Vietnam tax and customs management for cross-border e-commerce in the digital era

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Abstract:

In the digital era 4.0, E-commerce is remarkably growing and affirming an important role in economics. In the time of the "new normal", the scope of E-commerce activities is expanding over countries, leading to rapid development of cross-border E-commerce. Despite convenience and efficiency in business, cross-border E-commerce is posing challenges in public management, especially in tax and customs management due to its changeability and complicated characteristics. Thus, this paper studies current Vietnam tax and customs management in cross-border E-commerce in the digital era. By combining and analyzing recent Vietnam tax and customs practices, academic research, and experiences from other countries, the author propose solutions to improve the tax and customs management in cross-border E-commerce in Vietnam.

Key words: Taxation, customs management, E-commerce.

1. Introduction

There are many studies and policy concerns about cross-border E-commerce in recent years. Along with the explosion of the technological revolution, cross-border E-commerce is growing significantly. In particular, the emergence of the Covid-19 pandemic has accelerated the development of E-commerce activities, shifting the traditional business models to e-business with new distribution channels and expanding domestic markets.

This is not surprising given that Vietnam is one of the countries having the highest E-commerce growth rates in Asia with an average growth rate of about 29% per year (Google & Temasek, 2020). In 2020, according to the report of the Vietnam E-commerce White Paper, the growth rate of Vietnam E-commerce will reach 11.8 billion USD (IDEA, 2020). The impressive growth of E-commerce partially stemmed from cross-border activities. Cross-border E-commerce facilitates consumers to shop in many different international markets just with a click of a mouse. At the same time, in international trade, firms easily export and import products over the world, thus pulsing economic growth.

However, with the operating characteristics without the physical presence of a permanent establishment and the presence of a legal entity (the concept of a "virtual permanent establishment"), cross-border E-commerce caused many difficulties in tax and customs administration. According to the statistics of the General Department of Taxation of Vietnam, there are currently 8 websites with cross-border E-commerce business activities in Vietnam that have fulfilled the tax declaration and payment obligations. Specifically, in 2021, the amount of tax collected through their deduction and payment, instead of tax revenue, reached more than 5.000 billion VND, of which the most were Facebook and Google with 1.600 billion VND each (Huong Thuy, 2022). In fact, the tax amount is still very modest compared to actual operations on digital platforms. In addition, tax management is more challenging when businesses and individuals also use cross-border E-commerce exchanges to conduct cross-border goods transactions in the form of not signing contracts. Similarly, despite no complete data, statistics from the customs office in 2021 show that the volume of goods transacted via E-commerce through customs clearance procedures at the Express Customs Sub-Department, under the Ho Chi Minh City and Hanoi Customs Departments, has an estimated turnover of more than 1 billion USD. However, these cross-border activities are mainly operated by unofficial groups, who collect a large number of small orders from foreign online websites to "import" to Vietnam markets, which make difficulties in customs management as well (Bang Luong, 2021). In general, the tax and customs authorities have made some efforts, but there are still incomplete legal systems and a lack of uniformity. Adjustments in tax policies as well as customs management have not yet shown effectiveness in the face of the continuous development of cross-border E-commerce.

Thus, the study focuses on analyzing the current situation of tax and customs management in cross-border E-commerce in Vietnam. Then, the author draws on the achievements as well as the outstanding difficulties. Besides, tax and customs management experience from countries around the world is analyzed. From there, the authors propose solutions to improve the efficiency of tax and customs management for cross-border E-commerce, in line with the current development of E-commerce in Vietnam.

2. Literature review

2.1. Tax management in cross-border E-commerce

The problems in tax management in cross-border E-commerce gradually become challenging in developing countries. Some researchers studied the differences between the E-commerce and traditional business model, which hamper identifying transactions and transaction values, as the basis of regulatory compliance management. One of the reasons is the digital factor, which increases the complexity of tax compliance and tax management activities (Lucas-Mas & Junquera-Varela, 2021). Digital refers to the technology of encrypting data to transmit information through an online platform. The digital factor may hinder tax authorities to authenticate, control, and monitor how transactions are done. Therefore, it is difficult for tax authorities to levy taxes in the traditional way.

