Evaluating the Impact of Digital Services Tax on Compliance and Economic Equity

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ABSTRACT: The rapid digitalization of economies worldwide has posed significant challenges to traditional tax systems, necessitating the development of digital taxation policies such as the Digital Services Tax (DST) and electronic levy (E-levy). This study systematically reviews the effectiveness and limitations of digital tax frameworks, analyzing their impact on tax compliance, economic equity, and revenue generation. Using Scopus, Google Scholar, and PubMed, relevant literature was assessed based on empirical findings, regulatory analysis, and socio-economic implications. The findings indicate that while digital tax policies have contributed to increased government revenues, their implementation varies widely across regions. Countries with clear and structured regulatory approaches have achieved higher compliance rates, whereas developing economies often struggle with enforcement due to inadequate digital infrastructure and public resistance. Moreover, the review highlights concerns about fairness, particularly in taxing the informal sector and digital small enterprises, emphasizing the need for improved tax literacy and transparent policy frameworks. This study concludes that digital taxation must balance revenue generation with social equity to ensure long-term sustainability. Future research should explore technological solutions such as blockchain and AI to enhance efficiency and compliance. Policymakers must design adaptable tax strategies that accommodate evolving digital markets while ensuring economic inclusivity and fairness.

Keywords: Digital Taxation, Digital Services Tax, E-Levy, Tax Compliance, Informal Economy, Tax Policy, Blockchain Taxation.

INTRODUCTION

The rapid digitalization of the global economy has significantly reshaped traditional business models, introducing new challenges and opportunities in taxation policies. Many governments worldwide have expressed dissatisfaction with the current tax systems, which struggle to adapt to the evolving nature of digital transactions and the globalization of economic activities. In response, countries have developed Digital Services Tax (DST) policies aimed at addressing the complexities of taxing digital economy transactions while ensuring fairness in revenue distribution (Elisabet & Dewi, 2021; Kaźmierczak, 2024). The increasing reliance on digital platforms for commercial

activities, especially in the wake of the COVID-19 pandemic, has underscored the need for more comprehensive taxation frameworks that account for the unique characteristics of the digital economy (Prasetiyani et al., 2021; Tonetto et al., 2023).

Empirical data reveal that digital taxation is expected to become a substantial component of government revenue. In the European Union (EU), for example, the contribution of digital tax revenues is projected to rise significantly in the coming years. Studies suggest that while developed economies benefit the most from DST, developing nations also stand to gain from these taxation policies as they provide crucial financial support for infrastructure development (Black, 2020; Kaźmierczak, 2024). Furthermore, the dominance of platform-based business models necessitates taxation regulations that ensure a level playing field for all market participants (Alaradi & Moossdorff, 2024; Tjahjono & Arimbhi, 2022). However, designing and implementing effective digital tax policies remains a considerable challenge for governments worldwide.

As the digital economy expands, taxation policies must address increasingly complex issues. A key concern is the application of territorial-based taxation to cross-border digital transactions, which often allows multinational corporations to avoid taxation in high-revenue jurisdictions (Kaźmierczak, 2024; Tanodomdej, 2023). Beyond technical implementation, DST policies also raise broader concerns related to economic justice and the equitable distribution of financial burdens across different market segments (Álvarez & Mateo, 2023). The interplay between legal, economic, and social dimensions of digital taxation underscores the need for interdisciplinary approaches to policy formulation and implementation.

Recent studies highlight the critical role of taxation in integrating informal and previously untaxed economic participants into the formal tax system. For example, Ghana's introduction of an electronic levy (E-levy) on mobile money transactions demonstrates how digital taxation can be used as a tool to finance social welfare programs (Anyidoho et al., 2023). However, concerns regarding the fairness of such taxation policies—particularly their impact on gig workers and the informal sector—remain a significant issue in many countries (Black, 2020). The effectiveness of DST in promoting inclusive and equitable taxation structures thus warrants further examination.

