

Tax Compliance and Evasion in Facebook-Based Commerce in Bangladesh:

Evidence from Facebook-Based Businesses with Lessons from Formal E-Commerce and International Platform Regulation

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Abstract:

The rapid expansion of Facebook-based commerce (F-commerce) has transformed the digital business landscape in Bangladesh by enabling small entrepreneurs to participate in online trade with minimal capital and infrastructure. While formal e-commerce platforms operate under increasing regulatory and tax oversight, F-commerce continues to function largely outside the formal tax system. This study examines tax compliance and evasion in Bangladesh's digital economy with a primary focus on F-commerce, using formal e-commerce platforms as reference cases and drawing policy lessons from international experiences, particularly China and Malaysia. The study is based on a review of existing empirical studies and policy documents, supplemented by primary data collected from a survey of 110 Facebook commerce buyers and interviews with eight Facebook-based sellers. The findings suggest that widespread non-registration, undocumented transactions, reliance on cash-on-delivery and mobile payments, limited tax knowledge, and weak enforcement visibility collectively contribute to persistent informality in F-commerce. The study argues that tax evasion in F-commerce is largely driven by systemic and behavioural barriers rather than deliberate intent. By integrating the Theory of Planned Behaviour with platform-based regulatory perspectives, the paper proposes policy directions aimed at improving tax compliance while preserving the inclusive and entrepreneurial potential of F-commerce in Bangladesh.while preserving the inclusive and entrepreneurial potential of F-commerce in Bangladesh.

Keywords— F-commerce, Informal digital economy, Platform-based regulation, Digital taxation, Bangladesh

1. Introduction

Over the past decade, Bangladesh has experienced rapid digital transformation driven by increased internet penetration, widespread smartphone usage, and the expansion of mobile financial services. These developments have reshaped the country's commercial environment by enabling new forms of online business that operate beyond traditional brick-and-mortar structures. One of the most significant outcomes of this transformation is the emergence and rapid growth of Facebook-based commerce, commonly known as F-commerce. F-commerce has become the dominant form of digital retail for small and micro-entrepreneurs in Bangladesh. Facebook, as the most widely used social media platform in the country, functions not

only as a communication tool but also as a virtual marketplace where sellers advertise products, negotiate prices, receive orders, and arrange payments. Estimates suggest that the number of active Facebook business pages in Bangladesh far exceeds the number of registered formal e-commerce websites (Chowdhury, 2025; Unlocking the Future of Business, 2025). This dominance makes F-commerce the most relevant unit of analysis for understanding digital business practices in the country. The popularity of F-commerce is largely explained by its low barriers to entry. Entrepreneurs can start selling without formal registration, physical premises, or advanced technical knowledge. This feature has been particularly empowering for women entrepreneurs,

many of whom enter business for the first time through Facebook platforms (UN ESCAP, 2021). Home-based operation, flexible working hours, and direct customer interaction have made F-commerce an accessible income-generating opportunity for diverse social groups. However, the rapid expansion of F-commerce has created serious challenges for Bangladesh's tax and regulatory systems. The existing tax framework was originally designed for traditional businesses and later adapted for formal e-commerce platforms that maintain structured payment systems and transaction records. These assumptions do not align with the operational realities of F-commerce, where businesses often remain unregistered, transactions are conducted through private messages, and payments rely heavily on cash-on-delivery and personal mobile financial service accounts. Empirical studies highlight the scale of this mismatch. UN ESCAP (2021) reports that 77 per cent of social media-based women entrepreneurs in Bangladesh are not registered with any authority, and only a very small proportion possess tax-related registrations such as VAT or TIN. Chowdhury (2025) further shows that more than half of F-commerce transactions rely on cash-on-delivery, leaving limited verifiable records. As a result, a large volume of digital trade remains difficult for tax authorities to monitor, despite its growing economic significance. In contrast, formal e-commerce platforms such as Daraz, Chaldal, Rokomari, Bikroy.com, and Foodpanda operate within relatively structured regulatory environments. These platforms rely on integrated digital payment systems, maintain transaction records, and increasingly cooperate with tax authorities. This divergence has created an uneven compliance landscape where similar commercial activities face different tax obligations depending on the platform used. Such asymmetry raises concerns regarding tax equity and fair competition. Existing research suggests that tax non-compliance in F-commerce is driven by a combination of structural barriers, behavioural factors, and institutional limitations rather than deliberate evasion alone. Studies point to complex tax procedures, limited tax knowledge, weak enforcement visibility, and consumer preference for lower prices as key contributing factors (Islam, 2020; Hossain, 2024). At the international level, recent policy developments—particularly platform-based regulation in countries

