

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

E-commerce has emerged as a transformative force in the global economy, reshaping business models and consumer behaviors. The sector has experienced significant growth, particularly in emerging economies like India, where the market is projected to reach \$200 billion by 2026. This growth is driven by factors such as increased internet and smartphone penetration, affordable data plans, and active investment. The widespread adoption of digital technologies has expanded the consumer base and enabled businesses to reach new markets. E-commerce has driven innovation and socioeconomic changes, such as job creation and greater digital inclusion. (Hadke, 2024).

The digital economy poses substantial challenges to taxation, especially in emerging economies where multinational e-commerce platforms often operate without a physical presence. This lack of physical presence complicates the taxation of profits and has led governments to adopt digital taxation policies like Digital Services Tax (DST), Significant Economic Presence (SEP), among others, which are aimed at boosting revenue. However, these policies can also create complexities in tax systems and impose compliance difficulties, particularly for smaller businesses. Traditional international tax rules which refers to the to the established principles and frameworks that govern how income is taxed across national borders, have become inadequate as economic activities increasingly occur online, decoupled from physical locations. Proposed solutions include measures such as withholding taxes, equalization levies, and assessments of significant economic presence, while a multilateral approach with tax thresholds based on market activity is recommended to address these challenges effectively. Implementing these measures requires international collaboration,

technological innovation, and carefully designed tax frameworks to support sustainable growth in the digital era (Muslim, 2024).

The rapid rise of e-commerce in emerging economies offers both opportunities and challenges. It serves as a driver of economic development and entrepreneurship, particularly in regions like sub-Saharan Africa. However, the growth of digital trade has intensified debates on appropriate taxation policies to prevent revenue losses while ensuring the continued development of the e-commerce sector. The digitalization of the global economy has complicated corporate income taxation and the collection of VAT on cross-border online transactions. To address these issues, governments must embrace innovative tax mechanisms such as electronic invoicing and real-time reporting. International cooperation and the harmonization of tax policies are essential to creating effective tax frameworks that support the sustainable growth of the digital economy. Striking a balance between fair taxation and the expansion of e-commerce remains a critical challenge for policymakers in emerging markets (Mwencha, 2019; Stead, 2021).

Digital business models, characterized by minimal physical presence, have prompted a reevaluation of traditional tax principles. Governments and international bodies are addressing issues such as profit shifting and tax avoidance through initiatives like the Organisation for Economic Co-operation and Development (OECD) project, Base Erosion and Profit Shifting (BEPS). Recent reform proposals include the introduction of unilateral digital services taxes to ensure that digital businesses contribute fairly to national revenues. These efforts aim to modernize taxation systems to align with the realities of the 21st-century digital economy while avoiding excessive burdens on businesses (Harpaz, 2021).

## **1.2 Statement of the Research Problem**

The rapid expansion of e-commerce and digital transactions has introduced significant taxation challenges, particularly for developing economies. These challenges include determining tax jurisdictions, valuing digital goods, and addressing regulatory arbitrage. Governments are

experiencing revenue losses while concerns about fairness and sustainability in digital taxation grow. To mitigate these issues, researchers emphasize the importance of international cooperation, technological innovation, and robust tax measures such as digital services taxes (DSTs). Effective e-commerce taxation requires harmonized policies, efficient tax systems, and digital solutions such as electronic invoicing and real-time reporting. Although digital taxation presents challenges for businesses, especially in emerging markets, it also offers opportunities to increase internal tax revenues and promote sustainable economic development (Ntiamoah and Asare, 2020; Purnamasari, 2024).

Digital taxation, while beneficial for government revenues, introduces complexities for businesses and consumers. These include potential price increases for online goods and services, which could retard e-commerce growth in developing economies. Implementing effective tax policies in this context requires a delicate balance between encouraging innovation and ensuring equitable taxation. Destination-based taxation which is a taxation principle where goods and services are taxed based on the location of their consumption rather than the location of their production, commonly applied to physical goods, presents technical difficulties for digital products due to the challenges of accurately identifying the locations of buyers and sellers. This underscores the need for international collaboration and innovative approaches. Developing economies face added hurdles, including limited physical commercial environments and weak tax systems, yet successful digital taxation strategies have the potential to significantly boost internal tax revenues for national development (Ntiamoah and Asare, 2020).

Despite the global focus on digital taxation, there remains a lack of empirical research on its effects on e-commerce businesses in emerging markets. This study addresses the impact of digital taxation on e-commerce businesses in emerging economies. The research aims to provide valuable insights for businesses, policymakers, and scholars, contributing to the

optimization of digital taxation policies and supporting the growth of the digital economy in emerging economies.