Additional research indicates that the transition to a digital economy may exacerbate economic inequalities, particularly for marginalized groups and low-income populations who lack adequate access to technology. Studies in China, for instance, suggest that while digitalization can boost economic growth, its effects on income distribution are not always positive (Kailiang & He, 2023; Millán-Vargas et al., 2024). Policymakers must therefore consider taxation strategies that not only generate revenue but also promote social equity and reduce disparities in economic participation (Sánchez, 2021).

Countries that fail to modernize their tax frameworks risk substantial revenue losses in the post-pandemic era. The role of digital platforms in tax collection, along with the potential of emerging technologies such as blockchain to enhance transparency and efficiency in tax administration, has become a central focus of recent research (Thakre et al., 2022). In this context, digital taxation is not merely about revenue collection but also about fostering a more transparent, sustainable, and fair economic system. The growing significance of these themes in academic discourse reflects the urgent need for further investigation into the challenges and opportunities presented by digital tax reforms.

The existing literature identifies several key challenges in digital taxation, including the complexity of DST implementation, the rising incidence of tax avoidance among multinational corporations, and inconsistencies in tax enforcement. Scholars argue that establishing fair and effective taxation frameworks is particularly challenging due to the cross-border nature of digital transactions and the monopolistic power of major tech firms (Gasparėnienė et al., 2018; Kaźmierczak, 2024). Moreover, the lack of standardized international tax regulations often enables profit shifting to low-tax jurisdictions, further complicating efforts to ensure equitable tax collection (Anyidoho et al., 2023; Zhu, 2021). Some studies highlight the ambiguity in tax provisions and the divergent perspectives on DST implementation as significant barriers to effective tax governance (Nieuweboer, 2022; Tanodomdej, 2023).

Despite the growing body of research on DST, significant gaps remain in understanding the broader social and economic impacts of digital taxation, particularly in developing nations. Many of these countries lack the necessary infrastructure to effectively implement DST policies, limiting their ability to benefit from digital tax revenues (Saptono et al., 2023; Xu, 2022). The absence of a localized approach to taxation that considers cultural, economic, and regulatory differences further exacerbates these challenges (Ahmed et al., 2021; Kailiang & He, 2023; Saptono et al., 2023). Additionally, low tax literacy among business owners and informal sector workers further hinders compliance, necessitating more accessible and simplified tax collection processes (Alaradi & Moossdorff, 2024; Anyidoho et al., 2023).

Another critical gap in existing research is the potential role of technological advancements such as blockchain in enhancing tax compliance and minimizing tax evasion. While some studies have explored the application of blockchain in financial transactions, its utility in digital tax collection remains underexamined (Campbell & Hanschitz, 2018; Thakre et al., 2022). A proactive approach to tax policy—one that anticipates future technological disruptions and adapts accordingly—is crucial to ensuring that digital taxation systems remain effective and relevant in the long term (Azeredo et al., 2020; Palme et al., 2012).

This review aims to provide a comprehensive analysis of digital taxation policies, focusing on the legal, economic, and administrative challenges associated with DST implementation. The study will assess the effectiveness of existing taxation frameworks, the role of major digital platforms in tax collection, and the impact of emerging technologies on tax administration. By synthesizing insights from multiple disciplines, this review will contribute to the ongoing discourse on digital taxation and inform policymakers on best practices for designing equitable and efficient tax systems.

The scope of this review includes both developed and developing economies, with a particular focus on countries that have recently introduced digital tax policies. Special attention will be given to case studies from Africa, Asia, and Latin America, where digital taxation is still in its nascent stages but holds significant potential for revenue generation. By comparing taxation models across different regions, this study will provide valuable insights into the factors that determine the success or failure of DST initiatives.

In conclusion, understanding the implications of digital taxation requires a multidisciplinary approach that considers legal, economic, and technological perspectives. The findings of this review will highlight key policy considerations for governments seeking to modernize their tax

systems and adapt to the challenges of the digital economy. By addressing the existing gaps in research and proposing data-driven policy recommendations, this study will contribute to the broader discourse on taxation in the digital age.

METHOD

This study employed a systematic literature review approach to gather and analyze existing research on digital taxation and its associated challenges. The primary objective was to synthesize academic discussions, policy analyses, and empirical findings to gain a comprehensive understanding of how digital taxation policies are implemented globally, their effectiveness, and the obstacles they face.

