

Publication Date: 30.09.2025

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Digital Taxation and the Platform Economy Policy Design Lessons from the EU VAT in the Digital Age (ViDA) Initiative for Non-EU Jurisdictions

Abstract



Platform-mediated business models have expanded the scale, speed, and cross-border footprint of taxable consumption while weakening tax-administration visibility under conventional value-added tax (VAT) compliance cycles. This paper derives implementable policy design lessons for non-EU jurisdictions from the European Union's VAT in the Digital Age (ViDA) package (Council Directive (EU) 2025/516; Council Regulation (EU) 2025/517; Council Implementing Regulation (EU) 2025/518). Using comparative legal policy analysis anchored in the destination principle and OECD consistent VAT design, the study decomposes ViDA into three transferable modules: (A) digital reporting requirements (DRR) and structured e-invoicing, (B) platform-deemed supplier liability in selected sectors, and (C) single registration/simplification. Results provide sequencing options and a control–impact matrix and demonstrate present–future comparisons through scenario projections of VAT-gap reduction (2023–2035). The paper concludes that effective digital VAT policy requires aligning legal liability with information advantage, building a data-to-action compliance loop, and applying SME proportionality safeguards to preserve innovation and contestability.

Keywords: digital taxation; platform economy; VAT; e-invoicing; digital reporting; ViDA; compliance risk management

1. Introduction

The platform economy concentrates search, matching, payment initiation, and reputational signalling among digital intermediaries. Marketplaces, short-term accommodation platforms, ride-hailing, food deliveries, and app stores now mediate large shares of transactions that previously occurred through localised or bilateral exchanges. While these models can generate welfare gains through lower search costs and improved capacity utilisation, they also stress VAT systems, whose effectiveness depends on traceability, auditable documentation, and enforceable reporting cycles. Platform-mediated transactions challenge VAT administration in five recurring ways. First, high volumes of microtransactions increase the marginal cost of ex post audits. Second, underlying suppliers are often dispersed, part-time, or informal providers with limited compliance capacity. Third, platforms facilitate cross-border supplies of services and intangibles, increasing reliance on place-of-consumption rules and credible customer-location evidence. Fourth, information asymmetry grows: platforms observe granular transaction values and counterparties, while tax administrations may only see aggregated declarations or delayed filings. Fifth, platform design can blur legal classifications—whether the platform is merely facilitating a supply or should be treated as a supplier—directly affecting VAT liability assignment. The EU's VAT in the Digital Age (ViDA) reforms provide a high-salience policy laboratory because they combine legal redesign with a long-run implementation horizon. For non-EU jurisdictions, the objective is not legal transplantation into a different institutional environment but functional adaptation: extracting mechanisms that improve visibility, assign liability to actors with information advantage, and reduce compliance fragmentation. This paper asks: How can non-EU jurisdictions design effective digital VAT policies for platform economies by drawing lessons from ViDA's logic while adapting to local administrative capacity and market structure? The paper contributes an implementation-ready blueprint (Figure 1), a control-impact matrix (Table 1), and a quantitative present-future comparison using scenario projections of VAT-gap reduction (Figure 2; Table 2).

2. Materials and Methods

Study design. The study applies comparative legal–policy analysis with an implementation-readiness lens. ViDA is treated as a reference model because it is embedded in binding legal acts that combine reporting modernisation, platform liability redesign, and simplification. Evidence base. The analysis relies on (i) EU legal texts establishing ViDA's three pillars; (ii) OECD-consistent VAT principles for taxing cross-border services and intangibles; and (iii) empirical and practitioner literature on e-invoicing, VAT compliance gaps, and platform-facilitation rules. Because access to harmonised administrative microdata varies across non-EU jurisdictions, the paper focuses on design logic, readiness criteria, and measurable indicators suitable for pilots. Transferability criteria. Five criteria operationalise transferability: C1 digital infrastructure/data readiness; C2 legal feasibility/enforceability; C3 market structure (platform concentration vs. supplier fragmentation); C4 SME proportionality and compliance-cost constraints; and C5 information exchange (domestic inter-agency and cross-border, where feasible). Scenario method for present–future comparison. To illustrate measurable outcomes without claiming causal identification, we use a structured scenario projection of VAT-gap reduction from a baseline level (EUR 128bn) to 2035 under three reform-intensity paths. Scenarios differ in the assumed effectiveness of (A) DRR/e-invoicing, (B) deemed-supplier enforcement, and (C) simplification safeguards. The scenario is intended as a management tool for setting targets and monitoring performance rather than as an econometric forecast.

3. Results

Core result: ViDA can be represented as a modular compliance-control system in which structured transaction data enables analytics and targeted interventions, and liability is shifted to agents with the strongest information advantage in high-leakage sectors. Figure 1 summarises the modular architecture.

