



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

TAXATION ON DIGITAL ECONOMY IN INDIA

SUBAVARSHINI J (131902050)

BBA.,LLB (Hon's)

SAVEETHA SCHOOL OF LAW

SAVEETHA INSTITUTE OF MEDICAL AND TECHNICAL SCIENCES (SIMATS)

CHENNAI -77

Email: jevaselvanjsv2002@gmail.com

ABSTRACT:

Digital economy refers to an economy that supports digital computing technologies, though we have a tendency to progressively understand this as conducting business through markets supported by the web and also the World Wide net. The objective of the research is To analyse the significance difference between digital tax results in double taxation and age of the respondents. To determine significance difference between digital taxes are not discriminatory in India and gender of the respondents. To examine the significance difference between India has expanded the scope of the equalisation levy over the last few years, to tax non resident digital entities among occupations of the respondents. Descriptive Research is used for the purpose of the study. The methodology used by the researcher is a convenience sampling method to collect samples. The sources used are primary sources such as questionnaires , surveys and secondary sources such as books and journals. The total sample size collected through questions is 200. The independent variable used such as age, gender, marital status and education qualification. The dependent variable used is digital tax results in double taxation and digital tax is not discriminatory in India. The statistics tools used by the researcher are chi square tests and frequency table , Independent sample test and Anova test. The research concluded that on the far side of the international tax rules, alternative components of the trendy legal system square measure formed by the transformative effects of digitalization, bring opportunities and challenges. From the planning of the legal system through to tax administration, relevant developments embrace the increase of business models.

Keywords: Taxation, computation, Digitalisation, Double taxation, levy

INTRODUCTION:

Digital economy refers to an economy that supports digital computing technologies, though we have a tendency to progressively understand this as conducting business through markets supported by the web and also the World Wide net. The digital economy is additionally generally referred to as the web Economy, New Economy, or net Economy. The evolution of taxation on digital economy, Bharat was one amongst the primary countries within the world to introduce a 6 June 1944 deed levy in 2016, however the levy was restricted to on-line packaging services (commonly referred to as “digital advertising taxes” or “DATs”). In March 2020, it expanded the scope of the present deed levy to a spread of digital services that have e-commerce platforms. Any payment created by non-residents in reference to Indian user can currently attract a two levy. Apart from Bharat, varied alternative countries ar proposing to or have enforced tax on digital transactions, like: Australia—Turnover tax referred to as digital services tax is planned to be introduced which can be levied on financial gain of enormous multinationals providing advertising house, commerce platforms, and also the transmission of knowledge collected concerning users. New Zealand—Amazon tax is planned to tax books and products bought on-line. Uganda—Tax on social media whereby users of WhatsApp, Twitter, Facebook pays a fee. Since 1995, it's systematically set the agenda through its reports, discussions in addition to conferences. Efforts of alternative international organisations like the UN and EU have basically dovetailed the OECD's efforts with minor variations. In 2015, OECD printed a report titled 'Addressing the tax challenges of the Digital Economy' providing for 3 alternatives to deal with the difficulty of burdensome the digital economy i.e. developing a replacement nexus supported the conception of serious economic presence, imposition of a withholding or introduction of feat levy. **The aim of the research is to understand the overview of Taxation on the digital economy.**

OBJECTIVES:

- To understand the overview of Taxation on the digital economy.
- To analyse the digital tax results in double taxation.
- To determine significance of digital taxes are not discriminatory in India.

REVIEW OF LITERATURE:

Manoj Kumar Singh (2017) reviewed that The ideas of taxation, primarily necessary to any governmental set-up, are changed over time to suit the fast changes within the financial system. One such example that may be taken here is that of international firms (MNCs) or business entities operative in many tax jurisdictions. **Cristian King Oliver Lucas-Mas and Raúl Félix Junquera-Varela (2018)** examined that Technological advancements and also the trend to maneuver towards a digital economy have