The development of digital platforms not only changes business models but also facilitates the emergence of new digital business models (Lucas-Mas & Junquera- Varela, 2021). These models pose many challenges to traditional tax administration methods such as cross-border E-commerce. This new business model contains digital elements that can disrupt the tax base in the traditional way. Internationally, the growth of digital business models has generally resulted in non-residents being able to operate in a country's market. Accordingly, a country will have difficulty taxing income of these subjects because of their lack of tangible presence in its territory (Moreno & Brauner, 2019). Furthermore, the determination of which country is entitled to levy tax is controversial because it is fundamentally different from the designed international tax rules.

On the other side, some studies have shown the need for an effective coordination mechanism between tax authorities and other authorities in managing cross-border E-commerce activities. Research by Chuge (2020) shows that the problem of tax loss of cross-border E-commerce is a key step to minimizing the potential risks to the economy. Notably, with the new tax policy for China's cross-border E-commerce activities since 2016, Yu (2018) all point to the need to improve coordination and management between tax authorities and relevant government agencies, especially with customs authorities, to promote the construction of a single window customs mechanism.

Meanwhile, domestic studies show that the tax administration for E-commerce, in general, has been facing many difficulties in controlling actual payment of an order, leading to tax losses (Tran Trung Kien, 2020), or a sense of limited compliance with the law on contractor tax - the obligation to withhold tax on behalf of a foreign party (Nguyen Thi Thom & Tran Thi May, 2021). However, taxation from cross-border activities has not been comprehensively and consistently mentioned in an international legal document. This has led to many strains in tax management as well as increased tax avoidance and tax evasion in cross-border activities.

2.2. Customs management for cross-border E-commerce

The rapid growth of cross-border E-commerce has posed both opportunities and challenges for customs management. It encourages governments to fulfill the inter-organizational information system to further the efficiency of overall customs management (Ratnasingam, 2003). However, the booming growth of cross-border E-commerce activities raises administration costs, technical problems, and risk of smuggling (Yu, 2018). Ruiz (2018) also found that only when the negative impact of cross-border E-commerce on tariff and transaction costs is offset, the cross-border E-commerce may promote international trade. Thus, the difficulties in customs management in cross-border E-commerce activities, such as tax evasion and customs fraud, may diminish international trade. Some research presented that the weak customs management hinder the development of cross-border E-commerce as well. Grainger et. al (2018) showed difficulties in categorizing and allocating costs of customs across the supply chain, related to intermediaries, such as E-commerce exchange or shipping companies, in some countries. The lack of harmonizing international customs regulations may place e-commerce shipments at a competitive disadvantage relative to traditional truckload sized shipments, leading to hindering a development of international trade (Grainger et.al, 2018).

These challenges highlighted the importance of big data management and e-government in customs management. Recent years, there have been several research using big data and technical applications to improve customs management. Typically, it is necessary to create an information platform that integrates the transaction, declaration, logistics and financial services of E-commerce activities to support customs management (Hu, 2015). Bowering (2018) demonstrated that the growth of E-commerce based on trade data may remove the need for an import declaration due to an effective Authorized Economic Operator (AEO) program combined with separately sourced data. Similarly, research by Li and Li (2019) proposed the application of text-image adaptive convolutional neural networks may assist cross-border E-commerce sellers to classify goods efficiently. Besides, the cooperation among government agencies, corporations, E-commerce exchanges, and Internet service providers also plays an important role in promoting efficient customs management (Ratnasingam, 2003; Ruize, 2018).

However, customs management for E-commerce in Vietnam is not paid enough attention in research. Most of the studies mainly presented the incomplete legal documents related to E-commerce transactions and electronic payment, which discourage the customs management for cross-border E-commerce.

It can be said that there have been a number of studies on this topic, but the above studies have a wide research scope (E-commerce in general or in developed countries context), or a research scope is too narrow (only about services or legal scope). Therefore, to the knowledge of the authors, there has been no official research focusing on assessing the current situation and proposing process solutions to improve the efficiency of tax and customs management in cross-border E-commerce in Vietnam.

