DRAFT GUIDELINES ON TAX DEDUCTION AND PAYMENT OBLIGATIONS OF ORGANIZATIONS MANAGING E-COMMERCE TRADING FLOORS AND DIGITAL PLATFORMS

DANG HUYEN THU

E-commerce activities have been essentially affecting countries' economic growth, including Vietnam. To improve tax management and create resources for socio-economic development through expanding the scope of tax collection and preventing tax losses, the National Assembly has adjusted several contents of the Law on Tax Administration 2019 related to business activities on e-commerce platforms and digital platforms in Law 56/2024/QH15 dated November 29, 2024 amending and supplementing several articles of nine Laws. Accordingly, from April 1, 2025, organizations managing e-commerce trading floors, digital platforms *with payment functions* (including domestic and foreign organizations) and organizations with other digital economic activities as prescribed by the Government must *deduct, pay taxes and declare the deducted tax amounts on behalf of* business households and individuals with business activities on their e-commerce platforms and digital platforms.

To provide more specific guidance on this content, the Ministry of Finance is developing and collecting comments on the Draft Decree regulating tax management for business activities on e-commerce platforms and digital platforms of business households and individuals (as of February 28, 2025) (**Draft Decree**). The Draft Decree specifies the responsibility of organizations managing e-commerce trading floors, digital platforms with payment functions, and organizations with other digital economic activities to deduct and pay taxes on behalf of business households and individuals (**organizations managing e-commerce platforms that are subject to tax deduction and payment on behalf of business households and individuals**). The Draft Decree includes several contents such as the scope of tax deduction and payment on behalf of business households and individuals; the time of tax deduction, determination of deducted tax amounts; the method for declaring and paying deducted taxes. Below are some specific analyses related to these contents:

Firstly, regarding the scope of tax deduction and payment on behalf of business households and individuals, the Draft Decree stipulates that domestic and foreign organizations managing e-commerce platforms that are subject to tax deduction and payment on behalf of business households and individuals (including owners directly managing e-commerce platforms or persons authorized to manage e-commerce platforms) will deduct and pay *value added taxes* and *personal income taxes* on behalf of business households and individuals residing in Vietnam and non-resident individuals (in Vietnam) with business activities on e-commerce platforms, digital platforms, and other digital economic activities (**e-commerce platforms**), specifically:

- *Regarding value added tax*: Deducting and paying the value added tax payable on behalf of business households and individuals according to laws on value added tax for each transaction of goods and service provision *generating revenue domestically* of both business households, individuals residing in Vietnam, and non-resident individuals with business on e-commerce platforms;
- *Regarding personal income tax*: Deducting and paying the personal income tax payable on behalf of business households and individuals according to laws on personal income tax for each transaction of goods and service provision *generating revenue domestically and internationally of business households and individuals* residing in Vietnam with business on e-commerce platforms and each transaction of goods and service provision *generating revenue domestically of non-resident individuals* with business on e-commerce platforms.

Secondly, regarding the time for deduction and determination of deducted tax amounts, the Draft Decree stipulates that domestic and foreign organizations managing e-commerce platforms that are subject to tax deduction and payment on behalf of business households and individuals must deduct taxes *before transferring payments by buyers to business households and individuals*. Also, the determination of the deducted tax amounts will be based on the *percentage (%) of revenue of each completed transaction*. According to the Draft Decree, for both business households, individuals residing in Vietnam and non-resident individuals with business on e-commerce platforms, the value-added tax rate applicable to goods is 1%, to services is 5%, and 3% for transportation or services attached to goods. Regarding personal income tax, resident individuals are subject to a tax rate of 0.5% for goods, 2% for services and 1.5% for transportation or services attached to goods; meanwhile, non-resident individuals will be subject to tax rates of 1%, 5% and 2%, respectively for the respective types of business.

Thirdly, regarding tax declaration method, the Draft Decree stipulates that organizations managing e-commerce platforms will *declare deducted tax amounts monthly* according to laws on tax administration. Domestic organizations will be granted a separate tax code (10-digit tax code) to declare and pay the deducted tax amounts on behalf of the relevant subjects. For foreign organizations managing e-commerce platforms, a 10-digit tax code will be issued, which is similar to the regulations for foreign suppliers. In addition, the Draft Decree also stipulates the list of the documents as well as the method for declaring and paying deducted tax amounts. The Draft Decree also sets out several other responsibilities of organizations managing e-commerce platforms such as registering to use electronic tax deduction documents, issuing tax deduction documents electronically to business households and individuals, and storing business transaction data according to laws on tax administration.

In addition, the Draft Decree also stipulates the declaration and payment of taxes by business households and individuals with business on e-commerce platforms, but these platforms are *not subject to performing tax deduction or payment on their behalf* (e-commerce platforms and digital platforms *do not have payment functions*). Accordingly, business households and individuals doing business on such e-commerce platforms will directly declare and pay value added taxes, personal income taxes, and other revenues. Tax declaration can be made monthly or upon each occurrence depending on the form and frequency of business through the General Department of Taxation's Electronic Portal.

The Decree regulating tax management for business activities on e-commerce platforms and digital platforms of business households and individuals, once issued, will contribute to creating a transparent and fair business environment between traditional business types and e-commerce and digital platform businesses. It will also improve the quality of state management in the context of increasingly developing e-commerce and digital platform businesses. This Decree is expected to have a strong impact on organizations managing e-commerce trading floors, digital platforms with payment functions, and organizations with other digital economic activities. Therefore, these organizations should study the contents of the Draft Decree and its updates and changes (if any) to ensure compliance with the law when the regulations come into effect.