

TAX AVOIDANCE AND EVASION IN THE DIGITAL ECONOMY: CHALLENGES AND SOLUTIONS**PENGHINDARAN DAN PENGELAKAN PAJAK DALAM EKONOMI DIGITAL: TANTANGAN DAN SOLUSI****Loso Judijanto**

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Corresponding Author*ABSTRACT**

The rapid development of the digital economy has fundamentally changed global business models, creating new challenges in taxation that affect tax compliance and tax avoidance in cross-border digital companies. This research aims to analyze the effectiveness of digital tax policies in suppressing tax avoidance and evasion practices through a Systematic Literature Review (SLR) approach. Using data from various leading academic sources, this research identifies digital tax policy trends, their impact on tax compliance, and the challenges faced in their implementation. The results show that although policies such as the Digital Services Tax (DST) and digital Value Added Tax (VAT) have the potential to increase tax revenues, they often face resistance from multinational companies and challenges in implementation in developing countries. This research recommends increasing international cooperation, transparency in tax reporting, and the use of advanced technology to increase the effectiveness of digital tax policies in the digital economy era.

Keywords: Digital Economy, Digital Tax Policy, Tax Avoidance, Tax Evasion, Digital Services Tax, Value Added Tax, Systematic Literature Review, Tax Compliance, International Cooperation, Tax Technology.

ABSTRAK

Perkembangan ekonomi digital yang pesat telah mengubah model bisnis global secara fundamental, sehingga menimbulkan tantangan baru dalam perpajakan yang mempengaruhi kepatuhan pajak dan penghindaran pajak pada perusahaan digital lintas batas. Penelitian ini bertujuan untuk menganalisis efektivitas kebijakan pajak digital dalam menekan praktik penghindaran dan penggelapan pajak melalui pendekatan Systematic Literature Review (SLR). Dengan menggunakan data dari berbagai sumber akademis terkemuka, penelitian ini mengidentifikasi tren kebijakan pajak digital, dampaknya terhadap kepatuhan pajak, dan tantangan yang dihadapi dalam implementasinya. Hasil penelitian menunjukkan bahwa meskipun kebijakan seperti Pajak Jasa Digital (DST) dan Pajak Pertambahan Nilai (PPN) digital berpotensi meningkatkan penerimaan pajak, kebijakan tersebut sering menghadapi resistensi dari perusahaan multinasional dan tantangan dalam implementasinya di negara berkembang. Penelitian ini merekomendasikan peningkatan kerja sama internasional, transparansi dalam pelaporan pajak, dan penggunaan teknologi canggih untuk meningkatkan efektivitas kebijakan pajak digital di era ekonomi digital.

Kata Kunci: Ekonomi Digital, Kebijakan Pajak Digital, Penghindaran Pajak, Penggelapan Pajak, Pajak Jasa Digital, Pajak Pertambahan Nilai, Systematic Literature Review, Kepatuhan Pajak, Kerja Sama Internasional, Teknologi Pajak.

1. INTRODUCTION

The rapid development of the digital economy has fundamentally altered global business models, introducing challenges alongside its benefits. Digital giants like Google, Amazon, Facebook, and Netflix have transformed conventional economic transactions through their reliance on digital assets, data, and cloud computing. This transformation allows for unprecedented ease in conducting cross-border transactions, yet it also exposes significant vulnerabilities within the international tax framework (Poor, 2022). Digital companies

frequently exploit these vulnerabilities to shift profits to low-tax jurisdictions, employing strategies like profit shifting, transfer pricing abuses, and complex arrangements such as the "Double Irish with a Dutch Sandwich" to mitigate their tax liabilities legally (Sun et al., 2024; Chasaide, 2020). Such practices disproportionately affect countries with robust tax bases, particularly developing nations that depend heavily on tax revenues for funding critical public services and infrastructure. Studies suggest that tax revenue losses due to profit shifting are substantial, underscoring the urgent need to address these issues to preserve fiscal sustainability (Tørsløv et al., 2020; Afida, 2022).