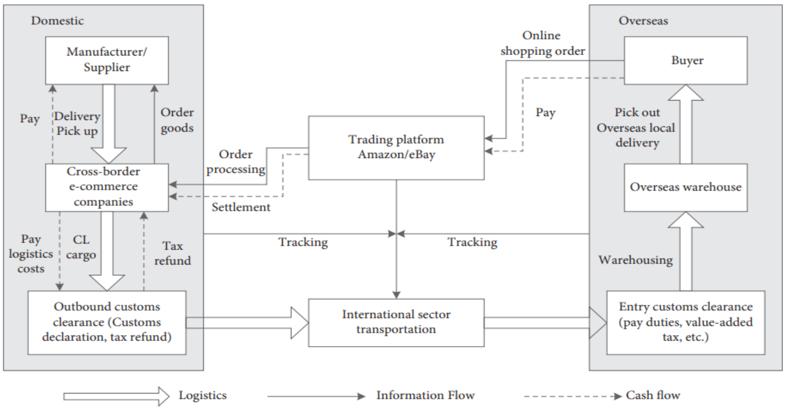
3. Tax and customs management for cross-border E-commerce in Vietnam

3.1. The process of cross-border E-commerce activities

In the above diagram, the cross-border supply chain is the core supporting process for cross-border E-commerce transactions. The main stages can be summarized as follows:

(1) Businesses post information about products (made by themselves or from other manufacturers/distributors) on cross-border E-commerce platform. When receiving the order, businesses will confirm the goods. Next, the goods are put into the warehouse, they will be sorted and packed.

Figure 1: Operation process of the cross-border E-commerce supply chain



Source: Fang & Wang (2021)

(2) Goods will be transported to the port of exit through logistics services under the contract, and at the same time carry out procedures such as customs declaration, customs inspection, tax payment.

(3) Goods will be shipped to the destination country by international shipping methods. After arriving in the destination country, the consignee/customs declaration entrustment company will submit an application to the customs for customs clearance and payment of taxes.

(4) Goods will be delivered to the warehouse, transported, and delivered to the customer.

In addition, for small value orders, buyers in destination countries can place orders online through cross-border E-commerce exchanges. Warehouse management systems in the receiving country automatically retrieve order information. Goods will be sorted, packed, and then distributed to customers by post or express delivery. It can be said that this is a modern form of cross-border supply chain through E-commerce. In which, all transactions are in online form, online payments, cross-border distribution, and transportation. However, along with convenience and technological application, this type of business has many potential risks of tax evasion and customs fraud.

3.2. Tax management for cross-border E-commerce in Vietnam

3.2.1. Consolidation and promulgation of legal documents

Recent years, the government has made efforts to adjust policies to improve the tax collection regime, keeping up with the development trend of E-commerce. In 2019, the National Assembly promulgated the Tax Administration Law 2019, which contains new regulations on tax administration for business activities on cross-border digital platforms. The Tax Administration Law 2019 also specifies the principles of tax declaration and tax calculation for E-commerce.

With the goal of providing detailed guidance on the Tax Administration Law 2019 and aiming for stricter control of tax sources from cross-border E-commerce, Decree 126/2020/ND-CP was issued and took effect from December 5, 2020. According to the above decree, foreign legal entities operating cross-border E-commerce must go through commercial banks or financial intermediaries. These intermediaries are responsible for withholding and are obliged to guarantee and represent tax payment on behalf of overseas suppliers who do not have a permanent establishment and have operations in Vietnam. However, the above regulation poses a problem for the responsibility of banks because calculating the amount of tax withheld and paid on behalf of foreign suppliers is still a big challenge for commercial banks and other credit institutions.

To guide the implementation of a number of additional and revised points in the Law on Tax Administration 2019 and Decree 126/2020/ND-CP, the Ministry of Finance issued Circular No. 80/2021/TT - BTC, taking effect on September 29, 2021. Accordingly, foreign legal entities can directly or authorize organizations or tax agents in

Vietnam to carry out tax registration, tax declaration and tax payment.

In addition, for cross-border small-value goods transactions, according to current regulations, imported goods sent via postal services or express delivery services, with customs value of less than 1 million VND or the total tax of 100.000 VND or less will be exempt from tax. However, at present, there is no specific regulation on the number of times or the specific shipment is exempt from tax. This leads to a loss of revenue because the customs declarant can take advantage of this policy to split the shipment with a large value below the amount to pay taxes and send it through the courier service to enjoy the tax-free quota. for goods below the norm of 1 million VND or through gifts of less than 2 million VND/time (4 times/year).

Therefore, the coordination mechanism between the tax authorities and the customs authorities is very necessary, both to ensure the budget revenue and fairness of tax obligations.

3.2.2. Manage tax registration, tax declaration and tax payment:

Over the past years, the tax management has been developed, synchronously and professionally in risk management control and promoted the integration of modern information technology application in tax registration. tax return and tax payment. According to Decision No. 508/QD-TT, the central content in tax management must be based on the E-commerce platform and be one of the three main pillars that the Government wants to aim for by 2030.