such as China and Malaysia—demonstrate alternative approaches that combine enforcement with simplified compliance mechanisms (UNCTAD, 2025; Mohd Ariaif et al., 2025). Despite the growing importance of F-commerce, research focusing specifically on its tax compliance dynamics in Bangladesh remains limited. Most studies examine digital commerce in general or concentrate on formal platforms. This study addresses this gap by placing Facebook-based commerce at the centre of analysis, using formal e-commerce platforms as reference cases and drawing policy lessons from international experiences. By integrating behavioural and institutional perspectives, the study aims to explain why tax non-compliance persists in F-commerce and how compliance can be improved without undermining small-scale digital entrepreneurship.

1.2 Core Arguments and Contributions of the Study

This study advances several core arguments. First, F-commerce represents the dominant form of digital retail among small entrepreneurs in Bangladesh, yet remains largely informal and weakly regulated. Second, most Facebook-based businesses operate without formal registration or tax documentation, and rely heavily on cash-on-delivery and personal mobile payment accounts, which significantly reduce transaction traceability. Third, tax evasion in F-commerce is primarily systemic rather than intentional, shaped by behavioural perceptions, platform design, and regulatory gaps. Fourth, formal e-commerce platforms demonstrate higher compliance due to built-in reporting and payment structures. Finally, the study argues that platform-based regulation offers a realistic *and context-appropriate pathway for improving tax compliance in Bangladesh*.

2. Literature Review

This section reviews academic and policy literature relevant to tax compliance and evasion in digital and platform-based commerce, with a specific focus on Facebook-based commerce (F-commerce). The review is organised into six thematic areas: (1) the growth of F-commerce in Bangladesh, (2) informality and regulatory gaps, (3) tax evasion practices in digital trade, (4) behavioural determinants of tax compliance, (5) formal e-

commerce platforms as reference cases, and (6) international regulatory experiences. The section concludes by identifying the research gap addressed by this study.

2.1 Growth of F-Commerce in Bangladesh

The expansion of F-commerce in Bangladesh is closely linked to increased internet access and the widespread use of Facebook as a daily communication platform. Facebook has evolved into a primary marketplace where individuals conduct buying and selling activities without relying on formal websites or digital infrastructure. UN ESCAP (2021) identifies Facebook-based commerce as the most accessible form of online business for small entrepreneurs with limited capital and technical capacity. Several studies highlight the strong participation of women in F-commerce. According to UN ESCAP (2021), a significant share of women-led digital businesses in Bangladesh operate exclusively through Facebook pages and groups. Chowdhury (2025) documents that Facebook dominates informal digital retail, particularly in sectors such as clothing, cosmetics, and small consumer goods. Despite its economic importance, F-commerce has developed with limited regulatory oversight.

2.2 Informality and Regulatory Gaps

A defining feature of F-commerce is its high level of informality. UN ESCAP (2021) reports that approximately 77 per cent of social media-based entrepreneurs are not registered with any government authority. Only a small proportion hold VAT registration or tax identification numbers. This lack of formal registration restricts the tax authority's ability to identify and monitor online sellers. Hossain (2024) argues that complex VAT procedures, compliance costs, and limited institutional guidance discourage small sellers from formalisation. Many F-commerce entrepreneurs perceive tax registration as unnecessary or risky, particularly given weak enforcement visibility. Chowdhury (2025) notes that transactions often occur through private messages and informal payment arrangements, further reducing transparency.