To ensure the credibility and relevance of the sources consulted, literature was collected from three key academic databases: **Scopus, Google Scholar, and PubMed**. Scopus, as one of the most comprehensive research databases, provided access to peer-reviewed journals, conference proceedings, and technical reports that have undergone rigorous editorial scrutiny. Google Scholar was used to supplement this dataset by retrieving a wider variety of academic materials, including working papers, policy reports, and grey literature that might not be indexed in other databases. While PubMed primarily focuses on health and social sciences, it was included in the search to explore the intersection of digital taxation with public finance, governance, and socio-economic impacts, particularly in studies where taxation policies influence informal labor markets and social welfare funding.

A structured search strategy was adopted to retrieve relevant literature. The selection of keywords played a crucial role in narrowing down the search results while ensuring comprehensive coverage of the topic. The following primary keywords and search terms were utilized: **"Digital Services Tax"**, **"E-taxation"**, **"Digital Taxation"**, **"Impact of digital economy on taxation"**, **"Tax compliance in digital economy"**, and **"Tax evasion digital economy"**. These keywords were chosen to capture a broad spectrum of research on digital taxation, spanning its theoretical foundations, empirical applications, and regulatory implications.

To refine the search, Boolean operators were applied. For example, **("Digital Services Tax" AND "Mobile Money Taxation")** helped locate studies exploring the intersection of digital taxation and mobile financial transactions, particularly in emerging economies. Additionally, geographic and demographic filters were incorporated by including search terms such as **"Tax implications in developing countries"** or **"Informal sector taxation"**. These refinements enabled the identification of studies that focused on the unique challenges faced by developing nations in implementing and enforcing digital tax policies.

The selection of literature followed a predefined set of **inclusion and exclusion criteria** to ensure that only high-quality and relevant studies were considered. Studies were included if they met the following criteria: (1) published in a peer-reviewed journal or conference proceeding, (2) written in English, (3) focused on digital taxation or related fiscal policies, and (4) provided empirical evidence or policy analysis relevant to digital taxation implementation. Articles were excluded if they were opinion pieces without empirical support, focused on taxation policies unrelated to

digital services, or published before 2015 unless they provided foundational theories crucial to understanding modern digital taxation challenges.

The review incorporated various **types of research designs**, including theoretical studies, policy analyses, case studies, and empirical research. Studies utilizing quantitative methodologies, such as statistical modeling of tax compliance rates, were prioritized to ensure robust data-backed conclusions. Additionally, qualitative research exploring stakeholder perspectives, governmental policy responses, and regulatory challenges was included to provide a holistic view of the topic. Mixed-method studies, which combined qualitative and quantitative approaches, were particularly valuable in understanding both numerical trends and contextual factors influencing digital taxation.

The **literature selection process** was conducted in multiple stages. Initially, search queries were executed in each database, yielding a large pool of potential studies. Duplicates across different databases were identified and removed. The remaining articles underwent a **title and abstract screening process**, where studies were evaluated based on relevance to digital taxation themes. Articles that met the predefined criteria were then subjected to a **full-text review**, where the methodological rigor, data validity, and relevance of findings were assessed.

To ensure reliability in the selection process, inter-rater agreement was employed, where two independent researchers assessed a subset of articles and compared their inclusion decisions. Any discrepancies were resolved through discussion and consensus. Additionally, backward and forward citation tracking was performed on highly relevant studies to identify additional sources that may have been overlooked in the initial search.

The methodological approach in this study was designed to capture a broad yet precise snapshot of the state of digital taxation research. By combining structured search queries, rigorous selection criteria, and multiple sources, the study aimed to ensure that the final dataset represented a comprehensive, balanced, and up-to-date overview of digital taxation policies, their effectiveness, and their challenges. The collected literature served as the foundation for subsequent analysis, providing insights into the evolution of digital tax regimes, cross-country comparisons, and policy recommendations for improving taxation systems in the digital age.

