (2020), view the digital economy as limited to a finite set of economic activities produced by ICT and digital services; this approach is considered a bottom-up perspective. The other definition is the top-down approach, as the digital economy is viewed as encompassing all economic activities that utilize ICT goods and digital services, including digital technologies, infrastructures, and data, across the entire economy.

On the other hand, the International Monetary Fund (IMF) et al. (2023) defined the digital economy as a transformative force that impacts the manufacture of goods and services, extending to the end-consumption of the user or consumer.

Given the different definitions of the digital economy coming from reputable institutions such as the IMF and OECD. This study adopts a top-down perspective on the digital economy, aligning more closely with the concepts outlined in the ASEAN Digital Economy Framework Agreement (ADEFSA). The embedded objective of this initiative is to promote digital integration across all sectors of the regional bloc, highlighting a comprehensive understanding of the digital economy's potential contribution.

One of the key components of the digital economy that caters to the ASEAN community and economic activity is digital products, also referred to as "DAs". In 2024, the IMF defined DAs as "assets that exist solely in digital form, such as cryptocurrencies and NFTs." A DA is a medium of exchange or financial instrument that can be classified as fungible or non-fungible. It cannot exist without a corresponding liability, a legal claim against an issuer (e.g., central bank), or a corresponding liability depending on its nature. DAs such as Cryptocurrencies are generally known as fungible DAs, which can be exchanged for the same or equal value (e.g., Bitcoin to Ethereum). Meanwhile, NFTs are classified as a type of non-fungible DAs that utilize blockchain technology in representing a unique item that has a financial value (digital art or a specific online game character) (ADB, 2024; International Monetary Fund, 2024).

Technicalities Behind DAs and Their Role in the Digital Economy

Aside from the concepts and foundational information on how the digital economy would direct ASEAN for regional integration. It is essential to understand how the DAs were developed. According to the Investopedia Team (2024), the concept of tokenization, blockchain, and cryptocurrency, which can be applied to a wide range of DAs, was developed and utilized in 2009. Before its evolution, DAs were classified as follows: photos, documents, videos, books, audio/music, animations, illustrations, logos, metadata, gaming accounts, and social media accounts

The broad classification of DAs yields various definitions from different institutions, each with its own interpretation of DAs. In the synthesis provided by the ADB (2024) on the definition of DAs, in other institutions, they are termed as “crypto-asset” or “crypto asset”, “virtual asset”, “native DA”, and “controllable electronic records (CERs).” However, the ADB highlighted that the definition of the International Institute for the Unification of Private Law (UNIDROIT) is the most acceptable legal interpretation, defining DAs as an “electronic record which is capable of being subject to control and it can be stored in an electronic medium and capable of being retrieved.” This definition encompasses all types and future developments of new technology.

Generally, DAs utilize distributed ledger technology (DLT) to manage data in a decentralized environment (ADB, 2024). The commonly known DLT is blockchain technology, also known as “secret writing” or encrypted data, which utilizes cryptography to secure digital transactions. The said technology is intended to store data in blocks that are logically linked to form a chain, as this DLT is more transparent, immutable, and resistant to tampering. The network itself for the DLT utilized a

consensus mechanism that validates all transactions without a central clearing authority (Susnjara & Smalley, n.d.; Hayes, 2025; PwC, n.d.-a).

The continued use of blockchain technologies introduces new variants of DAs, including cryptocurrencies, stablecoins, central bank digital currencies, NFTs, and security tokens (PwC, n.d.-b). The various DAs already play a significant role in the existing traditional financial system, which has the potential to have a substantial impact on the digital economy. The current decentralized autonomous environment of DAs has limited integration with the existing traditional financial system; thus, its implications for the digital economy are tolerable. However, the continued enhancement of DAs technology, including its associated risks, may eventually impact financial stability in the future, particularly in financing and payment services, which could pose a substantial risk to the financial system due to its complexity and interconnectedness (Azar et al., 2024).

In terms of DA's definition, Hu and Ma (2024) concluded that there is no consensus on the regulatory mechanisms, such as ownership, accounting, and legal frameworks, or a standardized definition of DAs. Since there is no definitive definition of DAs, they are often viewed as digital resources and information assets and are used interchangeably. Other concerns regarding DAs include the verification of sales or revenues, particularly in relation to delivery, cash receipt, or DA use and consumption conditions, such as refund expiration dates, during the profit recognition process. It was concluded by Hu and Ma (2024) that to address the ambiguous and disjointed nature of recognizing ownership rights on the usage, revenue, and control rights over DAs, a framework or model would create legal accountability and establish regulatory compliance, particularly on accounting and revenue recognition, which would reduce disputes over DA ownership.

In the context of DA, the potential economic contribution to the digital economy will be somewhat hindered due to the absence of tangible regulatory mechanisms for digital technologies. In fact, acquisition of cross-border software has significantly increased (Gestrin & Staudt, 2018). This signals that business enterprises are investing in and adopting digital technologies that will revolutionize their operations, shifting from traditional businesses or physical stores to digital platforms, including cloud services, data centers, and online services. Additionally, foreign direct investments are also dependent on the existing digital infrastructure and technological regulations, as these investors would assess whether the country's cybersecurity frameworks and data governance are necessary to mitigate the potential digital risks associated with investments.

Based on the foregoing discussion, the role and its contribution to digital transformation are vital to progress in the digital economy. However, the absence of regulatory mechanisms raises risk-associated perceptions among businesses and customers, specifically regarding DAs' activities and transactions. To prevent this and capitalize on the economic advantages of DAs, a regulatory framework must be crafted and implemented.

ASEAN's Digital Transformation: Opportunities & Challenges towards Regional Integration

ASEAN can harvest the economic opportunities and enable to address the challenges of digital transformation that would create a more competitive regional digital integration; however, it is vital to understand the total significance of studying the digital economy in general. Since there is no standardized definition of digital economy, Bukht and Heeks (2018) expounded the digital economy into three scopes:

(1) Core – Digital [Information Technology (IT)/ICT] Sector (includes hardware manufacture, software and IT consulting, information services, and telecommunications);

(2) Narrow Scope – Digital Economy (includes digital services and platform economy); and

(3) Broad Scope – Digitalized Economy (e-Business, e-Commerce, Industry 4.0, precision agriculture, algorithmic economy). It is noted that the sharing economy and gig economy fall between the narrow and broad scopes of the digital economy.

As the components of the digital economy unravel, it showcases how would interact with different aspects and the nature of digital activities and transactions. These activities and transactions are already evident in ASEAN, specifically in its digital transformation of its economy. This trend coincides with the report by Feng (2018), which, as of April 2018, listed ASEAN as the fifth-largest economy in the world, with a GDP of USD 2.8 trillion, and the third-largest population, comprising 643 million people, with more than 50% under the age of 30. This economic situation in ASEAN will have an impact on ASEAN's commitment to its economic integration under the AEC's pillar. However, the success of this commitment particularly on digital economy aspect would depend on the five core goals: (1) internet is accessible and affordable, (2) competition encourages an innovative business climate, (3) educational structures are aligned with digital future labor demands, (4) safeguards exist for individuals displaced by automation, and (5) ASEAN provides a regulatory framework for fintech-associated risks and initiatives to promote financial inclusion through digital technologies.

The economic potential and challenges in the digital economy have already been outlined by Feng (2018) and further reiterated by Ing, Vadila, Markus, and Nazara (2023) in relation to their works tackling the ASEAN Digital Community (ADC) 2045. In this framework, it highlighted the digital transformation by establishing the ADC, which would serve as a roadmap to mitigate challenges and cultivate the potential benefits of the digital economy. As the ADC would serve as the framework for the digital economy, examining and understanding it would align the potential regulatory treatment of DAs with the achievement of the AEC objectives.

The ADC 2045 also identified five challenges in digital transformation in ASEAN, these are: (1) digital infrastructure; (2) regulatory fragmentation (e.g., data governance); (3) digital literacy; (4) cyber risks; and (5) a lack of institutional coordination exists among the AMS. If the challenges remain unresolved, it may lead to risks of fragmentation, uncoordinated or limited coordination mechanisms, which can result in duplication, ineffectiveness, and regulatory divergence. To effectively realize the potential contribution of the digital economy, the lack of harmonized frameworks, alignment of technical standards, and interoperability issues must be addressed.

While the issues and challenges presented in the digital economy are significant, it is also important to consider the adaptability to digital transformation among AMS in order to harness the potential benefits of the digital economy. According to the International Institute for Management Development's (IMD) World Competitiveness Center (2024), its Digital Competitiveness Model (DCM) assesses technological advancements in managing digital affairs and evaluates capabilities and

readiness for digital transformation. Specifically, the 2024 DCM component measures three indicators to determine digital competitiveness to assess the adoptability of digital technologies that are engaged in relevant digital processes: (1) knowledge (i.e., talent, training, and education, scientific concentration), (2) technology (i.e., regulatory framework, capital, technological framework), and (3) future readiness (i.e., adaptive attitudes, business agility, IT integration).

However, with the continuing technological advancement, the DCM matrices were updated later in June 2025, which regrouped the assessment indicators into four key areas: (1) economic performance, (2) government efficiency, (3) business efficiency, and (4) infrastructure. Each key area evaluates various sectors within the bureaucratic process, including the domestic economy, public finance, tax policy, institutional framework, legislation, management practices, technological infrastructure, and other factors that contribute to measuring competitiveness (International IMD, 2025).

Based on the 2024 ranking conducted by the IMD, five AMS were assessed among the 67 countries: Singapore, Indonesia, Malaysia, the Philippines, and Thailand. Singapore ranked highest overall, followed by Malaysia (36th), Thailand (37th), Indonesia (43rd), and the Philippines in 61st place, respectively. However, in the 2025 ranking, Switzerland surpassed Singapore as the top-ranked country, placing it in the top 2. While the other four AMS have enhanced their digital competitiveness, which has risen their ranking from their previous positions, such as Malaysia, from 36th to 23rd place, and the Philippines gained 10 ranks, moving from 61st to 51st place. (See Table 1)

Table 1*Competitiveness Ranking by the IMD, 2024 vis-à-vis 2025*

AMS	Overall Ranking		Change
	2024 Ranks out of 67	2025 Ranks out of 69*	
Singapore	1	2	Slightly Drop
Malaysia	36	23	Improved
Thailand	37	30	Improved
Indonesia	43	40	Improved
Philippines	61	51	Improved

Notes. Data was from the IMD 2024 and 2025 rankings

**Kenya and Namibia were included in the 2025 ranking*

The 2024 and 2025 DMC rankings demonstrate how digital transformation has enhanced their economies by leveraging technologies such as AI automation and big data. The DCM also assesses the existing digital infrastructure, including connectivity, cloud computing, and cybersecurity, which is crucial for the evolving digital environment. It can be associated with the development of the digital ecosystem, where stakeholders and enterprises play a key role in innovation hubs that create competition in various technological domains. The fruitful competition may lead to knowledge transfer and promote intellectual property regimes.

Based on the DCM matrices, global economies are shifting towards a more resilient and secure alignment by adopting a collective mechanism and regulation to bridge the existing digital fragmentation in the digital economy. The DCM ranking reveals a strong correlation between digital readiness and a country's ability to facilitate and address trade fragmentation, inflation, and financial risk and its associated volatility. In short, investing in digital technology can mitigate emerging

issues and safeguard national interests to become a more resilient economy in the ever-changing digital landscape.

ASEAN's Digital Economy Initiatives towards Harmonization and Cooperation

Relative to the existing infrastructure and technology in ASEAN, its member states would be better positioned to become a more integrated economy. The ASEAN recognizes the potential economic opportunities in cultivating the digital economy; thus, the ASEAN Secretariat has coordinated and acted through its committees and technical groups to craft and formulate master plans, frameworks, and a roadmap for the digital economy. Embedded and highlighted in the aforementioned documents is the importance of digital transformation within ASEAN and the promotion of socioeconomic integration within the regional bloc. Specifically, here are the following key areas and themes related to the digital economy and transformation based on the issued documents by the ASEAN Secretariat:

- (1) Legal and regulatory frameworks: personal and cross-border data protection, policy alignment, and adoption of international practices through harmonized regulations (e.g., cybersecurity, digital ID).
- (2) Digital trade and interoperability: coordination and simplification of cross-border digital commerce, digital systems, and digital trade processes.
- (3) Infrastructure development: Integrate digital infrastructure initiatives within ASEAN and promote internet connectivity and digital literacy, especially in underserved areas.

For a detailed description of the features of ASEAN initiatives towards digitalizing its economy, see Annex A.

In the documents issued, the BSBR integrated all ASEAN digital transformation initiatives and strategies from 2021 to 2025. It has three phases: (1) recovery (2021-2022), (2) acceleration (2022-2024), and (3) transformation (2025). In the recovery phase, strengthen the ASEAN Coordinating Committee on Electronic Commerce (ACCEC) to promote interoperable digital cross-border travel. Implement and realign the AEC and the ASEAN Digital Innovation and Financial Technology Adoption Platform (ADIFAP) to adapt to the necessary lessons learned from the COVID-19 pandemic. For the period from 2022 to 2024, or the acceleration phase, it aims to enhance trade facilitation, connectivity, e-invoicing standards, centralize internal protocol services, and promote cross-border digital payments. It also initiates a study on establishing an ASEAN Digital Economy. In 2025, the transformation phase, based on the actionable measures from the two phases, will provide an enabled digital ecosystem that must be codified for all digital transformation initiatives to adopt the ADEFA.

The ADEFA was endorsed during the 23rd AEC Council Meeting on 3 September 2023 in Jakarta, Indonesia, and negotiations are expected to be concluded by the end of 2025. The ASEAN Coordinating Committee on E-Commerce and Digital Economy (ACCED) is in charge of establishing a coherent, harmonized, and rules-based approach to regional cooperation on the following nine (9) core digital transformation aspects: (1) digital trade, (2) cross-border e-commerce, (3) payments and e-invoicing, (4) digital identity and authentication, (5) cybersecurity and online safety, (6) cross-border data flows and protections, (7) competition policy, (8) cooperation on emerging technologies, and digital talent mobility and capacity building (ASEAN Secretariat, 2023).

Since Das can be traded and used as investments, they are also anchored in the ASEAN Capital Markets Forum (ACMF), an integral part of the AEC. The ACMF aims to improve regional market infrastructure and connectivity, promote ASEAN asset classes, and drive more cohesive regulations and practices. It promotes stakeholder interaction, cooperation, and coordination for an interconnected, inclusive, and resilient ASEAN capital market (ASEAN Capital Markets Forum, 2021).

Like other regional blocs (e.g., the European Union), the ASEAN envisions a single market, along with its existing structures and committees. The ASEAN Secretariat would serve as the guiding entity to establish a regulatory framework for Das within the regional bloc, acting as the primary coordinating body. However, the ASEAN way acknowledges non-intervention principles and the existing consensus mechanism within the regional bloc (Seah, 2009).

The intentions of ASEAN for an integrated economy are evident in their frameworks and roadmaps; however, the existing diplomatic style would hinder such efforts. This diplomatic style was already criticized by Karuppannan (2006), who argued that ASEAN must act as a unified community to enable transformative reforms that address the existing ineffective governance, human rights, and democracy in the region. Morada (2008) suggests that the ASEAN bloc should address the current issues by enabling and adopting transformative models that can bridge the gaps in the macro-micro perspective between AMS and among the people and states.

Given the existing mechanisms of ASEAN and its initiatives, the development of a regulatory framework lies within the regional or bilateral efforts of each AMS to harness the economic potential of Das.

Global Trend Initiatives on the Regulation of Das

The continuing digital transformation in the digital economy is outpacing traditional systems, and it must keep up with the emerging digital landscape. This notion was supported by Bodson (2022), who highlighted that the existing trade system must evolve to accommodate digital advancements, such as Das and real-time settlement technologies, to keep pace with the fast-paced digital landscape. Bodson argues that, despite existing technologies, there are no central clearinghouses and data-driven risk protection for the growing participation in Das through DLT and blockchain technology. Thus, the increasing shift of DA must be modernized and harmonized through collaborative efforts among market participants and regulators to safeguard market stability for Das.

According to the World Economic Forum's (2024) report, the role and contribution of indispensable Das to the global economy vary across countries with differing legal statuses. As of 2023, cryptocurrencies are with different legalities across the globe, being legal in 33 countries, partially banned in 17, and generally prohibited in 10, with over 60% of jurisdictions developing regulatory frameworks for Das. Obviously, it cannot be denied that cryptocurrency is challenging to regulate, with the WEF reporting that there shall be an emphasized need for tailored regulations rather than a one-size-fits-all approach, particularly in areas such as anti-money laundering (AML) and know-your-customer (KYC) regulations, regulatory sandboxes, DeFi, and privacy and security measures.

The persisting challenges surrounding DAs led policymakers to propose solutions for AML and KYC compliance through the utilization of technology that would eventually establish a sound regulatory sandbox, encourage collaboration between

the government and the private sector, and ensure consumer-focused privacy and policies. With the adoption of any regulatory proposal that addresses the complexities in Das through a dialogue between the government and the private sector, as a vital input to formulate an effective mechanism that can respond to the evolving technologies engaged in Das.

Despite the existing challenges and trends in Das' regulation, it was highlighted by Kalash (2024) that regulations should use a decentralized and disintermediate approach in this area, as this would create opportunities for other economies to be monetary independent of the existing unipolar USD monetary system worldwide. The BRICS+ nations proposed cross-border digital payment platforms that utilize CBDCs and crypto tokens pegged to a fiat currency, aiming to de-dollarize trade and mitigate the influence of the Western financial system. However, the absence of a definite or unified legal framework hinders its ability to achieve its ambition. Still, it would realize its objectives with a collaborative financial framework and an interoperable Das mechanism by developing a digital infrastructure and fostering an innovative ecosystem within the BRICS + nations.

Through this pathway, Das are not only for financial transactions but also viewed as a geopolitical mechanism, which, in the case of ASEAN, can serve as a counterpoint to the existing ASEAN initiatives on the digital economy. It also shows that Das may mold regional tax treatments for cross-border transaction settlements.

As of April 2024, there are several countries that already regulate and tax the digital economy. As concluded by Enache (2024) concluded that 18 countries have implemented digital services taxes (DST) these countries are: (1) Austria, (2) Canada, (3) Columbia, (4) Denmark, (5) France, (6) Hungary, (7) India, (8) Italy, (9) Kenya, (10)

Nepal, (11) Poland, (12) Portugal, (13) Sierra Leone, (14), Spain, (15) Switzerland, (16) Tunisia, (17) Turkey, and (18) United Kingdom. In comparison, 101 countries impose a value-added tax system or a goods and services tax on cross-border digital sales. The imposition of VAT on digital services in the European Union increased VAT revenue collection by seven times from 2015 to 2022.

However, imposing taxes on Das is much more complex due to the existing technological environment. Ooi (2023) emphasized that DA, particularly those related to crypto, pose significant challenges arising from their decentralized technological structure and pseudonymous transactions. These features, inherent instability of such assets, and the absence of adequate regulatory and safeguard mechanisms, enable an environment in which individuals ¹⁷eventually crypto losses to minimize taxable income from other sources, which could consequently diminish government revenue. The current situation already indicates that the government's ability to implement the DA policy is hindered.

Aside from the issues arising from the DA transactions, Ooi (2023) also pointed out that crypto mining lacks traditional analogues for this newly created token, and that forges that validate transactions in blockchain models are considered an untapped potential area for tax collection. One of the solutions proposed by Ooi to address these technical complexities is for the government to establish a framework for assessing crypto-related risks that encompasses transaction classification, loss deductions, and tax base protection. The elements of a sound policy include having a mandate with reporting obligations for exchanges, wallet providers, and custodian services on DA activities, such as mining, staking, and NFTs. Ooi also emphasizes the role of international coordination that would ensure cross-border regulatory alignment and curb tax evasion from Das.

Given the nature and utilization of Das, which is more on digital presence rather than a permanent establishment or a traditional shop. Aslam and Shah (2021) pointed out that the digital nature of the economic impact can generate significant income in jurisdictions without a physical presence. This notion challenges the existing taxation and international law, specifically on permanent establishment or a traditional shop. The current trend in digital presence, in which users in both markets, such as buyers and consumers of digital products, contribute significantly to the performance of digital businesses through their personal data and by creating content, is notable. As these digital businesses operate without a physical presence, they are not subject to tax jurisdiction, resulting in untapped significant tax revenues; thus, government action is needed to address this situation. In some cases, the current tax framework allows large digital companies to pay minimal taxes in their applicable jurisdictions based on their revenue coming from, which this scenario can be viewed as a regulatory loophole for business enterprises that utilize Das in their transactions and activities, which are not yet covered in the existing taxation framework.

In terms of the tax framework for Das, Marcarian (2022) highlighted that the existing framework utilizes the traditional tax system for Das' activities and transactions, where these Das are considered intangible property or assets rather than actual currency itself. The traditional tax system does not yet adequately address the existing complexity of Das, which poses risks for countries in regulating such Das. The classification of DA as an "intangible asset" already creates complexities, such as in the medium of exchange, units of account, or value stored. Rather than being treated as currency, it also leads to inconsistent tax applications, valuation difficulties, and possible avenues that could be exploited for tax avoidance by business enterprises.

As for the government, it must adapt regulatory mechanisms for the usage of Das such as cryptocurrencies, NFTs, and other Das. However, the existing taxation system and framework lack regulatory guidance specifically for Das themselves. It noted that the current system is still using the traditional taxation system, International Financial Reporting Standards (IFRS), and Generally Accepted Accounting Principles (GAAP), as these are not yet updated or do not cover Das, thus making it hard for business enterprises to regulate in this domain. On the other hand, income-classification complexities can arise regarding crypto-specific income streams. For example, smart contracts can stipulate that contributors receive secondary income from subsequent sales of Das. Whether these are classified as miscellaneous receipts, royalties, or capital in nature will determine the tax treatment and withholding obligations (Deloitte, 2023).

Some states in the United States have already attempted to address the regulatory mechanisms and tax revenue collection on Das. According to Bloomberg Tax (2025), the US federal government reported a wide tax revenue gap of \$688 billion, with \$50 billion attributed to unreported DA transactions. Another issue with reporting DA is the disparity between state taxation and federal taxation. Crypto taxation is treated as Sales tax at the state level. However, most US states do not have existing sales tax regulations. Nevertheless, in the States of California and Kentucky, it treats crypto as equivalent to cash in trade transactions and shall be taxed according to the same standard. In other states, such as Arkansas and Washington, digital currencies are exempt from taxation. Therefore, despite reporting a huge revenue gap in Das, uniform or coordinated policies are still essential to regulate and collect these taxes. It was also pointed out by DiMichael (2022) that US businesses and investors are having downturns due to the absence of legal and regulatory

frameworks that are burdensome, facing high costs related to compliance with various regulations, including those from the Securities & Exchange Commission and the Bank Secrecy Act, as well as navigating state-specific money transmitter laws and tax nexus issues on Das.

Nevertheless, an international technical working group intends to comprehend and harmonize the Das regulation in the market. The OECD (2023) noted that the decentralized nature of Das presents challenges in regulation, as this technology enables transactions to occur without traditional financial intermediaries, thereby complicating oversight and regulation. One of the associated technological advancements in financial intermediaries related to Das is the emergence of crypto-asset exchange and wallet providers, as these platforms often lack regulatory oversight, which can create an avenue for possible tax evasion and illicit activities.