Figure 1. Modular Digital VAT Architecture for Platform Economies (ViDA-inspired)

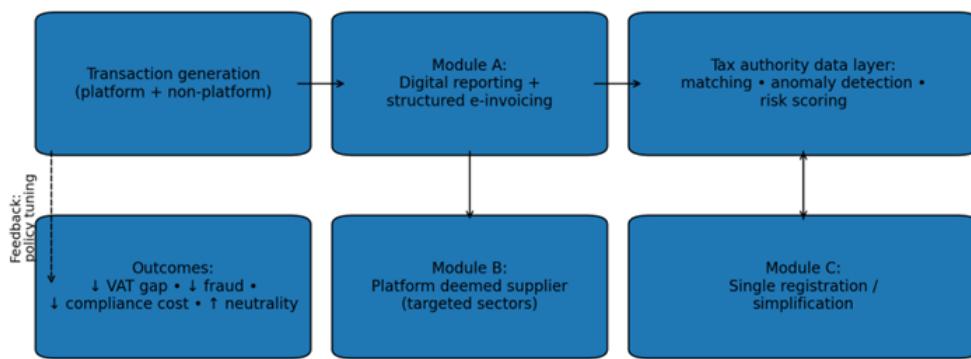


Figure 1. Modular Digital VAT Architecture for Platform Economies (ViDA-inspired)

Table 1. ViDA pillars mapped to prerequisites, risks, and expected impacts for non-EU jurisdictions.

Policy module (ViDA pillar)	Functional mechanism	Minimum prerequisites	Key risks	Expected effect (direction)
A: DRR + structured e-invoicing	Machine-readable transaction visibility; automated cross-checks	Taxpayer ID integrity; reporting schema/validation; secure storage & access control	SME burden; vendor lock-in; privacy/cyber risks	↑ detection; ↑ compliance; ↓ audit costs
B: Platform deemed supplier (selected sectors)	Shift VAT remittance to platform where suppliers are fragmented	Platform registration; statutory definitions; dispute resolution; data retention rules	Overreach; platform avoidance; price pass-through; competition distortion	↑ collections in fragmented sectors; ↑ neutrality
C: Single registration / simplification	Reduce administrative fragmentation; encourage voluntary compliance	Unified onboarding; digital portal; KYC/controls; misuse monitoring	Shell-entity misuse; weak KYC; refund fraud	↑ voluntary compliance; ↓ cost-to-comply

Present–future comparison. Using a baseline VAT gap of EUR 128bn (2023), Table 2 and Figure 2 illustrate how different implementation paths could translate ViDA-inspired modules into measurable VAT-gap reduction by 2026, 2030, and 2035. Scenario A reflects conservative gains (limited coverage and slower administrative uptake). Scenario B assumes moderate uptake with functioning analytics. Scenario C assumes ambitious coverage, strong platform reporting, and effective risk-based enforcement.

Figure 2. Projected VAT gap under alternative reform scenarios (illustrative).

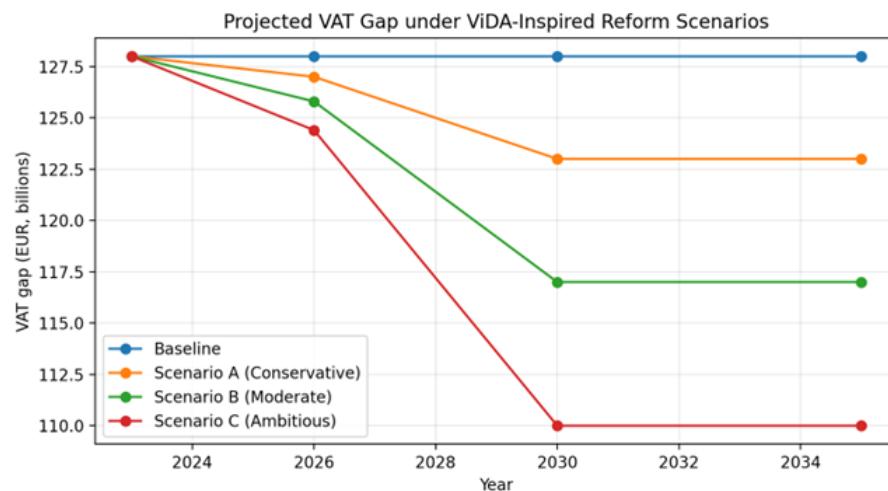
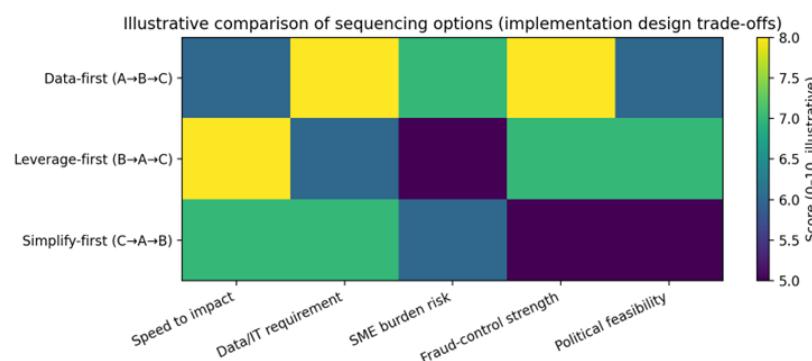


Table 2. Scenario-based VAT-gap projections and implied reductions relative to baseline (illustrative).