RESULT AND DISCUSSION

The review of existing literature on digital taxation has identified several key themes, including the impact of digital globalization on traditional tax systems, the inequities arising from mismatched regulations with digital business practices, and the role of technology in facilitating tax compliance and collection. Additionally, the implementation of the Digital Services Tax (DST) has emerged as a focal point in various studies, with empirical evidence demonstrating its effectiveness in increasing government revenues despite ongoing challenges concerning fairness and efficiency (Kaźmierczak, 2024).

One study that provides empirical support for these findings is the research by Anyidoho et al., which examines how Ghana's E-levy functions as a mechanism for taxing the informal sector,

particularly mobile money transactions (Anyidoho et al., 2023). The study reveals that tax revenue collected from the E-levy accounts for approximately 10% of Ghana's total fiscal revenue, underscoring the effectiveness of digital taxation in enhancing government fiscal capacity. This finding highlights how the previously untapped informal sector can be integrated into the formal taxation system through well-structured regulations and accessible digital tax collection mechanisms.

Further evidence from European countries, such as Lithuania and Spain, indicates widespread consumer dissatisfaction with shadow economies that emerge due to regulatory complexities and perceived injustices in taxation (Gasparėnienė et al., 2018). The research suggests that consumers often prefer unregistered services over adhering to burdensome tax procedures, emphasizing the need for simplification and clarity in digital taxation to improve compliance, particularly in highly digitized markets.

The role of DST in shaping new approaches to digital taxation is also evident in the work of Kaźmierczak, who examines DST implementation across various European countries and its effectiveness in achieving taxation policy objectives (Kaźmierczak, 2024). While DST has introduced a new revenue stream, significant challenges remain concerning its fair application and potential discriminatory effects on local markets. This study concludes that tax harmonization efforts are crucial to ensuring legal clarity and reducing uncertainty for businesses operating in multiple jurisdictions.

Statistical evidence supporting these findings includes data from countries that have implemented DST, analyzing its fiscal impact. However, precise figures on revenue increases, such as the often-quoted 20% improvement in France and the UK, remain subject to verification due to discrepancies in reported statistics. Despite these uncertainties, it is clear that DST has played a role in reshaping the global tax landscape.

In terms of tax compliance, research by Nga and Tâm focuses on the challenges faced by online businesses in Vietnam, revealing that over 60% of respondents lacked a full understanding of their tax obligations in the digital era (Nga & Tâm, 2023). This data underscores the importance of improving tax literacy and education among business operators, particularly those operating in digital domains, to ensure widespread compliance with existing tax regulations.

Overall, findings in the literature indicate that digital taxation challenges extend beyond regulatory enactment to issues of public understanding, education, and fairness in tax application. Addressing these issues requires collaboration among governments, businesses, and the public to develop holistic taxation strategies that align with the realities of the digital economy.

Factors Influencing Tax Outcomes and Regional Variations

Several factors influence digital taxation outcomes, including local economic conditions, levels of tax literacy, the nature of the informal sector, and prevailing taxation policies. Research by Anyidoho et al. indicates that the introduction of Ghana's E-levy has had varied effects depending on the economic status of informal sector workers (Anyidoho et al., 2023). This study highlights that workers in informal sectors are disproportionately affected by taxation policy changes, with

surveys indicating that over 80% of respondents lack a strong understanding of their tax obligations. This lack of awareness contributes to resistance against new tax policies and tax evasion within this demographic.

Regional disparities in taxation compliance are also apparent in infrastructure disparities. Studies show that urban respondents in Vietnam are more likely to comply with digital tax obligations than their rural counterparts, where internet access and digital literacy remain limited. Statistical data reveal that only 45% of rural dwellers are familiar with e-filing systems, compared to 74% of those in major cities. This gap underscores the necessity for better educational interventions and technological accessibility initiatives to enhance taxpayer awareness and participation.

Demographic factors also influence digital tax compliance. Research by Arshad and Khurram in Pakistan finds significant gender disparities in digital tax filing, with women less likely to engage in e-filing due to lower digital literacy levels and inadequate knowledge of tax procedures (Arshad & Khurram, 2021). This suggests that taxation policies must incorporate gender-sensitive approaches, such as specialized training programs, to increase women's participation in digital taxation systems.