2.3 Tax Evasion in Digital and Platform-Based Commerce

Tax evasion in F-commerce extends beyond income tax and VAT to include customs duties. Islam (2020) shows that Facebook-based sellers frequently exploit customs loopholes by importing goods through personal luggage channels or undervaluing products. Weak coordination between customs and tax authorities contributes to these practices. UNCTAD (2025) highlights that digital trade increases risks of tax base erosion, particularly in developing economies. In Bangladesh, Hossain (2024) finds that many sellers do not view their activities as taxable business operations. This perception reduces voluntary compliance and reinforces informality. Consumer preference for lower prices further strengthens incentives to remain non-compliant.

2.4 Behavioural Determinants of Tax Compliance

Recent literature emphasises behavioural explanations for tax compliance. The Theory of Planned Behaviour (TPB) has been widely applied to explain compliance intentions among small businesses. Mohd Ariaif et al. (2025) demonstrate that tax knowledge, perceived complexity, tax morale, and perceived enforcement risk significantly influence compliance intentions among e-commerce entrepreneurs. In Bangladesh, Hossain (2024) reports that many F-commerce sellers underestimate tax obligations and overestimate compliance costs. Weak tax literacy and limited communication from tax authorities contribute to misperceptions. These findings suggest that enforcement alone is insufficient to improve compliance.

2.5 Formal E-Commerce Platforms as Reference Cases

Formal e-commerce platforms such as Daraz, Chaldal, and Othoba operate under more structured regulatory environments. These platforms maintain transaction records and cooperate with payment gateways. Chowdhury (2025) notes that platform-level documentation reduces information asymmetry and increases compliance visibility. The contrast between formal platforms and F-commerce highlights the importance of platform architecture.

Where reporting and payment traceability are embedded, compliance becomes more feasible.

2.6 International Experiences and Platform-Based Regulation

International experiences provide useful policy lessons. UNCTAD (2025) documents how countries such as China have introduced mandatory platform-based reporting requirements. These policies shift compliance responsibility from individual sellers to platforms, reducing administrative burdens while increasing transparency. Evidence from Malaysia shows that simplified procedures and perceived fairness improve voluntary compliance (Mohd Aria et al., 2025). These cases suggest that platform-based regulation may be more effective than punitive enforcement.

2.7 Research Gap

Existing studies rarely focus exclusively on F-commerce in Bangladesh using an integrated behavioural and institutional framework. Few compare F-commerce with formal e-commerce while drawing international policy lessons. This study addresses these gaps by placing Facebook-based commerce at the centre of analysis.

3. THEORETICAL AND CONCEPTUAL FRAMEWORK

This study integrates the Theory of Planned Behaviour (TPB) and Platform-Based Regulation Theory to explain tax compliance in Facebook-based commerce (F-commerce). TPB suggests that compliance behaviour depends on sellers' attitudes toward tax, social norms within Facebook seller communities, and perceived ability to comply with tax rules (Ajzen, 1991). In Bangladesh, sellers' attitudes are shaped by perceived unfairness, cost, and limited benefits of taxation, while compliance is further weakened by complex procedures and low tax awareness. Empirical evidence shows that non-compliance in F-commerce often results from misunderstanding and system complexity rather than deliberate tax evasion. Platform-Based Regulation Theory explains how Facebook's design encourages informality. The absence of mandatory seller registration, transaction records, and data sharing reduces visibility for tax authorities. International evidence, including China, shows that platform-level reporting significantly improves

compliance, highlighting the importance of institutional structure. Based on these theories, the conceptual framework links the informal nature of F-commerce—such as lack of registration, undocumented transactions, and reliance on cash-on-delivery and mobile payments—to poor tax compliance outcomes, including weak VAT registration, income reporting, and customs duty compliance (UN ESCAP, 2021; Chowdhury, 2025). This relationship is mediated by behavioural factors such as tax knowledge, perceived complexity, and tax morale, and moderated by institutional factors including enforcement capacity, transaction traceability, and platform accountability. Formal e-commerce platforms serve as reference cases, demonstrating higher compliance due to built-in records and stronger regulatory engagement. Overall, the framework shows that tax compliance in F-commerce is shaped more by platform design and institutional weakness than by seller intent alone.