### **1.3 Research Questions**

This research is to examine the impact of digital taxation on e-commerce business in emerging economies. Thus, our statement of research questions shall be:

1. How does digital taxation (independent variable) affect the revenue generation of e-commerce businesses (dependent variable) in Nigeria?
2. What is the impact of Significant Economic Presence (SEP) rules (independent variable) on the operational strategies of e-commerce businesses (dependent variable) in Nigeria?
3. How do changes in digital taxation policies (independent variable) influence the growth rate of the e-commerce sector (dependent variable) in Nigeria?

### **1.4 Objective of the Study**

The broad objective of this research digital taxation on e-commerce businesses in emerging economies. While the specific objectives are:

1. to analyze the impact of digital taxation on revenue generation in e-commerce businesses in Nigeria;
2. to evaluate the influence of Significant Economic Presence (SEP) rules on the operational strategies of e-commerce businesses in Nigeria; and
3. to examine the effect of changes in digital taxation policies on the growth rate of the e-commerce sector in Nigeria.

#### **1.2.4 Research Hypothesis**

The following hypothesis stated in the null hypothesis as follows:

1.  $H_0$ : Digital taxation has no significant effect on the revenue generation of e-commerce businesses in Nigeria.

2. H<sub>0</sub>: Significant Economic Presence (SEP) rules have no significant impact on the operational strategies of e-commerce businesses in Nigeria.
3. H<sub>0</sub>: Changes in digital taxation policies have no significant influence on the growth rate of the e-commerce sector in Nigeria.

### **1.2.5 Scope of the Study**

The primary focus of this study encompasses an in-depth examination of the impact of digital taxation on e-commerce business in emerging economies of the economic. The study will analyze primary data to gather pertinent and trustworthy information to discuss our concerns for digital taxation in e-commerce business.

### **1.2.6 Significance of the Study**

This study holds significant value for policymakers, businesses, and academia by addressing the complex interplay between digital taxation and e-commerce growth. For policymakers, the findings provide practical insights to guide the development of effective tax policies that balance revenue generation with the need to foster digital innovation and economic development in emerging economies. The study's results will assist policymakers in designing tax regimes that support fairness without hindering the growth of digital commerce. Additionally, this study will add to the academic literature on digital taxation, providing empirical data and analyses that contribute to understanding the economic impacts of digital taxation on business growth and consumer behavior. By addressing gaps in existing research, particularly in emerging economies, the study aims to shape discussions on optimizing digital tax policies for sustainable economic growth.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter explores the key concepts, theories, and empirical studies related to digital taxation on e-commerce businesses, particularly in the context of emerging economies. It provides a critical examination of e-commerce, highlighting its rapid expansion in emerging economies like Nigeria and the implications for traditional tax systems. It then delves into the digital taxation, its frameworks, and its relevance in addressing the unique challenges posed by the growth of e-commerce. Also, the chapter discusses the findings from previous studies to provide insights into the economic and social impacts of digital taxation, including its effects on business growth, and compliance. The aim is to establish a comprehensive foundation for understanding the challenges and opportunities of taxing e-commerce businesses in emerging economies, with a focus on identifying practical recommendations for Nigeria.

#### **2.1 E-Commerce**

According to Cambridge Dictionary (Cambridge University Press, 2019), e-commerce can be defined as the business of buying and selling goods and services over the internet. It encompasses various activities, including online retail, digital marketplaces, and business-to-business (B2B) transactions. E-commerce is an integral part of the global digital economy, transforming the way businesses operate and customers shop.

There are four principal categories of e-commerce according to Rivera (Rivera, 2018):

##### **2.1.1 Business-to-Business (B2B):**

Business-to-Business (B2B) e-commerce has evolved from industrial marketing to encompass a broader range of transactions and relationships between organizations. B2B frameworks aim to address interoperability and security issues in online transactions between businesses. These applications support various business processes, from simple message exchanges to complex

marketplaces integrated with backend systems. The adoption of Internet-based B2B systems has made it easier and more cost-effective for organizations of all sizes to participate in e-commerce. A prominent example of B2B e-commerce is Alibaba.com, which started as a portal connecting Chinese manufacturers with international buyers and has grown to become the world's largest B2B marketplace (Turban 2015). The B2B sector presents unique challenges for researchers due to the private nature of transactions and the presence of powerful customers (Grewal and Lilien, 2012).

