



## The invisible Tax collector: Global lessons for Vietnam's E-Commerce future

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### Abstract

With the rapid development of the Fourth Industrial Revolution, e-commerce has become an inevitable trend, transforming the shopping and business practices of millions of consumers while simultaneously posing significant challenges to state tax administration. In order to enhance management efficiency and prevent tax revenue losses, Vietnamese law has gradually established a mechanism whereby e-commerce platforms declare and pay taxes on behalf of sellers. This article analyzes the legal regulations of several countries concerning the mechanism of tax declaration and payment on behalf of sellers on e-commerce platforms, thereby providing suggestions and orientations for improving Vietnamese law in the coming period.

**Keywords:** E-Commerce, Tax administration, Tax withholding mechanism, E-Commerce platforms, Tax Law

### Introduction

In the digital economy, e-commerce has become an essential distribution channel for goods and services, blurring geographical barriers and traditional business methods. The mechanism of "tax payment on behalf of sellers" by e-commerce platforms is understood as the intermediary platform performing tax declaration and payment obligations for individual sellers or household businesses operating on that platform.

Many countries, such as the UK (EU), the United States, and Thailand, early on implemented "Collection Agreements," where exchange platforms act as "tax collection agents" to simplify management and prevent budget loss from small, dispersed transactions. Researching the legal frameworks of these nations reveals a common trend: shifting the responsibility for tax compliance from the seller to the e-commerce platforms, which have the capacity to control cash flows and transaction data.

In Vietnam, the explosion of platforms like Shopee, Lazada, and TikTok Shop has generated massive revenue but also posed major challenges for tax authorities due to the vast and difficult-to-control number of independent sellers. Although the Government has introduced initial regulations requiring platforms to provide seller information, practical obstacles remain regarding legal liability, data reconciliation processes, and compliance cost pressures for platforms. Therefore, studying international experience regarding "withholding tax at source" on digital platforms is urgent. This helps draw valuable legislative lessons and suggests directions for refining Vietnamese law to build a modern, transparent tax mechanism that ensures fairness between traditional and online businesses.

### Research content

#### 1. Laws of Selected Countries on Declaration and Deduction Mechanisms

The digital era has accelerated the digitalization of commercial transactions while posing increasing challenges to online tax management. In response, many countries have enacted regulations establishing the responsibility of e-commerce platforms to declare and pay taxes on behalf of sellers.

#### 1.1 United Kingdom

The UK's "deemed supplier" framework, established under the VAT Act 1994 and updated by the Taxation Act 2020, streamlines tax collection in the digital economy. This legal fiction shifts the burden of VAT accounting from individual, often overseas, sellers to centralized e-commerce platforms. By transforming these platforms into digital tax collectors, the state ensures revenue stability as commerce moves from physical stores to online marketplaces.

Under this mechanism, a single purchase is split into two legal stages. First, the seller makes a "deemed" B2B supply to the platform, typically at a zero rate. Second, the platform makes a "deemed" B2C sale to the final consumer, calculating and collecting the VAT at the point of sale. Once the transaction is complete, the platform deducts the tax and its service fees before remitting the remaining balance to the seller, effectively neutralizing the risk of tax evasion.

This system specifically targets high-risk areas: international B2C transactions, overseas goods sold within the UK, and imports valued at £135 or less. For these low-value imports, the platform collects VAT as a domestic supply tax, sparing consumers from unexpected border fees. However, for consignments over £135 or B2B transfers, standard customs protocols apply, requiring the importer of record to handle the tax through traditional declarations.

To ensure economic balance, platforms must accurately navigate the UK's three-tiered VAT structure: The Standard Rate (20%) for most goods, a Reduced Rate (5%) for items like home energy, and a Zero Rate (0%) for essentials like food and children's clothing. By automating this categorization, platforms relieve small sellers of a massive administrative burden while guaranteeing that the national treasury receives its fair share from the digital marketplace.

#### 1.2 Malaysia

In Malaysia, the Service Tax Act 2018 provides the primary framework for taxing the digital economy. Since its implementation on January 1, 2020, Malaysia has utilized a specific mechanism to capture revenue from digital services provided by foreign entities. Central to this system is the concept of a "facilitating platform," which identifies online marketplaces or intermediaries as the responsible parties for tax compliance. These platforms are considered the

providers of digital services if they control the terms of the transaction, manage the payment process, or oversee the delivery of the digital content.

In the context of cross-border commerce, the facilitating platform serves as the central node for offering, payment, and distribution. The tax obligation is strictly linked to the consumption of services within Malaysia, a determination often made by tracking the consumer's IP address or the origin of their payment method. All tax matters are governed by the Royal Malaysian Customs Department (RMCD), which requires foreign providers to register and remit taxes if their annual Malaysian revenue exceeds the RM 500,000 threshold.