4. Research Questions and Hypotheses

This study examines tax compliance behaviour among Facebook-based commerce (F-commerce) sellers in Bangladesh. It explores existing patterns of tax compliance and evasion, the influence of behavioural factors such as tax knowledge, perceived procedural complexity, and tax morale, and the role of platform features and transaction practices in shaping tax visibility and enforcement. The study also compares tax compliance in F-commerce with that of formal e-commerce platforms and identifies policy and regulatory measures that can improve compliance without harming small-scale digital entrepreneurship.

Based on these objectives, the study hypothesises that F-commerce sellers with higher tax knowledge are more likely to comply with registration and reporting requirements, while higher perceived complexity of tax procedures reduces compliance intention. Lower perceived enforcement risk is expected to increase tax evasion, and reliance on cash-on-delivery and personal mobile payment accounts is associated with lower compliance compared to traceable digital payment systems. Finally, sellers operating through formal e-commerce platforms are expected to show significantly higher tax compliance than F-commerce sellers.

5. Methodology

5.1 Research Design

This study adopts a mixed-methods research design, combining quantitative survey data from Facebook commerce buyers with qualitative interviews of F-commerce sellers. This approach is appropriate because tax compliance and evasion in digital commerce are influenced by both measurable transaction practices and behavioural perceptions, which cannot be fully captured through a single method. Prior studies on digital commerce taxation in Bangladesh and other developing economies also support the use of mixed methods to understand informal practices, behavioural intentions, and regulatory gaps (Islam, 2020; Hossain, 2024; UNCTAD, 2025). The research is exploratory and descriptive in nature, as empirical evidence on Facebook-based commerce (F-commerce) taxation in Bangladesh remains limited.

5.2 Study Area and Sample Selection

5.2.1 Buyer Survey

The quantitative component of the study is based on a survey of 110 Facebook commerce buyers from different regions of Bangladesh. Respondents were selected using convenience and purposive sampling, targeting individuals who frequently purchase products through Facebook pages or Facebook Marketplace. The survey was conducted through Google Forms, and the link was distributed via Facebook Messenger and WhatsApp to approximately 150 personal contacts of the researcher.

The geographic distribution of respondents is as follows:

- I. Chattogram: 50 respondents
- II. Dhaka City: 30 respondents
- III. Other districts and divisions: 30 respondents

This distribution allows for basic regional comparison between metropolitan and non-metropolitan buyers, particularly in terms of delivery charges and transaction practices.

5.2.2 Seller Interviews

To complement the buyer survey, semi-structured interviews were conducted with 8 F-commerce sellers operating Facebook-based businesses in Bangladesh. The sellers were engaged in:

- I. Cosmetics and beauty products
- II. Clothing and fashion items
- III. Food and specialty products

The sellers were selected purposively to represent different product categories and operational scales. This qualitative component provides deeper insights into tax awareness, registration status, sourcing practices, and perceptions of taxation, which cannot be fully explored through buyer surveys alone.

5.3 Data Collection Methods

5.3.1 Buyer Survey Instrument

The buyer questionnaire was designed to capture transaction characteristics and consumer experiences in Facebook-based commerce. The survey included both multiple-choice and short-response questions covering the following variables:

- I. Gender
- II. Age group
- III. City or region
- IV. Payment method (cash-on-delivery, mobile banking, etc.)
- V. Whether VAT or tax was added to product prices
- VI. Delivery charges and regional variation
- VII. Experience with replacement, return, or refund policies

The questions were kept simple and direct to ensure clarity and reduce response bias, particularly given the general public nature of the respondents.

5.3.2 Seller Interview Guide

The seller interviews followed a semi-structured format, allowing flexibility while maintaining consistency across interviews. Key discussion areas included:

- I. Business registration and trade license status
- II. Tax and VAT payment practices
- III. Product sourcing and import channels
- IV. Use of mobile banking and cash-on-delivery
- V. Perceptions of government taxation and future compliance intentions

Interviews were conducted informally through direct conversation and messaging platforms, which helped build trust and encouraged honest responses, especially given the sensitive nature of tax-related questions.

5.4 Data Analysis Methods

5.4.1 Quantitative Data Analysis

Quantitative survey data from buyers were analysed using descriptive statistical techniques.