Through technology applications, this will facilitate cross-border taxpayers and tax authorities can control cross-border E-commerce more effectively such as tax registration, tax return and tax payment. Currently, the tax industry has deployed an electronic portal for foreign suppliers (Etaxvn.gdt.gov.vn) and integrated for mobile systems with the Etax Mobile with 4 functions, including tax registration, tax declaration, tax payment information search, tax declaration information search. With the support of commercial banks, the form of tax declaration and electronic tax payment is becoming more and more popular.

Mr. Jonathan Leigh Pemberton, Representative of the World Bank, said: “In principle, the end user pays value added tax, but we must create a mechanism for suppliers to declare and pay tax to users.” (Xuan Dung, 2020). Therefore, cross-border foreign suppliers are obliged to register tax with Vietnamese tax authorities through an electronic platform in order to be granted a payable identification number, which is directly managed by the tax authority. Tax codes shall comply with Circular No. 105/2020/TT-BTC.

In addition, foreign suppliers must use a bank account registered with the tax authority to pay tax to the government budget account according to the instructions at the platform of the General Department of Taxation. Based on the percentage of revenue received by foreign suppliers, they are responsible for paying the corresponding tax amount including VAT and CIT. In particular, the General Department of Taxation is studying the regulation of tax brackets for cross-border transactions without a permanent establishment in accordance with the development of E-commerce.

To ensure ease in tax management for cross-border transactions in Vietnam, tax authorities accept tax declarations in 14 common foreign currencies. From this foundation, the General Department of Taxation of Vietnam (2021) expects to soon build a database of taxes and electronic invoices that will be officially applied nationwide.

3.2.3. Inspection, examination and exchange of information

In order to eliminate tax evasion from cross-border activities, tax authorities have implemented inspection and examination to analyze risk promptly from individuals and organizations participating in cross-border activities. There are at least 64 foreign cross-border E-commerce service providers in Vietnam. Giant cross-border platforms such as Facebook, Google have been taxed $218.5 million in the period 2019-2021 (Samuel, 2022).

3.2.4. Evaluation

The improvement in legal regulations and the e-portal has supported tax declaration and willingness to pay tax from businesses. Besides, flexibility in foreign currency conversion and simplifying administrative procedures in tax registration and payment also create convenience for foreign suppliers in E-commerce activities. However, there are some challenges in tax management:

Firstly, the collection of contractor tax for social networks providing cross-border services is limited due to the expansion of multi-party business forms and many payment methods. In particular, subjects participating in E-commerce are increasingly diverse (individuals, business households ...) and are no longer suitable in the way of managing contractor tax for businesses as before.

Secondly, relevant specialized agencies face many difficulties in controlling the flow of information about goods on E-commerce exchanges and the reality of shipping goods, which hinder the cross-border tax payment process. For instance, the goods are brought to Vietnam in the form of gifts, hand-carried goods in large quantities, leading to a disordered tax declaration process, which easily leads to tax loss.

Third, the issue of controlling cash flow in cross-border E-commerce through banking transactions has not been completed. The database to determine revenue, expenses, business results, and taxable income of taxpayers related to cross-border transactions is still limited, leading to not enough tax collection.

Fourth, tax registration for foreign service providers is still a problem. According to the General Department of Taxation of Vietnam, there are still many cross-border E-commerce activities that have not been included in the list of business lines in Vietnam because of their intangible, diverse and elusive nature. Therefore, most of these types are still not subject to the scope of regulation of the VAT and CIT laws. This makes it difficult for tax management, inspection and examination in Vietnam.

Fifth, there is a lack of a legal basis and formality of tax bases on VAT for cross-border goods and services supplied from foreign individuals and legal entities into Vietnam. This shows that the tax management mechanism still cannot keep up with the rapid development of cross-border business from foreign suppliers.

Sixth, limitations in the self-declaration and self-pay tax mechanism in Vietnam. In this mechanism, foreign suppliers can provide complete or incomplete information related to taxpayers, payment sources, transactions, etc., which causes difficulties in tax collection unless they do transactions on the E-commerce exchanges registered in Vietnam.