comprehensive implications with relevancy taxation, each direct and indirect. A joint effort to handle the necessity for tax reform is being taken by OECD/ G-20 since 2015-2016 below the "Inclusive Framework on BEPS"(Base Erosion and Profit Shifting). **Ba, El pilgrim Dialigue. (2019)** delineated that Cross-border business operations use BEPS to realize a competitive advantage over enterprises that operate at a domestic level. this can be a problem for concern for any government that depends on company taxation. so as to tackle the growing considerations encompassing BEPS, the G20 leaders supported the "BEPS package" developed with OECD members, in a shot to attain a harmonious approach. **Cordell, Arthur. (1996)** explored that the standard taxation problems with reference to e- commerce were tough in characterizing the character of payment and establishing a nexus or link between a nonexempt dealing, activity and a heavy jurisdiction, the problem of locating the dealing, activity and distinguishing the payer for revenue enhancement functions. **Kaneko, Hiroshi. (1998)** analysed that Asian country enacted a two feat Levy (EL), additionally brought up because the Digital Services Tax (DST). the two EL was AN enlargement to the EL that was introduced in 2016 below India's Finance Act at 6 June 1944 on sure on-line advertising house, any provision for digital advertising house and/or the other facility or service for the aim of on-line ad. **Lucas-Mas, Cristian King Oliver (2002)** reviewed that there square measure divergences in approaches, significantly between EU countries on the one hand, and the U.S., on the opposite, as regards on the style within which international technology firms got to be taxed. whereas a consonant approach is that the ideal thanks to move forward, so as to limit the risks of revenue leakages, Asian country has already started taking steps to implement such taxation. **Tanzi, Vito (1980)** examined that the e-commerce market is predicted to grow to \$200 billion by 2026. Asian country has been at the forefront in terms of heavy the digital economy and also the factors mentioned on top of square measure vital amendments for the companies. Globally, many countries have introduced similar tax proposals (e.g. feat levy) for the taxation of digital economy. **Cordell, Arthur (1997)** delineated that digitalization has noncontinuous businesses by providing opportunities for new-age businesses and evolving business models. The digital economy is fleetly turning into tangled with the normal economy, so creating it more durable to form a transparent delineation of verity that means of a digital economy. **Tanzi, Vito (2016)** explored that The payment and compliance obligations square measure sew the non-resident, e-commerce operator (i.e. the recipient during this case, not like the sooner provisions whereby the requirement was on the Indian payer). The levy shall not be applicable wherever the e-commerce operator incorporates a letter in Asian country and such supply/services square measure effectively connected to such letter (as such non-resident would be subject to tax in India) or wherever the sales, turnover or gross receipts of the e-commerce operator from such e-commerce provide is a smaller amount than authority twenty million throughout the fiscal year. **Oldman, Oliver, and Elisabeth Owens (1966)** analysed that there is also a situation, wherever one e-commerce operator contracts with another e-commerce operator. this is able to more complicate the matter together would got to assess whether or not there would be a cascading result on account of income tax, etc. The consequence of income tax default may lead to interest, disallowance of expenses, penalty, etc. within the hands of the e-commerce operator. **Pistone (2019)** reviewed that There has been widespread agreement that the international legal system desires reform to handle the digitalization of the worldwide economy. each the OECD and also the EU had revealed papers on this subject and also the OECD afterwards free proposals on allocating profit to countries during which a transnational entity makes sales or derives worth. **Ayers (2014)** explained that international tax reform as well as each the taxation of the digital economy and a worldwide minimum rate of tax remains politically sensitive, with totally {different|completely different} stakeholders holding different views. **Anyanwu (2020)** examined that regional perspective – providing a window into the views expressed by governments and leading commentators, in native markets. it's supported responses to queries asked of BDO Tax partners from across the world. The insight is launching shortly. **Elliffe (2021)** mentioned that the digital economy, worth is usually created from a mix of algorithms, user data, sales functions and data. as an example, a user contributes to worth creation by sharing his/her preferences (e.g. feeling a page) on a social media forum. This information can later be used and monetised for targeted advertising. **Tanzi, Vito. (2020)** analysed that The live might eventually be integrated into the scope of the Common Consolidated company assets (CCCTB) – the Commission's already planned initiative for allocating profits of enormous transnational teams in an exceedingly means that higher reflects wherever the worth is formed.