To prevent the associated risks in Das, the OECD has developed the Crypto-Asset Reporting Framework (CARF), which aims to facilitate the collection and automatic exchange of data on transactions involving relevant crypto-assets. In this framework, it provides an outline for crypto-asset service providers on the mechanism for reporting transactions on existing platform exchanges between crypto-assets and fiat currencies. The CARF also includes the compliance mechanism, such as regulatory procedures for identifying users and relevant tax jurisdictions, which would guarantee that different tax authorities and/or administrations can effectively oversee DA activities.

In the ASEAN region, AMS is committed to implementing the CARF. As of June 17, 2025, Indonesia plans to implement it by 2027, followed by Malaysia, the Philippines, Thailand, and Singapore in 2028. However, as for Vietnam, which has

been identified by the OECD as relevant to CARF, it does not yet have any plans to implement such measures. While the rest of the AMS, such as Cambodia, Lao PDR, Myanmar, Brunei Darussalam, and Timor Leste, are not mentioned in the document (OECD, 2025).

The unprecedented economic opportunities and existing policy challenges to the continued development of the digital economy, as well as the increasing footprint of Das in this sphere, are crucial and necessitate to given attention in one way or another. Despite the efforts and initiatives of ASEAN to foster the digital economy, which would promote innovation and integration, gaps still remain, specifically in regulatory mechanisms such as taxation in Das' activities and transactions. Thus, it is timely for the regional bloc to address the challenges and issues that would support the AEC's goals towards a more competitive and cohesive regional community.

Statement of the Problem

Given the stated economic background of the digital economy and DAs, it becomes clearer how Malaysia and Singapore, as the two AMS frontrunners in the DCM, are undergoing digital transformation of their respective economies. The existing tax treatment of both AMS and DAs would provide a clearer picture of how regulatory mechanisms were crafted, which would eventually lead to further tax collaboration within the regional bloc.

This study will examine the comparative tax regulations between Malaysia and Singapore regarding DAs' activities and transactions, which will provide insight into ASEAN's ongoing efforts to engage in digital transformation within the regional bloc. The insights and situation on both identified AMS will inform policy recommendations

aimed at advancing the AEC, which is intended to have a single market and production base, fostering a more competitive economic region, equitable economic development, and a fully integrated region within the global economy. With the accomplishment of the study, it aims to find out the following:

1. How does the tax treatment of the DAs differ between Malaysia and Singapore?
2. How was the DA tax treatment adopted in Malaysia and Singapore through the lens of the Multiple Streams Framework?
3. How can insights from Malaysia and Singapore's DAs inform the potential regulation of tax treatments in ASEAN?

Research Locale, Scope, and Limitations

The study will only examine Malaysia and Singapore's existing tax treatments of DAs. These AMS were selected due to their ranking and advancements in digital competitiveness and have existing DA tax regulations in their respective jurisdictions. The existing regulatory mechanisms can serve as a platform for a better understanding of how different contexts can shape potential DA tax coordination and digital collaboration within the regional bloc, thus making the two AMS interesting case countries in this study.

The research would draw key tax policies and regulatory mechanisms including administrative rulings and policy documents on DAs issued by tax authorities, financial regulatory institutions, and central banks in both AMS, such entities included the Inland Revenue Board of Malaysia (IRBM), Securities Commission Malaysia (SCM), Bank

Negera Malaysia (BNM), Singapore Securities Exchange Commission (SGX), Inland Revenue Authority of Singapore (IRAS), and Monetary Authority of Singapore (MAS).

Despite the study only presenting the existing practices of Malaysia and Singapore, their respective experiences would provide a fertile avenue to evaluate and assess how issues on DAs emerged and were responded to by entities and institutionalized in their respective jurisdictions. Their existing practices would indirectly provide underlying regional implications for ASEAN's broader economic integration efforts towards on achieving its commitments to the AEC.

Significance of the Study

In this study, policy insights from Malaysia and Singapore on the regulatory mechanisms and tax treatments of DA are examined through a comparative analysis, highlighting similarities and differences that provide a foundational reference for other AMS to develop or further improve their respective DA policies. Aside from this, it would also serve as an avenue to foster regional dialogue and engagement on the DA regulatory mechanism through the committees and working groups within the AEC. By doing so, it would enrich the technical information for the development of DA policies within the AEC, serving as a guiding framework for regulatory mechanisms for DAs and promoting inclusivity and cooperation in ASEAN's digital economy.

CHAPTER II

REVIEW OF RELATED LITERATURE

The review of related literature unbundles existing studies that assess DAs, serving as the foundation for this study, and identifies research gaps that would advance exploration in this aspect of the digital economy. In this study, it identified five key areas were identified that are crucial to understand DA, such studies engage in (1) nature and classification of DA, (2) economic impact of DA, (3) legal and regulatory frameworks, (4) technological innovations and blockchain infrastructure, and (5) benchmarking and analysis of DA policy regulation. The review will present the existing gap and provide an explanation of why this study seeks to address it.

Nature and Classification of DA

Given the emergence of DAs, several studies have examined the nature and classification of DAs in the digital economy, particularly the definition itself, as well as the classification and dynamics of their activities and transactions. Based on the existing studies, the DA regulatory mechanism and tax framework remain complex due to the lack of a standard or universal definition across different jurisdictions.

One of the studies that tried to examine the definition of DA is a study conducted by Blumenfeld, Huertas, Talvitie, and Malheiro (2025). The authors attempt to assess how the EU's Markets in Crypto-Assets Regulation (MiCAR) distinguishes crypto-assets from conventional financial instruments. The study concluded that separating crypto assets from traditional securities laws would provide regulatory clarity, thanks to the EU's efforts. This distinction would foster technological innovation that can craft

a tailored framework and a complementary legal regime that aligns with their economic and technological nature, ultimately addressing the regulatory gaps in this aspect.

In some studies, DA is classified as a property that resembles a claim or an obligation, depending on its nature under legal theory as per Mayndank (2023). Mayndank reasoned that DAs' doctrinal choices would give an interpretation of the nature of the said asset under the property law itself, in which, in some instances, DAs are considered as claims enforceable only between parties. This doctrinal variability would somehow support the notion that the existing ambiguity regarding DAs continues to shape the regulatory and tax framework of DAs.

Aside from the definition of DA, other literature underscores ownership and control as the basis of DA regulation. In terms of ownership, control is a key element in asserting rights over DAs, as recognized by legal scholars (Rodríguez de las Heras Ballell, 2024). This perspective aligns with technological law developments and emerging international consensus that "control" is the primary functional basis for establishing proprietary rights in DAs, thereby ensuring legal certainty and cross-border enforceability in accordance with the UNIDROIT principles on DAs and Private laws.

The variation in the definition reflects a technical orientation in the existing literature, which identifies regulatory difficulties but provides limited insights into how definitions are debated, adopted, or institutionalized in policymaking, particularly within the ASEAN region. Thus, while existing definitional and ownership arguments originate from Western approaches, similar policy and regulatory debates remain underdeveloped within the ASEAN region. The various definitions of DAs demonstrate

that it is not a technological phenomenon, but a continuously evolving policy construct that delineates the scope of regulatory authorities, including their legal jurisdiction.

At the same time, another aspect of the literature expands the debates on the technological and functional aspects of DAs. DAs encompass a diverse array of instruments, including cryptocurrencies, NFTs, CBDCs, and stablecoins, which are underpinned by blockchain technology that ensures decentralization, transparency, and immutability (PwC, n.d.-a; Susnjara & Smalley, n.d.; Hayes, 2025). However, their complex ownership structures and varied income flows pose difficulties in revenue recognition, legal accountability, and tax policy design (Deloitte, 2023; Hu & Ma, 2024). Despite highlighting the technical and legal complexities, these studies fall short of explaining how these issues influence or hinder policy decisions within tax authorities, underscoring the need for a policy-process approach that captures institutional dynamics and state responses.

Based on the existing literature, this study examines how the DA classification translates into policy choices and regulatory responses in both Malaysia and Singapore, rather than merely describing the classification. The current literature on the nature and classification of DAs demonstrates ongoing interest in developing and harmonizing their technical orientations. Given the highlighting of technical and legal complexities, there are procedural aspects to examine, as well as the implementation of DA frameworks.

Economic Impact of DA

Moving forward with the definition and classification of DAs, it is important to explore their economic implications. Based on existing studies, it focuses on outcomes rather than examining how policy actors interpret or respond to these economic

indicators. Such studies by Zhang et al. (2022) emphasize that the economic impact of DA often focuses on its contribution to the digital economy, thereby boosting GDP growth, employment transitions, and industrial modernization in emerging economies. The authors stressed that disparities in existing digital infrastructure, regulatory mechanisms, and capacities lead to unequal benefits; however, countries may shift to higher-value industries as their digital sectors develop.

In other studies, DAs are also linked to public revenues, market stability, and financial inclusion through their integration into digital platforms (Suganya & Sasirekha, 2024). The study provides empirical insights into how blockchain-based ownership influences the valuation and trade of such assets, and how the existence of DAs and virtual goods affects the economy. Despite the insights presented, the implications of these economic outcomes on shaping national policy remain underexamined, particularly in the ASEAN region. Most of the literature focuses on the economic influence of DAs rather than on their role in shaping reality and policy frameworks.

Although adoption is shaped by perceived risks and gaps in public understanding (Chaisiripaibool, Kraiwanit, Rafiyya, Snongtaweepon, & Yuenyong, 2025), the study concluded that the key determinants of DA adoption are socioeconomic status, educational attainment, risk perception, and knowledge. The said determinants mitigate the risks associated with DA and increase its adoption. Furthermore, the authors recommended that strengthening the legal framework would reduce risk concerns for DAs and that emphasizing collaborative efforts across sectors, such as the government, Fintech providers, and academe, can enhance trust, accessibility, and inclusion in the DA market.

In terms of digital competitiveness in the ASEAN region, it displays varying levels, with Singapore and Malaysia outperforming with other AMS in policy readiness (International Institute for Management Development, 2025), while other AMS face significant infrastructure and institutional constraints (Gestrin & Staudt, 2018; Azar et al., 2024). Gestrin & Staudt (2018) reiterated that a weak digital infrastructure limits the ability to attract digital investment, potentially leading to constraints on regulatory fragmentation, institutional capacity, and coordination mechanisms for digitalization. As these constraints are also associated with the study by Azar et al. (2024), which identified vulnerabilities such as funding and operational risks, regulatory gaps, valuation pressures, and interconnectedness, showing that as these DAs expand within the financial ecosystem, they become more integrated with traditional finance and may be exposed to greater risks. Thus, regulatory mechanisms have a significant role in the increasing activities and transactions on DAs.

Acknowledging these structural and regulatory gaps is crucial for government practitioners and researchers seeking to promote inclusive, regionally coordinated cryptocurrency policy. These studies emphasize the significance of policymaking behavior in relation to economic evidence, which is the focus of this study comparing Malaysia and Singapore's regulatory approaches to DAs.

Furthermore, the uneven development limits the potential economic gains from DAs and complicates their efforts to promote regional harmonization, underscoring the need to examine how economic capability interacts with policy coordination. Most literature tends to describe the disparities present in DA rather than exploring how regional institutions or actors work together to align policies, highlighting a gap in process-focused analysis. Consequently, examining the relationship between

economic capability and policy coordination will help determine how fiscal collaboration can be achieved within the ASEAN bloc.

Legal and Regulatory Frameworks

Aside from the possible economic benefits of DAs, it is important to have clear regulatory and statutory frameworks, as some countries' approaches to the taxation of DAs are highly fragmented and vary across countries. Some countries impose direct taxes, such as capital gains taxes, while others apply indirect taxes, like VAT, and still others exempt intermediary services entirely, generating a compliance burden and highlighting institutional challenges (Lazea, Balea-Stanciu, Bunget, Sumănar, & Coras, 2025). This study by Lazea et al. reiterated that a lack of consistency in the definition of DA, data transparency, and regulatory mechanisms hampers harmonized global taxation. The study also recommended that, for clarity and compliance, effective cross-country coordination and standardized frameworks be established, as this DA, particularly its cryptocurrency taxation, requires continuous updates as regulatory mechanisms evolve.

The growing divergence in international approaches underscores the absence of a globally acceptable framework that can balance innovation development with regulatory certainty. Due to the absence of a standardized regulatory framework for DA, other countries and regional blocs, such as the EU, the US, and the BRICS+, have established targeted frameworks to mitigate challenges, including disintermediation and tax leakage (World Economic Forum, 2024; Angeloni & Tille, 2025; Kalash, 2024). Although existing research outlines the diverse tax treatment and initial solutions in the absence of a framework. It stresses the need for a standardized regulatory framework and offers limited insight into why particular approaches are accepted,

particularly in ASEAN, where policy decisions are often framed through a consensus-based process.

This gap in understanding the policy process underscores the importance of examining how legal design engages with regulatory behavior. On the other hand, legal studies must be examined in the context of the policy process, as this would explain how regulatory bodies can implement and modify frameworks amid the uncertainties posed by DAs and further shed light on the existing regulatory environment surrounding DAs. Other AMSs have initiated regulatory measures to address DA, such as Thailand, which imposes compulsory registration for offshore DA firms and issues cybercrime decrees that exemplify strong state involvement (Jeenanurugk, 2024; PD Legal, 2025; Tilleke & Gibbins, 2025). But in the existing regulatory mechanisms, the uncertainty continues to hinder the full adoption of DA (Chaisiripaibool, Kraiwanit, Rafiyya, Snongtaweepon, & Yuenyong, 2025; Lex Nova Partners, 2025). The experience of Thailand illustrates these dynamics but does not account for all the political motivations or policy pathways that led to such interventions, limiting our understanding of reform adoption. This also reinforces the analytical necessity of situating regulatory approaches within regulatory institutions and considering political factors, particularly comparing the practices of Malaysia and Singapore.

In contrast with Thailand, Malaysia encourages DA innovation through sandbox mechanisms (Ledger Insights, 2025), though enforcement challenges are complicated by the decentralized, borderless nature of digital activities and transactions (Aslam & Shah, 2021; Ooi, 2023). Efforts led by the OECD's Crypto-Asset Reporting Framework (OECD, 2023) aim to enhance transparency; however, the practical application remains uneven. While these studies highlight global trends, they do not tackle the

policy network or institution sequencing necessary for effective implementation. Hence, connecting regulatory approaches with governance frameworks provides a more comprehensive insight into how regulatory authorities design their policies and how their existing administrative capacity shapes those policies, particularly in Malaysia and Singapore.

Within the ASEAN region, initiatives like DEFA and ADM 2025 demonstrate a commitment to a more coordinated and harmonized governance (ASEAN Secretariat, 2023; ASEAN Secretariat, 2021 -a; ASEAN Secretariat, 2021 -b; ASEAN Secretariat, 2021 -c; World Economic Forum, 2025). Divergent adoption timelines and the consensus-based decision-making, as illustrated by the CARF, highlight political and institutional limitations (Seah, 2009; Karuppanan, 2006). Although the existing frameworks identify common regulatory challenges and focus on technical aspects, rather than examining the political dynamics that hinder harmonization, the merging regulatory mechanism within ASEAN indicates a gradual but uneven undertaking toward policy convergence. This study seeks to fill that gap through the lens of Kingdon's MSF to investigate how regulatory coordination and policy windows influence tax collaboration initiatives.

Technological Innovations and Blockchain Infrastructure

The innovation and infrastructure of DA play a key role in bridging its political aspect by highlighting that capacity readiness is an institutional decision as much as a technical one. These blockchain technologies serve as the foundational infrastructure for DAs, offering transparency, decentralization, and operational efficiency (OECD, 2019; Duan, Pang, & Lin, 2023; Li & Xu, 2024). These features make blockchain a central component of innovation in the digital economy. However,

the substantial energy consumption and high infrastructure requirements of DA raise challenges for sustainability and equity concerns, especially for AMS with constrained capacity (OECD, 2022). This signals that while technological innovation leads economic growth, its benefits remain conditional upon institutional readiness and resource capacity. While existing studies highlight the technical issues with DA, they rarely examine how policymakers address these concerns or how political compromises shape the advancement of digital infrastructure.

Technological gaps persist across the ASEAN region, with uneven adoption and weak interoperability hindering the integration of DA in less-prepared states (ASEAN Secretariat, 2022; Sefrina, 2024). Without a standardized cross-border data and infrastructure alignment, regional tax and governance harmonization is complicated. The regulatory fragmentation of DA not only reflects different levels of technological advancement but also underscores the uneven regulatory landscape that shapes each AMS's digital trajectory. While these technical barriers are well documented, the political and institutional mechanisms that shape these disparities remain underexplored, highlighting a gap in the current literature. Likewise, addressing the gaps demands regulatory policy mechanisms that would interlink the existing digital innovation and regulatory capacity. Tackling these issues requires assessing the policy approaches and regulatory capabilities that support the diffusion of technology across ASEAN.

Benchmarking and Analyzing the Policy Regulation on DA

Since the regulatory policy of DAs is still ongoing at the regional and international levels. It is essential to examine the root causes of the issues and risks associated with DAs and how they can be effectively regulated. Moreover, this study

highlights the role of key actors in shaping regulatory mechanisms that steer the policy agenda and define a country's DA policies. Unfolding these dynamics would permit an assessment of how regulatory design and actor behavior shape the ongoing evolution of the regulatory landscape for DAs. It provides insight into how Malaysia and Singapore, with their more developed DA policies and economies, respond to global trends and integrate them into their respective tax and regulatory systems.

The research that most closely aligned with the objectives of this paper is Hannah Kim's (2023) "*An Analysis of the Policy-Making Process of the Virtual Currency Taxation Policy in the United States: From the Multiple Streams Framework (MSF)*." The paper applied an extended version of Kingdon's MSF, as developed by Herweg, Zohlnhöfer, and Huß, through a two-stage MSF approach to examine how virtual currency (VC) emerged and evolved in the United States, based on a document issued by the Inland Revenue Service, Notice 2014-21. The MSF was utilized to understand how policies emerge and are adopted within the bureaucratic process. Specifically, Kim (2023) explains how specific issues come to the government's attention and how these decisions are formulated, despite existing hindrances such as ambiguity, fragmented authority, and limited time. This analytical approach highlights the importance of timing, regulatory responsiveness, and actor engagement in policy formulation. Utilizing Kim's analytical approach, the study is grounded in the policy process tradition through the MSF, as this would help explain how Malaysia and Singapore's regulatory agencies responded to the policy window on DA.

Kim (2023) emphasizes the coupling of the three streams (i.e., problem, policy, politics) during windows of opportunity, which is the approach that action materializes when the exact blend of problems, ideas, and politics is accidentally presented, and an actor (policy entrepreneur) will act during this policy window. To further expound

on the three streams, Kim defines them using the extended MSF, which is presented in Table 2.

Table 2

Definition of the Three Streams of the MSF, as per Kim

Streams	Definition of Streams
Problem	On how issues are recognized and need intervention, it includes indicators, focusing events, and feedback
Policy	Refers to the ideas, proposals, and technical solutions within the stakeholders or community
Politics	Captures public attitude, stakeholders' activity, and ideological shifts within the government

Notes. Data from the study "An Analysis of the Policy-Making Process of the Virtual Currency Taxation Policy in the United States: From the Multiple Streams Framework (MSF)" by Hannah Kim, 2023.

The MSF proves valuable for analyzing non-legislative policy interventions, exemplified by the IRS's issuance of a notice to provide guidance on the ambiguous regulatory framework for virtual currencies. Kim (2023) concluded that the IRS acted as the initiator, and the US Congress did not lead to any tax policy development on VC. Given the evolving technology and the uncertain nature of VC, this context presents an ideal setting for applying the MSF, as it helps explain how policies emerge under conditions of ambiguity and fragmented regulation. This underscores the significance of MSF as a tool for unbundling complex decision-making processes in the emergence of regulatory aspects, particularly in DAs.

Complementing the use of the MSF in tax policy, James, Lajous, and Reich (2020) analyzed the passage of Mexico's sugar-sweetened beverage (SSB) tax through the three streams, highlighting the significance of framing, securing funding,

and coordinating legislation amid opposition from lobbyists. Similarly, Mena Aguilar (2024) utilizes the MSF to explain the SSB tax reform, demonstrating how policy entrepreneurs strategically couple the three streams to capitalize on a policy window. The use of MSF is more suitable for explaining tax reform in the context of surrounding political discussions, fiscal burdens, and adaptable policy convergence. The presented applications of the MSF showcase its adaptability in assessing the interaction among problem recognition, policy design or proposals, and political context across different countries and their existing governance systems.

Nevertheless, the MSF is a practical approach to evaluating the existing policy environment, as it can be applied to various other sectors or aspects. For instance, the MSF was used to explain the changes in the minimum unit pricing for alcohol in England between 2012 and 2013 by Hawkins and McCambridge (2020) or in the study of Behzadifar et al. (2025) that utilizes MSF to examine how health technology assessment (HTA) in Iran on the convergence of the existing problem, policy tools, and political will towards its gained foothold in Iran's health policy agenda. Integrating the insights shown places the present study within a general policy-process tradition that depicts tax reform as a function of regulatory readiness and possible economic and political opportunities. Thus, this study would also utilize the MSF to examine how the institutional, policy, and political conditions shape the formulation, adoption, and implementation of the tax treatment of DAs in Malaysia and Singapore. Through this approach, it moves forward beyond conceptually grounded reviews to assess the dynamic of policy processes that shape DA regulations.

Institutional and Policy Gaps in Existing Literature

Based on the foregoing discussions, it underscores the significant role of regulatory mechanisms and the political environment in molding policy outcomes. This synthesis assesses regulatory and policy gaps in existing studies that affect the harmonization of DA regulations across ASEAN.

Drawing from the preceding thematic insights, this section assesses how regulatory and policy approaches align with ASEAN's digital integration agenda, revealing divergence and coordination among AMS. The ASEAN regional bloc has initiated measures towards digital economic integration, which significantly contributes to socioeconomic development. Bukht and Heeks (2018) characterize the digital economy as an innovative and transformative force across sectors, aligning with varying levels of digital readiness as reported in the IMD (2024) Digital Competitiveness Index (DCI). This transformation requires reforms in institutional and regulatory frameworks that enable a smooth transition from conventional businesses to digital platforms and industries. However, despite regulatory advancements, the literature indicates that ASEAN's coordination of DA remains sparsely studied, underscoring the need for a comparative analysis.

In analyzing ASEAN's institutional developments, it becomes clear that regional policy collectively promotes the enhancement of digital governance within the region; however, it offers limited coverage for addressing DA-related issues. The roadmaps, frameworks, and agreements by ASEAN, such as ADM 2025, ADDGF, ADEFA, AFPDP, and ADEFA, as well as BSBR and ADIFAP, collectively demonstrate a significant consensus on the need for harmonized and coordinated digital governance, interoperability, and cross-border digital facilitation. Through these initiatives, non-

binding instruments like the ADMF and ADDGF were supported, while highlighting the AEC's objectives of fostering inclusivity, competitiveness, and innovation in the digital economy.