3.3. Customs management for E-commerce in Vietnam

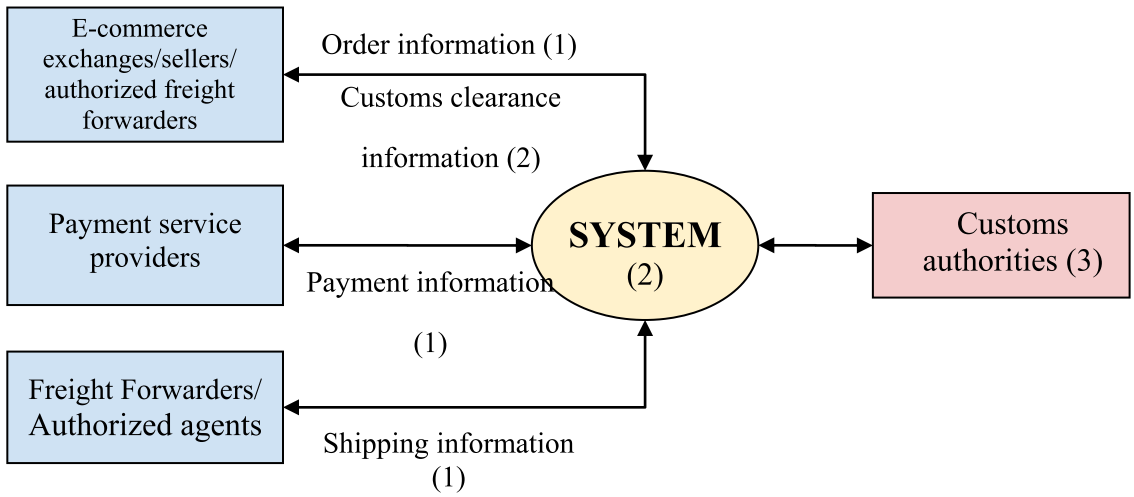
Until now, Vietnam has not had specific customs regulations for goods imported or exported via E-commerce. This leads to several problems in customs obligations and in customs management, due to differences between traditional business and e-business. Typically, because of the high volume of small transactions, customs declaration and screening control processes in E-commerce are extremely time-consuming. According to the recent regulation, each product in an order, regardless of value or size, must make a declaration first. Thus, even for orders that customers place dozens of different low-value products, the exporter or importer has to make dozens of customs declarations for these products. According to the General Director of Than Toc Technology Joint Stock Company - a unit specializing in forwarding and customs clearance for E-commerce exchanges, the number of daily declarations for E-commerce transactions can be up to 10,000 or even more (Hong Van, 2022). Similarly, all goods in cross-border E-commerce must be screened without any exemption. On average, it takes customs authorities 4 hours to scan one E-commerce shipment. Thus, it is clear that the customs clearance process is very slow and inefficient at the moment.

Thus, Vietnamese government has issued Decision No. 431/QD-TTg approving the Scheme on management of E-commerce activities for exported and imported goods in March 2020 and The Draft Decree on management of import and export goods transacted via E-commerce on August 16 2021, which facilitate and simplify customs management for cross-border E-commerce. These policies, which are expected to improve the recent customs process, highlight regulations on:

3.3.1. Building a particular customs systems for E-commerce goods

With the aim to separate the ecommerce and traditional business, there will be a "system" exclusively for goods via E-commerce. In this system, online exchange owners or online sellers, customs clearance agents, freight forwarders, bonded warehouses, financial institutions and the

Figure 2: The general structure of the custom System in Vietnam



Customs Portal[1], will be connected and granted to access to provide information to serve customs clearance and management.

Figure 2 illustrates the general structure of the "System" in customs management in Vietnam, based on the Draft Decree 2021 on management of import and export goods transacted via E-commerce. In detail, before making a customs declaration, E-commerce exchanges, E-commerce website owners or legally authorized freight forwarders are responsible for sending order information to the system. Likewise, the payment service providers (such as commercial banks) are required to provide payment information. The freight forwarders or their agents in Vietnam provide shipping information to the System. Then, the system will automatically check and compare the information on the customs declaration with the provided order, payment, and shipping information. The results of the system will be the basis for customs authorities to manage and supervise customs clearance such as identification of goods, customs duty, inspection, and risk assessment. If there is any detection, the authorities will request a subject to supplement information through the system. It is clear that all customs information and procedures occur through the system, which may save time and convenience, leading to an e-government system.