The analysis focused on:

- I. Frequency distributions
- II. Percentage analysis
- III. Cross-tabulation where relevant (e.g., city and delivery charge differences)

Key indicators analysed include:

- I. Gender and age composition of F-commerce buyers
- II. Dominant payment methods
- III. Presence or absence of VAT or tax in transactions
- IV. Delivery charge variations by location
- V. Buyer satisfaction regarding refund and replacement policies

Given the exploratory nature of the study and the non-probability sampling method, advanced inferential statistics were not applied. Instead, descriptive analysis was used to identify dominant patterns and trends, consistent with similar exploratory studies in Bangladesh (Chowdhury, 2025; Hossain, 2024).

5.4.2 Qualitative Data Analysis

Qualitative interview data were analysed using thematic analysis.

Interview responses were manually reviewed and coded to identify recurring themes, such as:

- I. Informality and non-payment of taxes
- II. Perceived unfairness or fear of high tax rates
- III. Justifications for non-compliance
- IV. Conditional willingness to pay tax under simplified regimes

This approach aligns with previous qualitative research on informal digital commerce and tax behaviour (Islam, 2020; UN ESCAP, 2021).

5.5 Ethical Considerations

Ethical considerations were carefully addressed throughout the research process.

- I. Voluntary participation: All respondents participated willingly, with no incentives or pressure applied.

- II. Informed consent: Participants were informed about the academic purpose of the study before responding.
- III. Anonymity and confidentiality: No personal identifiers, such as names, Facebook IDs, or business page names, were collected or disclosed.
- IV. Sensitive information protection: Given the sensitivity of tax-related questions, responses were analysed in aggregate form only, and no individual seller or buyer was identifiable.

The study followed standard ethical guidelines for social science research and posed no physical, financial, or legal risk to participants.

5.6 Limitations of the Study

Despite its contributions, the study has several limitations that should be acknowledged.

First, the buyer survey relies on convenience sampling, which limits the generalisability of the findings to the entire population of Facebook commerce users in Bangladesh. Second, the seller interview sample is small (8 sellers), which restricts the ability to draw broad conclusions about all F-commerce sellers. However, the purpose of the qualitative component is depth rather than representativeness. Third, the study focuses exclusively on Facebook-based commerce, excluding other social media platforms such as Instagram or TikTok. This focus is intentional, as Facebook dominates social commerce in Bangladesh, but it limits cross-platform comparison. Fourth, the analysis relies on self-reported data, which may involve recall bias or underreporting, especially concerning tax practices. Finally, due to the absence of access to official tax authority data, the study cannot directly measure actual tax revenue losses and instead relies on behavioural and transactional indicators.

5.7 Methodological Consistency and Rigor

Despite these limitations, the methodology is consistent with the study's objectives and theoretical framework. By combining buyer behaviour with seller perspectives, the research provides a balanced and realistic picture of F-

commerce tax practices in Bangladesh, grounded in lived experience rather than assumptions

6. Result and Discussion

This section presents the empirical findings of the study based on survey data collected from Facebook commerce buyers and interviews with Facebook-based sellers in Bangladesh. Descriptive statistics are used to analyse demographic characteristics and transaction practices.

6.1 Profile of Facebook Commerce Buyers

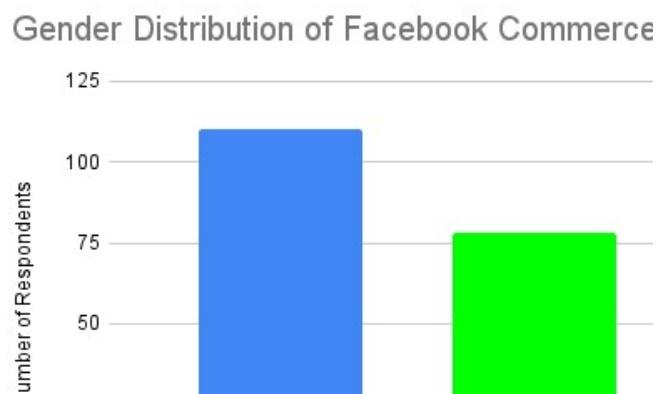


Fig 1 : Gender Distribution of Facebook Commerce Buyers

Results Interpretation:

This figure presents the gender distribution of Facebook commerce buyers based on the survey of 110 respondents. The results show a clear female dominance in Facebook-based online shopping. Out of the total respondents, approximately 70.91 per cent were female, while only 29.09 per cent were male. This finding suggests that Facebook commerce in Bangladesh is largely driven by female consumers. The higher participation of women may be linked to the convenience, accessibility, and social interaction offered by Facebook-based shopping, which allows buyers to make purchasing decisions from home. This result is consistent with earlier studies that highlight the strong presence of women in social media-based commerce in Bangladesh, both as buyers and sellers. Overall, the gender pattern indicates that Facebook commerce has become an important digital marketplace for women, particularly in urban and semi-urban areas.

Age Distribution of Facebook Commerce Buyers

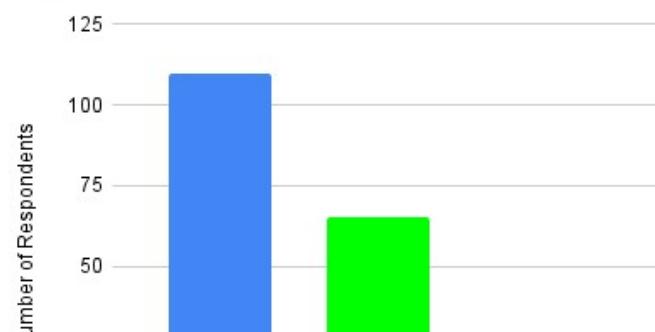


Fig 2: Age Distribution of Facebook Commerce Buyers

Results Interpretation:

Figure 2 illustrates the age distribution of Facebook commerce buyers. The findings indicate that Facebook commerce is particularly popular among young adults. The largest group of respondents falls within the 20–30 years age category, accounting for about 59 per cent of the total sample. This is followed by the 30–40 years age group (22 per cent). Buyers below the age of 20 represent 12 per cent, while respondents above 40 years constitute only 7 per cent of the sample. The dominance of the 20–30 age group reflects the high level of digital engagement, social media usage, and mobile banking familiarity among young adults in Bangladesh. This age group is more comfortable with online communication, informal transactions, and mobile-based payments, which makes Facebook commerce an attractive shopping channel. The relatively lower participation of older age groups suggests the presence of a digital divide and trust-related concerns among senior consumers.

6.2 Transaction and Payment Practices in Facebook Commerce

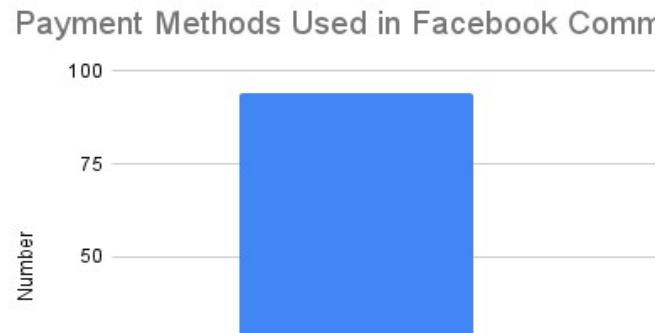


Figure 3: Payment Methods Used in Facebook Commerce

Results Interpretation:

Figure 3 shows the payment methods used in Facebook commerce transactions. The findings reveal that cash-on-delivery is the dominant payment method, used by more than 85 per cent of respondents. However, in many cases, buyers are required to send the delivery charge in advance through mobile financial services such as bKash or Nagad. This hybrid payment arrangement reflects the semi-informal nature of Facebook commerce transactions in Bangladesh. The heavy reliance on cash-on-delivery limits transaction traceability and reduces the availability of digital transaction records. From a taxation perspective, this payment structure makes it difficult for tax authorities to monitor sales volumes and revenue flows. Unlike formal e-commerce platforms, Facebook commerce does not require automated invoicing or digital payment integration, which increases the risk of tax evasion. These findings support existing literature that identifies cash-based and mobile wallet-based transactions as major contributors to informality in online commerce.