Nevertheless, the persistent implementation gap highlights the deviation between regional objectives and domestic policy experiences. These ASEAN cooperative initiatives continue to face a gap between their aspiration for regulatory coordination and the reality of effective policy alignment on DA regulation across their member states.

The studies further identified the main structural issues that hinder the institutionalization of DA regulation in ASEAN. Key challenges facing DAs, as identified by Fend (2018) and reinforced in the ADC 2045 framework (Ing et al., 2023), encompass fragmented regulations, inadequate digital infrastructure, and limited digital literacy. The said issues would hinder the proper regulation of DA in some AMS if left unaddressed. This existing divergence could impact the development of the digital tax regime for each Authorized Market System. Cross-border data flows and digital financial services would also complicate the establishment of a unified tax framework and the treatment of DAs.

Observed indicators of digital readiness underscore the disparity in developments among the AMS, thereby necessitating a comparative policy analysis. Digital readiness in ASEAN is uneven, with Singapore and Malaysia outperforming other AMS in competitiveness. The IMD (2025) ranking places Singapore at the top of the regional bloc, with Malaysia having notably improved from 36th to 23rd, signaling enhanced institutional and digital capacity. These factors suggest that both AMS effectively implement tax regulatory frameworks for DA within their jurisdictions.

Conversely, the Philippines, Indonesia, and Thailand rank lower in digital competitiveness, indicating deficiencies in digital infrastructure and regulatory readiness. These perceptions substantiate the rationale for selecting Malaysia and Singapore as analytical points in examining policy and regulatory approaches to DA.

The variations in digital capacity among the AMS indicate policy implications that extend beyond technical readiness but also ensure regulatory coherence and effective policy sequencing. Based on the foregoing, there is regional divergence in the digital economy, particularly in data governance, regulatory sandboxing, and institutional accountability. The AMS timelines demonstrated this in adopting the year for the CARF, which is also attributed to fragmented tax regulatory capacity among DAs. It also shows the potential role of DAs on the international stage. If harmonized and coordinated regulation of DAs is implemented, ASEAN may harness its economic might and further surpass its regional objectives.

Although various policy instruments have been presented, there are few studies that engage with ASEAN-developed DA taxation policies. Overall, few studies explore how DA taxation policies in ASEAN emerge through the policy process, particularly how problems are framed, policy alternatives are formulated, and political forces are aligned. In the ASEAN region, regulatory reforms have been undertaken; however, there has been limited focus on the political and institutional dynamics that influence their adoption.

In response to the identified gap in the existing literature and studies, the study adopts a policy process approach to address the empirical and conceptual gap. This study will examine how Malaysia and Singapore developed DA regulation by applying Kingdon's MSF framework to understand how problems, policy proposals, and political

conditions interact, offering insights into the challenges, issues, and contextual factors that shape each AMS's regulatory approach.

By linking all policy processes and context, the study offers a possible framework for understanding regulatory coordination that would act as a political and administrative outcome. These insights would support the analytical framework of this study and justify the comparative approach to inform policy recommendations toward potential collaboration of tax treatments for DAs. The study draws on the regulatory gap literature, integrating ASEAN descriptive analyses with policy process tradition to identify potential routes toward tax collaboration on DA.

In summary, the existing literature reveals an evolution of different perspectives on DA, ranging from treating it as a technological innovation to framing it as a policy, regulatory, and fiscal concern. The identified gaps in the DA definition, its implementation, and its regulation reinforce the use of MSF to assess how Malaysia and Singapore manage DA regulation within the collaborative and initiative agenda of ASEAN.

CHAPTER III

RESEARCH METHODOLOGY

This chapter discusses the theoretical and conceptual frameworks for the potential harmonization of DA tax treatments within ASEAN, based on the existing literature on the taxation and regulation of DAs between Malaysia and Singapore. This chapter also outlines the research design and data collection method, including how the data will be treated and how the information will be processed to facilitate the potential harmonization of tax treatments on DAs in ASEAN.

Theoretical Framework

To understand how DA tax policies emerge in dynamic and uncertain environments like ASEAN, this study adopts Kingdon's MSF. It explains how issues gain government attention, how solutions are developed, and how political dynamics enable reform, particularly when windows of opportunity open (King, 1985; Kingdon, 2014).

This study applies Kim's (2023) contextualized MSF, tailoring Kingdon's model to ASEAN realities, where regulatory agencies, not parliaments, are often the drivers of reform. In the MSF, three streams posit policy change:

- (1) Problem stream: DA issues like classification ambiguity, compliance risks, and demand for regulatory clarity are identified via indicators, feedback, or events.
- (2) Policy stream: Technical proposals emerging from expert communities and agencies, drawing on global norms and national priorities.

- (3) Politics stream: National mood, agency leadership, and regional pressures influence, timing, and political receptiveness.

When these streams align, a policy window opens, allowing policy entrepreneurs (individuals or institutions with expertise, networks, and strategic timing) to push specific policy solutions onto the agenda. Policy entrepreneurs, who are individuals or entities with resources, strategic timing, and persuasive capacity, play a critical role in coupling the streams and seizing these windows to advance policy agendas (King, 1985; Kingdon, 2014).

By using MSF, this study analyzes how DA taxation became a priority in Malaysia and Singapore, how viable tax policy alternatives were framed, and how political momentum influenced the timing and content of policy responses. The relevance of non-legislative actions, such as regulatory agency initiatives, is also emphasized, aligning with the MSF's utility in situations where formal legislative consensus is lacking.

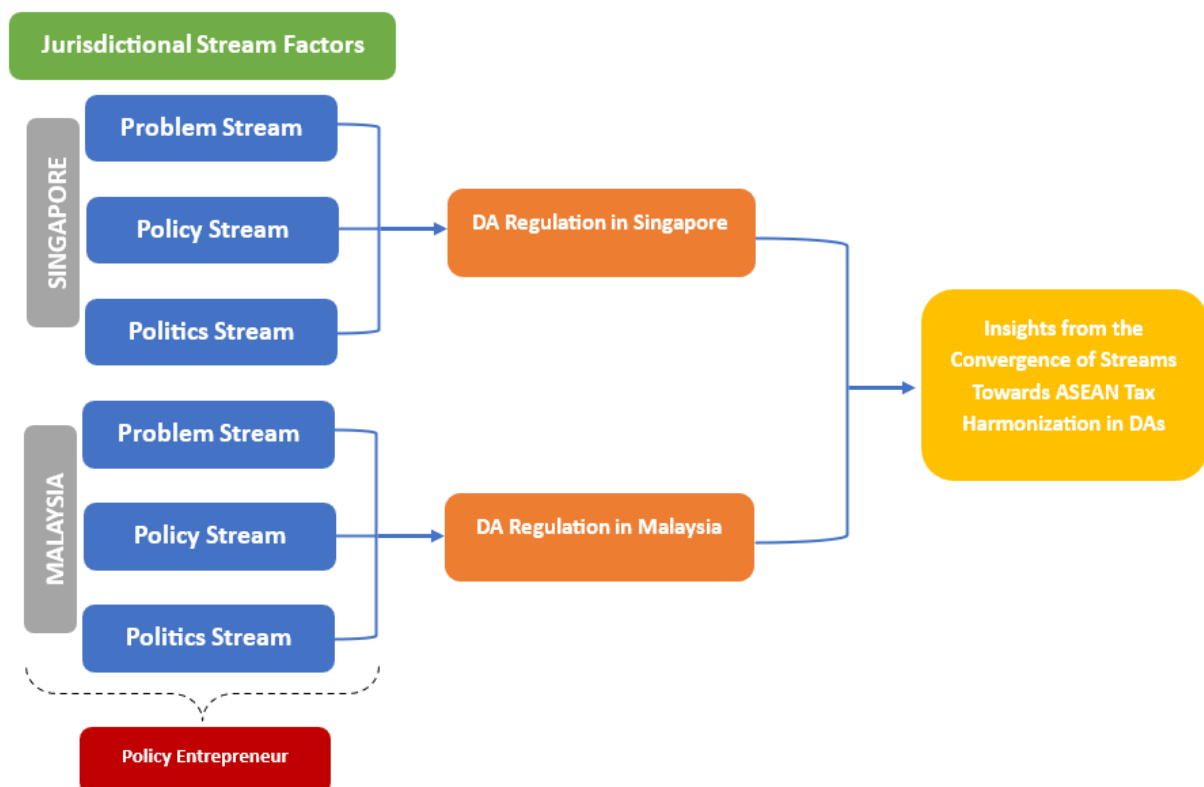
Converging the MSF streams would explain how and when there is a window of opportunity for the AMS and the regional bloc to coordinate policy adoption. The MSF's outcome aligns with the study's significance, which involves analyzing various regulatory regimes, their institutional factors, and the potential of a coordinated tax approach on DAs to support the ASEAN bloc's economic integration.

Conceptual Framework

The conceptual framework compares the DAs' tax regimes of Malaysia and Singapore for the ASEAN region, providing potential for tax harmonization. It determines the differences in jurisdictional stream factors (e.g., problems, policies, and politics). Primarily, policy entrepreneurs set the direction of the jurisdictional stream

factors that influence tax treatment on DAs between the two AMS and assess them for potential regional cooperation. The comparative tax regime between the two AMS would synthesize the convergence and divergence in the role of jurisdictional stream factors in the differences, as well as how international practices may inform ASEAN tax harmonization efforts. (See Figure 1)

Figure 1. Conceptual Framework: Comparative Jurisdictional Analysis for ASEAN Tax Harmonization in DAs



The outcome of the insights or the convergence of streams from both AMS would be the potential for regional tax harmonization of DAs among the AMS. The synthesized insights would give a concrete assessment of regulatory alignment and institutional readiness, promoting tax cooperation within ASEAN and contributing to a systematic regulatory approach for DAs.

Research Design and Analysis Approach

This study adopts Stake's (2006) multiple case study approach to analyze how Malaysia and Singapore regulate and tax DAs. Each AMS is treated as a bounded case, while DA taxation serves as the common phenomenon of interest. Guided by a context-sensitive and interpretive lens, this approach values the complexity of each country's institutional, political, and regulatory environment. It allows for both in-depth (within-case) and comparative (cross-case) analysis.

Stake's Two-stage analysis using Kingdon's MSF:

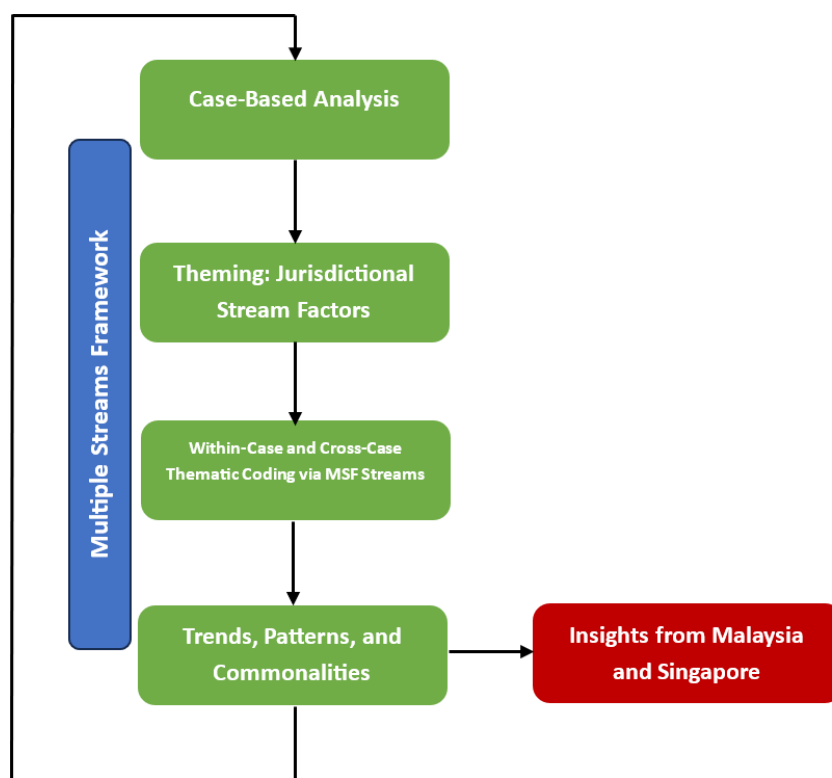
- (1) Within-case analysis identifies how each country's DA tax policies align with the three streams of Kingdon's MSF (problems, policy, politics), using official documents from IRBM, BNM, MAS, IRAS, and insights from various industry stakeholders (e.g., fintech)
- (2) Cross-case analysis compares Malaysia and Singapore to find common patterns, differences, and insights that can support regional tax coordination.

To further understand the case study approach, the study will utilize an analytical framework that serves as a guide to compare and evaluate the process using the MSF. The analysis systematically examines the three jurisdictional stream factors that compare existing policy mechanisms between Malaysia and Singapore, determining policy choices and regulatory responses regarding DA taxation. The jurisdictional streams will be thematically coded to identify issues, policy proposals, and sentiments, as well as points of divergence. The thematic coding will be initially applied through within-case analysis on each AMS to capture the existing DA policy, and then through cross-case analysis to compare both AMS, highlighting

commonalities, differences, and areas of potential convergence from the MSF streams.

It demonstrates the convergence of structural norms and institutional regulatory regimes that have shaped the taxation and enforcement of DAs. The insight or convergence of the streams assesses how Malaysia and Singapore adopt or adapt international practices, as well as the manner in which they do so. It also provides regional insights to evaluate the challenges of harmonizing DA tax policies and regulations through coordination efforts within the ASEAN region.

Figure 2. Analytical Framework: Assessing the DAs Tax Convergence in ASEAN via Malaysia and Singapore Comparison



The results of the analysis will be examined to develop a comprehensive understanding of commonalities, differences, and convergence in tax harmonization of DAs between Malaysia and Singapore. These results will produce indispensable

inputs that could contribute to developing a framework or roadmap for tax harmonization of the imposition of taxes on DAs within the ASEAN region.

Data Sources and Collection Methods

Data collection will be conducted through desk research using existing secondary sources. This method is ideal and cost-effective, as this study will utilize existing tax regimes, official policy papers, regulatory circulars, and guidelines issued by IRBM, SCM, BNM, SGX, IRAS, and MAS on DAs. It will also utilize academic articles and journals, as well as studies from the IMF, OECD, ADB, and ASEAN, including documents such as roadmaps, frameworks, and agreements related to the digital economy and taxation of DAs.

The collected data will then be compiled and analyzed through thematic coding and comparative categorization of existing tax provisions (e.g., tax base, exemptions), administrative mechanisms, and institutional functions (e.g., enforcement). To guarantee that the data is relevant and reliable in this study, the data will be filtered based on the following considerations:

- (1) Recent and updated DA regulations, policy documents, and notes.
- (2) Collected data will be gathered only in Malaysia, Singapore, ASEAN, and other reputable international institutions that tackle DAs regulations.
- (3) Insights from fintech and associated industry sources that engage with the DA transactions, sources will include practitioners and advisory blogs, crypto websites, and platforms. It is noted that these industry insights will be cross-checked against existing official DA regulations, as well as peer-reviewed materials.

The analysis and interpretation of the collected data will produce results that lead to conclusions, answer the pre-stated problems, and highlight the significance of the study.

CHAPTER IV

DATA AND ANALYSIS

This chapter presents the findings of the study derived from the research questions. It first examines how the tax treatment of DA differs between Malaysia and Singapore, identifying both shared foundation and distinct areas of divergence. It then analyzes how each AMS' DA tax regime was shaped through the MSF, highlighting the intersection of regulatory challenges, policy responses, and political dynamics that enabled policy adoption. The coupling of the streams would provide insights from both AMS to assess the implications for ASEAN's prospects of achieving tax harmonization in the DA regulation.

RQ1: Comparative Tax Treatment of DAs Between Malaysia and Singapore

The comparison reveals that Malaysia and Singapore both have difference in commonalities in their DAs, which are shaped by different factors such as: (1) Shared Legal Heritage from the British Colonial Era, (2) Tax Framework Approach on DA Activities and Transactions (3) DA as Token Classification and Conceptual Differences, (4) Initial Coin Offerings (ICOs)² and Founders' Token Tax Treatment enumerate. While these factors underscore commonality, both AMS demonstrate distinct approaches to interpreting and administering taxation for DAs. They share a common colonial and institutional structure but have pursued distinct approaches in interpreting and applying tax rules to DA. Both AMS adopt income-based taxation frameworks; however, they vary in regulatory clarity and coverage, as well as their treatment of DA activities and transactions.

The influence of British colonial foundations has shaped the income-based taxation systems in Malaysia and Singapore, both of which operate under common law, but their respective DA tax frameworks have diverged. Malaysia, following its colonial foundation, employs a broad and interpretive approach based on the badges of trade, which offers flexibility but creates case-by-case vagueness (IRBM, 2022). On the other hand, Singapore adopts a DA function-based classification, encompassing payment, utility, and security tokens, which provides clarity and predictability (IRAS, 2020). While neither AMS imposes a capital gains tax (CGT), both AMS taxes DA income as revenue when profit motives are apparent. However, Singapore's rule-based guidance reduces interpretive risks compared to Malaysia's ambiguous approach. This treatment is to facilitate development and encourage industry stakeholders to participate in DA activities.

In terms of Indirect tax treatment, Singapore exempts qualifying DPTs from goods and services tax (GST), while Malaysia imposes Sales and Services Tax (SST) on DA-related activities. In general, Singapore applies detailed residency-based withholding rules, unlike Malaysia's simpler flat-rate system. These commonalities and differences will be discussed in the following sub-sections.

Shared Legal Heritage from the British Colonial Era

Both AMS introduced income tax laws on January 1, 1948, which were inherited from the British colonial tax administration, shaping their existing tax framework (Loo & McKerchar, 2014). Malaysia and Singapore share a common law framework, income tax principles, and a centralized administrative structure for tax regulation and enforcement. This would explain the existing tax fundamentals in their tax system due

to colonial path dependency; however, their tax approach to DA taxation already diverges due to technological evolution and existing administrative approaches.

Tax Framework Approach on DA Activities and Transactions

It is essential to understand and analyze the existing tax frameworks in both AMS to determine whether DA activities and transactions are subject to taxation. Based on Table 3, Malaysia utilizes the badges of trade as an interpretative approach to DA activities and transactions, with key indicators determining whether to impose tax on activities or transactions of a profit nature. Technically, the IRBM, through the Malaysian Income Tax Act (MITA) 1967, can issue guidelines that determine the taxability of DA transactions. It was also embedded in the guideline that the tax treatment of e-CT would follow the principle of neutrality, which means that e-CT, specifically online trading and service providers, app stores, online advertising, cloud computing, payment services, digital currency, digital tokens, and conventional transactions, are treated the same.

In contrast, Singapore follows a functional classification approach, differentiating tokens based on their intended use through the e-tax guide issued by the IRAS.

Table 3

Tax Framework Approach on DA in Malaysia and Singapore

Aspect	Malaysia	Singapore
Tax Principle	Income tax is imposed if DA activities are deemed revenue in nature using the badges of trade ¹	Income tax is imposed based on the function and classification of the token.
Tax Basis	IRBM Guidelines on e-Commerce Taxation; MITA 1967.	IRAS e-Tax Guide on Income Tax Treatment of Digital Tokens

Table 3

Tax Framework Approach on DA in Malaysia and Singapore

Aspect	Malaysia	Singapore
Key Trigger	Trade exists when there is a profit-seeking intent, a frequency, a holding period, and other factors that suggest a business activity.	Functionality determines taxability: whether the token serves as a payment, a utility, or a security.
Taxability	Determined on a case-by-case basis, revenue vs capital nature is guided by eight badges of trade. ¹	Determined by predefined token classification and the purpose of the transaction.
Implication	Flexible but case-dependent and potentially inconsistent.	Clearer rules and predictability for taxpayers and regulators.

Notes. ¹ The "badges of trade" refer to eight criteria used by the IRBM to determine whether DA gains are revenue in nature: (1) nature of subject matter, (2) length of ownership, (3) frequency of transactions, (4) supplementary work, (5) circumstances of realization, (6) profit-seeking motive, (7) mode of financing, and (8) other relevant factors such as documentation or business conduct.

Source: The tax framework approach on DA was consolidated and based on IRBM (2019; 2022) and IRAS (2020).

See Annex B for the detailed technical explanation of the badges of trade.

Generally, DA activities and transactions involving trading, mining, staking, DeFi engagement, farming, and utilizing as payment are subject to taxation in both AMS, as shown in Table 4. Clearly, Malaysia taxes DA activities and transactions based on motive, frequency, and holding period, provided that a profit is gained by the principle of badges of trade. Singapore detailed the categorization of DA through the issuance of e-tax guides by the IRAS, which categorized DA according to whether it was related to business or employment income.

In contrast to DA activities and transactions that are non-revenue-generating or do not generate any profit, such as holding cryptocurrencies, transfers (e.g., wallet-to-wallet), inheritance, gifts, and gas fee payments, are not liable to income tax or CGT in both AMS.

Table 4*Tax Treatment of DA Activities and Transactions in Malaysia and Singapore*

DA Activities and/or Transactions	Malaysia**	Singapore
Active Crypto Trading, Crypto Mining, Mining Rewards (Received), Staking Rewards, Providing Liquidity (e.g., DeFi), Business Transactions Paid in Crypto, Salaries Paid/Received in Crypto, Freelance or Service Payments in Crypto, Initial Coin Offering (ICO), Founders' Tokens (as Remuneration) *	✓	✓
Yield Farming, lending crypto (interest earned), Crypto Conversion (Revenue-driven), Airdrops / Token Splits – On Sale (Trade-like), Gifts Later Sold (if revenue-like), Borrowed Crypto Later Sold (Profit Motive)	✓	✓
Lending Crypto (Principal), Crypto Conversion (Investment/Capital), Selling Crypto (Personal, Investment-held), Swapping Crypto (Personal Use), Holding Crypto, Wallet-to-Wallet Transfers, Gifts Given or Received (Crypto), Inheritance of Crypto, Borrowing Crypto, Wrapping Tokens, Use of Crypto for Personal Spending, Airdrops / Token Splits (On Receipt), Founders' Tokens (Capital or Locked) ¹ , Use of Crypto for Gas Fees ²	X	X

*Notes. * If revenue in nature, business income, market value, income, employment income, or self-employment income, depending on the tokens sold.*

*** Taxability depends on whether the transaction is deemed to be revenue or capital in nature, which is determined by the badges of trade (e.g., motive, frequency, holding period, etc.).*

1 Subject to certain conditions

2 Allowable deductions if it is a business entity

Source: DA activities and transactions, particularly cryptocurrency-related practices, were consolidated from various fintech references, and e-tax guides, including McClure (2024), Ooi V. (2022), Agarwal (2025) Cheong (2024), Pareek (2025), IRAS (n.d.-a; 2020).

Importantly, it is worth noting that Table 4 was derived from guidebooks, definitions, and existing tax legislation; therefore, the presented tax treatment may vary or be subject to updates. Therefore, subscribers, users, and taxpayers should exercise due diligence and consult with IRBM and IRAS to confirm the current tax treatment and interpretation.

DA as Token: Classification and Conceptual Differences

While both Malaysia and Singapore share commonalities in the tax treatment of DA activities and transactions under general income tax principles, their digital token classifications and conceptual approaches differ (See Table 5.)