### **2.1.2 Business-to-Consumer (B2C):**

Business-to-Consumer (B2C) e-commerce involves direct transactions between businesses and individual consumers, exemplified by platforms like Amazon and Jumia. These platforms employ persuasive technologies to influence consumer behavior, with implementation varying across cultures. Trust, security, and privacy are crucial factors in B2C e-commerce adoption. Consumer distrust and fear of online fraud remain significant obstacles to e-commerce growth. To address these concerns, companies must enhance their trustworthiness and implement robust security measures. B2C e-commerce operates on a web-based catalogue model, allowing buyers to place orders and sellers to accept payments. This model enables businesses to connect consumers with relevant merchants and earn commission rewards, contributing to the growth of virtual enterprises in the e-commerce landscape (Yong Geng Chen Mr, 2020).

### **2.1.3 Consumer-to-Consumer (C2C):**

Consumer-to-Consumer (C2C) e-commerce, this refers to the online exchange of goods and services between individual consumers. This basically involves peer-to-peer transactions and it's often facilitated by platforms like eBay, Etsy, Facebook Marketplace, has gained significant popularity and economic importance. Several factors influence C2C website effectiveness, including ease of use, usefulness, security, and transaction facilities. The Technology Acceptance Model, Theory of Planned Behavior, and e-commerce success theory have been

applied to understand C2C acceptance and intended behavior. While C2C e-commerce offers advantages, it also faces challenges such as difficulty in cost evaluation, privacy concerns, and potential fraud. To address these issues, researchers have proposed innovative solutions, including the use of blockchain technology to create decentralized C2C platforms that enhance security, privacy, and trust among users (Joshi and Kumar, 2020).

#### **2.1.4 Consumer-to-Business (C2B):**

Consumer-to-Business (C2B) models involve individuals selling products or services to organizations. Platforms like Fiverr and Upwork facilitate this exchange in the gig economy, connecting freelancers with clients globally. These digital platforms for knowledge work (DPKW) enable various services, including app development and graphic design. The growth of C2B models has led to the development of a comprehensive typology that identifies 56 alternative business models, where consumers can serve as suppliers of various inputs, such as work, goods, data, and capital (Aspara, 2020). However, challenges exist in platform operations, including favoring buyers and adapting to socio-technical developments like the COVID-19 pandemic and generative AI. The DPKW framework distinguishes three macro-level processes: matching, contracting, and executing, which are instantiated by various micro-level processes (Wagner, 2021).

### **2.2 Emerging Economies**

Emerging economies are nations undergoing rapid industrialization and economic development. They are characterized by growing middle classes, increasing integration into the global economy, and substantial investments in infrastructure and technology. Examples of emerging economies include Brazil, India, South Africa, and Nigeria.

#### **Characteristics of Emerging Economies:**

1. **High Economic Growth Rates:** These economies often experience faster GDP growth compared to developed nations.

2. **Developing Infrastructure:** Emerging economies invest heavily in improving infrastructure to support industrialization and economic expansion.
3. **Growing Middle Class:** An expanding middle class drives demand for goods, services, and digital platforms.
4. **Technological Adoption:** Increased adoption of mobile phones and the internet fosters growth in e-commerce and other digital industries.
5. **Integration into Global Markets:** These economies actively participate in international trade and attract foreign direct investment (FDI).

**Africa's Digital Economy:** Africa is a rapidly growing digital market, with increased adoption of smartphones and mobile payments. The e-commerce sector in Africa is projected to exceed \$75 billion in revenue by 2025.

Nigeria, Africa's largest economy, has experienced significant growth in its digital economy, driven by increasing internet penetration and mobile payment systems. Platforms like Jumia and Konga dominate Nigeria's e-commerce landscape, providing opportunities for small and medium-sized enterprises (SMEs) to reach broader markets. Nigeria faces challenges such as poor infrastructure, regulatory hurdles, and tax enforcement issues. The introduction of digital taxation under the Finance Act (2020) seeks to address the revenue gap from the digital economy.

### **2.3 E-Commerce Growth in Emerging Economies:**

In Africa, the e-commerce market is projected to grow to \$75 billion by 2025, driven by platforms like Jumia, Konga, and Takealot. In Asia, India's e-commerce market, led by players like Flipkart and Amazon, is expected to grow to \$188 billion by 2025. Latin America has seen a similar boom, with Mercado Libre leading the region's e-commerce space.

However, as these businesses grow, their ability to operate across borders without physical presence creates challenges for governments in taxing them effectively.

## **2.4 Digital Taxation**

Digital taxation refers to the process of imposing taxes on revenue generated from digital economic activities, such as e-commerce transactions, digital advertising, and other online services. This form of taxation addresses the challenge of taxing businesses that operate digitally and may not have a physical presence in the countries where their customers reside.