6.3 Absence of VAT, Tax Inclusion, and Consumer Awareness

One of the most significant findings of this study is the near-complete absence of VAT or tax inclusion in Facebook commerce prices. The majority of respondents reported that no VAT or tax is added to the product price at the time of purchase. Buyers generally pay only the listed price and delivery charge, without receiving any invoice or tax-related information. This practice contrasts sharply with formal e-commerce platforms operating in Bangladesh, where VAT is typically included in the final price and reflected in digital invoices. The absence of tax inclusion in Facebook commerce indicates a low level of consumer awareness regarding tax obligations in online transactions. It also suggests that Facebook-based sellers operate outside the formal tax framework, reinforcing the informal character of this digital marketplace.

6.4 Delivery Charges

The survey results indicate that delivery charges vary depending on location. Within city, delivery charges are typically around BDT 60, while deliveries outside city often cost BDT 100. These charges are usually paid separately and are not

standardised across sellers. Such variation reflects the lack of formal regulation and uniform service standards in Facebook commerce.

6.5 Return / Refund Experience

Return / Refund Experience

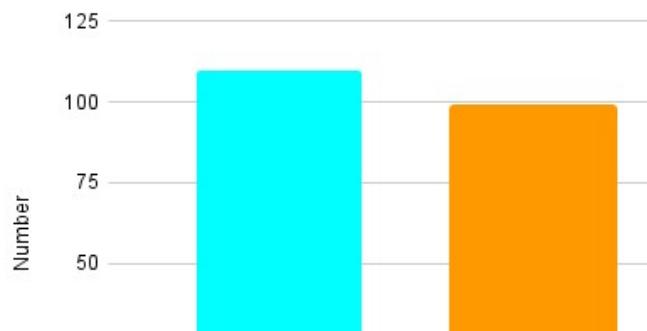


Figure 4 : Return / Refund Experience

In addition, approximately 90 per cent of buyers reported dissatisfaction with refund, replacement, or return policies. Many respondents stated that refund options are either unavailable or poorly implemented. In some cases, sellers allow product replacement only if the buyer agrees to pay additional delivery charges. Weak consumer protection mechanisms further highlight the informal nature of Facebook commerce and raise concerns regarding governance and accountability. The absence of enforceable consumer rights discourages transparency and reduces the likelihood of formalisation and tax compliance.

6.6 Sellers' Compliance Behaviour and Perceptions of Taxation

Interviews with eight Facebook commerce sellers provide valuable insights into compliance behaviour and tax perceptions. Among the interviewed sellers, six reported having trade licenses, while two stated that they plan to obtain trade licenses once their business expands. Despite this, none of the sellers reported paying VAT or income tax related to their Facebook-based sales. Several sellers, particularly those involved in cosmetics and beauty products, claimed that they purchase goods from importers who already pay taxes to the government. As a result, these sellers believe they are not required to pay tax again. This reflects a misunderstanding of tax obligations, especially regarding value addition at the retail level. Clothing sellers mainly source products from domestic wholesalers and resell them

through Facebook without maintaining formal sales records. Food sellers operate in highly informal conditions, sourcing products from different regions and selling customised items through Facebook. Most sellers expressed concern that the introduction of taxation could negatively affect their business profitability. However, three sellers indicated a willingness to pay tax if the government introduces a reasonable and gradual tax rate. These findings suggest that resistance to taxation is driven more by fear and uncertainty than by complete unwillingness to comply.

6.7 Summary Discussion: Facebook Commerce and Tax Informality

Overall, the findings of this study confirm that Facebook commerce in Bangladesh operates largely within an informal economic framework. Buyer demographics, cash-based payment practices, absence of VAT inclusion, weak consumer protection, and limited seller compliance collectively contribute to low tax compliance in Facebook commerce. In contrast, formal e-commerce platforms such as Daraz operate under greater regulatory oversight, with integrated payment systems, digital record-keeping, and VAT collection mechanisms. The results align with existing literature that identifies social media-based commerce as a challenging area for taxation due to informality, platform decentralisation, and regulatory gaps. Without targeted policy interventions, Facebook commerce is likely to continue expanding outside the formal tax net. However, the conditional willingness of some sellers to comply suggests that gradual formalisation, simplified tax procedures, and awareness-building initiatives could improve tax compliance without harming small-scale digital entrepreneurs.