Table 5

Classification and Conceptual Differences of Tokens in Malaysia and Singapore

Aspect	Malaysia	Singapore
Definition	Broad classification as “digital currency” or “digital token” under 2019/2022 IRBM guidelines.	Clear differentiation into payment, utility, and security tokens
Tax Framework	Uses the badges of trade to determine if gains are taxable income	Function-based rules tied to token purpose and usage
Implication	Flexible but potentially ambiguous treatment.	Specific, predictable tax obligations for each token type.

Source: Information was gathered from the guidelines of IRBM (2019; 2020) and IRAS (2022).

In Malaysia, the guidelines issued by the IRBM identified DAs was referred or associated to as digital currency and digital token, digital currency was defined as a digital representation of value which is recorded on a distributed ledger, whether cryptographically-secured or otherwise, that functions as a medium of exchange and is interchangeable with any money, including through the crediting or debiting of an account, while digital token pertains to a digital representation which is recorded on a distributed digital ledger whether cryptographically-secured or otherwise.

Moreover, activities related to digital currency and digital tokens include (1) mining the digital currency or digital token and (2) buying and selling it. BitCoin, Ripple, and Ethereum are examples of digital currencies or digital tokens transacted in Malaysia’s market.

Meanwhile, the IRAS published the e-Tax Guide on Income Tax Treatment of Digital Tokens (ITTDT) on 17 April 2020 and revised it on 09 October 2020. The e-Tax Guide lays down DAs transactions involving digital tokens¹, such as payment tokens², utility tokens³, and security tokens.⁴ Based on the IRAS e-Tax Guide ITTDT (2020), the general tax treatment for three (3) digital tokens is presented in Table 6.

Table 6

Tax Treatment of Digital Tokens in Singapore

Type of Digital Token	Tax Treatment
Payment Token	Payment tokens are regarded as intangible property. Consequently, transactions involving the use of payment tokens as payment for goods or services are viewed as barter trade, and the value of goods or services transferred should be determined at the point of transaction.
Utility Token	The use of a utility token to exchange for goods or services is unlikely to create taxable income for the user at the point of exchange. On the other hand, it may give rise to a deductible expense subject to usual deduction rules.
Security Token	The taxability of a return derived from a security token depends on its nature, specifically whether it represents interest, dividends, or other distributions.

Notes. Lifted from the IRAS e-Tax Guide ITTDT, 2020

Initial Coin Offerings (ICOs) and Founders' Token Tax Treatment

Regarding ICOs and founders' tokens, both are treated similarly under their respective tax frameworks (See Table 7). Specifically, Malaysia follows the broad approach of the badges of trade principle, while Singapore relies on its token classification to determine taxability.

¹ Refers to any cryptographically secured digital representation of value that can be transferred, stored or traded electronically (IRAS, 2020).

² Represents a digital right that can be used or is intended to be used as a means of payment for goods and/or services. Common payment tokens include Bitcoin and Ether (IRAS, 2020).

³ Represents a right to a good or service (IRAS, 2020).

⁴ Represents a stake or an investment in an underlying asset, e.g., shares in a company, bonds, etc. (IRAS, 2020).

Table 7*ICO and Founder's Token Tax Treatment in Malaysia and Singapore*

Token Issuance Scenario	Malaysia	Singapore
ICO used for business funding	Taxable as business income	Taxable depending on token type
Utility tokens via ICO	Taxable when redeemed (as business activity)	Taxed only upon delivery of service
Founders' tokens (remuneration)	Treated as ordinary income	Taxable if not locked or if remuneration-like
Founders' tokens (capital/locked)	Not taxable if capital in nature	Not taxable unless conditions are met for the sale

Source: Information was gathered from the guidelines of IRBM (2019; 2020) and IRAS (2022).

Reiterating that Malaysia adheres to the principle that any income of any person derived from Malaysia with e-CT and any activities in Malaysia, regardless of whether the income is received in Malaysia or otherwise, is liable to income tax under Section 3 of the MITA 1967. Other activities related to cryptocurrencies that are frequently traded for profit can be classified as business activities by the IRBM and are also subject to income tax under Section 4(a) of the MITA 1967. Thus, whether it is an ICO and a utility token, it aligns with the principle of badges of trade; they are subject to applicable taxation and the application of the double taxation agreement with a contracting party to Malaysia. However, there is no clear regulation or advisory from the IRBM on the tax treatment of the ICO and the founders' token (EY Malaysia Tax, 2022; Agarwal, 2025). Thus, it is recommended that taxpayers and subscribers seek clarification from the IRBM on its tax treatment.

On the other hand, Singapore's tax treatment for ICO⁵ depends on the nature of the digital tokens issued and the purpose of the ICO. If the ICO engages with a

⁵ The first issue of a digital token to the general public. It is commonly used as a method to raise funds for new projects (IRAS, 2020).

payment token, it is treated as income if it is used to raise funds for the business, and the entity is liable for income tax, depending on the purpose and specific facts. As for a utility token, which is treated as a prepayment for future services, it will be subject to income tax after the services are delivered. Suppose they are treated like capital (i.e., selling shares or bonds). In that case, security tokens are not liable for income tax, and their dividends or interest paid on the token may be allowed as a deduction for the issuer (IRAS, 2020).

If the ICO fails in its operation and transaction, the tokens issued will be refunded and not subject to income tax. However, if the ICO receipts or issued tokens are not refunded, it would follow the nature and purpose of the token; thus, it is liable to income tax. Moreover, if the ICO company allocates a certain percentage of the tokens to its founding developers as awards or incentives, such tokens are referred to as founders' tokens. These tokens are also income taxable if they are treated as remuneration for service rendered as part of their revenue or salary. If those tokens are issued for investment or will be part of the employee's assets, they are not taxable as income since they are treated as a capital asset. It is noted that the founder's token, which is under moratorium, will be liable to income tax if those tokens can be sold on the market (IRAS, 2020).

Personal and Corporate Income Tax (CIT) Rates

The foregoing DA activities and transactions are subject to income taxation, as presented in Table 8, which shows the comparative personal income tax (PIT) and CIT rates between Malaysia and Singapore.

Table 8*PIT and CIT rates in Malaysia and Singapore, as of June 2025*

Taxpayer Type	Malaysia	Singapore
Personal – Residents	1% to 30% progressive	0% to 24% progressive
Personal – Non-Residents	30% flat rate	15% or 24%, depending on income type
Corporate (resident)	15% to 24% depending on capital & gross income	17% flat for all companies
Corporate (non-resident)	24% flat	17% flat

Source: Information was gathered from the website of IRBM (2024), PwC (2024), and IRAS (n.d.-a, n.d.-b).

In Malaysia, the PIT for Malaysian tax residents is subject to progressive rates ranging from 1% to 30%, while non-residents are taxed at a flat rate of 30%. The taxable income includes employment income, business profits, dividends, rents, royalties, pensions, and other types of income. Meanwhile, CIT for resident companies with a paid-up capital of MYR 2.5 million or less is liable to a CIT rate of 15% to 24%. In contrast, larger resident companies and all non-resident companies are taxed at a flat rate of 24%. It is noted that foreign source income of resident companies is also liable to the CIT. For the detailed tax rates for PIT and CIT in Malaysia, refer to Annexes B and C, respectively.

Additionally, expenses related to the operation or transactions (i.e., exchange fees, hardware, software) of cryptocurrencies may be considered deductible expenses. Moreover, crypto mining is also subject to the MITA 1967, which considers it a business activity where the value of mined coins is taxed at market value upon receipt. This also includes mining rewards, which are considered ordinary income and taxed accordingly (Taxes for International Entrepreneurs and Expats, 2025).

Meanwhile, in Singapore, the individual income tax (IIT) depends on residency status, with progressive rates ranging from 0% to 24% depending on the income bracket for tax residents and a 15% flat rate or higher progressive rates for non-residents. Tax residency is determined by the length and continuity of stay, as well as specific conditions for foreigners. Income from employment, royalties, and professional services by non-residents may be subject to withholding tax rates ranging from 10% to 24% depending on the income type and applicable conditions set by the IRAS. It is noted that tax residents may be eligible for rebates of up to SGD 200 for the years of assessment (YA) 2024 and 2025. On the other hand, the corporate income tax rate for both local and foreign is 17% of its chargeable taxable income, which, after deducting tax-allowable expenses for a YA (IRAS, n.d. -a; IRAS, n.d. -b). For detailed Singaporean IIT rates and conditions, refer to Annex D.

Indirect Tax on DA Activities or Transactions

Regarding indirect tax treatment, Malaysia and Singapore impose a VAT-like structure on their domestic activities and transactions, as presented in Table 9, the comparative table of VAT-like structures in both AMS.

Table 9

VAT-like Structure in DA Activity/Transaction in Malaysia and Singapore, as of June 2025

DA Activity / Transaction	Malaysia	Singapore
Crypto used as payment	Exempt from SST, unless part of a business transaction	GST-exempt if the token qualifies as DPT
Platform services (DA exchanges)	Subject to 8% Service Tax on digital services	Subject to 9% GST if not a DPT (e.g., NFTs, utility tokens)
DPT Definition (for exemption)	Not explicitly defined in SST regulations	Fungible, not pegged to fiat, transferable, medium of exchange

Table 9

VAT-like Structure in DA Activity/Transaction in Malaysia and Singapore, as of June 2025

DA Activity / Transaction	Malaysia	Singapore
Crypto used as payment	Exempt from SST, unless part of A business transaction	GST-exempt if the token qualifies as DPT

Source: Information was gathered from the Taxes for Int'l Entrepreneurs & Expats (2025), Royal Malaysian Customs Department (2025), PwC (2024), IRBM (2025), and IRAS (2022)

Regarding indirect taxation, Malaysia imposes a VAT-like SST. Taxes for International Entrepreneurs and Expats (2025) also noted that cryptocurrency, when treated as a digital currency and used as a payment method, is exempt from the SST. However, if individuals or businesses sell goods or services and accept cryptocurrency as payment, the MYR equivalent transaction value will be liable to SST.

DA platforms (e.g., exchanges) are subject to the provision of service tax on digital services, which pertains to the electronic medium that enables suppliers to provide services to customers, or any service delivered or subscribed to through the Internet. These DA platforms are considered digital online platforms and are liable for the 8% service tax (Royal Malaysian Customs Department, 2025; PwC, 2024).

Similarly, Singapore also imposes a VAT-like structure, the GST on DAs, specifically on digital payment tokens (DPT). Based on the IRAS e-Tax Guide on GST: DPT (Second edition) (2022) (IRAS, 2022) which was initially issued in its first edition on 19 November 2019 and was amended on 03 August 2022. Effective 1 January 2020, DPTs are exempt from GST, as they are treated as a medium of exchange or platform rather than a supply of goods and services. To be GST-exempt, the DPTs must have the following characteristics: (a) expressed as a unit and is fungible, (b) not pegged to any fiat currency, (c) can be transferred, stored, or traded electronically, and (d) is or intended to be used as a medium of exchange. If the DPT does not

possess the specified characteristics, it may be liable for GST, subject to the conditions set by IRAS.

In the e-Tax Guide on GST for DPT (2022), the following DPT-related activities are exempt from the 9%⁶ GST: (a) use of DPT as payment for goods and/or services; (b) exchange of DPT for fiat currency; (c) exchange of one DPT for another DPT (vice versa); (d) loan, advance, or credit of DPT; (e) issuance of DPT through an ICO; and (f) sale of mined tokens. However, transactions must adhere to the basic characteristics for DPT to be GST-exempt; if there is a deviation from the set guidelines, it may seek clarification with the IRAS.

The DPT activities liable to the 9% GST are mining services (i.e., performed for an identifiable party), brokerage, consultancy, professional services related to DPTs, including their fees or commissions, and any non-DPT token transaction that does not qualify under the DPT characteristics (e.g., utility tokens, NFTs) (IRAS, 2022).

Comparative Insights and Synthesis on the Existing Tax Treatment and Regime in Malaysia and Singapore

Based on the information presented and discussed (See Table 10) for the summary of the comparative insights), both AMS share a common colonial law and an income tax heritage, but they diverged in how they shaped their modern tax systems. Malaysia is sticking with its heritage approach; its tax treatment is characterized by a more profit-seeking attitude towards DA activities and transactions, as reflected in the imposition of PIT, CIT, and SST. This approach resulted in a more relaxed, flexible approach, but raises ambiguity on a case-by-case basis about how to treat it.

⁶ As of 01 January 2024, the current GST rate is 9% (it was 7% from 2020 to 2022 and 8% to 2023) (IRAS, n.d. -b; IRAS, 2025).

On the other hand, Singapore establishes a more rigid, defined tax framework, shaped by principles and attitudes rooted in a strong technocracy. This was demonstrated by Singapore's support for the development of DA activities and transactions through the exemption of certain activities from GST, as well as its detailed classification and policies aimed at mitigating interpretive risks in the ongoing development of DA technologies.

Table 10

Comparative Summary of DA Tax Treatment in Malaysia and Singapore

Aspect	Malaysia	Singapore	Remarks
Shared Legal Heritage	Adopted the British tax system in 1948	Same, British tax system in 1948	Both AMS started from the same tax history under British rule.
Legal Framework	Uses a case-by-case approach (badges of trade)	Uses fixed rules based on what the token is used for	Malaysia is more flexible but less predictable; Singapore applies clearer rules.
Tax Principle	Tax applies if DA is seen as business income (badges of trade)	Tax depends on the function of the token	Malaysia looks at the situation; Singapore looks at the token's role.
Trigger for Tax	Based on intent: frequent trading, motive, holding period (badges of trade)	Based on how the token is used (e.g., payment or utility)	Malaysia focuses on behavior; Singapore focuses on purpose.
Token Classification	Broad categories like "digital token" or "currency"	Divides tokens into payment, utility, or security	Malaysia uses general terms; Singapore gives precise definitions.
Taxable Activities	Taxed if behavior suggests a business (badges of trade)	Taxed if the token produces income or is used in services	Similar coverage, but with different methods for determining taxability.
Non-Taxable Activities	Not taxed if for personal use, gifts, or inheritance	Same, unless linked to business activity	Exemptions align, but MY evaluates on a case-by-case basis.
ICO Treatment	Taxed if funding a business or a token redeemable	Depends on token type; utility taxed upon use	Malaysia taxes early; Singapore may delay depending on the function.
Founders' Tokens	Taxed if considered compensation; exempt if capital or locked	Taxed if used like pay or not locked	Both AMS tax when tokens are used as salary.

Table 10*Comparative Summary of DA Tax Treatment in Malaysia and Singapore*

Aspect	Malaysia	Singapore	Remarks
Resident Personal Income Tax	1%–30% progressive	0%–24% progressive	Malaysia has more tax brackets and a higher top rate.
Non-Resident Tax	Flat 30%	15% or 24% depending on income type	Malaysia uses one rate; Singapore uses flexible rates based on income.
Corporate Income Tax	15%–24% for SMEs; 24% for others	17% flat rate	Malaysia supports SMEs with tiered rates; Singapore is simpler.
Indirect Tax (DA as Payment)	Not taxed unless part of a business	GST-exempt if the token qualifies as DPT	Singapore defines DPT clearly; Malaysia lacks formal rules.
Indirect Tax (Platforms/Exchanges)	8% digital service tax	9% GST unless the token is DPT	Malaysia and Singapore both tax platforms but define tokens differently.
Definition of DPT	Not formally defined	Clear criteria: tradable, not fiat-pegged, used for payments	Singapore provides clear DPT rules; Malaysia is still developing its approach.
Overall, Clarity	Flexible but hard to predict (due to badges of trade)	Clear and consistent for businesses and users	Malaysia gives room to interpret; Singapore gives clearer answers.

The regulatory differences between Malaysia’s flexibility and Singapore’s rigidity can be better understood by evaluating the context in which these regulatory policies were crafted through the convergence of the problem, policy, and political streams under the MSF.

RQ2: DA tax treatment adopted in Malaysia and Singapore through the lens of the MSF

The DA tax treatment reveals a divergence in attitudes between Malaysia and Singapore, with Malaysia more flexible and Singapore more rigid in its DA regulation. To further understand how both AMS address the issues in formulating DA policies, it would be helpful to illustrate this using the MSF streams within their respective

jurisdictions. The discussion is organized by initially analyzing Singapore's three streams and subsequently applying them to Malaysia's streams under Kingdon's MSF.

Singapore: Problem Stream (S: PS)

DA regulation in Singapore became a concern when early signals of systemic and regulatory risk tied to DAs were identified, prompting institutional reflection on the adequacy of its financial laws. Different problems emerge, particularly in the following aspects: (1) fragmented framework, (2) associated DA risks, (3) cross-border gaps, (4) global and ASEAN pressure, and (5) tax ambiguity.

S: PS 1: Fragmented Framework

At the core of Singapore's early challenges lies its fragmented pre-regulatory structure, which made the system vulnerable to risks from new financial technologies. The pre-regulatory DA structure makes Singapore vulnerable to risks from new financial technologies. Prior to PSA, payment services were governed by multiple laws (Payment Systems (Oversight) Act 2006 and Money-changing and Remittance Businesses Act 1979), which were inadequate for emerging digital payment tokens (DPTs) and virtual asset services, causing regulatory gaps and enforcement challenges (Conventus Law, 2020; Charltons Quantum, 2025).

S: PS 2: Associated DA Risks

The crime threats have also escalated through crypto-related ML/TF, which expose custodial risks and investor/subscriber protection gaps, gaining salience. Furthermore, it was intensified due to concerns

over consumer protection, specifically regarding transparency, disclosures, and custodial risks arising from DAs.

In relation to this, emerging risks from new payment models have also arisen. The rapid rise of digital payment tokens, cross-border remittances, and crypto custody services has introduced money laundering, terrorism financing, fraud, and consumer protection risks that are not adequately covered by legacy laws (Aziz & Medina, 2024).

Similarly, consumer protection concerns have grown as retail investors' increased participation in DAs has raised questions about transparency and fair dealing, necessitating clearer safeguards (MAS, 2025).

Consequently, driving factors for legislation have emerged as concerns over money laundering, consumer protection, and rapidly evolving technological risks, particularly cybersecurity, prompting Singapore to act swiftly on regulation and licensing (MAS, 2022; MAS, n.d.). The urgency reflected how rapidly DAs were spreading without clear safeguards in place.

Additionally, disclosure and user risks have become a crucial regulatory concern. According to MAS, customer funds handled by DPT service providers were not protected in the same way as e-money, creating additional risks for users (MAS, n.d.). As a result, the authority placed a stronger emphasis on clear risk disclosure and enhanced education for investors and consumers.

S: PS 3: Cross-border gaps

Bridging out from domestic risks, the versatile use of DAs across borders necessitated that Singapore's regulatory authorities tighten territorial licensing and oversight. The enforcement of DA revealed jurisdictional blind spots in regulating globally active DA providers/platforms.

Specifically, companies offering DA services across borders often face confusing regulatory overlaps and weak enforcement. To address these challenges, regulators recognized the need for expanded licensing frameworks that encompass cross-border operations and for more stringent supervisory mechanisms (Rooke, Chin, & Tok, 2025).

S: PS 4: Global and ASEAN pressure

Beyond domestic and cross-border issues, international commitments, agreements, and frameworks, such as the Financial Action Task Force (FATF)⁷, OECD, and ASEAN, influenced regulatory alignment and urgency. In particular, the updated FATF guidelines for Virtual Asset Service Providers (VASPs) and the growing push for ASEAN digital economy integration placed additional pressure on Singapore to modernize and align its regulatory structure (Kelsey, 2021). These global compliance expectations made it important for Singapore to stay ahead of evolving financial standards. In addition, the ASEAN and OECD digital tax frameworks have become essential guides for shaping Singapore's DAs

⁷ Singapore and Malaysia are members of the FATF, which sets international standards to combat global money laundering and Terrorist Financing (FATF, n.d.).

and taxation policies (Kelsey, 2021). By aligning with both regional and global norms, Singapore seeks to enhance the credibility and consistency of its regulatory approach.

S: PS 5: Tax Ambiguity

Another crucial area concerns taxation, as the IRAS clarified the tax treatment of DA activities and transactions, specifically regarding the distinction between capital gains and business income, to address tax ambiguity in this area.

To reduce ambiguity, the IRAS distinguishes between capital gains and business income when taxing cryptocurrencies: capital gains are not taxed, while profits from regular trading as a business are taxable (Tookitaki, 2025).

Simultaneously, Singapore responded early to regulatory ambiguity by introducing the Payment Services Act of 2019, which formally defined Digital Payment Tokens (DPTs) and created a licensing regime for service providers (MAS, 2019 -a; MAS, 2019 -b). Moreover, the anonymity and cross-border nature of DPTs raised systemic financial risks, prompting mandatory AML/CFT compliance for DPT providers (MAS, n.d.; MAS, 2019 -a; MAS, 2019 -b).

Singapore's problem stream illustrates how emerging DA risks, legal gaps, international pressure, and tax uncertainties have prompted regulatory agencies to reassess their mechanisms. These challenges created policy interventions, which are presented in the policy stream.

Singapore: Policy Stream (S: PoS)

In this stream, policy development in Singapore's DA ecosystem reflected a thoughtful approach to revolutionizing regulation through a balance of innovation with consumer protection, aligning with international standards.

S: PoS 1: Fragmented Framework

Singapore's fragmented regulatory structure exposed it to risks from emerging financial technologies. In response, MAS introduced a series of reforms aimed at merging several older laws that previously regulated payment systems. While many industry players, including Diginex and Collyer Law LLC, expressed support for the move, noting that a single, unified licensing framework would help lessen the heavy compliance requirements businesses face, other groups, such as OC Queen Street LLC, voiced apprehensions that the reforms might lead to excessive regulatory control. Overall, several earlier pieces of legislation that once governed payment systems were to be combined under the revisions announced by MAS.

S: PoS 2: Associated Risks

Due to the fragmented framework on DA, crypto-related money laundering, terrorism financing, custodial risks, and investor protection gaps have gained increasing notoriety. In response, MAS began expanding its regulatory scope to include custodial wallets, cross-border payment services, and advisory activities. Some industry participants, such as Bruc Bond Pte Ltd, welcomed the broader framework, viewing it as a necessary

step toward a safer financial environment. In contrast, Deutsche Bank AG expressed concern about how the rules would be enforced across different jurisdictions. Meanwhile, Collyer Law and Diginex supported the proposed amendments, noting that they could help minimize cases of regulatory arbitrage.

S: PoS 3: Cross-Border Gaps

Following concerns over associated DA risks, the transnational nature of digital payment tokens (DPTs) necessitated enhanced territorial licensing and supervision. In response, MAS proposed requiring Singapore-incorporated companies that serve foreign clients to obtain a license. However, industry players, such as Tan & Tok and Ethikom Consultancy, voiced concerns about the potential challenges of enforcing the rule beyond Singapore's borders and the additional compliance costs it might incur. Similarly, Deutsche Bank AG warned that such measures could make Singapore less competitive in the global market.