While the service tax rate was originally set at 6%, it has since been adjusted to 8% as of March 2024 to align with updated fiscal policies. This tax applies to both Business-to-Consumer (B2C) and Business-to-Business (B2B) transactions. However, the administrative approach differs: for B2C sales, the platform typically handles the collection at the point of sale, whereas B2B transactions often utilize a reverse charge or self-assessment mechanism by the local purchasing business to prevent double taxation and streamline the reporting process.

### 1.3 China

China operates one of the world's most robust regulatory environments for digital trade, anchored by the E-Commerce Law (2018) and the Law on the Administration of Tax Collection. A defining feature of this framework is the broad legal definition established in Article 9 of the E-Commerce Law, which encompasses nearly all digital business models. This wide net ensures that traditional marketplaces, social media commerce, and emerging digital platforms are all subject to the same rigorous oversight, preventing legislative gaps as technology evolves.

To ensure transparency and accountability, Chinese law mandates strict data management and reporting protocols. Under Article 31, platforms are required to store all transaction and service data for a minimum of three years, providing a historical trail for tax audits. Furthermore, new regulations introduced in 2025 have intensified these requirements by mandating that platform enterprises report the identity and income information of their operators to tax authorities on a quarterly basis. This continuous flow of data allows the state to monitor the digital economy in near real-time.

The approach to actual tax collection in China is nuanced and varies by tax type. Unlike the UK's mandatory VAT withholding model, China generally requires platforms to provide transaction data to authorities for Value Added Tax (VAT) purposes rather than performing full withholding. However, for Individual Income Tax (IIT), platforms may act as withholding agents, deducting between 3% and 20% if they are classified as the income payer. This hybrid system balances the administrative strengths of the platforms with the direct oversight of the state tax bureaus.

## 2. Recommendations for Vietnam

Based on international experience and the current legislative roadmap in Vietnam—including the 2025 E-commerce Law and Decree 117/2025/ND-CP—the country is moving toward a highly regulated digital tax environment. To achieve long-term stability, Vietnam should prioritize several key strategic areas.

### 2.1 Clarifying Roles and Scope

A fundamental step involves the precise definition of responsibilities for all participants in the digital economy. The current shift toward a "withholding at source" model, effective July 1, 2025, correctly identifies e-commerce platforms as the primary agents for tax collection. However, the scope must continue to evolve beyond traditional physical goods to fully encompass digital content, affiliate marketing, and the rapidly growing livestreaming sector. The 2025 Law on E-commerce (effective July 1, 2026) introduces a critical advancement here by mandating identity verification via the VNeID national digital ID system for livestream hosts and social sellers. This integration ensures that "anonymous" commercial activities are eliminated, providing a solid foundation for tax authorities to monitor revenue accurately across all digital channels.

### 2.2 Protecting Taxpayer Rights and Transparency

As platforms take on the role of quasi-tax agents, the protection of taxpayer rights becomes a priority to maintain market trust. Vietnam should mandate that platforms provide sellers with detailed, real-time reports on all withheld taxes (VAT and PIT). To address the risk of "double taxation" or errors in classification—such as when a formal business is mistaken for a household business—the law should establish standardized dispute resolution mechanisms. These mechanisms would allow sellers to challenge discrepancies between their internal records and the platform's data, ensuring that the transition from the old "lump-sum" tax system to a modern "declaration" system (mandated for 2026) remains fair and transparent.

### 2.3 Enhancing Inspection and Digital Infrastructure

The effectiveness of tax management in the digital age depends on the adoption of Continuous Transaction Controls (CTCs). Vietnam is already moving in this direction by requiring e-invoices to be generated and recorded as soon as an order is confirmed. To strengthen this, the General Department of Taxation should deepen its cooperation with the Ministry of Public Security and the banking sector. This cross-agency collaboration is vital for tracing cash flows and cross-referencing platform data with actual bank transactions, thereby identifying "hidden" revenue that may not pass through traditional platform payment gateways.

### 2.4 International Harmonization and Strategic Tailoring

Finally, Vietnam must continue to align its local regulations with OECD recommendations on taxing the digital economy while tailoring these rules to the specific maturity of the Vietnamese market. For example, the decision to raise the tax-exempt revenue threshold to VND 200 million per year starting in 2026 demonstrates a balanced approach: it relieves micro-entrepreneurs of a heavy administrative burden while focusing enforcement on larger, high-revenue entities. By harmonizing domestic laws with international standards, Vietnam can ensure that its tax regime remains attractive to foreign investors and platforms like Shopee and TikTok Shop, while simultaneously protecting its national budget.

## Conclusion

Vietnam's rapid e-commerce growth necessitates a "withholding at source" mechanism to prevent revenue loss. Current laws lack consistency regarding the legal liability of platforms. By clarifying roles, expanding the scope of management, and utilizing digital auditing tools, Vietnam can build a transparent tax environment that ensures equity between the digital and traditional economies.

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