[1] Customs Portal, or called the National Single Window, is where customs declarants declare information and submit electronic documents to carry out customs procedures.

3.3.2. Adding customs declaration subjects and simplifying customs valuation

In addition to the subjects of customs declaration specified in the Customs Law, the Draft Decree 2021 includes E-commerce exchanges or E-commerce website owners as declaration subjects. If they are foreign traders who have no commercial presence in Vietnam, customs procedures shall be carried out through a customs clearance agent or a legal representative in Vietnam. This showed stricter regulation on the E-commerce activities of foreign sellers and the role of E-commerce exchanges.

For normal import and export goods, customs valuation needs to consider many factors, such as methods of determining export selling prices, the cost of international insurance and international transportation, incoterms,....However, for the E-commerce goods, the customs value as the selling price (for exports) or purchase price (for imported goods) stated on the order or payment documents or other equivalent documents, which may include the cost of insurance and transport (for imports) or not (for exports). This provision is essential in clarifying customs value calculation and reducing customs fraud.

3.3.3. Broadening examination exemption

In addition to import and export goods exempt from specialized examination and inspection as prescribed by law, import and export goods transacted via E-commerce have the customs value of each item in the order of 1 million VND or less or less than 5 million VND with single imported goods (except for quarantine goods, goods under the management of the Ministry of Culture, Sports and Tourism) are exempt from examination. This exemption is limited to 1 order per day and no more than 4 orders per month. Besides, the information on the customs declaration for this group is simpler, exempted from record inspection and physical inspection of goods. The customs declarants can make one declaration form for many orders as well. With this change, the Draft Decree aims to reduce the burdens in the customs clearance process for small-value shipments, smoothing the cross-border E-commerce supply chain.

3.3.4. Evaluation

Apart from the efforts in consolidating customs regulation and management through the Draft Decree, there are still some concerns about these changes that government authorities should consider and make appropriate adjustments:

Firstly, the examination exemption regulations apply to single goods whose value is not over 5 million VND, does not seem to be really reasonable. The reason for the specialized examination exemption for E-commerce goods is because the value of the goods is too small compared to the inspection cost. Therefore, it is not reasonable to be exempt when the inspection cost is lower than the value of goods. For example, gadgets or electronics, whose inspection cost is smaller than its value; thus, the exemption for these goods may lead to customs fraud.

Secondly, the Draft Decree sets limits on exemption from specialized inspection for import and export goods in units of days and months that are difficult to apply and not feasible. According to the provisions of Article 37 of Decree 52/2013/ND-CP, the E-commerce exchange is responsible for providing information about whether an order is exempt from specialized inspection or not to buyers before purchasing. This will require a system to communicate information between all exchanges, which may be overly complicated as consumers often use multiple E-commerce exchanges and place many orders in a very short time (especially in super promotions). Thus, this requires the System updated constantly to have accurate results, which may not be feasible.

Thirdly, all the customs management relied on the System; however, there is no regulation or back-up plan in the case that the System crashes. For instance, the customs subject could not apply for customs clearance or upload documents; therefore in this case, whether paper documents and traditional clearance could be replaced or not. Besides, due to the grant to access to provide information in the System, issues of information security and access rights should be considered. Last but not least, there is vagueness in the conditions about the corporate responsibility for fully equipping technical infrastructure in electronic transactions to ensure the declaration, transmission, receipt and storage of information when accessing and exchanging information in the System. In fact, corporations do not clearly understand these requirements, especially in the case that they hired third parties to implement the customs clearance process.

4. Lessons learned from countries around the world

4.1 Set tax threshold

Many countries that regulate taxable revenue thresholds for cross-border E-commerce activities, such as Indonesia, Singapore, Thailand. Specifically, the Tax Authority in Singapore stipulates two tax thresholds for foreign digital vendors as follows: having annual global sales exceeding $1 million SGD and providing B2C services in excess of $100,000 SGD.

The others are strengthening strict controls on tax collection from cross-border activities, focusing on individuals with income sources from trading products and services on E-commerce platforms abroad. According to US tax law, digital platforms such as Google, Facebook ... are responsible for collecting tax information of entities operating on the platform regardless of individuals or organizations to make deductions and report to the tax agency (Quoc Hong Trang, 2021). If individuals and organizations do not properly declare their obligations, they will be deducted from their total income worldwide at the rate of 24%, applied by Google. This is considered an effective method in collecting taxes from individuals earning income from activities on foreign E-commerce platforms.