In response, various countries have initiated digital tax policies aimed at ensuring fair taxation of these multinational companies. Notable examples include the European Union's Digital Services Tax (DST), India's digital tax frameworks, and the OECD/G20's Global Minimum Tax Proposals, referred to as Pillar One and Pillar Two (Kingma, 2020; Afida, 2022). Collectively, these initiatives aim to reform tax obligations in a digital context, ensuring that profits are taxed equitably based on where economic activities occur and where value is generated. However, the effectiveness of these measures remains contentious, with ongoing debates surrounding their actual ability to curtail tax avoidance and evasion practices amongst digital firms (Zhu, 2021; Kingma, 2020; Afida, 2022). A systematic evaluation is necessary to assess the overall impact of these digital tax policies on tax compliance among international digital corporations. The discussions surrounding base erosion and profit shifting (BEPS) are central to understanding these complex tax dynamics (Herzfeld, 2017; Afida, 2022). While the OECD and G20 have developed frameworks to address tax avoidance efficiently, the real-world implementation of these strategies varies widely among different jurisdictions. There is a clear need for coordinated international action to navigate the challenges created by digitalization and ensure that tax systems remain robust, fair, and capable of meeting the demands of modern economies (Clifford, 2019; Christensen, 2020).

Furthermore, the implications of these tax policies and practices reflect broader issues of global justice and sovereignty, as nations grapple with the reality that traditional tax laws often fall short in adequately regulating the digital landscape (Apeldoorn, 2016). Hence, creating transparent and equitable international tax standards remains a priority, albeit fraught with complexity and ongoing negotiation. Considering the challenges faced in digital economy taxation, this research focuses on the main questions: **"How effective is digital tax policy in suppressing tax avoidance and evasion practices in cross-border digital companies?"**. This question is important to answer because it can provide insight into the success or failure of policies that have been implemented and help in designing more effective policies in the future.

This research aims to do Systematic Literature Review (SLR) to analyze digital tax policies that have been implemented in various countries and their effectiveness in reducing the practice tax avoidance And tax evasion. Apart from that, this research also identifies various challenges faced by tax authorities in implementing digital tax policies, including aspects of regulation, technology and company compliance. Based on the findings obtained, this research develops evidence-based recommendations to improve tax compliance of cross-border digital companies, so that it can support the creation of a fairer and more effective tax system in the digital economy. This research has significant academic and practical contributions. From an academic perspective, this research provides systematic review to the existing literature on digital tax policy and its impact on tax avoidance as well as tax evasion. Additionally, this study fills a research gap by providing prospective comparative between countries related to the implementation of digital taxes, thereby enriching understanding of the effectiveness of policies that have been implemented in various jurisdictions.

From a practical perspective, this research provides evidence-based recommendations to policymakers, tax authorities and international organizations to improve digital tax regulations to be more effective in facing the challenges of the digital economy. Apart from

that, this research also provides insights for digital companies regarding the impact of digital tax policies on their business strategy, so that it can help in better tax compliance planning. By understanding the effectiveness of digital tax policies, it is hoped that this research can contribute to building a better tax system fair, transparent and sustainable for the global digital economy.

2. Method

2.1 Research Design

This research uses the method Systematic Literature Review (SLR) to analyze the effectiveness of digital tax policies in suppressing the practice of tax avoidance And tax evasion in cross-border digital companies. SLR was chosen because it allows researchers to identify, evaluate, and synthesize findings from various relevant academic studies, resulting in a comprehensive understanding of the topic under study. The SLR approach in this study followed the guidelines Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) to ensure transparency and accuracy in the literature selection process.

2.2 Data Sources and Literature Selection Criteria

To ensure the quality and relevance of the literature review, this research uses reputable academic databases such as:

- Scopus
- Web of Science
- IEEE Xplore

The inclusion and exclusion criteria applied in literature selection are as follows:

Inclusion Criteria:

- Article discussing digital tax policy in context tax avoidance And tax evasion
- A study focusing on cross-border digital companies
- Publication in indexed journals Scopus Q1-Q3 or journal with high impact factor
- Articles published in range 2016–2024 to ensure information updates
- Studies that use empirical methods, case studies, or meta-analysis related to digital tax policy

Exclusion Criteria:

- Articles that only discuss digital taxation in general without any connection to tax avoidance or evasion
- Studies are limited to tax regulations in one country without considering the international context
- Publications in languages other than English or Indonesian
- Articles that do not have full access (only abstract)