METHODOLOGY:

Descriptive Research is used for the purpose of the study. The methodology used by the researcher is a convenience sampling method to collect samples. The sources used are primary sources such as questionnaires , surveys and secondary sources such as books and journals. The total sample size collected through questions is 200. The independent variable used such as age, gender, marital status and education qualification. The dependent variable used is digital tax results in double taxation and digital tax is not discriminatory in India. The statistics tools used by the researcher are chi square tests and frequency table , Independent sample test and Anova test.

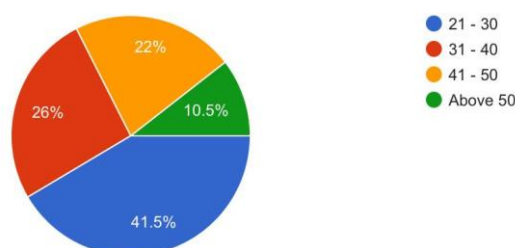
HYPOTHESIS:

Null Hypothesis: There is no significance difference between digital tax results in double taxation and age of the respondents.

Alternative Hypothesis: There is a significant difference between digital tax results in double taxation and age of the respondents.

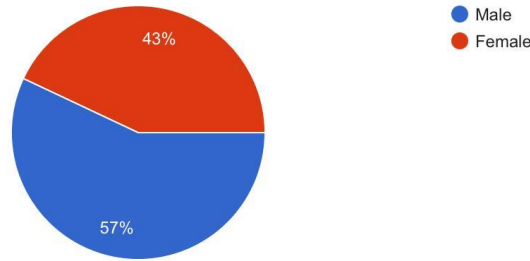
ANALYSIS AND DISCUSSION:

AGE:



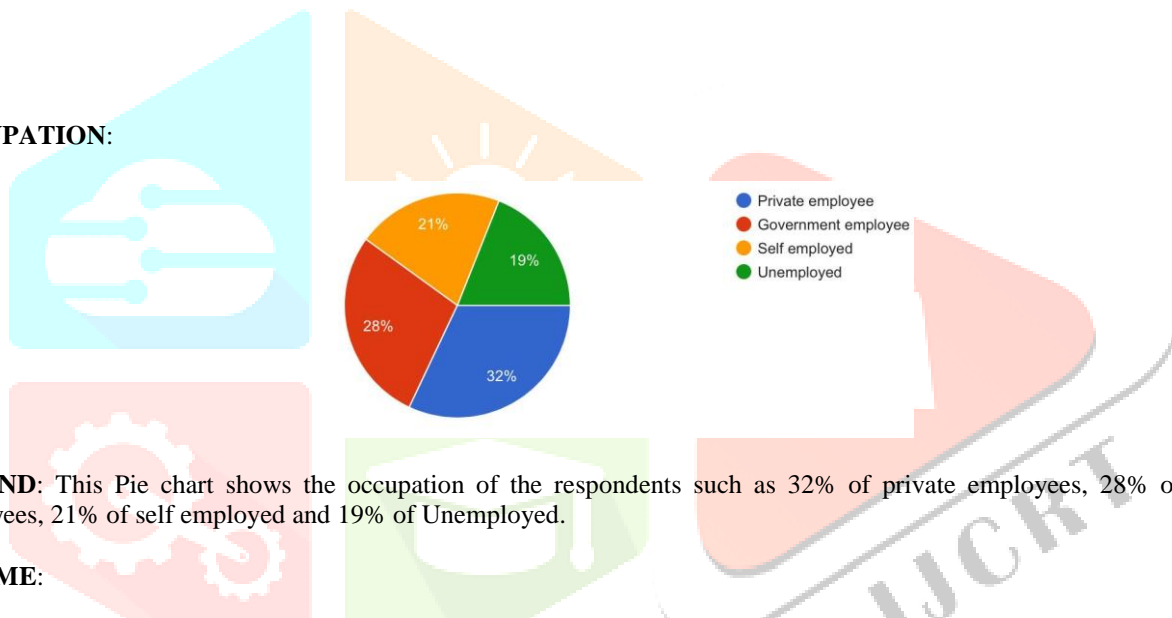
LEGEND: This pie chart shows the age of the respondents such as 41.5% of 21-30 years, 26% of 31-40 years, 22% of 41-50 years and 10.5% of above 50 years.