In March 2019, the OECD also issued a document “The role of digital platform creators in

the collection of VAT/sales tax on online business activities", which recommends that countries require E-commerce platforms to have full and sole responsibility for determining the payable tax amount of orders, collecting, and paying tax on behalf of the tax authorities. This has been successfully applied in developed countries such as the UK, the US, Germany, and Australia.

4.2. Applying big data management

The authentication of taxpayer data in countries through E-commerce platforms is being effectively controlled with many different methods. In Japan, the tax authority requires banks to provide account numbers used to pay for transactions or conduct trial shopping to receive emails from sellers to identify E-commerce suppliers. In addition, some OECD countries are now expanding multi-step authentication, which uses taxpayers' biometric information for identification, authentication, and security.

Moreover, in order to select the offending websites that do not declare and pay taxes as prescribed, tax authorities of intra-EU countries perform comparisons between information from Internet sources and internal transactions. The set includes VAT declarations, CIT declarations, etc. for tax authorities to establish risk profiles of taxpayers. Specifically, Germany, France and the Netherlands have built a database of organizations and individuals doing business on the Internet through a smart search engine on the internet like the Xpider, which discovers E-commerce operators residing in Germany having E-commerce transactions outside the scope of control in accordance with the law in Germany. This supports information collection in tax inspection and examination.

External database sources play an important role in the modern risk assessment model for cross-border activity. Within the EU, the member states have built and unified the eDIAS system into the common legal framework, so digital signatures have legal validity throughout Europe to facilitate tax information between members are easily shared. This will improve cross-border customs and tax information management in EU countries and facilitate easier data sharing.

5. Conclusion and policy implications

In summary, besides efforts to innovate tax and customs administration for cross-border E-commerce, Vietnam tax and customs management still faces many challenges. With the theoretical basis and analysis of the situation as well as lessons learned from countries around the world, the authors propose 06 main groups of solutions, as follows:

Firstly, the Government needs to legislate specifically that E-commerce exchanges require organizations and individuals selling goods and services on the exchange to issue invoices when making transactions. At the same time, tax authorities should stipulate mandatory obligations and responsibilities for E-commerce exchanges to report a list of entities who do not comply with this provision, to the tax authorities. Exchange owners will report the information one per quarter for tax supervision and management.

Secondly, tax authorities need to strengthen inspection and examination of tax declaration and payment from foreign sellers or their agents conducting cross-border business activities in the Vietnam market. In addition, the Government continues to implement the legal framework on contractor tax law and the mechanism for collecting VAT and CIT for E-commerce exchange transactions.

Thirdly, the Ministry of Finance needs to establish a coordination mechanism between tax authorities and customs authorities, first of which is an effective information sharing mechanism. It is feasible to add the roles of tax authorities to the customs System that the Draft Decree 2021 has established. The customs office is considered as the front-end to control cross-border E-commerce goods entering Vietnam. However, in order to have a basis to determine which goods are customs and tax exempt, it is necessary to have instant information sharing from tax authorities. Conversely, goods are cleared only after customs declarants fulfill their tax obligations.

Fourth, tax authorities and customs authorities may find it beneficial to develop an integrated risk management database for several types of cross-border activities. The criteria for risk classification include assessment of compliance; rating the level of risk for individuals and organizations paying tax on behalf of; selection of tax registration cases... Therefore, the government may be able to integrate appropriate risk management methods in both tax and customs examination.

Fifth, before completing the "System," it is necessary to have timely sharing of inter-organization information between parties in the cross-border E-commerce supply chain, such as financial institutions and freight forwarders. In detail, the tax authorities may require all commercial banks and forwarding businesses across the country to provide full information such as name, address, tax code, etc. of all organizations and individuals with income generated from cross-border E-commerce activities. In other words, data needs to be collected on a national scale to avoid inadequacies, disparities, lack of synchronization as well as take advantage of scale. From there, the General Department of Taxation will transfer it to local tax authorities to exploit, handle and promptly share information with customs authorities to build an effective risk management mechanism and prevent fraud. The recommended report time is one quarter per time.

Sixth, annual IT training for tax authorities and customs authorities is essential when customs and tax information has been integrated in the "system" or electronic portal. For example, tax authorities can apply programs to automatically calculate and pay taxes online; and customs authorities may implement AI technology in data analysis to detect and control risks●

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