In traditional taxation systems, taxes are typically levied based on a company's physical location. However, the advent of the digital economy has made this approach increasingly outdated, as many digital businesses generate significant revenues without maintaining a physical presence in their markets. Digital taxation, therefore, aims to capture these revenues through targeted tax policies like Digital Services Tax (DST), Value-Added Tax (VAT) on digital services, and corporate income tax for digital platforms. Digital taxation is particularly critical for e-commerce platforms as they form a significant part of the digital economy. Taxing these platforms ensures equitable revenue sharing and prevents base erosion in emerging economies. For instance, platforms like Jumia (Nigeria) and Amazon, which facilitate the buying and selling of goods and services online, are now subject to taxation policies in several countries (Becker, 2021).

## **2.5 LEGAL FRAMEWORK FOR DIGITAL TAXATION**

**1. Finance Act 2021:** By Section 4 Part II of the Finance Act 2021 which streamlined and combined Section 4 Part 1 of Finance Act 2019, digital companies rendering different types of paid borderless digital online services to resident Nigerians and have significant economic presence in Nigeria are bound to comply with Nigerian tax laws. Local tax laws mandate them to remit 6% of their annual turnover (generated from business activities transacted online within Nigeria's digital space) as income tax to the Federal Inland Revenue Service (FIRS). Examples of these digital companies are Google, meta, Amazon e.t.c.

**2. Finance Act 2023:** Section 3(a) of the Capital Gains Tax Act (CGTA) has been amended to include digital assets in the list of chargeable assets that will be subject to CGT upon disposal. Specifically, a 10% CGT will now apply to gains from the disposal of digital assets.

## **2.6. The Growth of Digital Platforms and E-Commerce Businesses**

The digital economy has grown exponentially in the past decade, becoming a significant driver of global economic activity. According to a report by the UN Conference on Trade and Development (UNCTAD), the global digital economy was valued at \$4.9 trillion in 2021, representing 15.5% of the global GDP, and is expected to grow further. This growth can be attributed to:

1. Increased internet penetration: As of 2023, **66% of the world's population** had access to the internet, compared to just 10% in 2000.
2. Widespread smartphone adoption: In emerging economies, affordable smartphones have brought millions online, enabling e-commerce to flourish.
3. Growth of digital payment systems: Mobile money services, such as M-Pesa in Kenya and Flutterwave in Nigeria, have supported the expansion of online commerce.

## **2.7 The Concept of Digital Transactions and the Challenges of Taxing Borderless Businesses**

Digital transactions refer to the exchange of goods, services, or value online. These transactions often transcend national boundaries. Examples include:

- **Streaming platforms** like Netflix and Spotify.
- **Online marketplaces** such as Amazon and eBay.
- **Digital advertising giants** like Google and Facebook.

**Challenges in Taxing Borderless Businesses:**

1. **Jurisdictional Ambiguity:** Traditional tax rules, based on the "permanent establishment" principle, require a physical presence for taxation. However, digital businesses often operate without physical offices in the countries where they generate revenue. Example: Google earns significant advertising revenue in Nigeria but has no local office or staff. This makes it difficult for the Nigerian government to impose taxes under traditional frameworks.
2. **Revenue Attribution:** Allocating profits to specific countries is complicated for digital businesses that serve users globally. For instance: Facebook earns revenue from targeted ads displayed to users in multiple countries, making it challenging to determine which portion of the revenue should be taxed by each country.
3. **Profit Shifting:** Multinational digital companies often use tax avoidance strategies, such as routing profits through low-tax jurisdictions. The **Paradise Papers** revealed that companies like Apple and Amazon use offshore tax havens to reduce their global tax burdens.
4. **Infrastructure Deficits in Emerging Economies:** Many developing countries lack the technical expertise and infrastructure to monitor and tax digital transactions effectively.

## **2.8 Studies on Digital Taxation Globally**

Social media multinational enterprises (MNEs) like Facebook, Google, and Amazon, web-based services, and other e-commerce marketplaces have been the focus of digital tax policies that aim to expand the tax base by either directing new tax legislation specifically to new businesses and platforms that were previously exempt from taxation or by extending existing legislation to new players. For instance, in nations like South Africa and Zimbabwe, VAT laws have been changed to accommodate the growth of digitally traded goods and services, even when businesses are not physically present in the nations where they provide services to

consumers. To include digital services in the tax system, corporate tax laws have been changed (Bunn. 2020).

International agreement is required regarding the frameworks, applications, and consequences of digital tax policy. Without international agreement, there would be inconsistencies and overlaps in the tax legislation of many nations, which could result in duplicate or excessive taxes. Both developed and developing nations have expressed concerns about the necessity of bringing digital transactions under the purview of tax laws due to doubts about the suitability and sufficiency of generally used tax legislation in bringing the digital economy into the tax net. In order to address concerns about the digital economy and taxes, the OECD is developing guidelines based on the findings and conclusions of talks with more than 130 nations (OECD 2020).