2.3 Data Collection and Analysis Procedures

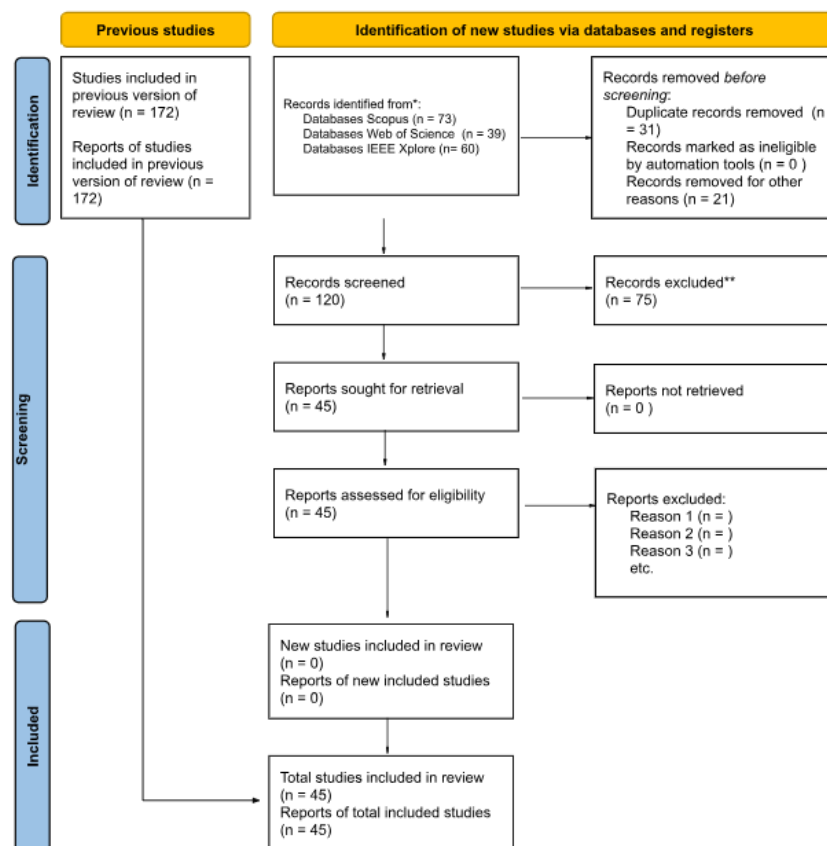
1. Study Identification:

- Searches are carried out using keywords such as “digital tax policy AND tax avoidance AND multinational digital firms”, “tax evasion AND digital economy”, and other combinations.
- The articles found were then filtered based on the title and abstract to ensure their relevance.

2. Literature Selection:

- After the initial stage, articles that meet the criteria will be reviewed in depth to ensure suitability for the research topic.

- This process follows a flow diagram PRISMA, which consists of levels identification, screening, eligibility, and inclusion.
3. **Data Extraction and Synthesis of Findings:**
- Information from each study was coded based on key aspects such as types of digital tax policies, impact on tax avoidance/evasion, and implementation challenges.
 - The data collected will be analyzed descriptive and comparative to identify emerging patterns and trends in digital tax policies in various countries.

Table 1. Prisma Diagram**Source: Data Processed, 2025**

This PRISMA diagram illustrates the process of identifying, screening, and including studies in a systematic literature review. Here is the narrative explanation:

In the identification stage, two main sources of studies were considered: studies from previous versions of the literature review (172 studies) and new studies identified through academic databases, including Scopus (73 studies), Web of Science (39 studies), and IEEE Xplore (60 studies). After the initial collection, an initial screening was conducted to remove duplicates (31 studies) and studies that did not meet other relevance criteria (21 studies), leaving 120 studies for the next stage.

In the screening stage, of the 120 studies screened, 75 studies were eliminated because they did not meet the selection criteria, leaving 45 studies that were deemed relevant and were taken for further analysis. No reports were failed to be obtained at this stage. In the

eligibility assessment stage, the 45 reports obtained were further assessed to determine whether they met the inclusion criteria in the literature review.

A number of studies were excluded for various reasons not detailed in the diagram. At the inclusion stage, no new studies were added to the observation, so the total number of studies included in the observation remained 45 studies from the previous version. Overall, this diagram shows that after the screening and evaluation process, the literature observation retained 45 studies from the previous version without any new studies being added.

3. RESULTS

This section presents the results of a systematic analysis of the collected literature. The research results are divided into several main themes based on findings from previous studies regarding the effectiveness of digital tax policies in suppressing tax avoidance And tax evasion in cross-border digital companies.

3.1 Digital Tax Policy Trends in the Global Digital Economy

The evolution of digital tax policies in the global economy over the past decade has been significantly shaped by attempts to curb base erosion and profit shifting (BEPS) by multinational digital companies. These policy frameworks primarily include various forms of Digital Services Taxes (DST), value-added taxes (VAT) on digital transactions, and reforms under the OECD/G20 Inclusive Framework addressing international taxation challenges. A central theme that emerges is the differing approaches taken by various jurisdictions in responding to the complexities introduced by the digital economy.