GENDER:



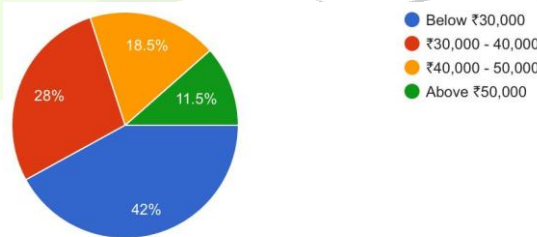
LEGEND: This pie chart shows the gender of the respondents such as 43% of females and 57% of male.

OCCUPATION:



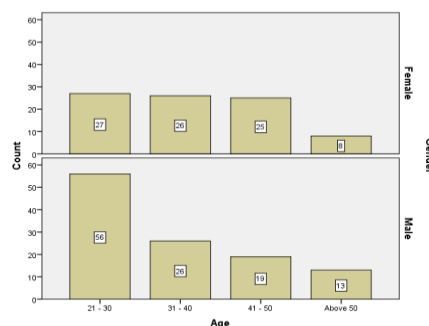
LEGEND: This Pie chart shows the occupation of the respondents such as 32% of private employees, 28% of Government employees, 21% of self employed and 19% of Unemployed.

INCOME:



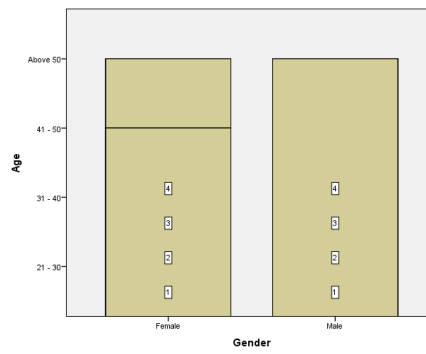
LEGEND: This pie chart shows the income of the respondents such as 42% of below ₹30,000, 28% of ₹30,000-₹40,000, 18.5% of ₹40,000-₹50,000, 11.5% of Above ₹50,000.

Fig:1



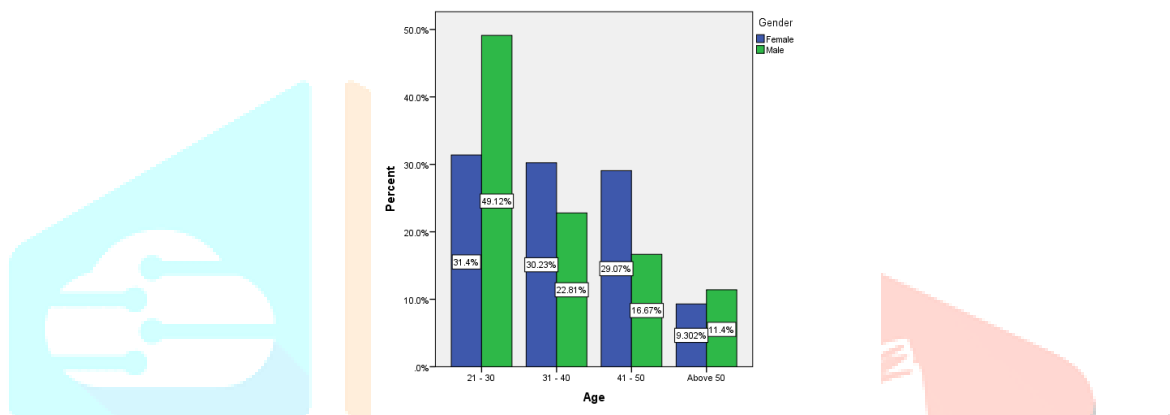
Legend: This bar chart represents that frequency of the independent variable age along with gender of the respondents.