Digital taxation has emerged as a critical issue in global tax policies due to the increasing prominence of digital economies. Various studies have investigated how nations and international bodies approach the taxation of digital services, aiming to address challenges like tax base erosion and profit shifting (BEPS).

## **2.9 Studies on Digital Taxation in Emerging Economies**

Emerging economies face unique challenges in implementing digital taxation policies due to limited administrative capacity, dependence on foreign digital services, and concerns about deterring investment. Studies on countries like Nigeria, Kenya, South Africa, and India provide insights into how these nations navigate these challenges. These businesses, lacking the resources to navigate complex tax regulations, face challenges in compliance, which may hinder their growth and sustainability.

South Africa's digital taxation policies have also been analyzed in studies like those by Beebeejaun (2020) on digital services and its effectiveness in capturing revenue from foreign digital service providers. The study focused on the administrative and compliance challenges

faced by the South African Revenue Service (SARS) in taxing non-resident suppliers. Using a qualitative methodology that included policy analysis and interviews with tax officials, the researchers assessed the strengths and weaknesses of the VAT system. The study found that while VAT is administratively simpler than Digital Services Taxes (DSTs), South Africa struggles with identifying non-resident suppliers and enforcing compliance, limiting its effectiveness in revenue collection.

### **2.10 The Effectiveness of Digital Taxation Laws in Nigeria**

While there is some research on Nigeria's digital taxation policies, particularly the Finance Act 2020 and the significant economic presence (SEP) rule, few studies have critically analyzed the effectiveness of these laws in achieving their intended outcomes. Areas such as tax collection efficiency, administrative capacity, and the ability to curb tax base erosion remain insufficiently studied. Empirical data on revenue increases attributable to these policies and their enforcement challenges are particularly scarce.

### **2.11 The Balance Between Taxation and E-Commerce Growth**

Another significant gap lies in understanding how digital taxation policies influence the growth and innovation of the e-commerce sector, particularly in emerging economies like Nigeria. While taxation is essential for revenue generation, excessive or poorly designed taxes could stifle the growth of local e-commerce businesses. Few studies have explored the delicate balance between ensuring equitable taxation of digital services and fostering a favorable environment for e-commerce innovation and expansion.

### **2.12 Long-Term Impacts on Consumer Behavior and Market Dynamics**

Most studies focus on the short-term effects of digital taxation on businesses and governments, leaving the long-term impacts on consumer behavior and market dynamics underexplored. For instance, how do digital taxes influence consumer preferences, pricing strategies, and the overall competitiveness of domestic e-commerce platforms in the long run?

### **2.13 Regional Cooperation and Policy Harmonization**

The lack of harmonization in digital taxation policies across regions, especially in Africa, presents another area for further research. Studies could explore how regional bodies, such as the African Union (AU), could develop standardized digital tax frameworks to reduce compliance challenges for businesses operating in multiple countries.

### **2.14 Empirical Framework**

An empirical review examines existing studies and data to provide evidence-based insights into a research topic. The review explores challenges in implementing digital tax policies, their effects on revenue generation, and the growth of e-commerce businesses. Additionally, it highlights global practices and lessons from comparable economies, offering a foundation for developing effective and equitable digital taxation strategies.

A significant body of research explores the European Union's (EU) digital services tax (DST), which was proposed to ensure fair taxation of digital giants like Google, Amazon, and Facebook. Studies such as those by Devereux and Vella (2018) highlight the EU's directive as a direct response to the limitations of traditional tax frameworks in capturing profits generated through digital platforms. These policies aim to impose taxes on revenue generated from digital advertising and intermediation services, rather than waiting for profits to be reported in low-tax jurisdictions. Another critical area of research involves the OECD's guidelines on digital taxation, particularly the Base Erosion and Profit Shifting (BEPS) Action Plan 1. Studies, including those by Elliffe (2020) investigated how OECD frameworks have shaped global efforts to standardize the taxation of digital services. The study focused on the influence of OECD recommendations on international tax policies, particularly in the context of digital services taxation. Through qualitative analysis of OECD reports and interviews with policymakers, the researchers examined the effectiveness and equity of these frameworks.

These studies emphasize that while OECD recommendations aim to create a unified approach, they have faced criticism for favoring developed economies over developing nations.