S: PoS 4: Global & ASEAN Pressure

In this aspect, international and regional frameworks exerted additional pressure on Singapore's regulatory authorities. FATF guidelines and ASEAN digital integration efforts strongly influenced regulatory alignment and urgency. In response, MAS adjusted its regulatory framework to align with FATF standards and complement ongoing digital economy initiatives in the region. The policy move was also shaped by the need to demonstrate compliance with international risk standards. Meanwhile, industry stakeholders, including Collyer Law LLC, OC Queen

Street, and Diginex, requested clarity on definitions of “control” and safeguarding, while cautioning about potential compliance burdens. Overall, MAS’s reforms aimed to strike a balance between international obligations and practical considerations for industry compliance.

S: PoS 5: Tax Ambiguity

In addition to regulatory and international pressures, Singapore addressed the ongoing ambiguity in the taxation of DAs. Specifically, authorities distinguished capital gains from business income to provide clarity. The IRAS published official guidance clarifying that capital gains are exempt from taxation, while profits from crypto-related business activities remain taxable. In coordination with MAS, the authorities ensured alignment between tax policy and licensing requirements. Meanwhile, industry stakeholders, including Kelsey and Creimerman Law, called for regional tax harmonization and emphasized that GST should apply only to crypto services, not token trades.

S: PoS: Summary

The debates and alternatives were initiated to address the identified problems with DA. The MAS initiated a comprehensive approach that led to robust regulation. This approach aimed to make the payment systems in Singapore more well-defined and have a wider scope, thereby mitigating risks and complying with international standards. Moreover, industry stakeholders and others expressed concerns about potential regulatory overreach; if there are hectic or tedious controls and compliance with the DA regulation, it could burden the industry.

See Annex F for the detailed findings on the Singapore Policy Stream, which are coded thematically and by technical aspects, highlighting the policy debates or alternatives to solutions that address the problems identified in DAs.

Table 11

Summary of Singapore Policy Streams on Debates or Alternatives and Descriptions

Problem Stream	Debates & Description
Fragmented Framework Singapore's fragmented regulatory structure left it exposed to risks posed by new financial technologies.	<p>MAS introduced a series of reforms to merge several older laws that previously regulated payment systems.</p> <p>Many industry players, including Diginex and Collyer Law LLC, expressed support for the move, noting that a single, unified licensing framework would help lessen the heavy compliance requirements businesses face. Other groups, such as OC Queen Street LLC, voiced apprehensions that the reforms might lead to excessive regulatory control. Several earlier pieces of legislation that once governed payment systems were to be combined under the revisions announced by MAS</p>
Associated DA Risks Crypto-related money laundering/terror financing, custodial risks, and investor protection gaps gained notoriety.	<p>MAS began expanding its regulatory scope to include custodial wallets, cross-border payment services, and advisory activities.</p> <p>Some industry participants, such as Bruc Bond Pte Ltd, welcomed the broader framework, viewing it as a necessary step toward a safer financial environment. In contrast, Deutsche Bank AG expressed concern about how the rules would be enforced across different jurisdictions. Meanwhile, Collyer Law and Diginex supported the proposed amendments, stating they could help minimize regulatory arbitrage.</p>
Cross-Border Gaps The transnational nature of DPTs necessitated territorial licensing and supervision.	<p>MAS proposed requiring Singapore-incorporated companies that serve foreign clients to obtain a license.</p> <p>Industry players, such as Tan & Tok and Ethikom Consultancy, voiced concerns about the potential challenges of enforcing the rule beyond Singapore's borders and the additional compliance costs it might incur. Deutsche Bank AG also warned that such measures could make Singapore less competitive in the global market.</p>
Global & ASEAN Pressure FATF and ASEAN digital integration efforts strongly influenced regulatory alignment and urgency.	<p>MAS adjusted its regulatory framework to align with the FATF standards and complement ongoing digital economy initiatives in the region. The policy move was also shaped by the need to show compliance with international risk standards.</p>

Table 11*Summary of Singapore Policy Streams on Debates or Alternatives and Descriptions*

Problem Stream	Debates & Description
Tax Ambiguity Singapore addressed tax ambiguity by distinguishing capital gains from business income.	<p data-bbox="544 450 1469 577">Industry asked (e.g., Collyer Law LLC, OC Queen Street, Diginex) for clarity on the definitions of “control” and “safeguarding,” and warned of a compliance burden. This would comply with FATF standards and support regional efforts to promote the digital economy.</p> <p data-bbox="544 600 1469 696">The IRS published official clarifications on the exemption from capital gains tax for crypto business income. Along with MAS, their collaboration focused on coordinating tax and licensing.</p> <p data-bbox="544 748 1469 846">The industry, including Kelsey and Creimerman Law, has called for regional tax harmonization and clarified that GST should apply only to crypto services, not token trades.</p>

Notes. See Annex F for the detailed findings on the Singapore Policy Stream, which are coded thematically and by technical classification.

Singapore: Politics Stream (S: PyS)

The factors and considerations presented in the policy stream regarding the emerging problem, which in the politics stream reflects deliberate leadership, institutional capacity, and international positioning, are observable. This enables an understanding of which agenda prevailed and how stakeholder concerns were incorporated into the policy response in the DA regulation.

S: PyS 1: Fragmented Framework → Unified Licensing Framework

In response to the fragmented regulatory structure, the Singaporean government placed strong emphasis on promoting fintech innovation and granted the MAS a clear mandate to modernize the country’s financial regulatory framework. As part of this response, the Payment Services Act of 2019 consolidated several older payment regulations into a single,

comprehensive licensing framework, providing the regulatory and legal basis to support streamlined mechanisms and enforce oversight involving DA activities and transactions.

S: PyS 2: Associated DA Risks → Expanded Regulatory Perimeter

MAS demonstrated high bureaucratic capacity through phased updates, AML/CFT enforcement, and detailed regulatory guidance. Consequently, the PSA Amendments (2024) expanded the scope to cover custody, cross-border, and advisory services.

S: PyS 3: Cross-Border Gaps → Territorial Licensing for Foreign-Facing Entities

Singapore advanced cross-border regulatory coherence through the DEPA and active engagement with ASEAN. Accordingly, the DTSP Framework (2025) mandated licensing for overseas-facing entities, establishing territorial licensing for foreign-facing entities.

S: PyS 4: Global & ASEAN Pressure → International Alignment and AML Oversight

Active participation in regional and global forums fostered alignment, stability, and long-term digital economy goals. Consequently, MAS aligned its regulations with those of the FATF and ASEAN/OECD, as well as AML/CFT guidelines, thereby supporting international alignment and AML oversight.

S: PyS 5: Tax Ambiguity → Tax Treatment Harmonized with Substance and OECD Norms

MAS and IRAS swiftly implemented the DA tax policies, supported by strong administrative coordination. Accordingly, the clarified tax

treatment ensured capital gains were exempt, business income was taxed, and GST applied to services, harmonizing tax treatment with substance and OECD norms.

S: PyS: Summary

Based on the foregoing discussion in the politics stream, spearheaded by the MAS, Singapore's DA regulation was enabled, which demonstrates a harmonious environment where innovation and risk governance in DA regulation act as complementary, not oppositional. The MAS agenda was pushed as the regulatory framework, but with the consensus of DA stakeholders on fintech development strategies, and support from prominent figures, including Minister Ong Ye Kung. Moreover, policy responses were crafted incrementally rather than through a single, comprehensive approach, due to stakeholders' and industry concerns and perspectives, which demonstrate the mindfulness and fragmented approach of Singapore.

It was also observed that a strong inter-agency collaboration between the MAS and IRAS facilitated an immediate response to the DA regulation, despite existing issues with taxation and territorial jurisdiction. Aside from inter-agency efforts, Singapore is actively engaged in regional diplomacy and coordination through ASEAN and DEPA initiatives, which provide political legitimacy for the development of DA regulatory mechanisms, specifically in the areas of AML/CFT and DA cross-border licensing.

As Singapore leads tokenization pilots and its membership with the FATF aligns with the mechanisms in place, which shaped state capacity and policy, and its intent to regulate local and foreign entities. This aligns with the existing political support that is reflected in Singapore's bureaucratic capacity, which can implement DA reforms while addressing stakeholders' concerns as part of a comprehensive strategy.

To summarize, Singapore's political stream has adopted a consensus approach with technocratic autonomy, resulting in innovative regulations that align with policy proposals, which are supported by its regulators. See Annex G for the detailed findings on the Singapore Politics Stream, which are coded thematically based on the events leading to an outcome or implication, resulting in a policy response.

Table 12

Summary of Singapore Politics Streams on Events or Descriptions towards Policy Response

Problem Stream	Debates & Descriptions	Events / Descriptions	Policy Response
Fragmented Framework Singapore's fragmented regulatory structure left it exposed to risks posed by new financial technologies.	Support: Industry groups, including Diginex and Collyer Law LLC, applauded the effort to streamline laws, claiming that a single licensing system would ease administrative burdens and simplify compliance. Concern: However, other individuals, such as OC Queen Street LLC, were concerned that integrating all the regulations into a single system may result in excessive scrutiny or governmental overreach.	The Singaporean government placed strong emphasis on promoting fintech innovation and granted the MAS a clear mandate to modernize the country's financial regulatory framework.	Unified Licensing Framework The Payment Services Act of 2019 consolidated several older payment regulations into a single, comprehensive licensing framework.

Table 12

Summary of Singapore Politics Streams on Events or Descriptions towards Policy Response

Problem Stream	Debates & Descriptions	Events / Descriptions	Policy Response
<p>Associated Risks</p> <p>DA</p> <p>Crypto-related money laundering/terror financing, custodial risks, and investor protection gaps gained notoriety.</p>	<p>Support: Seeing the addition of custodial wallets and advisory services as a move in the right direction toward better financial governance, Bruc Bond and a number of other sector participants applauded the expanded monitoring of MAS.</p> <p>Concern: Some expressed concern about overregulation, while Deutsche Bank AG brought out issues with jurisdictional enforcement.</p>	<p>MAS demonstrated high bureaucratic capacity through phased updates, AML/CFT enforcement, and detailed regulatory guidance.</p>	<p>Expanded Regulatory Perimeter</p> <p>PSA Amendments (2024) expanded the scope to cover custody, cross-border, and advisory services.</p>
<p>Cross-Border Gaps</p> <p>The transnational nature of DPTs necessitated territorial licensing and supervision.</p>	<p>Support: It was thought that licensing services that dealt with foreigners was essential.</p> <p>Concern: Risks to competitiveness and extraterritorial compliance were highlighted by industry players (such as Tan & Tok and Ethikom Consultancy).</p>	<p>Singapore advanced cross-border regulatory coherence through the DEPA and active engagement with ASEAN.</p>	<p>Territorial Licensing for Foreign-Facing Entities</p> <p>DTSP Framework (2025) mandated licensing for overseas-facing entities.</p>
<p>Global & ASEAN Pressure</p> <p>FATF and ASEAN digital integration efforts strongly influenced regulatory alignment and urgency.</p>	<p>Support: It was believed that it was urgent and essential to align with ASEAN and FATF standards.</p> <p>Concern: Industry players (such as Collyer Law and OC Queen Street) expressed concern about high compliance demands and asked for clarification on terminology like "control."</p>	<p>Active participation in regional and global forums fostered alignment, stability, and long-term digital economy goals.</p>	<p>International Alignment and AML Oversight</p> <p>MAS aligned regulations with FATF and ASEAN/OECD expectations via AML/CFT guidelines.</p>
<p>Tax Ambiguity</p> <p>Singapore addressed tax ambiguity by distinguishing capital gains from business income.</p>	<p>Support: IRAS clarification on the distinction between capital gains and business income is welcomed; collaboration with MAS is viewed positively.</p> <p>Concern: The industry (e.g., Kelsey and Creimerman Law) has called for GST limitations and regional tax harmonization</p>	<p>MAS and IRAS swiftly implemented the DA tax policies, supported by strong administrative coordination.</p>	<p>Tax Treatment Harmonized with Substance and OECD Norms</p> <p>Clarified tax treatment, capital gains exempt, business income taxed; GST applies to services.</p>

Table 12

Summary of Singapore Politics Streams on Events or Descriptions towards Policy Response

Problem Stream	Debates & Descriptions	Events / Descriptions	Policy Response
	to avoid confusion and inefficiencies.		

Notes. See Annex G for the detailed findings on the Singapore Politics Stream, which are coded thematically based on the events leading to an outcome or implication, resulting in a policy response.

Malaysia: Problem Stream (M: PS)

The problems and issues arising from DA included market risks, cross-border challenges, as well as its existing legal ambiguity and pressures from global commitments and thrust, which led to a policy and regulatory response. Similarly, with Singapore, the problems were identified as follows:

M: PS 1: Fragmented Framework

The outdated and vague interpretation of laws led to regulatory misunderstanding and inadequate DA, leaving it in a gray area. This area is evident in three identified regulatory issues. First, under regulatory ambiguity, Malaysia initially did not have a specific regulation on DAs; instead, it was governed by the general provisions under the MITA 1967 and public rulings issued by the IRBM (Section 138A), creating interpretative gaps in tax policy. Through the broad enabling clause⁸ of principle-based legislation⁹, the IRBM can issue tax administrative

⁸ The tax law is drafted in broad terms, if there is a broad delegation of authority or entity to issue a detailed regulation (IMF, 1996).

⁹ Legislated law is designed to have a broad statement of principle/concept, as these applications are interpreted by the court's judgment (IMF, 1996).

guidelines via Section 138A of the MTA 1967¹⁰, through a public ruling, for the detailed regulation of emerging goods and services, such as DAs. Similarly, the SCM has a mechanism that adheres to a broad enabling clause. For instance, the Minister of Finance may expand the coverage of financial instruments (e.g., securities) upon the recommendation of the SCM under Section 5 of the Capital Markets and Services Act 2007 (SCM, 2025 -a; IRBM, 2023; SCM, 2007).

Second, regarding the Evolving Legal Mandate, although cryptocurrencies are legal to own, they are not recognized as a form of legal tender. In this regard, the SCM regulates DA as securities on offerings and trading through the Prescription Securities and Digital Currency and Digital Token Order 2019, amended in 2025 (AInvest, 2025 -b).

Third, with respect to Token Classification Confusion, the lack of clarity on token classification, particularly their treatment as securities under the Capital Markets and Services Act, contributed to institutional uncertainties and created a complex compliance framework (Skrine, 2025).

M: PS 2: Associate DA risks

With the DA activities and transactions surging, concerns have arisen that the safeguard mechanism, including custodial and enforcement

¹⁰ Section 138A. (1) The Director General may at any time make a public ruling on the application of any provision of this Act in relation to any person or class of persons, or any type of arrangement. (2) The Director General may withdraw, either wholly or partly, any public ruling made under this section. (3) Notwithstanding any other provision of this Act, where a public ruling in subsection (1) applies to any person in relation to an arrangement and the person applies the provision in the manner stated in the ruling, the Director General shall apply the provision in relation to the person and the arrangement in accordance with the ruling.

tools, has been triggered, which indicates regulatory weaknesses in user protection and enforcement.

Among the associated DA risks, market volatility is evident. Digital asset trading went up by about 115% in 2024, reaching around RM13.9 billion, as more retail and institutional investors joined the market (AlInvest, 2025 -c).

Investor vulnerability also remains a significant concern. Without a comprehensive set of consumer protection laws, many investors remain vulnerable to scams, fraud, and potential market manipulation. To address this, the Securities Commission's (SC) planned reforms aim to enhance governance standards and strengthen investor safety measures (Lee, 2025). Custodial risk further compounds these challenges. The current reform proposals include tighter rules on how client assets are managed, such as mandatory segregation of funds, bans on co-mingling, and a requirement that at least 90% of assets be stored in cold wallets (Rajah & Tann Asia, 2025).

Finally, illicit activities present another regulatory challenge. Cases of illegal crypto mining using stolen power and undeclared crypto earnings have led to enforcement campaigns such as "Ops Token," along with several arrests (AlInvest, 2025 -a; Kereibayev, Crypto Regulations in Malaysia - 2025 Guide, 2025 -b).

M: PS 3: Cross-Border Gaps

DA activities involve complex enforcement of jurisdictional obligations and transactions, making them difficult to regulate. As crypto markets became increasingly globally connected, taxing foreign digital transactions became more complex, thereby forcing Malaysia to rethink its domestic policy setup (Kelsey, 2021). This challenge is compounded by jurisdictional ambiguity, as institutional confusion partly arose from unclear jurisdiction over digital asset activities that were created or received overseas (SCM, 2025 -a).

M: PS 4: Global & ASEAN Pressure

International commitments, such as those of the FATF, and regional developments, such as those of ASEAN, pushed regulators to directly confront existing DA gaps. In response to rising risks like money laundering, terrorism financing, and gaps in consumer protection, updates were made to the AML/CFT/CPF Guidelines, which now also regulate Virtual Asset Service Providers (VASPs) issued by the SCM¹¹ (SCM, 2024 -a). Furthermore, the 2025 amendment broadened the legal scope by expanding the definition of digital assets to close existing institutional gaps and bring more types of digital offerings under supervision (SCM, 2024 -c).

Policy momentum has also played a key role, as outlined in the Digital Economy Blueprint 2021, which aims to grow Malaysia's digital

¹¹ The SCM is a quasi-legislative power on capital markets, which can issue binding guidelines, advisory, and regulations according to the enabling provisions of the SCM Act 1993 and the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) (SCM, 1993; Bank Negara Malaysia, 2001).

economy while ensuring tax rules continue to support innovation and protect government revenue (Ministry of Economic Affairs Malaysia, 2021). Finally, public and media pressure have reinforced these efforts, with ongoing public consultations and growing media discussions prompting authorities to clarify the tax treatment of digital assets—especially when distinguishing between capital gains and income tax (Cheong, 2024).

M: PS 5: Tax Ambiguity

The mounting concerns over evasion due to the token crackdown exposed the Malaysian tax system to a lack of clarity on its classification. Initially, unclear tax obligations contributed to this uncertainty, as Malaysia's tax laws and regulatory structure did not properly mention digital assets, leaving taxpayers and officials unsure of how to classify and report them (CoinStats, 2025). This ambiguity was further highlighted by the tax evasion crackdown, such as the “Ops Token” operation launched in June 2024 to target undeclared crypto earnings, which exposed the growing issues of tax evasion and even illegal crypto mining (Kereibayev, Crypto Regulations in Malaysia - 2025 Guide, 2025 -b).

The issues and challenges identified in Malaysia centered on regulatory ambiguity and market risks associated with the use of DAs. This highlights the importance of a reform and consultative approach in policy formulation, which sets the stage for the policy responses from Malaysian regulatory agencies in the policy stream.

Malaysia: Policy Stream (M: PoS)

A phased approach was observed in Malaysia's policy progress on the DA regulation, with a consultative plan that balances its approach between the innovative side of DA activities and transactions and its regulatory enforcement, aligning with international practices. The debates and alternatives, along with descriptions of how Malaysia addresses the identified problem, are also coded with themes similar to those in Singapore's policy streams.

M: PoS 1: Fragmented Framework

Outdated laws and interpretative gaps led to institutional confusion and inadequate oversight of DAs. Specifically, the Capital Markets and Services Act (CMSA) 2007 didn't clearly mention DAs, which left many legal gaps and made enforcement uncertain. To address this gap, the Securities Commission Malaysia (SCM) and the Ministry of Finance (MOF) jointly issued a Prescription Order, treating digital tokens as a form of security.

M: PoS 2: Associated DA Risks

Market volatility, custodial vulnerabilities, and enforcement gaps have triggered concerns about investor protection. Risks related to money laundering/terrorism financing (ML/TF), investor protection, and listing standards prompted a regulatory push for tighter rules. In response, the Securities Commission Malaysia (SCM) issued the DA Guidelines in 2020 and revised them in 2024 to reflect FATF-aligned disclosure, AML, and due diligence requirements. Additionally, SCM introduced the DAX framework

to maintain closer oversight of Recognized Market Operators (RMOs), ensuring that token pre-approvals and technical supervision were properly enforced.

M: PoS 3: Cross-Border Gaps

The transnational nature of crypto activity complicates jurisdiction and enforcement of DA-related obligations. As a result, Malaysia struggled to manage foreign-facing crypto activities and undeclared digital income, such as crypto. To address this, the Inland Revenue Board of Malaysia (IRBM) initiated “Ops Token” to ensure that crypto earnings were properly declared, while SCM and Bank Negara Malaysia (BNM) collaborated to align tax and regulatory enforcement.

M: PoS 4: Global & ASEAN Pressure

Amid pressures from FATF compliance, media scrutiny, and ASEAN alignment, Malaysia felt an increased urgency for reform. Consequently, international alignment pressures from the FATF and regional coordination prompted Malaysia to implement broader reforms. In response, the Securities Commission Malaysia (SCM) proposed new consultation measures in 2025, which included capital thresholds, more open token listings, asset segregation, and the requirement for cold storage. However, some industry players argued that these rules might be too heavy or difficult to apply in practice.

M: PoS 5: Tax Ambiguity

Amid rising concerns over evasion and classification, Malaysia clarified the tax treatment of the DA. Initially, Malaysia lacked clear guidance on how to tax DAs, and the policy debate focused on taxing business income versus capital gains. Subsequently, the IRBM clarified that capital gains remain tax-free, while income from activities such as active trading, mining, or receiving crypto as pay would be taxed. Meanwhile, the Ministry of Finance ensured these rules aligned with fiscal priorities, and the National Digital Economy Blueprint introduced incentives to promote fintech and blockchain projects.

M: PoS: Summary

Malaysia's policy stream centers on clarifying the regulatory scope, specifically regarding the classification of tokens, the definition of intermediary roles, and enhancing regulatory oversight. Concerns raised by industry groups during consultations with SCM cause tensions within the group. Such concerns include stringent control by regulatory agencies, the potential for high costs, and compliance with cold wallet mandates and licensing rules. It was also raised the concern about the vagueness on how income gains will be taxed during uncertain taxable events, particularly on over-evasion and DA classification. The thrust of reform was influenced indirectly by the FATF as a contracting party and ASEAN commitments, followed by domestic issues. In response to this, Malaysia adopted a soft approach, including the issuance of guidelines with targeted enforcement, specifically the issuance of Ops Token prescriptions, and limited

exemptions for legal changes. It was also recognized by the Malaysian authorities on the foreign participation and assessing the risk associated with it

See Annex I for the detailed findings on the Malaysia policy stream, which are coded thematically based on the events leading to an outcome or policy implication, resulting in a corresponding policy response.