Fig 2:



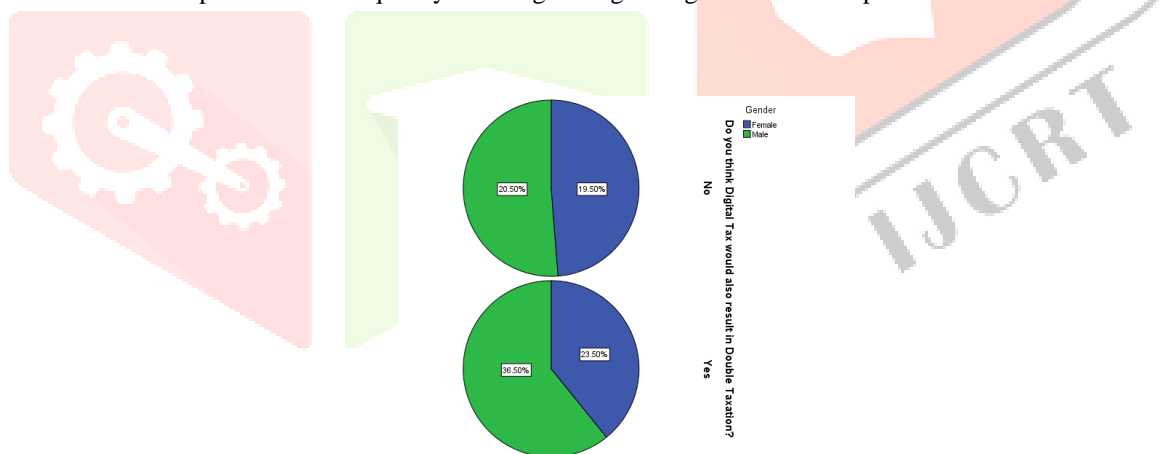
Legend: This bar chart represents that frequency of the independent variable gender along with age of the respondents.

Fig 3:



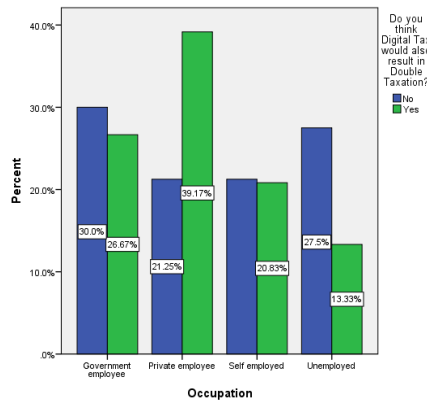
Legend: This bar chart represents that frequency of the age along with gender of the respondents.

Fig 4:



Legend: This pie chart represents that comparison with digital tax would results in double taxation with the gender of the respondents.

Fig 5:



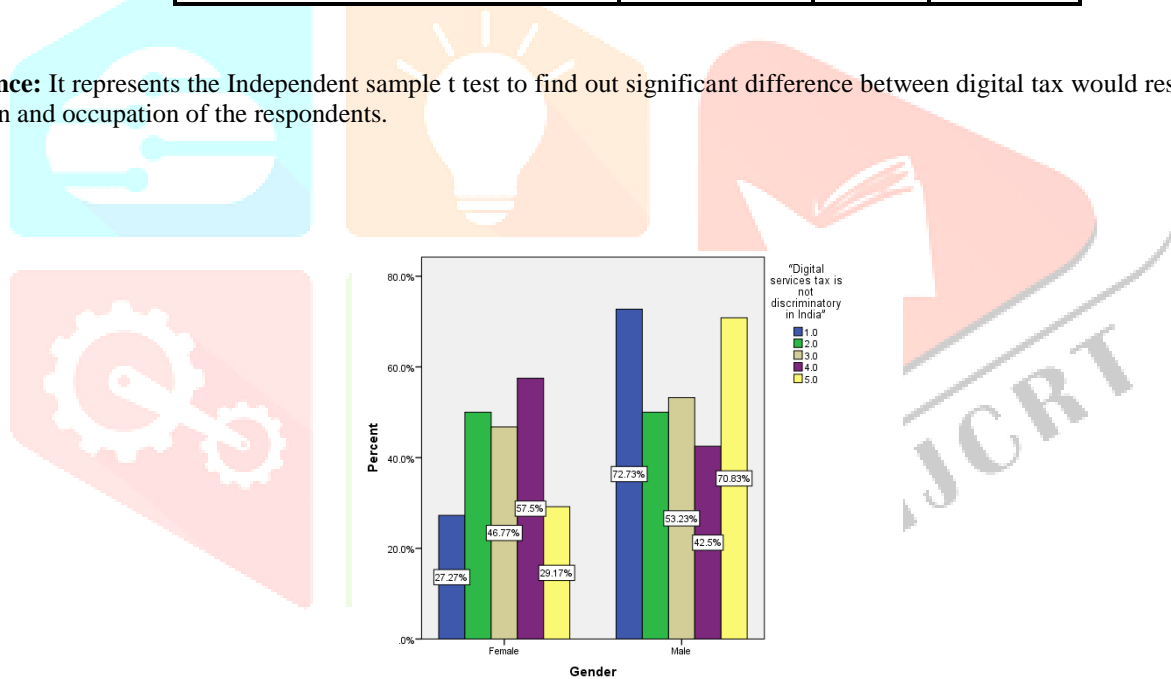
Legend: This bar chart represents that digital tax would results in double taxation with occupation of the respondents.