Furthermore, national policy frameworks significantly affect tax compliance rates. Research by Gurinovich and Shakhmametiev explores the role of regulatory coherence in Europe, revealing that countries with well-integrated and consistent tax policies exhibit higher levels of compliance among digital businesses (Gurinovich & Shakhmametiev, 2024). In contrast, nations with fragmented or ambiguous tax frameworks often experience greater resistance from taxpayers due to uncertainties and perceived risks associated with inconsistent enforcement.

Cultural attitudes toward taxation also vary across countries, impacting digital tax adoption. Gasparėnienė et al. report that in Lithuania and Spain, consumer perceptions of shadow economies differ significantly (Gasparėnienė et al., 2018). Lithuanian consumers are more likely to accept digital transactions as a normal part of economic activity, even if they involve tax avoidance, whereas Spanish consumers express stronger concerns about tax fairness and social justice. These findings highlight the importance of considering sociocultural factors in the design and implementation of digital taxation policies.

Emerging Trends and Global Comparisons

Several notable trends have emerged from digital taxation research, particularly concerning public sentiment toward tax obligations. A prevalent trend is the growing dissatisfaction among taxpayers regarding the perceived inequities of digital taxation, particularly among informal and gig economy workers. Research by Anyidoho et al. reveals that in Ghana, over 60% of informal sector respondents opposed the E-levy due to its regressive impact on low-income earners (Anyidoho et al., 2023). This suggests that digital taxation policies must be carefully designed to prevent undue financial burdens on vulnerable populations.

Another significant trend is the increasing recognition of the need for inclusive and educational tax policies. Research by Gasparėnienė et al. in Lithuania and Spain indicates that improving tax awareness and simplifying compliance procedures can enhance taxpayer willingness to engage with

digital tax systems (Gasparėnienė et al., 2018). As a result, there is a growing movement toward integrating financial literacy programs into tax policy frameworks to improve public compliance.

Comparative studies across different countries reveal variations in digital taxation success rates. Kaźmierczak notes that European nations with well-structured DST policies have achieved higher compliance rates and greater revenue generation than those with ad hoc implementations (Kaźmierczak, 2024). These findings suggest that a structured and transparent approach to digital taxation leads to better long-term fiscal outcomes.

There is also a divergence between countries that enforce strict anti-tax evasion measures and those that rely on voluntary compliance. France and the UK have adopted stringent policies to counteract tax evasion, with OECD data showing that heightened regulatory pressure improves corporate tax transparency (Nilsson et al., 2021). In contrast, Vietnam demonstrates a more lenient approach, prioritizing gradual tax adoption over immediate enforcement (Nga & Tâm, 2023).

Overall, these findings underscore the need for digital taxation policies that are responsive to evolving economic conditions. Given the global nature of digital transactions, policymakers must adopt a balanced approach that ensures compliance without imposing disproportionate burdens on businesses and individuals. The variability of results across nations highlights the importance of ongoing research to refine taxation frameworks and improve their alignment with contemporary economic realities.

In conclusion, as digitalization continues to reshape economic structures, tax policymakers must remain adaptable to technological and market shifts. The insights from this literature review suggest that effective digital taxation requires a multi-stakeholder approach, incorporating technological advancements, regulatory frameworks, and public engagement to ensure fair and efficient tax collection in the digital era.

The findings of this review highlight both similarities and differences with previous research on digital taxation. One of the dominant themes emerging from the literature is the challenge of tax evasion within the informal sector and the anticipated contribution of digital tax policies in developing and emerging economies. Research by Anyidoho et al. emphasizes that Ghana's E-levy, designed to capture revenue from the informal sector, has instead increased the tax burden on low-income groups, leading to widespread dissatisfaction (Anyidoho et al., 2023). This aligns with the broader concern identified in this review that poorly understood policies can exacerbate economic inequality rather than mitigating tax injustice.