Table 13

Summary of Malaysia Policy Streams on Debates or Alternatives and Descriptions

Problem Stream	Debates & Description
<p>Fragmented Framework Outdated laws and interpretative gaps led to institutional confusion and inadequate oversight of DA.</p>	<p>The Capital Markets and Services Act (CMSA) 2007 didn't clearly mention digital assets, which left many legal gaps and made enforcement uncertain.</p> <p>To fill that gap, the SCM together with the Ministry of Finance (MOF) issued a Prescription Order, treating digital tokens as a form of security.</p>
<p>Associated DA Risks Market volatility, custodial vulnerabilities, and enforcement gaps have triggered concerns about investor protection.</p>	<p>Risks related to ML/TF, investor protection, and listing standards triggered a regulatory push for tighter rules.</p> <p>SCM issued the Digital Asset Guidelines in 2020 and revised them in 2024 to reflect FATF-aligned disclosure, AML, and due diligence rules.</p> <p>SCM also introduced the DAX framework to keep a closer watch on Recognized Market Operators (RMOs), making sure token pre-approvals and technical oversight were in place.</p>
<p>Cross-Border Gaps Global crypto activity complicates jurisdiction and enforcement of DA-related obligations.</p>	<p>Malaysia struggled to manage foreign-facing crypto activities and undeclared digital income such as crypto.</p> <p>The IRBM started "Ops Token" to make sure crypto earnings were properly declared, while SCM and BNM worked together to align tax and regulatory enforcement.</p>
<p>Global & ASEAN Pressure Pressures from FATF compliance, media scrutiny, and ASEAN alignment influenced urgency for reform.</p>	<p>International alignment pressures from FATF and regional coordination pushed Malaysia to roll out broader reforms.</p> <p>In 2025, the SCM proposed new consultation measures that included capital thresholds, more open token listings, asset segregation, and required cold storage. Some industry players said these rules might be too heavy or difficult to apply in practice.</p>

Table 13

Summary of Malaysia Policy Streams on Debates or Alternatives and Descriptions

Problem Stream	Debates & Description
Tax Ambiguity Malaysia clarified the DA tax treatment amid rising concerns over evasion and classification.	Malaysia lacked clear guidance on how to tax DA. The policy debate centered on taxing business income versus capital gains. The IRBM later clarified that capital gains remain tax-free, but income from things like active trading, mining, or receiving crypto as pay would be taxed. The MOF made sure these rules fit with fiscal priorities, while the National Digital Economy Blueprint also introduced incentives to promote fintech and blockchain projects..

Notes. See Annex I for the detailed findings on the Malaysia Politics Stream, which are coded thematically based on the events leading to an outcome or implication, resulting in a policy response.

Malaysia: Politics Stream (M: PyS)

The debates and policy alternatives presented opened the Malaysian authorities to address the identified DA issues and challenges. The Malaysian politics stream showcases a convergence of strong political backing and regulatory consolidation that is also aligned with the regional thrust, which mutually allowed recent DA policy reforms.

M: PyS 1: Fragmented Framework → Unified Licensing Framework

Prime Minister Anwar publicly endorsed crypto regulation during a 2025 visit to the UAE. As a result, DA reforms were outlined under MyDIGITAL and the Digital Economy Blueprint, providing a national vision for DAs.. Consequently, regulatory clarification via the Prescription Order enabled Malaysia to treat digital tokens as securities and apply existing tax and AML laws, creating a unified licensing framework.

M: PyS 2: Associated DA Risks → Expanded Regulatory Perimeter

To enhance oversight and bolster investor protection, the SCM revised the regulations governing DAX and held consultations on Tokenized Capital Market Products (TCMPs). Accordingly, under the DAX framework, the SCM adopted FATF-aligned standards governing token issuance, disclosure obligations, and listing procedures, effectively establishing an expanded regulatory perimeter.

M: PyS 3: Cross-Border Gaps → Territorial Licensing for Foreign-Facing Entities

Meanwhile, Malaysia actively participated in ASEAN and international forums focused on harmonizing tax and regulatory frameworks, with officials signaling their intent to advance a coordinated regional strategy. To operationalize this, through the Ops Token initiative, the IRBM and the SCM reinforced tax compliance measures for cryptocurrency-related income, ensuring oversight of foreign entities involved in DAs' activities and transactions.

M: PyS 4: Global & ASEAN Pressure → Territorial Licensing for Foreign-Facing Entities

In response to international and regional expectations, the government encouraged partnerships between fintech and the capital market, with reforms reflecting collaborative governance and operational transparency. Consequently, the SCM promoted exchange-level reforms and custodial safeguards, including cold wallet storage, AML checks, and token approval processes, ensuring alignment with international standards and AML oversight.

M: PyS 5: Global & ASEAN Pressure → Territorial Licensing for Foreign-Facing Entities

To address ongoing uncertainty, the government issued tax clarifications and carried out enforcement actions related to cryptocurrency, such as crackdowns on illegal mining, to reinforce legal compliance. As a result, crypto capital gains are exempted, while business income is taxed under IRBM guidelines, harmonizing Malaysia's tax treatment with substance requirements and OECD norms.

M: PyS: Summary

Malaysia has incrementally pushed reforms on DAs, such as addressing DA risks that have emerged, like Ops Token, whose prior treatment was too vague to be taxed. Moreover, one of the factors that enabled DA regulation was the alignment of its reform mechanisms on token classification, licensing, and enforcement with the sentiments of industry stakeholders in Malaysia, facilitated by the FATF standards and ASEAN commitments. There is clear political support from Prime Minister Anwar for digital transformation, as seen in initiatives like MyDIGITAL, which has led Malaysian regulatory agencies to realign their commitments and enhance their existing regulation towards DA regulation through responsive coordination.

In general, Malaysia's policy responses were gradual, involving guidelines and targeted enforcement rather than a one-package reform to address DA issues and challenges. The industry concerns were also considered; however, Malaysia's approach is adaptive and cautious, which is more compliance-driven, accompanied by coordination in its regulations,

complementing earlier efforts to handle DA regulation based on problem and policy streams. For detailed findings on the Malaysian politics stream, see Annex J, which also categorizes them thematically based on the events leading to an outcome or implication, resulting in a policy response.

Table 14

Summary of Malaysia Politics Streams on Events or Descriptions towards Policy Response

Problem Stream	Debates & Descriptions	Events / Descriptions	Policy Response
Fragmented Framework Outdated laws and interpretative gaps led to institutional confusion and inadequate oversight of DA.	Issue: Outdated regulations, including the CMSA of 2007, lacked clear provisions for digital assets, resulting in legal ambiguity and gaps in regulatory oversight. Response: To address these issues, the MOF and the SCM issued a Prescription Order that classified specific digital tokens as securities, thereby closing regulatory gaps and clarifying their legal status.	Prime Minister Anwar publicly endorsed crypto regulation during a 2025 visit to the UAE; DA reforms were outlined under MyDIGITAL and the Digital Economy Blueprint.	Unified Licensing Framework Regulatory clarification via the Prescription Order enabled Malaysia to treat digital tokens as securities and apply existing tax and AML laws.
Associated DA Risks Market volatility, custodial vulnerabilities, and enforcement gaps have triggered concerns about investor protection.	Issue: Investor protection concerns arose from market volatility, custodial risks, and enforcement weaknesses. Response: The SCM enhanced regulatory standards on disclosure, due diligence, and anti-money laundering (AML) through the issuance and subsequent revision of its Digital Asset Guidelines in 2020 and 2024. It also introduced the Digital Asset Exchange (DAX) framework to strengthen oversight and improve supervisory practices.	To enhance oversight and bolster investor protection, the SCM revised the regulations governing DAX and held consultations on Tokenized Capital Market Products (TCMPs).	Expanded Regulatory Perimeter Under the DAX framework, the SCM adopted FATF-aligned standards governing token issuance, disclosure obligations, and listing procedures.
Global & ASEAN Pressure Pressures from FATF compliance, media scrutiny, and ASEAN	Issue: FATF compliance and ASEAN coordination drove urgency for reform. Response: SCM's 2025 proposal introduced capital requirements,	The government encouraged fintech-capital market partnerships, with reforms reflecting collaborative governance and operational transparency.	International Alignment and AML Oversight SCM promoted exchange-level reforms and custodial safeguards (e.g., cold

Table 14

Summary of Malaysia Politics Streams on Events or Descriptions towards Policy Response

Problem Stream	Debates & Descriptions	Events / Descriptions	Policy Response
alignment influenced urgency for reform.	token listing reforms, asset segregation, and cold storage. Concern: Industry participants raised doubts about the practicality and effective implementation of the new regulatory requirements.		wallet storage, AML checks, token approvals).
Cross-Border Gaps Global crypto activity complicates jurisdiction and enforcement of DA-related obligations.	Issue: Authorities faced challenges in regulating cross-border cryptocurrency activities and detecting undeclared Bitcoin income. Response: To address these challenges, the SCM and BNM worked together to improve coordination between tax and regulatory frameworks. At the same time, the IRBM launched Ops Token to strengthen the enforcement of cryptocurrency income reporting.	Malaysia actively participated in ASEAN and international forums focused on harmonizing tax and regulatory frameworks, with officials signaling their intent to advance a coordinated regional strategy.	Territorial Licensing for Foreign-Facing Entities Through the Ops Token initiative, the IRBM and the SCM reinforced tax compliance measures for cryptocurrency-related income.
Tax Ambiguity Malaysia clarified the DA tax treatment amid rising concerns over evasion and classification.	Issue: Unclear tax treatment of digital assets creates confusion and risk of evasion. Response: IRBM clarified that capital gains are tax-exempt, while frequent trading, mining, and crypto income are taxable. Additional Step: MOF introduced tax incentives under the National Digital Economy Blueprint to support fintech innovation.	The government issued tax clarifications and carried out enforcement actions related to cryptocurrency (e.g., crackdowns on illegal mining) to reinforce legal compliance.	Tax Treatment Harmonized with Substance and OECD Norms Crypto capital gains are exempted; business income is taxed under IRBM guidelines.

Notes. See Annex J for the detailed findings on the Malaysia Politics Stream, which are coded thematically based on the events leading to an outcome or implication, resulting in a policy response.

To draw insights from the convergence of the streams, a cross-case matrix of both AMS is tabulated to address their implications for ASEAN tax regulations. (See Annex K for the cross-case of Malaysia and Singapore)

RQ3: Insights from Malaysia and Singapore's DA Tax Regime and Their Implications for ASEAN Tax Regulation

The outcome of how Malaysia and Singapore crafted the tax treatment and regulation of DAs illustrates how policy change emerged through the convergence of Problem, Policy, and Politics Streams, each influenced by distinct institutional frameworks but also shaped by shared regional and international pressures and legal traditions.

The following discussion unbundles the insights from Malaysia and Singapore, which would help in the crafting of the framework for a regional tax regulation on DAs:

Problem Stream:

- **Common initiations but different timing:** Both AMS faced and experienced the rising of DA-related risks and unpredictability, as well as scams and misuse related to its users and/or platforms, against the outdated tax framework and financial regulation. In terms of recognition of issues, Malaysia was externally prompted by FATF reviews and media scandals, whereas Singapore's issues were framed within its regulatory and financial stability challenges. This difference molded how and when policy windows opened towards regulating DA.
- **Framing and Responsiveness:** Due to the existing political environment of Singapore, proactively framed DAs as a financial risk prompt that enabled the MAS and IRAS to act before any issues or crisis emerged from the

usage of DAs. While Malaysia responded to specific events and global thrust and pressure that push for reactive reforms on DAs. Both AMS were influenced by external forces, such as the FATF and OECD frameworks, in crafting their DA regulations.

Policy Stream:

- **Incrementalism as a shared approach, but with different execution and implementation:** Neither AMS pursued comprehensive tax reform, but both AMS depend on regulatory layering and principles-based reasoning. The proactive regulatory institutions (i.e., MAS, IRAS) in Singapore have updated their guidelines and regulations incrementally, building upon existing mechanisms (e.g., PSA, DTSP) and DA functional classifications and definitions (e.g., DPT). Similarly, Malaysia also approaches a layered mechanism, such as the issuance of a Prescription Order and Ops token, but only tackles more on administrative guidelines and a retroactive clarification
- **Consistency and Fragmentation:** The coherence policy and inter-agency coordination in Singapore reduce regulatory friction on their policy approaches. On the other hand, Malaysia has a fragmented approach to inter-agency coordination and divergent agency interpretations of DAs, which makes it slow; however, functional cooperation exists.

Politics Stream:

- **Technocrats consent and reactive endorsement:** A stable and well-coordinated collaboration from its policymakers and fintech stakeholders through MAS was strategically aligned between the DA tax regulation and Singapore fintech goals and frameworks, which led to a proportionate reform on DA policy. Contrary to Malaysia's situation, where its reform is intertwined with issues, diplomacy, and regional pressure, it also faces fluctuating political backing in tackling the DA regulation.
- **Global thrusts as political leverage:** Despite the different existing national environments on DA regulation, both AMS used the ASEAN bodies and forum (e.g., ACMF) and members of FATF, as well as committed to the OECD CARF, which legitimized regulatory mechanisms that these external factors were effectively used as outsourced political will on the crafting of DA policies and regulations.

Cross-Cutting Insights Toward ASEAN Tax Regulation and Collaboration

The convergence of the streams suggests that both AMS-anchored tax and DA regulation are based on a principles-based legal approach, shaped by a common heritage of law. Despite differences in institutional and political approaches. Regulatory flexibility made DA reform easier, avoiding the prolonged legislative delays. A strong political backing is necessary to enable agile and responsive bureaucracies that engage with key stakeholders, fintech firms, exchanges, and legal experts to incorporate their inputs into a holistic crafting of the DA framework.

Regional and global commitments, such as those from the FATF, OECD, and ASEAN, played a role as institutional and regulatory synchronizers, indirectly steering the development of DA reforms. Meanwhile, ASEAN serves as an avenue for legitimacy and coordination through its various commitments and blueprints related to the digital economy, specifically in relation to evolving technologies surrounding DAs, particularly for other AMS that have similar reactive or fragmented policy procedures.

In terms of tax treatment, tax authorities and regulatory agencies coordinated to mitigate tax uncertainty through the issuance of guidelines and prescription orders, maintaining oversight. The emerging common tax treatment on DA is that any profit arising from DA activities and transactions is liable to income tax (e.g., individual, corporate), while activities that raise investment are typically exempt from any taxation. This only displays that harmonization is achievable even without a centralized ASEAN tax regulatory system.

Drawing from the situation of Malaysia and Singapore, their cases show that policy convergence can be achieved, but through an adaptive approach and layered collaboration that aligns with national goals as well as international standards and stakeholder recommendations, rather than a uniform model or framework that is not suited or appropriate to the existing environment and political considerations on DA policies.

CHAPTER V

SUMMARY, IMPLICATION FOR ASEANOLOGY, CONCLUSION & RECOMMENDATION

This chapter presents the concluding insights and implications of this study, which applied Kingdon's MSF to evaluate how Malaysia and Singapore shaped their regulatory mechanisms of DA, addressing the three key research questions on the adoption of DA tax treatment in both AMS. From the collected findings and discussion in Chapter IV, which highlights the role of policy entrepreneurs in political leadership, institutional flexibility, and regulatory facilitation of DA, including the participation of fintech players in molding digital governance, this insight is situated within the ASEAN context through the lens of ASEANology. In addition to the foregoing discussions, it also provides recommendations that offer policy direction for the remainder of the AMS, focusing on tax collaboration in DAs and the development of regional digital economy governance.

Summary

The study's findings demonstrate that Malaysia and Singapore adopted different pathways in regulating and taxing DAs, shaped by the convergence of problem, policy, and political streams. Regarding DA tax treatment, both AMS treated profits from DA activities and transactions as liable to income tax, while fundraising DA activities are generally exempt. Singapore distinguishes capital gains from business income earlier and more thoroughly, while Malaysia, on the other hand, relies on retroactive clarifications, guidelines, and enforcement measures such as Ops Token.

In terms of regulatory adoption, Singapore employed an incremental and proactive approach, utilizing regulatory layering and inter-agency coordination, which resulted in a more coherent policy response to DA risks, cross-border challenges, and tax ambiguities. In contrast with Malaysia, it adopted a reactive and consultative approach, which gradually clarified token classification, investor protections, and taxation through administrative guidelines, reforms, and enforcement. In both AMS, external pressures, such as those from the FATF, OECD, and ASEAN, further shaped policy formulation and legitimized the DA regulation in their respective jurisdictions.

Looking toward ASEAN regulation, the study suggests that convergence can occur through adaptive and principle-based frameworks rather than uniform rules. Strong political support, regulatory flexibility, stakeholder consultation and engagement, and alignment with international standards are the main factors for a regional DA regulation. ASEAN can serve a vital role in coordinating, legitimizing, and harmonizing DA tax policies and effectively guide regional DA regulatory policies. Overall, these insights highlight that an effective DAT taxation is primarily based on proactive framing, incremental implementation, and alignment with global norms, while respecting each AMS's national agenda.

Implications for ASEANology

This study emphasizes ASEANOLGY's foundations on how Malaysia and Singapore implemented an adaptive DA regulation through a confluence of institutional flexibility, policy direction, and collaborative engagement among different stakeholders, rather than sweeping legislative reforms that may yield negative implications. (Halkyard & Phua Lye Huat, 2007; Loo & McKerchar, 2014; World Bank Group, 2022). Both AMS shared the British legal heritage, empowered explanatory

and implemented responses on regulating DA, which showcases that the existing legal systems can evolve without a structural overhaul.

Both AMS pursued an ASEAN-aligned pragmatism that is grounded in consensus and collaboration, as well as a soft alignment with global standards, such as the FATF and OECD proposed measures on the regulation of DA, rather than adopting a Western-style approach (Acharya, 2014; ASEAN Secretariat, 2021 -b). This emulates the approach of a regulatory convergence that prioritizes interoperability in their respective jurisdiction over uniformity.

The approach of the regulatory mechanisms in both AMS embodies an autonomous policy process, demonstrating a robust institution that acts independently while engaging in and maintaining a consultative approach to its stakeholders (Chareonwongsak, 2021; Evans, 1995; Salazar Jr., 2023). However, the role of the private sector, particularly fintech and blockchain exchanges, is somewhat understated. Nevertheless, in this study, they serve as a crucial partner with institutional agencies for regulating DA. This highlights how the AMS is gradually shifting toward a more adaptive and inclusive approach to collaboration and governance.

By dissecting its dynamics through the MSF, the study further highlights the ASEANology beyond its conceptual label, aligning it as a suitable framework for a regional DA coordination. As this would value responsiveness, institutional learning, and contextual over rigid and top-down collaboration (Watanabe, et al., 2025; World Economic Forum, 2025).

Conclusion

The existing regulatory tax mechanism on DAs in Malaysia and Singapore was evaluated using Kingdon's MSF on how it was crafted and realized through the problem, policy, and politics streams. Aside from the tax principles on DA, including capital gains tax exemption, income taxation, and AML/CFT compliance, these practices are becoming international standards. Through the MSF streams, it focuses on how the DA policies were implemented and aligned with institutional initiatives and political action.

The existing regulatory mechanism in both AMS for DA did not rely solely on robust political leadership; its success stemmed from bureaucratic agility, legal and regulatory flexibility rooted in British common law, and strategic framing by policy actors during the convergence of policy windows and besides the primary role as regulators on DAs, the MAS and SCM also served as facilitators in leveraging global and regional norms to advance the development of DA regulation as a policy priority. The participation of the DA-related companies (e.g., fintech, exchanges) plays a vital role in shaping DA regulation; they were not just passive actors or lobbyists but engaged in constructive dialogue that helped shape thriving rules and reduce DA policy uncertainty.

The approach of both AMS reflects a shift toward more collaborative governance, one that is adaptive and consultative, which manifests the features of ASEAN diplomacy. While other factors, such as leadership and legal clarity on the advancement of DA regulations, are not new, their sequencing and integration under uncertainty offer fresh policy lessons.

Nevertheless, this study underscores the importance of interoperability over uniformity; AMS can collaborate on tax treatment without having identical regulatory laws through institutional learning, responsive regulatory agencies, and shared principles with its stakeholders and adherence to international standards, rather than relying on supranational control, which contradicts ASEAN principles on a consensus and collaborative mechanism, as this would eventually harmonize the DA regulation on a regional level.

Overall, the research demonstrates how politics shapes a transformative DA policy that emerges through confluence rather than accident, especially in its ongoing development and its contribution to the digital economy.

Recommendations

Drawing from the comparative case study of Malaysia and Singapore on DA through evaluation via Kingdon's MSF, this study proposes the following recommendations, which are categorized into policy, theoretical, methodological, and practical dimensions to reflect academic contributions that would further expand the utilization approach in this study, as well as the advancement of DA regulation in the ASEAN region.

Policy Recommendations

Adopt a Tiered Tax Treatment Model for DAs in ASEAN

The case study revealed that a one template or a one-size-fits-all taxation system may lead to uncertainty for both regulatory agencies and taxpayers. It is recommended that a tiered approach be adopted in DA-related transactions, which distinguishes between investment-based activities (e.g., non-taxable or deferred, capital gains exemption in Singapore) and income-generating activities (e.g.,

utilization of the badges of trade of Malaysia), to provide a more holistic approach towards DA regulation and its advancement. Within the MSF framework, this addresses the problem stream of inconsistent tax treatment and aligns the policy stream with feasible alternatives that have already been tested in both AMS.

Harmonize Definitions and Classifications of DAs

It was highlighted through the Stake's cross-case analysis that the ambiguities surrounding the definition of DA transactions and activities, whether these could be classified as payments, utilities, or securities, could be a vital factor in having a reliable regulation. An ASEAN-wide collaboration and harmonization of definitions and terms would reduce uncertainty, foster adaptive regulatory certainty, and enable smoother cross-border DA regulation and taxation. This measure also aligns with the existing ASEAN initiatives, which are embedded in the AEC through the ADEFA, the BSBR, and other ASEAN digital frameworks and roadmaps. In relation to the MSF, this characterizes the creation of a coherent policy stream to meet the rising needs of the digital economy.

Adopt the OECD CARF Regionally.

In the case of Singapore, it demonstrated how its GST system effectively utilizes global standards. The rest of the AMS, including Timor-Leste, could harness the benefits from institutionalizing the OECD CARF to standardize reporting and allow a more secure cross-border data exchange, such as financial transactions. The said adoption would not only promote accountability and transparency but also ensure alignment with global efforts to mitigate evasion and money laundering in the digital economy. From the lens of MSF, the adoption of CARF would serve as an alternative, credible policy regulation that can be coupled with the political streams in ASEAN,

particularly the ASEAN Secretariat, in its collective and collaborative commitment to tax cooperation under the AEC.

Recommendation for Further Studies

Refine and extend Kingdon's MSF for regional tax harmonization.

Although MSF is traditionally applied at the domestic policy level, it remains a powerful policy tool that, in this study, sheds light on the potential regional policy convergence on DA regulation. It is recommended that future studies also consider the contexts of ASEAN institutions and global frameworks, in addition to the national level. In this way, it could be accounted for by cross-border dynamics on problem, policy, and political streams, as they influenced the convergence of these streams.

Strengthen the role of Stake's Case Study Approach in ASEAN policy analysis.

The study employs Stake's approach, which showcases Malaysia and Singapore in its contextual interpretation and bounded cases on DA regulation, where these countries are adapted differently but face similar pressures from their stakeholders. Further study can include other AMS, therefore deepening the practical and theoretical context on how factors affect policy directions towards tax collaboration and harmonization in DA.

Broaden the comparative scope beyond two cases.

Aside from the context of Malaysia and Singapore as cases identified due to their advanced digital readiness, as well as their existing regulatory mechanisms on DA. It is recommended that future studies also account for other AMS, regardless of digital readiness, such as those in Indonesia, the Philippines, Myanmar, or Timor-

Leste, to assess their existing regulatory approaches and thereby enhance the external validity of the findings.

Integrate document analysis with stakeholder perspectives.