Table 1: Independent Samples t Test - Digital tax would result on double taxation and Occupation

	t	df	Sig. (2-tailed)
Independent Sample t test	4.244	200	0.000

Inference: It represents the Independent sample t test to find out significant difference between digital tax would results on double taxation and occupation of the respondents.

Fig 6:



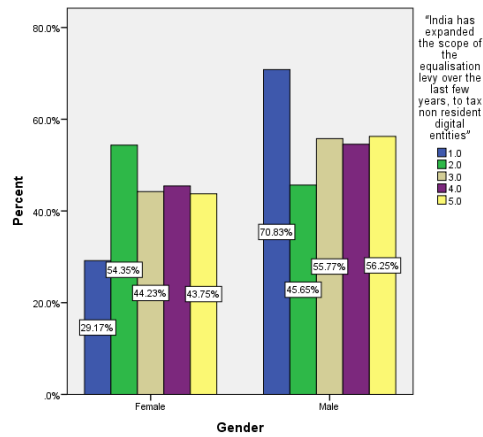
Legend: This bar graph represents that digital services tax is not discriminatory with gender of the respondents.

Table 2: Chi-Square Tests - Digital tax is not discriminatory in India and Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51.965	4	0.000

Inference: It represents the chi square test to find out significant difference between digital tax is not discriminatory in India and gender of the respondents.

Fig 7:



Legend: This bar graph represents that comparison India has scope of equalisation levy over the years with gender of the respondents.

RESULT:

In Fig4, According to respondents, 20.50 percent of the respondents are male and 19.50 percent of the respondents are female respond as no to the statement digital tax would result in double taxation. 36.50 percent of the respondents are male and 23.50 percent of the respondents are female respond as Yes to the statement digital tax would result in double taxation. Digital tax would result in double taxation being accepted by most of the respondents. Hence, There is a significant difference between digital tax resulting in double taxation and gender of the respondents.

In Fig5, According to respondents, 30.02 percent of the respondents respond as no and 26.67 percent of respondents respond as yes regarding government employees to the statement digital tax would result in double taxation. 21.21 percent of the respondents respond as no and 39.17 percent of the respondents respond as yes regarding private employees to the statement digital tax would result in double taxation. 20.83 percent of the respondents regarding self employed and 13.33 percent of respondents regarding unemployed respond as Yes to the statement digital tax would result in double taxation. Digital tax would result in double taxation being accepted by most of the respondents. Hence, There is a significant difference between digital tax resulting in double taxation and occupation of the respondents.

In Table1, it represents that independent sample t test. Since P value is less than 0.05 the null hypothesis is rejected. Alternative Hypothesis is accepted. Therefore there is a significant difference between digital tax resulting in double taxation and gender of the respondents.

In Fig 6, According to the respondents, 57.73 percent of the respondents are female agreed and 72.73 percent of the respondents are male strongly disagree with that statement digital tax is not discriminatory in India.

In Table 2, it represents that chi square test. Since P value is less than 0.05 the null hypothesis is rejected. Alternative Hypothesis is accepted. Therefore there is a significant difference between digital tax is not discriminatory in India and gender of the respondents.

In Fig7, According to respondents, 54.53 percent of the respondents are female and 70.83 percent of the respondents are male both are strongly agree that India has expanded the scope of equalisation levy over years to tax non-resident tax entities.

DISCUSSION:

The global solution to the digital tax problem was always going to be a grand bargain for all nations. Indeed, there are several political and economic considerations involved. Needless to say, the government has taken a finessed and balanced stance by committing to the multilateral approach for addressing tax challenges of digitalization.