Scholars have also examined the role of unilateral measures in digital taxation. Cui and Hashimzade (2019) conducted a study to analyze the economic implications of unilateral digital services taxes (DSTs) implemented by countries like France and the United Kingdom. The population of the study included global digital economies and multinational technology companies affected by such taxes, with a specific focus on American tech firms such as Google, Amazon, and Facebook. The study utilized an economic modeling approach to assess the impact of DSTs on trade relations and economic performance. These studies reveal how such policies have triggered trade tensions, especially with the United States, which views them as discriminatory against American tech companies.

Aduloju (2022) examined Nigeria's Finance Act 2020, which introduced digital taxation measures, including the Significant Economic Presence (SEP) rule. The study focused on stakeholders in Nigeria's digital economy, including multinational corporations and tax officials. Using a mixed-methods approach—combining secondary data analysis and qualitative interviews—the researchers assessed the potential of the SEP rule to boost domestic revenue and the challenges related to enforcement and compliance. Findings revealed that while the SEP rule could enhance tax revenue, issues such as limited technological infrastructure and tax expertise hindered effective enforcement.

Kenya provides another notable example, with studies focusing on the implementation of the Digital Services Tax (DST) in 2021. Research by Sebele (2022) examined the impact of Kenya's Digital Services Tax (DST) on revenue generation and its implications for small and medium enterprises (SMEs) in the digital economy. The study focused on Kenyan SMEs, particularly startups, and utilized quantitative analysis of revenue data alongside qualitative interviews with business owners and tax officials. The findings suggested that while the DST

has the potential to significantly boost government revenue, it could disproportionately affect local startups.

Adbi . (2021) evaluated the impact of the Equalization Levy on multinational enterprises (MNEs) and local businesses. The study focused on the tax implications for foreign entities and domestic firms. Using quantitative data analysis and surveys of affected businesses, the researchers assessed the levy's effects on revenue generation and business operations. The research highlights that while the levy has increased tax revenues, it has raised concerns about double taxation and compliance burdens on foreign entities.

Abdullah . (2021) examined the global e-commerce landscape to assess the impact of Digital Services Taxes (DSTs) on businesses. The study focused on both large multinational enterprises (MNEs) like Amazon and Alibaba, and smaller e-commerce platforms. Using case study analysis and survey data from businesses across various regions, the researchers evaluated the financial and operational effects of DSTs. The findings revealed that while larger MNEs could absorb DSTs by incorporating them into their pricing structures, smaller e-commerce platforms faced significant financial strain and administrative challenges, making it harder for them to remain competitive in the global market.

Research conducted by Okanga (2020) examined digital taxation in Nigeria and Kenya, focusing on its impact on smaller e-commerce businesses. The study found that compliance costs, including hiring tax consultants and updating IT systems, create significant barriers, deterring these businesses from expanding into international markets.

In the European context, studies like those by Saidu (2022) investigated the effects of the EU's digital taxation policies on domestic e-commerce platforms. The study found that while the policies aimed to tax tech giants and create fair competition, local startups were disproportionately impacted due to limited resources to absorb the taxes or transfer costs to

consumers. This situation often resulted in reduced profit margins and, in some cases, closure of businesses unable to sustain their operations.

## **2.15 Theoretical Framework**

### **2.15.1 The Modernization Theory of Development:**

According to this view, there are two primary types of societies in the world: traditional societies and modern societies. According to Tipps (1976) analyzed the factors hindering the growth of traditional communities. The study found that **entrenched norms, beliefs, and values** create significant barriers, restricting social and economic progress within these communities. The culture of contemporary societies, which is defined by industrialization and capital accumulation that are compatible with development, must thus be imitated by traditional communities in order to advance. Essentially, this idea aims to raise traditional societies' economic standing by adopting contemporary technology (Huntington, 1976). Sen's (1999) perspective on growth in relation to freedoms and self-esteem is criticized for being ignored by this theory.

### **2.15.2 The Globalization Theory:**

The international dynamics of increased economic interconnectedness between nations are the source of the globalization theory (Portes, 1992). However, in addition to economic relationships, cultural ties between countries are also important factors for understanding growth in the context of globalization (Kaplan, 1993). One of the key components of this cultural orientation is the growing ability of technology to link individuals globally (Reyes, 2001). As a result, free and simple communication across countries has paved the way for cultural uniformity and the development of a unified global society. Political events now have a global character rather than a local one. Parjanadze (2009) asserts that political, economic, technological, and sociocultural elements and attitudes serve as the foundation for globalization.

### **2.15.3 Economic Deterrence Theory**

Economic Deterrence Theory is a foundational concept in tax compliance literature, providing insights into why taxpayers choose to comply—or not comply—with taxation laws. The theory posits that compliance is largely influenced by the likelihood of detection, the severity of penalties for non-compliance, and the perceived fairness of the tax system.