The study utilizes available documents and private stakeholders' positions on its findings analysis. However, desk research alone is unable to capture the whole picture, specifically the actual perspective of those participants and stakeholders towards DA regulation. Thus, future studies should also consider primary data, such as interviews and surveys, with regulatory agencies, policymakers, and fintech and exchange actors. This information would extend and enrich the discussion, giving a new angle on how these DA policies were implemented, thereby reinforcing the pragmatic foundation for advancing DA regulations on the selected AMS.

Apply MSF systematically in other digital economy domains.

Aside from the domain of DA taxation, it is suggested that the MSF can also be utilized in other areas such as artificial intelligence (AI), e-commerce, and cloud computing. Methodologically, this would also extend and validate the adaptability and flexibility of the MSF in dissecting the existing ASEAN economic integration, producing insights for further strengthening the AEC commitments and objectives for regional cooperation.

Practical Recommendations

Empower ACMF and AFT

The importance of institutional initiatives and platforms lies in their connection to national direction and regional commitments, as revealed through Stake's analysis of both AMS. At the ASEAN level, the ACMF and AFT should leverage and strengthen

their existing coordinating mechanisms by providing necessary technical assistance, facilitating cross-border information exchange, and offering support for regional policy innovation. Likewise, through the MSF, these regional bodies can act as policy entrepreneurs, coupling the three streams at the regional level.

Promote capacity building and digital tax literacy.

The comparison case of Malaysia and Singapore revealed differences in institutional readiness and approaches to regulating DA activities and transactions. Both AMS and those other AMS that also have regulations on DA should invest in capacity-building programs for implementers in DA for monitoring and compliance purposes. This would lead to clearer guidelines for fintech operators and DA exchanges, mitigating institutional gaps and ensuring readiness for a collaborative and harmonized regional framework and roadmaps.

Foster industry–regulator dialogues.

One of the crucial findings in this study is the involvement of private sector actors (e.g., fintech and blockchain exchange platforms) in shaping and developing the regulation of DA in Malaysia and Singapore. Likewise, AMS policymaking and regulatory agencies should formalize their consultation mechanisms in legal procedures and processes with the private sector, including fintech companies, non-governmental organizations, and other relevant sectors. These discourses will ensure that regulation on DA adheres to standardized reporting and accepted compliance practices that are more suitable and responsive to the evolving technologies in DA, as this analysis emphasizes and is consistent in capturing the perspectives of multiple stakeholders.

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APPENDICES

Annex A

ASEAN Initiatives Towards Digitalization

ASEAN Initiatives	Features
<i>Frameworks</i>	
ASEAN Framework on Personal Data Protection (AFPDP)	The AFPDP is a common framework for personal data protection, facilitating cross-border data security among the AMS. The framework would also support interoperability within the regional bloc, reducing barriers to cross-border trade and services (ASEAN Secretariat, 2016).
ASEAN Digital Data Governance Framework (ADDGF)	The ADDGF serves as a non-binding document that enables the AMS to incorporate national policies to enhance digital data governance capabilities, such as establishing trusted data flows, promoting interoperability of data regulations, and supporting digital innovation and economic integration (ASEAN Secretariat, 2018).
ASEAN Digital Integration Framework Action Plan (ADIFAP), 2019–2025	The ADIFAP aims to coordinate digital trade rules across the ASEAN region. The framework tackles advancing interoperability in digital systems and enhances regional cooperation in digital trade (ASEAN Secretariat, 2020 -b).
ASEAN Digital Masterplan (ADM) 2025	The ADM 2025 lays out eight Desired Outcomes designed to speed up recovery from COVID-19, enhance broadband infrastructure, provide reliable digital services, cultivate a competitive digital marketplace, improve government digital services, facilitate cross-border trade through digital channels, empower individuals and businesses to engage in the digital economy, and ensure everyone has access to digital services. The ADM proposes enabling actions, including improving legal and regulatory frameworks for data protection and addressing harmful data practices; promoting the harmonization of digital regulatory frameworks to facilitate cross-border data flows; and developing region-specific guidelines for data protection and data portability. It also promotes strategic thrusts, leading economic transformation through digital technologies, empowering individuals through digital engagement and

ASEAN Initiatives	Features
	<p>literacy, fostering innovation, improving infrastructure development and connectivity, developing human capital for the digital economy, and bridging digital divides within and across AMS. These pillars provide a foundation for ASEAN's regional digital integration, enabling inclusive growth, enhanced competitiveness, and deeper engagement in the global digital economy (ASEAN Secretariat, 2021 -b).</p>
<p>ASEAN Data Management Framework (ADMF)</p>	<p>The ADMF is a non-binding guide for the AMS's data governance structures and data protection measures. It laid down the foundational components for data protection: (a) governance and oversight, (b) policies and procedural documents, (c) data inventory, (d) data classification, (e) risk assessment and mitigation, and (f) monitoring and review (ASEAN Secretariat, 2021 -a).</p>
<p>ASEAN Digital Economic Framework Agreement (ADEF)</p>	<p>The ADEF is a strategic initiative designed to accelerate inclusive digital transformation across the region, positioning ASEAN as a competitive player in the global digital economy. Based on the 2021 ASEAN Leaders' Statement and the Bandar Seri Begawan Roadmap, DEFA aims to double the digital economy value of the region to USD 2 trillion by 2030. It advances a coherent, flexible, and inclusive framework to facilitate cross-border digital trade, e-commerce, data flow, cybersecurity, digital identity, and talent mobility, while taking into account the diverse levels of development among its members. Based on the principles of cooperation, innovation, and adaptability, the DEFA will extend current ASEAN agreements to provide an open, secure, and interoperable digital space, offering real benefits for businesses and people (ASEAN Secretariat, 2023).</p>
<p><i>Roadmaps</i></p>	
<p>Bandar Seri Begawan Roadmap (BSBR)</p>	<p>The BSBR integrates digital transformation initiatives in the ASEAN that will pave the way for establishing a digital economy, promoting secure and efficient flows of goods, services, and data within the regional bloc. Specifically, the BSBR intends to simplify business processes, encourage access and trust in digital platforms, enhance IP protection,</p>

ASEAN Initiatives	Features
	<p>capacitate people in digital technologies, and improve ASEAN cross-sectoral cooperation (ASEAN Secretariat, 2021 -c).</p>
<i>Agreements</i>	
<p>ASEAN Agreement on Electronic Commerce (AAEC)</p>	<p>The AAEC paves the key areas based on the existing AMS' commitments through best practices, implements support programs, and addresses e-commerce fraud in the sectors/fields of ICT infrastructure, education, consumer protection, e-commerce regulations, electronic transaction security, payments, trade facilitation, competition, cybersecurity, and logistics. Embedded in the AAEC, the AMS must adopt international norms for electronic authentication, allow flexible authentication technologies, and promote interoperability, while retaining the right to impose specific standards. For example, online consumer protection must provide equal safeguards to those of offline commerce. Cross-country data flow for business use is encouraged, subject to national laws and public policy considerations, excluding financial services. Personal data protection measures must be adopted and guided by international standards, although AMS is not immediately obligated to do so without such laws. AMS agrees not to impose data localization requirements on foreign juridical persons, again excluding financial services, acknowledging diverse domestic regulations on computing facility usage (ASEAN Secretariat, 2019).</p>
<p>ASEAN Comprehensive Recovery Framework (ACRF)</p>	<p>The ACRF focuses on strategies that discuss five frameworks: enhancing health systems, strengthening human security, maximizing the potential of the intra-ASEAN market, and broader economic integration. This mechanism would accelerate inclusive digital transformation within the ASEAN bloc, ultimately leading to a sustainable and resilient future. It also emphasizes economic integration with different regions to reduce trade and investment barriers. Lower trade costs and non-tariff barriers are included, which implies the need for aligned fiscal and regulatory policies across ASEAN (ASEAN Secretariat, 2020 -a).</p>

ASEAN Initiatives	Features
<i>Declarations</i>	
Boracay Digital Declaration (BDD)	<p>The BDD demonstrates ASEAN’s strong commitment to advancing the region’s digital transformation in an inclusive, secure, and sustainable manner. It builds upon the ongoing regional cooperation and aligns with key frameworks such as the ADM and the AEC Blueprint, both of which aim to drive economic growth, strengthen regional connectivity, and enhance digital infrastructure. The declaration urges member states to collaborate in closing the digital divide, particularly in rural and underserved areas, by enhancing broadband coverage and expanding technical support. It also highlights the importance of people-centered digital governance, e-government services, and innovation as key tools for post-pandemic recovery and the expansion of cross-border trade. Furthermore, the BDD emphasizes the importance of strengthening cybersecurity and data protection, adopting digital solutions to address climate change, and promoting ongoing collaboration with international partners to build a more resilient and future-ready digital ASEAN (ASEAN Digital Ministers, 2023).</p>

Annex B

Badges of Trade in Malaysia: Determining the Existence of Trade

The general tax treatment for transaction gains/losses from the disposal of digital currencies is based on whether it is capital or revenue in nature. The badges of trade, such as the profit-seeking motive, the nature of the asset, and changes to the asset, are considered when determining if such gains are taxable.

The following are considerations in deciding whether elements of trade exist for transactions involving digital currencies:

Badges of Trade*	Explanation
1. Nature of subject matter	This refers to the nature of the digital currencies that is being bought and sold. Digital currencies can be regarded as a subject of trading when they are bought in large quantities.
2. Length of ownership	This refers to the holding period of the digital currencies. The shorter the holding period, the more likely it is to be regarded as held for trading.
3. Frequency of transactions	High frequency of similar transactions of digital currencies is more indicative of trading than an isolated transaction.
4. Supplementary work	This refers to additional work done on digital currencies to make them more marketable or extra effort made to find or attract purchasers. If this is done, it is more likely that the subsequent disposal will be regarded as a trade.
5. Circumstances of the realization	Some circumstances are less likely to indicate trading (e.g., the company is forced to sell digital currencies due to compulsory acquisition, a sudden and urgent need for cash, or a threat of foreclosure by creditors).
6. Motive	This refers to whether there was an intention to trade in digital currencies at the time of their acquisition. Suppose a person undertakes activities in a business-like manner, such as developing a business plan, preparing accounting records, and advertising the digital currency business. In that case, the intention is definitely to conduct business in digital currencies.
7. Mode of financing	This refers to how the purchase of digital currencies is being financed. Short-term financing is more indicative of trading than long-term financing. The company's financial position and ability to hold on to the digital currencies will also be taken into consideration.
8. Other factors	Other factors include whether feasibility studies were conducted, the availability of documentation or other evidence maintained by the company to indicate its intention regarding digital currencies.

Notes. Lifted from the Guidelines on Tax Treatment of Digital Currency Transactions by IRBM, 2022

*No single badge is a decisive pointer to the existence of a trade. It should be weighed up with all the relevant factors.

Annex B

Malaysian Personal Income Tax Rates, 2024 onwards

In general, the individuals that received income from gains or profit from a business and/or employment, dividends, interest or discounts, rent, royalties, or premiums, pensions, annuities or other periodic payments, and other gains or profit not falling under any of the foregoing activities are subject to the personal income tax and remitted to/collected by the IRBM under the MITA 1967 (IRBM, 2024). The income tax brackets are applied for resident individual taxpayers for the year of assessment 2024 onwards:

Personal Income Tax in MYR

Over	Not Over	Tax on Column 1 (MYR)	Tax on Excess (%)
5,000	20,000	0	1
20,000	35,000	150	3
35,000	50,000	600	6
50,000	70,000	1,500	11
70,000	100,000	3,700	19
100,000	400,000	9,400	25
400,000	600,000	84,400	26
600,000	2,000,000	136,400	28
2,000,000		528,400	30

Notes. Lifted from Malaysia: Individual – Taxes on personal income of PwC (2024 -d)

Meanwhile, non-residents are taxed at a flat rate of 30% on their total taxable income.

Annex C

Malaysian Corporate Income Tax (CIT), 2024 onwards

The CIT is imposed on income that accrues in or is derived from Malaysia, applicable to both resident and non-resident companies. It is noted that the foreign income of the resident companies is also subject to the CIT. The current CIT rates are provided in the following table:

Corporate – Taxes on Corporate Income

Type of Company	Chargeable income	CIT rate for year of assessment (%)
Resident company:		
<ul style="list-style-type: none"> ● with paid-up capital of MYR 2.5 million or less, and gross income from business of not more than MYR 50 million 	On the first 150,000	15
<ul style="list-style-type: none"> ● that does not control, directly or indirectly, another company that has paid-up capital of more than MYR 2.5 million 	On the next 450,000	17
<ul style="list-style-type: none"> ● is not controlled, directly or indirectly, by another company that has paid-up capital of more than MYR 2.5 million, and ● with no more than 20% of its paid-up capital being owned, directly or indirectly, by a foreign company or non-Malaysian citizen. 	Over 600,000	24
Other resident companies and non-resident companies		24

Notes. Lifted from Malaysia: Corporate – Taxes on corporate income, PwC (2024 -c) verified the CIT rates from the IRBM (2025).

Annex D

Singapore Individual Income Tax (IIT) Rates, Year of Assessment 2024 onwards

The IIT is imposed depending on the individual's residency status. The taxpayer is liable to the IIT for a particular year of assessment (YA) if they follow these conditions:

(a) Singapore citizen or Singapore permanent resident who resides in Singapore except for temporary absences.

(b) A foreigner who has stayed or worked in Singapore:

(b1) for at least 183 days in the previous calendar year;

(b2) Continuously for 3 consecutive years, even if the period of stay in Singapore may be less than 183 days in the first year and/or third year; or

(c) A foreigner who has worked in Singapore for a continuous period straddling 2 calendar years and the total period of stay is at least 183 days¹² This applies to employees who entered Singapore, excluding directors of a company, public entertainers, and professionals.

Personal Income Tax in SGD

First	Excess	Tax on First Chargeable Income	Tax on Excess (%)
20,000	10,000	0	0
30,000	10,000	200	3.50
40,000	40,000	550	7.00
80,000	40,000	3,350	11.50
120,000	40,000	7,950	15.00
160,000	40,000	13,950	18.00
200,000	40,000	21,150	19.00
240,000	40,000	28,750	19.50
280,000	40,000	36,550	20.00
320,000	180,000	44,550	22.00
500,000	500,000	84,150	23.00
1,000,000	1,000,000	199,150	24.00

Notes. Lifted from Individual income tax rates, IRAS (n.d.; n.d. -c)

¹² including individuals physical presence immediately before and after your employment

It is noted that there will be a 60% rebate of the tax payable, capped at 200SGD for the YA 2025, and a 50% rebate of tax payable up to a maximum of 200SGD for YA 2024 for tax resident individuals.

For non-residents, the income tax rate for employment income is either a flat rate of 15% or the progressive tax rates presented in the table, whichever yields the higher tax amount. For income that includes rental, pension, and director's fees, the supplementary requirement scheme (SRS) withdrawals are taxed at a rate of 24%. However, non-resident professionals (e.g., consultants, trainers, coaches) are withheld at 15% of the gross income or 24% of the net income. Public entertainers who perform services in Singapore are taxed at a 15% concessionary rate.

For interest, commission, fee, or other payment in connection with any loan or indebtedness of a non-resident, they are taxed at a 15% reduced final withholding tax rate (subject to conditions) or 24% if the reduced withholding tax rate is not applicable.

In terms of royalty or other lump sum payments for the use of movable properties of non-residents, they are taxed at 10% reduced final withholding tax rate (subject to conditions) or 24% if the reduced withholding tax rate is not applicable.

It is noted that the reduced withholding tax rate applies if the income is not derived from any trade, business, profession, or vocation carried on or exercised by the non-resident individual in Singapore. Suppose the income is derived from any trade, business, profession, or vocation carried on or exercised by the non-resident individual in Singapore. In that case, the withholding tax rate is 22% for YA 2017 to YA 2023 or 24% from YA 2024 (IRAS, n.d. -c).

Annex E

Singapore: Policy Stream (Detailed Findings)

Policy Concern	Description	Debates/Alternatives and Descriptions
Fragmented Framework	<p>Debate arose over the need to consolidate fragmented payment laws such as the PS(O)A and the MCRBA of 1979 into a single, unified regulatory framework.</p>	<p>MAS: The MAS Advocated for consolidation to enhance regulatory coherence and operational efficiency (Conventus Law, 2020).</p> <p>Industry: The industry stakeholders generally supported the move, citing improved clarity and reduced compliance burdens.</p> <ul style="list-style-type: none"> • Collyer Law LLC: Recommended that entities already holding Capital Market Services licenses be exempted. • Diginex: Endorsed extending the Payment Services Act to include custodial wallet providers. • OC Queen Street LLC: Cautioned that an overly broad regulatory approach might stifle innovation and hinder growth (MAS, 2017a; MAS, 2017b).
Associated DA Risks	<p>Discussions commenced on whether regulatory coverage should extend beyond domestic payment services to include custodial services, cross-border remittances, and advisory functions.</p>	<p>MAS: Proposed broadening oversight to encompass custodial and cross-border services in order to close existing regulatory gaps (Aziz & Medina, 2024).</p> <p>Industry: Most industry participants supported this wider scope but pointed out that it could increase operational complexity (Calver, 2024; Wang, 2025).</p> <ul style="list-style-type: none"> • Bruc Bond: Agreed that brokers should fall under regulation and highlighted money laundering and terrorism financing (ML/TF) risks. • Collyer Law LLC: Backed efforts to close regulatory loopholes. • Deutsche Bank AG: Expressed concern about the challenges of enforcing such rules across jurisdictions (MAS, 2017a; MAS, 2017b).

Policy Concern	Description	Debates/Alternatives and Descriptions
Cross-Border Gaps	<p>Debate centered on whether licensing requirements should apply solely to local entities or also extend to foreign-based Digital Token Service Providers (DTSPs) serving Singapore clients.</p>	<p>MAS: Advocated licensing foreign DTSPs to prevent regulatory arbitrage and promote global compliance (Rooke, Chin, & Tok, 2025).</p> <p>Industry: Industry participants raised concerns about the extraterritorial implications, administrative complexity, and increased compliance costs (Tok & Goh, 2024; Kereibayev, Singapore Crypto Regulations — All You Need to Know in 2025, 2025a).</p> <ul style="list-style-type: none"> • Deutsche Bank AG: Warned that the measure could place Singapore-based firms at a competitive disadvantage. • Ethikom Consultancy: Requested clearer guidance on the applicability of the framework to overseas entities (MAS, 2017a; MAS, 2017b).
Global & ASEAN Pressure	<p>Tension emerged between fulfilling consumer protection and AML/CFT obligations and maintaining operational feasibility for service providers.</p>	<p>MAS: Issued AML/CFT notices (PSN01/02), required asset segregation, and mandated licensing for Digital Payment Token (DPT) intermediaries, subjecting them to regular audits and legal reviews (MAS, 2024; MAS, 2025a; MAS, 2025b). Singapore, as a contracting member of the Financial Action Task Force (FATF), reinforced its commitment to international standards on anti-money laundering and countering the financing of terrorism (FATF, n.d.).</p> <p>Industry: Industry participants called for clearer operational guidance to balance stringent AML/CFT and investor protection standards with practical implementation (TRM Labs, 2022).</p> <ul style="list-style-type: none"> • Collyer Law LLC: Highlighted regulatory challenges in supervising brokers. • OC Queen Street: Requested clearer definitions of “control” and “safeguarding.” • Diginex: Advocated for balanced custodial regulation to enhance trust (MAS, 2017a; MAS, 2017b).

Policy Concern	Description	Debates/Alternatives and Descriptions
Tax Ambiguity	Debate persisted over whether cryptocurrency should be subject to capital gains tax or limited to taxation on business income.	<p>IRAS: Clarified that capital gains from crypto assets remain exempt from taxation, while income derived from trading or business-related crypto activities is taxable (XT.com, 2025; Kryptos, 2025).</p> <p>MAS/IRAS: Both authorities issued coordinated guidance to align tax treatment with the broader regulatory scope under the Payment Services Act (Tookitaki, 2025).</p> <p>Industry: Industry participants generally opposed the imposition of capital gains tax and advocated for tax harmonization across jurisdictions (Kelsey, 2021).</p> <ul style="list-style-type: none"> • Creimerman Law (2025): Clarified that Goods and Services Tax (GST) applies solely to crypto-related services, not to token transactions.
<p><i>Notes. Table built from MAS and IRAS documents, public consultations, industry feedback (e.g., crypto advisory, techfirms/fintech), academic journals, and regulatory analyses.</i></p> <p><i>Data Sources: MAS (2017, 2018, 2020, 2024, 2025), FATF (n.d.), Conventus Law (2020), Aziz & Medina (2024), Calver (2024), Wang (2025), Rooke et al. (2025), Tan & Tok (2024), Kereibayev (2025), Kelsey (2021), Tookitaki (2025), XT.com (2025), Kryptos.io (2025), TRM Labs (2022), and Creimerman Law (2025)</i></p>		

Annex F

Singapore: Politics Stream (Detailed Findings)

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
Fragmented Framework	<p>Support: Industry groups such as Diginex and Collyer Law LLC backed regulatory consolidation, arguing that a unified framework would simplify compliance and reduce administrative burdens.</p> <p>Concern: Others, including OC Queen Street LLC, warned that a unified regime might lead to excessive regulatory overreach and hinder innovation.</p>	<p>Singapore's government prioritized fintech innovation while maintaining consumer protection, granting MAS a clear mandate to develop and enforce the PSA and its subsequent amendments (Aziz & Medina, 2024).</p>	<p>MAS was empowered to act early on DPT regulation.</p>	Unified Licensing Framework
		<p>The government also reinforced Singapore's position as a global fintech hub, supporting the development of proactive regulatory and tax policies (Creimerman Law, 2025).</p>	<p>Reinforced the digital economy agenda.</p>	
		<p>The PS Act, passed by Parliament in 2019, was strongly supported by Minister Ong Ye Kung, who emphasized its dual role in mitigating ML/TF risks while fostering financial innovation (MAS, 2019-b).</p>	<p>Legislative mandate aligned with regulatory reform.</p>	
Associated DA Risks	<p>Support: Several firms, including Bruc Bond, supported the idea of expanding MAS oversight to cover custodial wallets and advisory services. They believed this move would help close regulatory gaps and strengthen safeguards for users.</p>	<p>MAS has shown strong institutional capacity by rolling out step-by-step regulatory updates, detailed guidance, and decisive enforcement actions. This included imposing penalties for breaches related to anti-money laundering (AML) and countering the financing of terrorism (CFT) requirements (Charltons Quantum, 2025).</p>	<p>These actions allowed MAS to respond quickly and effectively to new developments, establishing an adaptive and resilient regulatory approach.</p>	

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
	<p>Concern: Institutions such as Deutsche Bank AG cautioned that enforcing these regulations across different jurisdictions could be difficult. Others also warned that overly strict rules might discourage innovation and limit market competitiveness.</p>	<p>The MAS and the IRAS worked closely together to ensure smooth policy implementation under the Payment Services Act. They also integrated AML and CFT controls to better monitor crypto-related activities (MAS, 2019-b; KYC Hub, 2025).</p> <p>In addition, the government has strengthened its partnerships with leading institutions such as Temasek, SGX, and several fintech startups. These collaborations aim to boost innovation, foster public trust, and align fintech development with national priorities like climate technology and trade digitalization (Zodia Custody, 2023).</p>	<p>This collaboration reflected strong policy execution and regulatory coordination across agencies.</p> <p>Such partnerships have enhanced stakeholder confidence and built stronger pathways for sustainable innovation.</p>	
Cross-Border Gaps	<p>Support: Many industry participants viewed the move to license foreign-facing digital payment and asset services as a necessary step to close regulatory loopholes and ensure fair oversight across jurisdictions.</p>	<p>Singapore has taken an active role in ASEAN and other international forums to promote the harmonization of digital asset and taxation policies. This participation underscores the government's political commitment to fostering regional cooperation and developing consistent policy frameworks across member states (Kelsey, 2021).</p>	<p>Strengthened Singapore's reputation as a regional leader in building regulatory consensus and advancing coordinated digital policy.</p>	Territorial Licensing for Foreign-Facing Entities