7. Conclusion and Policy Recommendations

7.1 Conclusion

This Study Examined The Nature Of Facebook Commerce (F-Commerce) In Bangladesh With A Particular Focus On Transaction Practices, Consumer Experience, and tax compliance behaviour. Using survey data from 110 buyers and interviews with eight Facebook-based sellers, the study provides empirical evidence that F-commerce in Bangladesh operates largely within an informal

economic structure. The findings show that F-commerce buyers are predominantly young and female, indicating that Facebook has become a preferred digital marketplace for everyday consumption, especially among women. Transactions are heavily dependent on cash-on-delivery, often combined with advance delivery charges paid through mobile financial services. This payment structure limits transaction traceability and weakens the ability of tax authorities to monitor revenue flows. The study further finds that VAT or tax is almost entirely absent from F-commerce transactions. Most buyers do not receive invoices, and sellers do not include tax in product prices. Consumer dissatisfaction regarding refund and replacement policies highlights weak consumer protection and governance mechanisms within F-commerce. Although some sellers possess trade licenses, none reported paying VAT or income tax related to their Facebook-based business activities. Misunderstanding of tax obligations, fear of high tax rates, and lack of clear guidelines were identified as key barriers to compliance. Overall, the findings confirm that F-commerce in Bangladesh has grown rapidly but remains weakly regulated and largely disconnected from the formal tax system. Without targeted policy interventions, this sector is likely to continue expanding outside the tax net, resulting in revenue loss for the government and limited consumer protection.

7.2 Policy Recommendations

Based on the empirical findings and international best practices, particularly from China and Malaysia, the following policy recommendations are proposed. First, the government should formally recognise Facebook commerce as a distinct business category. Existing requirements such as mandatory physical shop addresses should be relaxed for online-only businesses. A simplified online trade license registration system would encourage small sellers to enter the formal economy. Second, a gradual and low-rate taxation approach should be introduced for F-commerce sellers. Initial tax rates should be minimal to reduce fear and resistance among small entrepreneurs. Tax incentives or temporary exemptions during the early stages of registration could further promote voluntary compliance. Third, collaboration between tax authorities and digital platforms should be

strengthened. Drawing lessons from China's platform-based reporting model, Facebook-based sellers could be encouraged—or gradually required—to register their business identity and sales information through platform-level mechanisms, while ensuring data privacy and security. Fourth, consumer awareness campaigns should be conducted to promote demand for invoices and transparency in online purchases. Educated consumers can play an important role in encouraging sellers to adopt formal practices. Finally, consumer protection regulations specific to F-commerce should be developed, including minimum standards for refund, replacement, and disclosure of delivery charges. Stronger governance would increase trust in the platform and support long-term sustainability of the sector.

8. Limitations and Future Research

8.1 Limitations of the Study

Despite its contributions, this study has several limitations. First, the survey sample was limited to 110 buyers selected through the researcher's personal network, which may restrict the generalisability of the findings. Second, seller interviews were limited to eight Facebook-based businesses, covering only cosmetics, clothing, and food sectors. Other F-commerce categories such as electronics and services were not included. Third, the study relied primarily on self-reported data, which may be subject to response bias, particularly on sensitive issues such as tax payment and compliance behaviour. Finally, the analysis was descriptive in nature and did not employ advanced econometric or structural modelling techniques.

8.2 Directions for Future Research

Future studies could expand the sample size and include respondents from a wider range of districts and business categories to improve representativeness. Comparative studies between Facebook commerce and formal e-commerce platforms such as Daraz or Chaldal could provide deeper insights into compliance gaps. Further research could also empirically test behavioural models, such as the Theory of planned behaviour, using quantitative techniques like structural equation modelling (sem). Additionally, future work may explore the role of emerging technologies—such as e-invoicing, data analytics, or machine

learning—in improving tax compliance in digital commerce within Bangladesh.

9.1 APA In-text Citation

(United Nations ESCAP, 2021), (Chowdhury, 2025), (Islam, 2020), (UNCTAD, 2025), (Mohd Ariaif et al., 2025), (Hossain, 2024), (Mahesar et al., 2023)

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