Countries such as those in the European Union, India, and the United Kingdom have adopted DST as a targeted measure to tax income generated from users within their respective jurisdictions. This shift reflects a broader recognition of the need for tax systems to adapt to the realities of digital business models, where income generation is often detached from physical presence (Lips, 2019; , Boys, 2017). In contrast, the United States has opted for a more corporate tax reform-centric approach, focusing on fostering a competitive tax environment for its domestic companies while refraining from implementing DST (Li, 2022). This divergence underscores how national interests and economic strategies are shaping the digital tax landscape.

Developing countries are increasingly adopting digital VAT as a method to enhance revenue from cross-border digital transactions (Bassongui & Houngbédji, 2023). This strategy aims to capture the economic activities associated with digital services and improve tax compliance. However, the execution of these reforms has not been without challenges, such as the harmonization of tax policies internationally and pushback from global digital firms that often leverage digital commerce frameworks to minimize their tax liabilities (Qin, 2023).

Moreover, the OECD's BEPS Action Plan, particularly Action 1, has placed significant emphasis on addressing the tax challenges arising from the digitalization of the economy. The framework encourages countries to adopt measures that address profit shifting and ensure fair taxation of digital services, which has led to ongoing discussions on implementing a global minimum tax as a part of the inclusive framework (Li, 2022). As such, the international discourse around digital taxation is rife with complexity due to both the need for collective action and the resistance from corporations that benefit from existing regulatory gaps. The path towards a cohesive digital tax framework is fraught with tension, particularly as jurisdictions strive to align their policies while navigating domestic economic implications and the unique challenges posed by globalization (Adelakun et al., 2024). This dynamic reflects a critical juncture in tax policy development amid rapid digital transformation, necessitating adaptive strategies to ensure sustainable tax revenues while fostering fair competition among businesses operating on a global scale.

3.2 Impact of Digital Tax Policy on Tax Avoidance and Tax Evasion

The impact of digital tax policy on tax avoidance and tax evasion is a vital area of research, reflecting ongoing debates about the effectiveness of such measures in enhancing tax compliance. The digital services tax (DST) has been regarded as a potential tool for increasing tax revenues from digital companies, with studies suggesting a correlation between the implementation of DST and improvements in tax compliance. However, the evidence regarding the efficiency of DST in promoting compliance is still emerging, and the findings can vary significantly depending on the context of implementation (Nurhayati et al., 2023; Kilichkaya & Gümüş, 2023).

Nevertheless, some multinational digital firms tend to shift their tax burden, which may diminish the impacts of DST on reducing tax avoidance practices. Such firms often pass on the costs associated with increased taxation to consumers or business partners, thereby mitigating the intended revenue gains from DST policies (OYEDOKUN & AYINDE, 2023). This phenomenon exposes a critical weakness in digital tax policies, where structural adjustments by corporations can undermine the anticipated benefits of these tax regimes. In contrast to DST, value-added tax (VAT)-based digital taxes demonstrate more immediate efficacy, especially in developing countries. The ease of implementation and higher rates of compliance associated with VAT systems underscore their advantages over DST. While DST may foster better enforcement in mature economies, the volatility and rapid turnover in the digital marketplace can hinder its effectiveness in emerging markets (Murnidayanti & Putranti, 2023; Hidayat & Defitri, 2024).

Moreover, despite advancements in digital tax policies, significant loopholes remain within international tax regulations. Corporations exploit these weaknesses through profit-shifting strategies, utilizing low-tax jurisdictions to minimize tax liabilities. This form of tax avoidance continues to challenge digital tax policies, including both DST and VAT frameworks (Nurhayati et al., 2023; Kilickaya & Gümüş, 2023). Consequently, while digital tax measures have the potential to augment compliance, their effectiveness is often undermined by strategic corporate behaviors and the complexities of the global tax landscape. It is evident that there is a need for an integrated approach combining enhanced legal frameworks, improved tax compliance education for digital companies, and ongoing refinement of digital tax policies to close existing loopholes. As suggested in various studies, the role of technology, particularly digitalization and artificial intelligence, can significantly enhance monitoring compliance and detecting instances of tax evasion (Belahouaoui & Attak, 2024; Hidayat & Defitri, 2024; Meita & Malau, 2023). Therefore, continued research and policy adaptation are essential for maximizing the effectiveness of digital tax strategies against tax avoidance and evasion.