LIMITATIONS:

For this research consequences faced is many of them cannot spend time to fill the survey. Due to COVID Protocol the data is collected through online mode. So some of them only respond to the survey while others just ignore it. The result is that most people accepted that digital economy on tax concluded with double taxation, as the non-resident will have to pay income tax in its country of residence, although in different jurisdictions. This result is almost correct.

SUGGESTIONS:

In light of the recent state across the world, the need for the change of international taxation is of utmost importance. With the COVID-19 pandemic eruption, economies are troubled to push the circulation of cash and buying power, that successively leads them to impose additional taxes on businesses that are already troubled for survival. Moreover, world economies would like revenue generation, whereas e-commerce is flourishing and out-performing so as to beat the restrictions for physical presence and company business models are dramatically reworking from the standard models to remote strategies of labor. Hence, it's honest to state that the rising digital business models profiting vastly from the present eventualities, got to be taxed adequately so as to spice up the government revenue collections of the government.

CONCLUSION:

Digital economy refers to the associate degree economy that supports digital computing technologies, though we have a tendency to more and more understand this as conducting business through markets supported by the web and therefore the World Wide internet.

the longer term scope of taxation on the digital economy is, On twelve October 2020, the OECD discharged for public consultation updated reports on its two-pillar proposal to handle the tax challenges of the digitalization of the economy. The Pillar One proposal focuses on new nexus and profit allocation rules, whereas the Pillar 2 proposal additionally loosely pursues a worldwide minimum effective taxation. The analysis concluded that on the far side of the international tax rules, alternative components of the trendy legal system square measure formed by the transformative effects of digitalization, bring opportunities and challenges. From the planning of the legal system through to tax administration, relevant developments embrace the increase of business models facilitating the expansion of the gig and sharing economies yet as a rise in alternative peer-to-peer (P2P) transactions, the event of technologies like blockchain, and growing information assortment and matching capacities. The OECD is exploring these changes, staring at areas wherever additional add the approaching years can give the tools for governments to higher perceive and harness the opportunities these changes bring, whereas making certain the continuing effectiveness of the tax system.

REFERENCE:

- Pistone, Taxation of Digital Economy: An Indian Perspective, Journal of Kluwer law, 2019, Vol no: 45, issue no: 6&7, pp no: 467-481(Pistone 2019)
- Haslehner Óliver Lucas-Mas and Raúl Félix Junquera-Varela, Tax Theory Applied to the Digital Economy: A Proposal for a Digital Data Tax and a Global Internet Tax Agency, (Haslehner et al. 2019)
- Ba, El Hadji Dialogue. 2015. Le droit fiscal à l'épreuve de la mondialisation: La réglementation des prix de transfert au Sénégal. Riga: Éditions Universitaires Européennes.(OECD 2015)
- Shome, Arthur. 2021. "New Taxes for a New Economy." Government Information in Canada /Information Gouvernementale au Canada 2 (4): n.p.(Shome 2021)
- Kerschner, Somare Arthur. 2017. "Taxing the Internet: The Proposal for a Bit Tax." Speech delivered to the International Tax Program at Harvard Law School, Cambridge, MA, February 14, 1997.(Kerschner and Somare 2017)
- Elliffe, Kaneko, Hiroshi. 2021, "Proposal for International Humanitarian Tax—A Consumption Tax on International Air Travel." Tax Notes International 17 (1911): 921–29.(Elliffe 2021)
- Lucas-Mas, Cristian Óliver. 2021. "The Cuban Tax System through History." Tax Notes International 27 (5): 609–30.(Lucas-Mas and Junquera-Varela 2021)
- Leonardi, Oldman, Oliver, and Elisabeth Owens. 2016. "The International Tax Program." Canadian Tax Journal 14: 444.(Leonardi 2016)
- Tanzi, Vito. 2018. Potential Income as a Tax Base in Theory and in Practice. IMF DM/80/84. Washington, DC: International Monetary Fund.(Tanzi 2018)
- Tanzi, Vito. 2020. "Forces That Shape Tax Policy." In Tax Policy in the Twenty-First Century, edited by Herbert Stein. New York: John Wiley and Sons.(Tanzi 2020a)
- Tanzi, Vito. 2020. "Is There a Need for a World Tax Organization?" In The Economics of Globalization, edited by Assaf Razin and Efraim Sadka. New York: Cambridge University Press.(Tanzi 2020b)
- Tanzi, Vito. 2002. "Globalization, Technological Development, and the Work of Fiscal Termites." Brooklyn Journal of International Law 26 (4): n.p.(Blejer and Ter-Minassian 2002)
- Tanzi, Vito. 2011. "Lakes, Oceans, and Taxes: Why the World Needs a World Tax Authority." In Global Tax Fairness, edited by Thomas Pogge and Krishen Mehta. Oxford Scholarship Online, March 2016.(Tanzi 2011)
- UNDP (United Nations Development Programme). 1999. Human Development Report 1999: Globalization with a Human Face, ch. 2. New York: Oxford University Press.(Jha, n.d.)
- Anyanwu, Grondona, Veronica, National measures on taxing the digital economy, 2020, Econstor journal, pag no: 11, issue no: 3, vol no: 2.(Anyanwu et al. 2020)
- Ayers, Solomon Rukundo, Addressing the Challenges of Taxation of the Digital Economy, January 2014, International centre tax and development Journal, pg no: 24, issue no: 1, vol no: 3.(Ayers et al. 2014)