In the context of digital taxation, Economic Deterrence Theory helps explain the behavior of digital businesses, particularly multinational enterprises (MNEs) like Google, Facebook, and Amazon, which have faced growing scrutiny over their tax practices. Studies such as Allingham and Sandmo (1972), which laid the groundwork for this theory, suggest that businesses are more likely to comply with tax laws when enforcement mechanisms are strong, penalties are significant, and detection rates are high.

However, digital businesses operate in a unique context. Their intangible nature and the ability to shift profits to low-tax jurisdictions create challenges for enforcement. Applying Economic Deterrence Theory, research by Slemrod (2019) highlights how digital businesses exploit loopholes in traditional tax systems, knowing that the risks of detection and penalties in certain jurisdictions are relatively low. This behavior underscores the need for robust international frameworks, such as those proposed by the OECD's BEPS initiative, to deter non-compliance. Moreover, the theory provides a lens to understand the reluctance of small and medium-sized digital enterprises (SMDEs) to comply with digital taxation laws. Studies like those by Waseem (2020) reveal that the compliance costs associated with digital taxation often outweigh the perceived penalties for non-compliance, especially for smaller businesses. This finding aligns with the principle of deterrence, which emphasizes the role of cost-benefit analysis in compliance decisions.

Economic Deterrence Theory also sheds light on the importance of tax fairness and transparency in fostering compliance. Research by Alm and Torgler (2011) indicates that

businesses are more likely to comply with tax laws when they perceive the system as equitable and the government as accountable. This insight is particularly relevant for digital taxation, as businesses often view unilateral measures, such as digital services taxes (DST), as discriminatory and unfairly targeted at specific industries or regions.

#### **2.15.4 Ability-to-Pay Theory**

The Ability-to-Pay Theory is a cornerstone of tax policy, advocating that taxation should be based on the taxpayer's capacity to contribute to public revenue. This principle aligns with the progressive taxation model, where those with higher incomes or revenue streams are expected to bear a greater tax burden.

In the digital economy, the Ability-to-Pay Theory provides a compelling rationale for imposing taxes on highly profitable digital businesses. Companies like Alphabet (Google's parent company) and Amazon generate billions in revenue annually, often without a corresponding tax contribution in the jurisdictions where they operate. Studies by Avi-Yonah (2020) argue that taxing these corporations is justified under the Ability-to-Pay principle, as their significant earnings reflect a higher capacity to contribute to public funds.

This theory is also relevant in addressing equity concerns in digital taxation. Research by Tanzi (2018) emphasizes that the concentration of wealth and market power in a few global digital corporations exacerbates income inequality, particularly in developing countries. The Ability-to-Pay Theory supports policies that redistribute wealth through taxation, ensuring that digital businesses contribute their fair share to the economies they profit from.

Applying the theory to digital taxation, studies by (Ashafoke and Obaretin 2023) highlight the disparity between the revenue generated by digital platforms and their tax contributions in emerging economies. For example, social media platforms and online marketplaces generate substantial advertising revenue and transaction fees in countries like Nigeria and Kenya but often pay minimal taxes due to the absence of robust digital tax frameworks. The Ability-to-

Pay Theory underpins arguments for implementing digital services taxes (DSTs) to address these disparities.

Furthermore, the theory provides a basis for progressive tax policies within the digital economy. Research by Brauner and Pistone (2020) suggests that a tiered approach to digital taxation, where higher revenue-generating companies are taxed at higher rates, aligns with the Ability-to-Pay principle. This approach ensures that small and medium-sized enterprises (SMEs) are not unduly burdened while still capturing significant revenue from large corporations.

### **2.15.5 Benefit Theory of Taxation**

The Benefit Theory of Taxation posits that taxpayers should contribute to public revenue in proportion to the benefits they derive from public goods and services. This theory emphasizes the direct relationship between the use of government-provided infrastructure and the obligation to pay taxes.

In the context of digital businesses operating in Nigeria, the Benefit Theory provides a strong argument for implementing digital taxation. These businesses, particularly multinational enterprises (MNEs) such as Google, Meta (formerly Facebook), and Netflix, benefit significantly from Nigeria's public infrastructure without making proportional tax contributions. Ha (2022) highlighted the reliance of digital businesses on **essential public goods** like internet connectivity, energy supply, roads, and legal systems. The study found that these infrastructure elements are critical for their operations and revenue generation within the Nigerian economy. However, the tax contributions of these companies often fail to reflect the scale of benefits they derive, largely due to the outdated nature of traditional tax systems that struggle to capture digital revenue streams.