3.3 Challenges and Obstacles in Implementing Digital Tax

The implementation of digital taxation presents multiple challenges and obstacles, stemming from inconsistencies in international tax frameworks, legislative resistance from major corporations, the existence of regulatory loopholes, and lack of transparency in financial reporting practices. One of the foremost challenges lies in the absence of global coordination on digital tax policies. Despite efforts by organizations like the OECD to establish a unified approach to taxation in the digital economy, many countries have acted unilaterally, leading to overlapping jurisdictions and potential double taxation for multinational digital enterprises. As noted by Ponomareva, several nations implemented unilateral measures, reflecting frustrations within the OECD and EU frameworks over reaching consensus on digital taxation reform (Ponomareva, 2021). This creates an environment where companies may face conflicting tax obligations, complicating their compliance efforts and increasing operational overheads (Igbinenikaro & Adewusi, 2024).

Additionally, regulatory loopholes persistently exploited by multinational corporations represent a significant challenge. Companies can engage in aggressive tax avoidance strategies, such as using tax havens, to minimize their tax liabilities regardless of the jurisdiction in which they operate. Ntiamoah and Asare emphasize that such challenges significantly deter the implementation of effective digital tax regulations, particularly in developing economies, where enforcement capabilities may be limited (Ntiamoah & Asare, 2020). This phenomenon is exacerbated by the limited knowledge of digital tax systems among taxpayers and tax authorities, creating a gap that companies can exploit (Bornman & Wassermann, 2020).

Resistance from large digital firms also impedes progress on digital taxation initiatives. Major corporations like Google, Amazon, and Facebook have lobbied against proposed digital taxes, arguing that such measures may stifle innovation and economic growth (Phoomsavarth, 2023). The notion that taxes could hinder progress in the digital economy contributes to widespread reluctance to adopt comprehensive tax frameworks. Furthermore, the lack of transparency in the financial reporting practices adopted by many digital companies complicates the assessment and enforcement of tax regulations. Adelakun et al. contend that transparency in financial disclosures is crucial for effective tax compliance, yet the current landscape is fraught with discrepancies due to varying international reporting standards (Adelakun et al., 2024).

Moreover, the ongoing digital transformation raises fundamental questions about existing taxation paradigms and the adaptability of legal frameworks to new economic realities. The digital economy's unique characteristics necessitate a rethinking of traditional tax approaches, which often struggle to accommodate the nature of digital transactions and services (Afandi & Rismawati, 2021). The evolving landscape of the digital economy demands that governments and international bodies work collaboratively to devise coherent policy frameworks that effectively mitigate tax avoidance while fostering innovation and economic growth. In summary, the challenges surrounding digital tax implementation reflect a complex interplay of global coordination difficulties, regulatory loopholes, corporate resistance, and transparency issues. Addressing these obstacles requires a concerted global effort to modernize taxation approaches in response to the realities of the digital economy.

3.4 Strategies and Solutions to Increase the Effectiveness of Digital Tax Policies

In the context of enhancing the effectiveness of digital tax policy, several strategies and solutions have emerged through the synthesis of the reviewed literature. One prominent approach is the implementation of a more coordinated global digital tax framework, notably through the full adoption of the OECD's Pillar One and Pillar Two initiatives. These pillars aim to address the distribution of taxing rights and establish a global minimum tax, which is essential for curbing tax avoidance and evasion in an increasingly digitized economy. Research emphasizes how these frameworks can facilitate an equitable sharing of tax revenues among jurisdictions, contributing to greater inter-nation equity, especially for developing countries that often find themselves at a disadvantage in the global taxation landscape (Apriliasari, 2022; Lubis & Rahayu, 2021; Fajar & Irawan, 2024).

In addition to global coordination, increasing transparency in digital tax reporting is vital. Digital companies can be mandated to furnish more detailed financial reports regarding their income and taxes paid in different jurisdictions. This need for diligence in reporting is echoed in the literature, which suggests that improved transparency can significantly mitigate opportunities for tax manipulation (Apriliasari, 2022; Rixen & Unger, 2021). Moreover, discussions surrounding tax governance have highlighted the politicization of tax regulations as new sites of governance emerge post-global financial crisis, necessitating clear disclosures from multinational enterprises (MNEs) engaged in international operations (Rixen & Unger, 2021).