Year	Baseline_VAT_Gap_EURbn	ScenarioA_Conervative_EURbn	ScenarioB_Moderate_EURbn	ScenarioC_Ambitious_EURbn	ScenarioA_Reduction_pct	ScenarioB_Reduction_pct	ScenarioC_Reduction_pct
2023	128.00	128.00	128.00	128.00	0.00	0.00	0.00
2026	128.00	127.00	125.80	124.40	0.78	1.72	2.81
2030	128.00	123.00	117.00	110.00	3.91	8.59	14.06
2035	128.00	123.00	117.00	110.00	3.91	8.59	14.06

Figure 3. Sequencing heatmap (implementation readiness vs module order).



4. Discussion

ViDA's design logic is best interpreted as a shift from periodic, document-centric compliance toward continuous, data-centric compliance. Module A (DRR/e-invoicing) is powerful only when administrators can validate, match, and operationalise data into risk signals; otherwise, it risks becoming an unfunded compliance mandate. Module B (supplier liability) can deliver early gains in sectors with fragmented suppliers because platforms have standardised processes, integrated records, and scalability. However, it is also where governance risks concentrate: ambiguous definitions of "facilitation", weak appeal mechanisms, or disproportionate burdens on smaller platforms can create competition distortions and legal uncertainty. Non-EU jurisdictions should therefore treat digital VAT reform as a control system with explicit safeguards. Three governance design choices are particularly consequential. First, liability assignment must follow information advantage: where platforms observe transaction value and counterparties, they can often collect VAT more reliably than dispersed micro-suppliers, but only if information requirements are precise and enforceable. Second, data governance must be designed upfront—schema standards, access control, audit logs, and retention rules are necessary to preserve legality, privacy, and cybersecurity. Third, SME proportionality is not optional: thresholds, simplified schemas, and free tooling reduce exclusion risk and strengthen political legitimacy. The scenario comparison suggests that differences in administrative "data-to-action" capability can materially change outcomes. Under the illustrative projection, Scenario C achieves a ~14% reduction of the VAT gap by 2030/2035, versus ~4% in Scenario A. This reinforces the policy implication that investments in analytics capability and operational workflows (matching, discrepancy management, targeted nudges, and audit selection) are integral to realising benefits from digital reporting mandates.

5. Conclusions

ViDA provides a coherent reference architecture for digital VAT reform in platform economies. For non-EU jurisdictions, the key transferable lesson is modularity: combine structured reporting (visibility), targeted platform liability (leverage), and simplification (lower burdens) in a sequenced program matched to institutional readiness. The paper's blueprint (Figure 1) and control-impact matrix (Table 1) show how legal design choices map to operational prerequisites and governance risks. The present-future scenario comparison (Figure 2; Table 2) illustrates that measurable VAT-gap reduction depends critically on administrative data-to-action capability and proportionality safeguards. Policy implementation should proceed via pilots with major platforms and high-risk sectors, with published KPIs (coverage, matching rates, discrepancy indices, audit yield per staff-hour, SME onboarding time) and iterative redesign based on outcomes. Treating digital VAT reform as a managed control system—rather than a one-time legal amendment—improves the probability of durable compliance gains while protecting innovation and market contestability.

Patents

This manuscript does not claim a patentable invention. Potential patentable outcomes would arise only from jurisdiction-specific software implementations beyond the scope of this study.

Supplementary Materials

Supplementary materials may include a sample reporting schema for platform-mediated transactions, a facilitation classification decision tree, and a KPI dashboard specification for pilots.

Author Contributions

Conceptualization, methodology, formal analysis, writing—original draft, writing—review and editing, and visualization: A. V. N. Murty.

Funding

No external funding was received for this study.

Institutional Review Board Statement

Not applicable. This study is based on publicly available legal texts and secondary literature and does not involve human participants.

Informed Consent Statement

Not applicable.

Acknowledgments

The author acknowledges EU institutional materials and OECD guidance that support transparent comparative VAT policy analysis.

Conflicts of Interest

The author declares no conflicts of interest.

Appendix A

Implementation Readiness Checklist: taxpayer ID integrity; secure data infrastructure; structured schema and validation; risk analytics capability; enforceable platform liability definitions; SME proportionality safeguards; pilot governance and KPI reporting.

Appendix B

Suggested Monitoring Dashboard Indicators: coverage rate of structured reporting; matching rate; discrepancy index; automated check rate; audit yield per staff-hour; sectoral VAT yield trends; time-to-comply proxies; dispute volumes and resolution times.

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