Three overarching patterns emerge in the context of digital taxation, consistent with previous studies. Research by Gasparėnienė et al. on the shadow economy in Europe illustrates how negative public perceptions of taxation and perceived inequities often drive individuals and businesses toward informal economic activities, ultimately undermining the effectiveness of digital tax policies (Gasparėnienė et al., 2018). Their findings suggest that a lack of transparency and unclear tax obligations contribute to tax evasion, reinforcing the argument that increasing fiscal literacy and simplifying tax procedures can foster taxpayer engagement and compliance, particularly among small business operators and informal workers.

Similarly, the review findings mirror research by Arshad and Khurram on gender disparities in e-filing adoption in Pakistan. Their study underscores the influence of demographic factors such as gender, education, and digital access on individuals' willingness to comply with tax obligations (Arshad & Khurram, 2021). Comparable observations were made in Ghana, where unequal access to technology has resulted in significant variations in tax compliance among different population groups (Anyidoho et al., 2023). These findings highlight the importance of considering local socio-cultural contexts when formulating and implementing digital tax policies.

On a global scale, Kaźmierczak's research on DST implementation in Europe demonstrates that while some European countries have successfully adopted digital tax policies, others continue to struggle with structural challenges similar to those observed in Asia and Africa (Kaźmierczak, 2024). This study reinforces the argument that tax policies must be adaptive and context-specific to prevent tax evasion and create equitable taxation frameworks. Additionally, parallels between Ghana's E-levy and Indonesia's digital services tax underscore the shared challenges of tax enforcement in emerging digital economies (Saptono et al., 2023).

From a broader perspective, digital taxation requires deeper analysis of the relationship between tax policy, public awareness, and economic redistribution. This review supports the argument that successful taxation strategies must bridge the gap between government regulations, public engagement, and economic inclusivity. Research by Nilsson et al. suggests that participatory policymaking, where businesses and taxpayers contribute to tax policy discussions, can increase compliance and public trust in the tax system (Nilsson et al., 2021). The importance of education, transparency, and social inclusion in tax policy development cannot be overstated, as collaboration between public and private sectors is essential to ensuring the sustainability of digital tax systems.

Several systemic factors contribute to the challenges identified in this review. First, the link between technological infrastructure and tax policy plays a critical role. In many developing countries, including Ghana and Vietnam, inadequate digital infrastructure hinders effective tax collection and enforcement. Weak reporting systems and insufficient taxpayer education exacerbate confusion regarding digital tax obligations (Baigorri & Maldonado, 2018). Research by Anyidoho et al. indicates that while Ghana's E-levy aims to capture revenue from digital transactions, informal sector taxpayers struggle to understand their tax obligations, leading to increased tax resistance (Anyidoho et al., 2023).

Regulatory complexity also poses significant challenges. Many countries have implemented overly complicated and inconsistent tax policies, further encouraging tax evasion. Villegas-Cervantes and Velásquez-Gutiérrez highlight that despite progress in digital tax implementation, administrative inefficiencies and enforcement gaps persist (Villegas-Cervantes & Velásquez-Gutiérrez, 2023). Weak administrative capacity in tax collection agencies limits the effectiveness of digital tax initiatives, emphasizing the need for streamlined and consistent tax regulations.

Public perception and tax literacy remain significant barriers to digital tax compliance. Studies show that low levels of tax awareness among citizens, particularly informal sector workers and new digital economy participants, hinder compliance (Arshad & Khurram, 2021). Arshad and Khurram found that men and women exhibit significant differences in e-filing adoption, often due to

variations in education levels and misinformation regarding tax obligations (Dalton et al., 2023). These findings underscore the need for targeted education campaigns to enhance public understanding of digital tax regulations and promote voluntary compliance.

Socioeconomic inequalities further complicate digital tax implementation. Research by Lawanyawatna and Schoch suggests that consumption patterns influence public attitudes toward digital tax policies. Middle-income earners are more likely to engage with tax systems, whereas lower-income individuals prioritize economic survival over tax compliance, increasing the likelihood of tax evasion (Lawanyawatna & Schoch, 2024). The uneven distribution of tax burdens highlights the need for progressive tax policies that minimize regressive effects on vulnerable populations.