The application of artificial intelligence (AI) and big data analytics stands out as a transformative solution for tax policy effectiveness. AI technologies are increasingly utilized to

monitor transactions and analyze tax data, making it possible to identify suspicious patterns that could indicate tax evasion. Comprehensive studies have recognized AI's potential to revolutionize tax compliance and enforcement practices. By enhancing the capabilities of tax authorities to oversee digital transactions, AI serves as a substantial deterrent against tax avoidance (m, 2022; Huang et al., 2022; KIPROTICH & MUMIA, 2021). Additionally, the integration of big data analytics with tax intelligence provides tax authorities with sophisticated tools to facilitate compliance and improve overall tax collection systems (Jiang, 2022; KIPROTICH & MUMIA, 2021).

Furthermore, enhancing international cooperation in enforcing digital tax laws is pivotal. The literature emphasizes that collaborative efforts can mitigate discrepancies in regulatory frameworks that companies often exploit to evade taxes. Cooperative international measures are essential for ensuring that both the enforcement of digital taxation and the frameworks underpinning these regulations are harmonized across jurisdictions, thus minimizing avenues for circumvention (Varotsis, 2022; Apriliasari, 2022; Lubis & Rahayu, 2021). This synchrony among nations could pave the way for more effective governance of digital tax policies, ensuring that the global digital economy contributes fairly to national revenues. In conclusion, decreasing tax avoidance and evasion through digital tax policies necessitates an integrated approach that includes global cooperation, enhanced transparency in reporting, the adoption of advanced technologies such as AI and big data, and a concerted effort among nations to enforce shared tax regulations effectively.

4. DISCUSSION

This section analyzes and interprets research results obtained from a systematic review of existing literature. The discussion will link the main findings with relevant theory, compare the effectiveness of digital tax policies in various countries, and identify challenges and potential solutions in implementing these policies.

4.1 Implications of the Findings for the Effectiveness of Digital Tax Policy

Digital tax policies have emerged as crucial instruments for governments to enhance tax compliance, mitigate tax avoidance, and address tax evasion within the context of a rapidly digitizing global economy. Recent research indicates that while the effectiveness of these policies is evident in boosting tax revenues — particularly through tools like the Digital Services Tax (DST) and Digital Value Added Tax (VAT) — their efficacy is significantly mediated by various factors, including policy design, the behavioral responses of digital enterprises, and the specific contexts of developing versus developed countries.

4.1.1. Digital Tax Policy Design

Digital tax policies such as the DST, enacted in regions like the European Union (EU) and India, have positively impacted tax compliance among digital firms. However, they have also faced resistance from multinational corporations, which regard these taxes as discriminatory (Belahouaoui & Attak, 2024; Apriliasari, 2022). This tension highlights the complexities involved in policy design, where measures aimed at increasing compliance may inadvertently trigger pushback from the very entities they seek to regulate. Conversely, the Digital VAT, particularly in developing nations, has been noted for its comparatively straightforward implementation and higher compliance rates due to a more comprehensive taxpayer base, facilitating a fairer tax system that can adapt to local contexts (Murnidayanti & Putranti, 2023; Kurian, 2022). Such policies align with the OECD's ongoing efforts under the Pillar One and Pillar Two framework, aimed at establishing a more equitable international tax system, although these proposals currently face significant political and bureaucratic hurdles in their implementation (Christensen & Hearson, 2021; Johansson et al., 2020).

4.1.2. Impact on Digital Company Behavior

The response of digital enterprises to these tax policies is also vital for understanding their overall effectiveness. Some companies might pass the financial burdens of increased taxation to consumers or partner businesses, potentially diluting the intended revenue benefits of these taxes (Burgers & Valderrama, 2017). Moreover, businesses frequently seek legal loopholes, engaging in profit-shifting practices that undermine the spirit of the implemented taxation strategies (Ozai, 2020). Such behavior emphasizes the need for robust regulatory frameworks that not only enhance compliance but also actively close avenues for tax avoidance.

4.1.3. Impact on Developing Countries vs. Developed Countries

The disparity in how developing and developed countries approach digital taxation further complicates the landscape. Developing nations often resort to applying digital VAT as a primary strategy to combat tax evasion, given their limited resources and technological infrastructures. In contrast, developed countries may focus more on DST and corporate profit-based reforms (Rixen & Unger, 2021; Kurian, 2022). The ineffective implementation of digital tax policies in developing countries often stems from inadequate tax administrative capacities and technological challenges, which significantly hinder efforts to improve compliance and revenue collection (Murnidayanti & Putranti, 2023; Kurian, 2022). Consequently, tailored approaches that consider both the unique challenges and opportunities present in diverse economic contexts are essential for enhancing the effectiveness of digital tax policies globally. In summary, while digital taxation holds significant promise for improving tax revenues and curbing avoidance and evasion, its success hinges on targeted policy design, consideration of corporate responses, and the differentiation of strategies between developed and developing nations. Addressing these elements presents a pathway forward to realizing the full potential of digital tax policies in the contemporary global economy.