PAPERPILE:

- Anyanwu, Philip Emeka, Peter Craig, Srinivasa Vittal Katikireddi, and Michael James Green. 2020. "Impact of UK Tobacco Control Policies on Inequalities in Youth Smoking Uptake: A Natural Experiment Study." *Nicotine & Tobacco Research: Official Journal of the Society for Research on Nicotine and Tobacco* 22 (11): 1973–80.
- Ayers, John W., Benjamin M. Althouse, Kurt M. Ribisl, and Sherry Emery. 2014. "Digital Detection for Tobacco Control: Online Reactions to the 2009 U.S. Cigarette Excise Tax Increase." *Nicotine & Tobacco Research: Official Journal of the Society for Research on Nicotine and Tobacco* 16 (5): 576–83.
- Blejer, Mario I., and Teresa Ter-Minassian. 2002. *Fiscal Policy and Economic Reforms: Essays in Honour of Vito Tanzi*. Routledge.
- Elliffe, Craig. 2021. *Taxing the Digital Economy*. Cambridge University Press.
- Haslehner, Werner, Georg Kofler, Katerina Pantazatou, and Alexander Rust. 2019. *Tax and the Digital Economy: Challenges and Proposals for Reform*. Kluwer Law International B.V.
- Jha, Vijay Shekhar. n.d. "Taxation of Digital Economy in India: Issues & Challenges." *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3425401>.
- Kerschner, Ina, and Maryte Somare. 2017. *Taxation in a Global Digital Economy: Schriftenreihe IStR Band 107*. Linde Verlag GmbH.
- Leonardi, Robert. 2016. "Conclusions: Taxation and the Future of the Digital Economy." *The Challenge of the Digital Economy*. https://doi.org/10.1007/978-3-319-43690-6_8.
- Lucas-Mas, Cristian Óliver, and Raúl Félix Junquera-Varela. 2021. *Tax Theory Applied to the Digital Economy: A Proposal for a Digital Data Tax and a Global Internet Tax Agency*. World Bank Publications.
- OECD. 2015. *OECD/G20 Base Erosion and Profit Shifting Project Addressing the Tax Challenges of the Digital Economy, Action 1 - 2015 Final Report*. OECD Publishing.
- Pistone, Pasquale. 2019. *Taxing the Digital Economy: The EU Proposals and Other Insights*.
- Shome, Parthasarathi. 2021. *Taxation History, Theory, Law and Administration*. Springer Nature.

- Tanzi, Vito. 2011. *Government versus Markets: The Changing Economic Role of the State*. Cambridge University Press.
- ———. 2018. *The Ecology of Tax Systems: Factors That Shape the Demand and Supply of Taxes*. Edward Elgar Publishing.
- ———. 2020a. *Advanced Introduction to Public Finance*. Edward Elgar Publishing.
- ———. 2020b. *The Economics of Government: Complexity and the Practice of Public Finance*. Oxford University Press, USA.