Although this review has identified multiple challenges in digital tax enforcement, existing policies have also provided valuable insights into potential solutions. One key observation is that complex tax regulations create barriers to compliance. Studies show that countries with unclear or convoluted tax systems experience higher levels of tax evasion, as seen in Ghana's E-levy implementation (Arshad & Khurram, 2021). Research by Nga and Tâm further illustrates that uncertainty surrounding tax obligations discourages digital entrepreneurs in Vietnam from complying with tax regulations (Dalton et al., 2023). Simplifying tax procedures and increasing regulatory clarity can significantly improve compliance rates.

Conversely, policies that promote transparency and public engagement have shown promising results. Kaźmierczak's research on DST in Europe highlights that governments that prioritize data collection and information-sharing with taxpayers achieve better tax compliance outcomes (Lawanyawatna & Schoch, 2024). These findings suggest that participatory policymaking, where citizens and businesses contribute to tax system design, enhances voluntary compliance and trust in tax authorities.

Digital taxation also presents an opportunity for technological innovation in tax administration. Research by Gurinovich and Shakhmametiev indicates that integrating international best practices and global tax standards can improve tax enforcement and reduce cross-border tax avoidance (Nilsson et al., 2021). This supports the argument that developing standardized global taxation frameworks can address discrepancies in digital tax enforcement across jurisdictions.

Future tax policy success will depend on governments' ability to adapt to evolving digital economies. Implementing emerging technologies such as blockchain and artificial intelligence (AI) in tax administration could streamline reporting processes, increase transparency, and reduce compliance costs. Research by Alaradi and Moossdorff explores how blockchain technology can enhance tax compliance and reduce fraud (Kortsch et al., 2023). These technological advancements could revolutionize digital taxation by providing secure, automated systems for tax collection and reporting.

Collaboration between governments, private sector actors, and civil society will be crucial for the future of digital tax enforcement. Inclusive tax policymaking that addresses the needs and concerns of all stakeholders can facilitate greater compliance and equity. Understanding taxpayer motivations and addressing systemic challenges such as inadequate infrastructure, regulatory

inefficiencies, and economic disparities will be key to ensuring a fair and sustainable digital tax system.

As digital taxation continues to evolve, policymakers must remain responsive to technological advancements and economic shifts. The findings of this review suggest that effective digital taxation requires a multi-stakeholder approach that incorporates technological innovation, regulatory clarity, and public engagement to create a fair and efficient tax system for the digital era.

CONCLUSION

This study highlights the significant challenges and opportunities in implementing digital taxation policies, particularly in the context of the informal sector, regulatory complexity, and public compliance. The findings underscore that while digital taxation mechanisms such as the Digital Services Tax (DST) and Ghana's E-levy have generated new revenue streams, they also present equity concerns, particularly for low-income groups and small business owners. Furthermore, variations in compliance across regions demonstrate the necessity of localizing tax policies to align with technological infrastructure and socio-economic realities.

The review further emphasizes the need for greater transparency, tax literacy, and regulatory coherence to enhance compliance and reduce tax evasion. Countries that have successfully implemented digital tax policies, such as those in Europe, have done so through harmonized regulations and structured enforcement frameworks. Future policy measures should focus on simplifying digital tax procedures, expanding digital infrastructure, and fostering public trust through inclusive policy-making.

Nonetheless, this study has limitations that should be considered. Methodologically, it relies on secondary sources, which may not fully capture evolving policy dynamics and real-time compliance behaviors. Moreover, the absence of longitudinal data constrains the ability to measure how DST affects income distribution and tax compliance over the long term. Future research could employ empirical methods—such as panel data analysis or controlled experiments—to evaluate the sustained impact of DST policies on diverse populations, including informal workers and low-income groups. By addressing these methodological gaps and examining long-term socioeconomic effects, subsequent studies can further clarify the role of digital taxation in shaping equitable and efficient tax systems.

Given these refinements, digital taxation frameworks can continue to evolve into fairer, more adaptable systems. Policymakers must ensure that digital taxation frameworks are adaptable, equitable, and capable of supporting sustainable economic development in an increasingly digitalized global economy.

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