4.2 Comparison with Previous Studies

The findings of this research are in line with several previous studies which highlight that digital tax regulations are still not yet uniform globally, thus creating challenges in effective policy implementation. Study conducted by OECD (2022) shows that countries with more tax policies structured and transparent tend to have higher tax compliance levels in the digital economy sector. However, there are differences in the approaches taken by various countries in dealing with tax avoidance And tax evasion in the digital era. Several studies show that a multilateral approach, as the OECD does through Pillar One and Pillar Two, is more effective compared to unilateral policies like Digital Services Tax (DST) implemented individually by several countries. Meanwhile, another study found that countries with flexible and technology-based tax policies tend to be more effective in overcoming tax avoidance in the digital sector. This shows that the harmonization of global tax policies and the adoption of sophisticated tax technology are key factors in increasing the effectiveness of digital tax policies.

4.3 Challenges and Obstacles in Implementing Digital Tax

Although digital tax policies continue to develop, there are still a number of them main challenges that need to be addressed so that these regulations can be implemented more effectively and fairly. One of the biggest challenges is lack of harmonization of global regulations, where differences in policies between countries lead to double taxation And legal uncertainty for digital companies. Apart from that, there are conflicts of interest between developed and developing countries in global tax negotiations, especially in terms of the distribution of tax rights.

Plus, strategy tax evasion increasingly carried out by digital companies advanced. Many companies take advantage of complex business structure and technology to avoid taxes, temporarily rapid change in digital business models regulations often lag behind. Another challenge comes from the resistance of multinational technology companies. Some tech giants like Google, Amazon, and Facebook actively lobby to prevent tax policies that are deemed to be a burden on their business from being implemented. Apart from that, digital tax policies also pose a risk of triggering trade war, like the tension between European Union and United States as a result of digital taxes which are considered discriminatory.

Finally, lack of tax administration capacity in developing countries has become an obstacle in the implementation of digital taxes. Many countries still have a tax system that is not yet integrated with digital technology, making it difficult to monitor cross-border transactions. To overcome this, it is necessary to invest in big data analytics and artificial intelligence to increase the effectiveness of digital tax supervision on a global scale.

4.4 Policy Implications and Recommendations

To increase effectiveness of digital tax policies in pressing tax avoidance And tax evasion, a number of policy recommendations can be considered to create a tax system that is fairer, more transparent and adaptive to digital economic developments. One of the strategic steps that needs to be taken is increasing international cooperation on digital tax reform. Full implementation of OECD's Pillar One & Two can help create a more taxing system fair and equitable, while reducing the potential for tax avoidance by multinational digital companies. Apart from that, the agreement bilateral and multilateral between countries is necessary for reducing double taxation and ensuring a more proportional distribution of taxes.

Furthermore, application of technology in digital tax supervision is a key factor in increasing the transparency and effectiveness of tax collection. Big data, blockchain and artificial intelligence can be used to strengthen real-time monitoring of digital transactions, thereby minimizing loopholes that companies can exploit to avoid taxes. In addition, digital tax regulations are necessarily simplified and made more adaptive on technological developments and digital business models. More regulations will enable the taxation system to adapt to new innovations, while standardizing financial reporting for cross-border digital companies can increase transparency and tax compliance.

Finally, increasing tax administration capacity in developing countries is very necessary to ensure the effectiveness of the implementation of digital tax policies globally. Training for tax authorities and strengthening digital tax infrastructure can improve the ability of developing countries to handle cross-border digital transactions. In addition, collaboration with international organizations like OECD, IMF, and World Bank can assist in the development of more effective and sustainable digital tax policies.