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
	<p>Concern: Others, including Ethikom Consultancy and Tan & Tok, raised concerns about the increased compliance costs and the challenges of enforcing regulations beyond Singapore's borders. They also noted that excessive extraterritorial requirements could make local firms less competitive internationally.</p>	<p>The Ministry of Trade and Industry (MTI) also introduced the Digital Economy Partnership Agreement (DEPA) alongside Chile and New Zealand. This agreement promotes interoperability between digital systems, supports digital inclusion, and builds trust in cross-border data and financial flows (MTI, n.d.-a; MTI, n.d.-b; MTI, 2019).</p>	<p>Anchored Singapore's digital asset regulation within a broader framework of international digital trade diplomacy, ensuring long-term policy relevance and global cooperation.</p>	
Tax Ambiguity	<p>Support: The clarification provided by the Inland Revenue Authority of Singapore (IRAS) distinguishing between capital gains and business income was largely well received by the industry. The collaboration between IRAS and the Monetary Authority of Singapore (MAS) was also viewed positively, as it helped align tax treatment with financial regulation.</p>	<p>Singapore's active engagement in ASEAN and other global tax forums continues to shape its policy direction, promoting alignment and collaboration among member economies (Kelsey, 2021).</p> <p>Policymakers and institutions have also highlighted the importance of maintaining stable regulatory environments and coherent policy frameworks to sustain long-term digital economy growth (ADB, 2022).</p>	<p>Strengthened Singapore's role in developing coordinated and transparent tax regimes across the region.</p> <p>Reinforced the need for policy continuity and strategic consistency to support future digital</p>	Tax Treatment Harmonized with OECD Norms

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
	<p>Concern: Industry representatives, including Kelsey and Creimerman Law, have urged the government to set clear limits on Goods and Services Tax (GST) applications and pursue regional tax harmonization. They warned that inconsistent rules could create unnecessary confusion and operational inefficiencies for cross-border firms.</p>		transformation efforts.	
Global & ASEAN Pressure	<p>Support: Many industry participants welcomed Singapore's alignment with FATF guidelines and ASEAN digital integration standards, viewing it as both timely and necessary for regulatory clarity and international credibility.</p> <p>Concern: Some, including Collyer Law and OC</p>	<p>MAS has demonstrated its commitment to enforcing compliance by issuing penalties against payment service providers that violated AML/CFT obligations, signaling the government's determination to maintain market integrity and protect consumers (Lo & Rajula Rajah, 2025).</p> <p>Singapore has also positioned itself as a global leader in digital asset innovation through MAS-led initiatives, including tokenization pilots such as the Guardian Wholesale Network, Fixed Income Framework, and the SGD Testnet (U.S.</p>	<p>Reinforced MAS's role as a credible enforcer of regulations and a guardian of market trust.</p> <p>Highlighted Singapore's innovative regulatory approach and leadership in</p>	International Alignment and AML Oversight

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
	Queen Street, requested clearer definitions for key terms such as “control” and raised concerns about the potentially high compliance costs associated with the new rules.	Department of Commerce, International Trade Administration, 2025).	shaping the global digital asset ecosystem.	
<p><i>Notes. Table built from MAS and IRAS policy documents, parliamentary speeches, public consultations, and regulatory reviews; supplemented by insights from think tanks, international organizations, law firms, and fintech industry participants.</i></p> <p><i>Data Sources: MAS (2019), MAS (2024), MAS (2025), IRAS (n.d.), Aziz & Medina (2024), Charltons (2025), Creimerman Law (2025), Kelsey (2021), KYC Hub (2025), Lo & Rajula Rajah (2025), MTI (n.d.), USDC–ITA (2025), Zodia Custody (2023), ADB (2022).</i></p>				

Annex G

Malaysia: Policy Stream (Detailed Findings)

Policy Concern	Description	Debates and Descriptions
Fragmented Framework	Debate on merging fragmented payment laws, such as the CMSA 2007 and MCRBA 1979, into one cohesive and unified regulatory framework.	SCM and MOF: Supported expanding the securities definition (CoinStats, 2025).
Associated DA Risks	Discussions about whether the regulations should cover only domestic services or extend further to include custodial, remittance, and advisory roles.	<p>SCM: Issued Digital Asset Guidelines in 2020, revised in 2024 (SCM, 2024 -b)</p> <p>SCM: Oversight of RMOs through DAX framework (SCM, 2022).</p>
Cross-Border Gaps	Debate revolves around whether licensing should apply solely to local service providers or also to foreign-facing Digital Token Service Providers (DTSPs).	<p>LHDN: Led “Ops Token” crypto income enforcement (Kereibayev, Crypto Regulations in Malaysia - 2025 Guide, 2025 -b)</p> <p>SCM & BNM: Supported tax-regulatory coordination (Coin World, 2025).</p>

Policy Concern	Description	Debates and Descriptions
Global & ASEAN Pressure	Regulators continue to seek a balance between strong consumer protection and AML/CFT compliance while still keeping operations practical and manageable for service providers.	SCM: Proposed liberalized reforms (SCM, 2025 -d) Industry: Pushed for clarity and enforceability (AInvest, 2025 -c; Rajah & Tann Asia, 2025)
	Concerns also persist regarding custodial risks, especially on wallet segregation and cold storage requirements meant to safeguard client assets.	SCM: Proposed 90% cold wallet storage and segregation (Rajah & Tann Asia, 2025). Industry: Raised cost and implementation concerns (AInvest, 2025 -c).
Tax Ambiguity	Debates whether crypto should be taxed under capital gains or limited strictly to business income taxation.	IRBM: Applied income tax rules to frequent trading, mining, and remuneration. MOF: Focused on fiscal sustainability (Kumaran & Arokiam, 2025).
	Strategic use of tax incentives for blockchain innovation.	IRBM and Ministry of Economic Affairs: Promoted fintech growth via tax policy (PwC, 2024 -b).
	Debate on balancing data privacy with	PDPC: Enforces PDPA. Industry: Called for clear data governance frameworks (AInvest, 2025 -c).

Policy Concern	Description	Debates and Descriptions
	regulatory transparency.	
<p><i>Notes. Table built from SCM, IRBM, MOF, BNM, PDPC, public consultations, industry feedback (e.g., crypto advisory, tech firms/fintech), legal advisories, and regulatory analyses.</i></p> <p><i>Data Sources: SCM (2020, 2022, 2024, 2025), CoinStats (2025), Coin World (2025), Kereibayev (2025), Kumaran & Arokiam (2025), PwC (2024), Rajah & Tann Asia (2025), Kelsey (2021)</i></p>		

Annex H

Malaysia: Politics Stream (Detailed Findings)

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
Fragmented Framework	<p>Issue: (CMSA) 2007 didn't clearly mention digital assets, which left many legal gaps and made enforcement uncertain.</p> <p>Response: To fill that gap, the SCM together with the Ministry of Finance (MOF) issued a Prescription Order, treating digital tokens as a form of security.</p>	<p>Prime Minister Anwar Ibrahim's open support for digital finance projects during his 2025 trip to Abu Dhabi showed strong political will toward crypto and blockchain regulation (SCM, 2025 -a; SCM, 2019).</p>	<p>The developments signaled Malaysia's national commitment toward stronger digital asset governance and a growing role in cross-border digital finance diplomacy.</p>	Unified Licensing Framework
		<p>The MyDIGITAL initiative and the Digital Economy Blueprint reflect how seriously Malaysia is prioritizing digital transformation and regulatory reform at the political level (Ministry of Economic Affairs Malaysia, 2021).</p>	<p>They positioned the digital asset (DA) reforms as an important part of the country's broader digital transformation strategy, showing that regulation and innovation are moving side by side.</p>	

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
Associated DA Risks	Issue: Risks related to ML/TF, investor protection, and listing standards triggered a regulatory push for tighter rules.	The SCM's consultation on Tokenized Capital Market Products (TCMPs) and improvements to the DAX framework further reflected both political and institutional drive to update Malaysia's capital markets (SCM, 2025 -b; SCM, 2025 -c; SCM, 2025 -e; SCM, 2025 -f).	These initiatives also allowed more responsive policy adjustments and encouraged a forward-looking approach to supervising digital assets.	Expanded Regulatory Perimeter
	Response: SCM also introduced the DAX framework to keep a closer watch on Recognized Market Operators (RMOs), making sure token pre-approvals and technical oversight were in place.	The SC and LHDN have both improved their operational capacity through open consultations, new regulatory releases, and targeted tax enforcement campaigns like "Ops Token" (Kereibayev, Crypto Regulations in Malaysia – 2025 Guide, 2025-b). These activities show that regulatory agencies are moving from passive oversight toward active implementation and enforcement.	At the same time, they reinforced Malaysia's readiness to take on more coordinated oversight and ensure proper compliance enforcement.	
Global & ASEAN Pressure	Issue: International alignment pressures from FATF and regional coordination pushed Malaysia to roll out broader reforms.	The government encourages partnerships between fintech innovators and traditional capital market intermediaries to foster a competitive and secure digital asset ecosystem (AInvest, 2025 -b).	Strengthened ecosystem trust and co-developed compliance norms.	International Alignment and AML Oversight
	Response: In 2025, the SCM proposed new consultation measures			

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
	<p>that included capital thresholds, more open token listings, asset segregation, and required cold storage.</p> <p>Concern: Industry stakeholders questioned the practicality and implementation of these mandates.</p>			
Cross-Border Gaps	<p>Issue: Malaysia struggled to manage foreign-facing crypto activities and undeclared digital income such as crypto.</p> <p>Response: The IRBM started “Ops Token” to make sure crypto earnings were properly declared, while SCM and BNM worked together to align tax and regulatory enforcement.</p>	Malaysia continues to take part in ASEAN and global discussions to align digital asset rules and taxation, helping promote regional integration and consistency in digital finance practices (Kelsey, 2021).	Helped strengthen the legitimacy and internal coherence of Malaysia’s framework for cross-border digital asset regulation and taxation.	Territorial Licensing for Foreign-Facing Entities

Policy Concerns	Debates & Descriptions	Events / Descriptions	Outcome / Implication	Policy Outcome
Tax Ambiguity	<p>Issue: Malaysia lacked clear guidance on how to tax DA. The policy debate centered on taxing business income versus capital gains.</p> <p>Response: The IRBM later clarified that capital gains remain tax-free, but income from things like active trading, mining, or receiving crypto as pay would be taxed.</p> <p>Additional Step: The MOF made sure these rules fit with fiscal priorities, while the National Digital Economy Blueprint also introduced incentives to promote fintech and blockchain projects..</p>	Recent arrests related to illegal crypto mining and power theft demonstrate the government's resolve to combat illicit activities in the digital asset space (Kereibayev, Crypto Regulations in Malaysia - 2025 Guide, 2025 -b)	Demonstrated strong political will to uphold DA law enforcement and tax integrity.	Harmonized with Substance and OECD Norms
<p><i>Notes. Table built from SCM and LHDN policy documents, public statements, national digital economy plans, public consultations, and regulatory commentary.</i></p> <p><i>Data Sources: SCM (2025), Ministry of Economic Affairs Malaysia (2021), Kereibayev (2025), Coin World (2025), Kelsey (2021)</i></p>				

Annex I

Cross-Case Matrix of Malaysia and Singapore

MSF	Policy Concern	Singapore	Malaysia	Remarks	Insights
Problem Stream	Fragmented Framework	Outdated laws and unclear interpretations have caused confusion among institutions and resulted in weak regulatory oversight.	Outdated frameworks made it necessary to issue further clarification through the Prescription Order (2025) to fill the legal gaps.	Both countries faced fragmented regulatory structures; however, they responded at different times and with distinct legal strategies.	Singapore's early push for legislative overhaul gave it a more joined-up and organized system of governance, while Malaysia's slower, step-by-step reforms showed some institutional delay. This difference shows how being legally prepared ahead of time really matters in industries that move fast.
	Associated DA Risks	Rising market volatility, custody weaknesses, and enforcement issues prompted regulators to introduce new responses to stabilize the system.	Risks linked to custody management and token listing pushed for revisions to the DAX and updated tokenization guidelines.	While both nations recognized digital asset-specific risks, their regulatory focus differed. Singapore prioritized maintaining financial integrity, while Malaysia placed greater emphasis on protecting investors.	Risk handling also depended on how institutions were set up—Singapore, with its central bank leading, was able to roll out financial protections much faster, while Malaysia's divided structure needed agencies to work together before acting.

MSF	Policy Concern	Singapore	Malaysia	Remarks	Insights
	Cross-Border Gaps	Jurisdictional loopholes created the need for licensing rules that also covered entities operating overseas.	Foreign-facing crypto platforms and rising cases of undeclared digital income pushed authorities to launch enforcement operations like “Ops Token.”	Both reacted to jurisdictional gaps, though they relied on different types of enforcement tools to address them.	Singapore made cross-border oversight part of its regulatory system through licensing—something meant to prevent issues before they appear. Malaysia leaned more toward enforcement after problems happened, which points to a more reactive way of governing. The contrast shows why proactive systems usually work better.
	Global & ASEAN Pressure	Compliance with FATF standards, growing ASEAN integration, and heavy media attention all helped accelerate the pace of regulatory reforms.	These external pressures, particularly FATF alignment and ASEAN coordination, drove institutions to reform with a greater sense of urgency.	While both nations were influenced by similar outside forces, their reform schedules and overall approaches were not the same.	Outside pressure also played a role in pushing reforms. For Singapore, changes were framed as part of its global leadership goals, but for Malaysia, they were mostly about meeting compliance requirements quickly. This shows how political motivations and reputation concerns can affect how fast reforms actually move.

MSF	Policy Concern	Singapore	Malaysia	Remarks	Insights
	Tax Ambiguity	Clarified how digital assets should be taxed, making a clear line between capital gains and business income	Clarified taxation: Tax treatment was simplified to show that capital gains face no tax, but earnings from trading or business activities do fall under taxable income.	Both nations apply similar principles—exempting capital gains while taxing income—but Singapore’s GST framework offers greater clarity and consistency.	Singapore’s clearer tax and GST integration shows its strong administrative capacity, while Malaysia’s slower adjustment reveals the difficulty of aligning tax principles with DA classifications—something crucial for future ASEAN harmonization.

MSF	Policy Concern	Singapore	Malaysia	Remarks	Insights
Policy Stream	Fragmented Framework	The MAS advocated merging older payment laws to create a single, clearer regulatory structure. While many in the industry supported this move, others warned that it might limit innovation or lead to regulatory overreach.	In Malaysia, the SCM and MOF pushed to amend the CMSA, adding digital tokens to its legal scope and addressing gaps in older laws.	Both aimed to address issues of fragmented digital asset regulation, yet their paths differed—Singapore chose an active restructuring approach through the MAS, whereas Malaysia expanded existing frameworks through the SC and MOF instead.	Singapore’s move toward consolidation reflects strong leadership and proactive institutional planning. Malaysia’s incremental legal changes, however, show dependence on earlier systems and a slower path of reform, underlining how unified legislation often delivers better results in rapidly evolving industries.

MSF	Policy Concern	Singapore	Malaysia	Remarks	Insights
	Associated DA Risks	The MAS broadened its regulations to include both custodial and cross-border digital asset operations, mainly to handle ML/TF and investor risks. Although many firms agreed with the move, they pointed out it might become too complicated for actual business operations.	In Malaysia, the SCM issued and later revised its guidelines covering custodial and advisory activities. However, businesses raised concerns that the compliance process was getting heavier and more demanding.	Each nation tackled risks tied to custody and investor protection differently—Singapore acted earlier by expanding its rules to cover cross-border services, while Malaysia focused more on improving internal compliance structures.	The wider scope of Singapore’s policies displays an anticipatory mindset toward risk governance. On the other hand, Malaysia’s gradual update of its DA guidelines shows the trade-offs of an adaptive policymaking approach when institutional flexibility is more limited.
	Cross-Border Gaps	The MAS suggested licensing foreign DTSPs that offer services to Singaporean users to prevent gaps in regulation, but the proposal sparked concerns over extraterritorial overreach and possible harm to local competitiveness.	On the Malaysian side, LHDN implemented “Ops Token” to tighten crypto income reporting, while SCM and BNM collaborated to enhance coordination amid cross-border enforcement challenges.	The MAS suggested licensing foreign DTSPs that offer services to Singaporean users to prevent gaps in regulation, but the proposal sparked concerns over extraterritorial overreach and possible harm to local competitiveness.	Singapore’s approach to digital asset regulation shows a preemptive kind of diplomacy, while Malaysia’s enforcement-driven path reveals how fragmented systems can slow down efforts to build consistent extraterritorial oversight. This underlines how important an ASEAN-wide framework has become for regional coherence in the digital finance space.

MSF	Policy Concern	Singapore	Malaysia	Remarks	Insights
	Global & ASEAN Pressure	Driven by its commitments to FATF and ASEAN standards, the MAS rolled out tougher AML/CFT requirements, though many industry participants called for clearer definitions and more balanced enforcement.	The SCM, meanwhile, proposed more liberalized reforms consistent with FATF and ASEAN objectives, but stakeholders raised concerns about high compliance costs and practical implementation barriers.	Both countries were influenced by the same FATF and ASEAN goals; however, Singapore acted sooner and with greater regulatory precision, while Malaysia pursued liberalization through gradual institutional negotiation.	The contrast in reform strategies between the two countries shows how domestic policy strength mediates global pressure. Singapore managed to combine regulatory compliance with an innovation-driven mindset, whereas Malaysia often faced challenges balancing the pace of reform with real-world implementation limits.
	Tax Ambiguity	The IRAS clarified that crypto capital gains are not taxable but business income is, prompting industry players to advocate for regional tax harmonization and a limited scope for GST.	The IRBM took a similar position—taxing crypto mining and trading but exempting capital gains—yet public debate also shifted toward data privacy, with calls for clearer rules under PDPA.	Both jurisdictions share the same core tax stance—capital gains are exempt, while income is taxable—but Singapore offered clearer GST treatment, whereas Malaysia continued to face uncertainty over data governance and classification issues.	Singapore's clearer tax policy signals better coordination among its agencies. On the other hand, Malaysia's ongoing uncertainty shows the friction between enforcement priorities and clarity in governance, stressing how crucial data management is for effective DA taxation.

MSF	Policy Concern	Singapore	Malaysia	Remarks	Insights
Politics Stream	Fragmented Framework	The Payment Services Act (PSA) gave the MAS a strong and clear mandate to oversee Digital Payment Tokens (DPTs), simplifying supervision and reinforcing Singapore's broader digital economy goals.	In Malaysia, legal uncertainty was reduced by defining digital tokens as securities under the CMSA. This reform is consistent with the MyDIGITAL agenda and has been endorsed by top government leaders, helping to embed digital asset regulation within the country's broader modernization goals.	Both countries worked to fix fragmented laws, though their methods differed. Singapore centralized control within MAS under the PSA, while Malaysia focused on expanding CMSA coverage with strong political and institutional backing from MyDIGITAL.	Singapore's legislative centralization under MAS highlights how clear institutional control can improve regulatory agility and responsiveness. On the other hand, Malaysia's integration of digital asset regulation within its broader digital transformation plan shows strong political drive behind policy adoption, even though coordination across agencies still adds layers of complexity.
	Associated DA Risks	The MAS also broadened its regulatory reach through step-by-step guidelines and targeted enforcement, embedding AML/CFT measures and strengthening institutional trust via collaboration with the private sector.	Meanwhile, the SCM refined its guidelines and tightened DAX supervision to better handle investor protection issues, showing improved regulatory adaptability and institutional growth. This not only enabled stronger oversight but also positioned Malaysia as ready for future digital market shifts.	Both governments extended oversight to manage investor and market risks. Singapore achieved this through phased MAS regulations and active cooperation with industry stakeholders, while Malaysia showed flexibility by improving DAX oversight and updating SCM rules.	The Singaporean approach illustrates how institutional legitimacy develops through continuous engagement, while Malaysia's evolving supervisory practices demonstrate an adaptive capacity and an emerging maturity in regulatory oversight.

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	Cross-Border Gaps	Singapore expanded its territorial licensing rules and took the lead in regional initiatives such as DEPA, connecting digital asset regulation with broader trade and diplomatic objectives.	Reforms consistent with FATF and ASEAN standards introduced stricter capital market controls, improving compliance and strengthening confidence within the financial sector. In Malaysia, a co-regulatory strategy fostered collaboration between government and private players to maintain the stability of the digital asset ecosystem.	Singapore implemented its territorial licensing system and guided DEPA efforts to align digital regulation with trade objectives, while Malaysia focused on tightening capital market oversight under FATF guidance, utilizing shared regulatory responsibilities to strike a balance between flexibility and control.	Singapore's active regional engagement incorporates DA regulation into foreign policy, showcasing regulatory diplomacy, while Malaysia's collaborative co-regulatory approach emphasizes the role of inclusive governance and fosters compliance and strengthens stakeholder participation.
	Global & ASEAN Pressure	MAS enforced AML/CFT compliance and spearheaded innovation initiatives, which reinforced Singapore's global standing in regulatory governance and financial system integrity.	Malaysia's IRBM launched "Ops Token" and collaborated with BNM and SCM, which enhanced compliance and improved cross-border regulatory coordination, while actively engaging with ASEAN initiatives to support harmonized regional regulation.	Both AMS and ASEAN responded to FATF obligations, with Singapore focusing on innovation pilots and regulatory enforcement, while Malaysia prioritized inter-agency collaboration and engagement in regional harmonization efforts.	Singapore's global leadership exemplifies how external pressure can drive domestic innovation and bolster regulatory credibility, while Malaysia's coordinated approach highlights how institutional reforms can be effectively implemented through multilateral commitments.

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	Tax Ambiguity	IRAS provides clear guidelines on the tax treatment of DA and coordinates with MAS. This ensures that the DA framework addresses ambiguity and adheres to OECD guidelines and best practices.	IRBM clarified which DA activities and transactions are taxable and exempt from capital gains. Moreover, the MOF introduced fintech tax incentives that collectively support innovation and enhance tax certainty, aligning with global standards.	Singapore's IRAS and MAS fostered regulatory coordination that adheres to OECD standards and as well as ensures consistent tax treatment. While Malaysia clarified DA taxation and introduced fintech tax incentives, it effectively balanced enforcement priorities with innovation objectives.	The synergy between Singapore's tax authorities demonstrates how coordinated policy has improved regulatory clarity and investor confidence, while Malaysia's use of incentives reflects a hybrid strategy that attracts innovation while maintaining adherence to global norms, highlighting fiscal policy as a lever for digital competitiveness.