4.5 Study Limitations and Future Research Directions

This study has several limitations that need to be considered in interpreting the results and their implications. First, analysis was carried out based on available literature, so it doesn't cover the latest empirical data from the implementation of digital tax policies in various countries. This may influence the scope and depth of findings, especially in assessing the effectiveness of newly implemented policies. Second, Global policy changes regarding digital taxes are still ongoing, so the long-term impact of some of the policies analyzed in this study cannot yet be fully measured. Digital tax reform continues to develop, such as implementation of OECD's Pillar One & Two, which requires further monitoring to assess its success in reducing tax avoidance and tax evasion. Third, although this study uses an approach Systematic Literature Review (SLR) to analyze trends and challenges in digital tax policy, future research could focus more on quantitative analysis regarding the impact of digital taxes on Country revenues and business strategies of cross-border digital companies. Empirical studies with a

data-based approach will provide more concrete insights into the effectiveness of digital tax regulations on a global scale.

4.6 Conclusions from the Discussion

Overall, although digital tax policy has had an impact in overcoming tax avoidance and tax evasion, there are still challenges in implementation that require long-term solutions. Global coordination, use of technology, and simplification of regulations is a key factor in increasing the effectiveness of digital taxes in the digital economy era.

5. CONCLUSION

This section summarizes the main findings of the research and provides reflections on the effectiveness of digital tax policies in reducing tax avoidance and tax evasion in cross-border digital companies. The conclusions also highlight implications for policy makers as well as provide suggestions for future research.

5.1 Summary of Key Findings

This research shows that digital tax policy has evolved in response to tax challenges in the digital economy. Based on a systematic literature review, there are several main findings regarding the implementation of this policy in various countries. Digital Services Tax (DST) has proven effective in increasing tax revenues, but often faces resistance from multinational companies who feel burdened by this policy. Meanwhile, digital Value Added Tax (VAT) tends to be more accepted by companies and has a higher level of compliance. Additionally, the OECD Pillar One & Two framework offers the potential to create a fairer tax system, but still faces challenges in implementation at the global level.

The strategies used by companies in dealing with digital taxes are still a major challenge for tax authorities. Some digital companies tend to shift profits to low-tax jurisdictions through profit shifting practices. In addition, there are companies that pass on the tax burden to their consumers or business partners, which can ultimately hinder the growth of the digital economy.

On the other hand, developing countries face significant obstacles in implementing digital tax policies. Limited technological infrastructure and tax administration often hinder the effectiveness of digital tax collection, so investment in tax technology and global cooperation are needed to increase transparency and tax compliance in these countries. Apart from that, the lack of harmonization of global tax regulations is still a major problem in the digital tax system. Differences in policies between countries create legal uncertainty for digital companies and increase the risk of double taxation. Resistance from multinational companies and the potential for trade wars between countries with different tax policies further complicate the effective implementation of digital tax policies.

5.2 Policy Implications

Based on these findings, there are several policy recommendations that can be implemented to increase the effectiveness of digital taxes. First, increased international cooperation is needed in harmonizing digital tax policies to reduce tax avoidance and tax evasion practices. Coordination between countries through global forums such as the OECD can help create a fairer tax system and reduce legal uncertainty for digital companies.

Second, the development of a technology-based digital transaction monitoring system such as big data and artificial intelligence (AI) is an important step in detecting tax avoidance practices more accurately and in real-time. With this technology, tax authorities can increase transparency and efficiency in digital tax supervision.

Third, developing countries need to increase their tax administration capacity through investment in digital infrastructure and training of competent tax personnel. Technological

readiness and adequate human resources will support the effective implementation of digital tax policies in these countries.

Finally, digital tax regulations need to be more flexible and adaptive to changes in digital business models. Standardized financial reporting for cross-border digital companies must also be implemented to increase tax transparency and ensure that each company pays taxes according to its contribution in each jurisdiction.

5.3 Research Limitations and Future Research Directions

While this research provides important insights into digital tax policy, there are several limitations that need to be noted. This study focuses on a literature review, so it does not include the latest empirical data regarding the direct impact of digital tax policies on company compliance. In addition, the implementation of digital tax policies is still developing, which means the results of this research need to be updated in accordance with the latest developments in global regulations. Therefore, future research could focus more on quantitative approaches, such as analyzing the economic impact of digital taxes on state revenues and cross-border corporate behavior, to provide a more comprehensive picture of the effectiveness of digital tax policies.

5.4 Final Conclusion

Overall, although digital tax policies have shown effectiveness in suppressing tax avoidance and tax evasion, there are still challenges that need to be overcome, especially in the harmonization of global regulations and technological readiness in developing countries. Efforts for international cooperation, use of technology, and strengthening adaptive regulations are key factors in ensuring the success of digital tax policies in the future.

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