Further research, such as that by Elliffe (2022) examined the Benefit Theory in the context of taxing digital businesses. The study argued that taxation is not only a revenue-generating tool

but also a mechanism to ensure fairness in resource utilization by aligning tax contributions with the benefits businesses derive from public resources. For instance, Nigeria's introduction of the Significant Economic Presence (SEP) rule in the Finance Act 2020 is a practical application of this principle, as it seeks to tax companies that profit from Nigerian consumers and infrastructure even if they lack physical presence in the country.

Additionally, studies like those by Babayev (2023) argued that digital businesses benefit significantly from market access, consumer spending, **and** government-provided regulatory frameworks, which safeguard and support their operations. Without adequate tax contributions, the burden of maintaining these public goods falls disproportionately on local taxpayers and smaller businesses, creating inequities within the tax system.

The theory also underscores the need for regional cooperation in digital taxation across Africa. Research by Sebele, Favourate. (2022) suggests that a harmonized digital tax framework based on the Benefit Theory could ensure that digital businesses contribute equitably across the continent, reducing instances of free-riding on public infrastructure while fostering sustainable economic development.

### **2.15.6 Public Choice Theory**

Public Choice Theory examines the interaction between individual preferences, public policies, and the behavior of policymakers. It highlights the role of political and economic considerations in shaping tax policies, including digital taxation.

In emerging economies like Nigeria, policymakers face complex challenges in implementing digital taxation due to competing interests from various stakeholders. Public Choice Theory provides a framework for understanding these dynamics, as it reveals how political and economic pressures influence decision-making processes.

For example, studies by Gelepithis and Hearson (2021) demonstrate how vested interests from powerful multinational digital corporations can lobby against digital tax policies, especially in

jurisdictions where institutional capacity is weak. These corporations often argue that digital taxes could stifle innovation, increase compliance burdens, and deter foreign investment. Policymakers in emerging economies must navigate these pressures while balancing the need to generate revenue, support local businesses, and ensure economic equity.

In Nigeria, the introduction of the SEP rule reflects a pragmatic application of Public Choice Theory. Research by Rachel Ogidan, (2022) indicates that policymakers were driven not only by economic imperatives but also by the political need to demonstrate fairness and accountability to local taxpayers. By targeting companies that profit from Nigeria's economy without physical presence, the SEP rule seeks to address public concerns about tax avoidance by digital giants.

Public Choice Theory also sheds light on the public's role in shaping digital tax policies. Flores-Macías (2016) examined the role of civil society engagement and transparency in the success of tax reforms. Focusing on developing and middle-income countries, the study used case studies and policy analysis. The findings indicated that civil society participation and transparent policymaking are crucial for gaining public trust and ensuring successful tax reform implementation, leading to higher compliance and acceptance. In emerging economies, where trust in government institutions is often low, involving citizens in the discussion around digital taxation can help mitigate opposition and build public support for these policies.

Additionally, the theory helps explain the regional disparities in digital taxation implementation. Research by Milogolov and Berberov (2021) examined how political will, administrative capacity, and economic priorities influence countries' approaches to digital taxation. The study utilized comparative analysis of digital tax policies across various nations. Findings revealed that differences in these factors lead to diverse strategies in implementing digital taxes, with countries prioritizing economic growth, political stability, or administrative efficiency in varying degrees. Policymakers in emerging economies often prioritize short-term

revenue generation over long-term policy harmonization, which can create challenges for regional cooperation and equitable taxation frameworks.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research methods and procedures employed for data collection and analysis. It encompasses the research design, the study population, sampling techniques, the measurement and operationalization of variables, the research instrument utilized, its validity and reliability, data sources, the techniques applied for data analysis, and the model specification.

#### **3.2 Research Design**

This study will adopt a descriptive survey research design. A descriptive design is used to examine and describe the relationships between variables as they occur naturally, without manipulation. It aims to gather data on the characteristics of a particular phenomenon or issue (Creswell & Creswell, 2018). The use of a descriptive research design is advantageous as it enables the collection of a substantial amount of responses from a broad range of participants, providing diverse insights into the subject under investigation. Furthermore, this design offers a detailed and accurate representation of events and seeks to explain individuals' perceptions and behaviors based on the data collected (Denscombe, 2014).

#### **3.3 Population**

The study population includes e-commerce business owners, tax professionals, regulatory authorities, and digital entrepreneurs in Nigeria's digital economy. The targeted population specifically consists of e-commerce businesses and tax authorities operating within Edo State, as they fall within the research's accessible scope. Digital entrepreneurs and online vendors were also reached to provide a broader perspective.

#### **3.4 Sample Size**

To ensure comprehensive data collection, a minimum sample size of 100 respondents was determined using purposive sampling techniques. This ensured that diverse perspectives on digital taxation's effects on e-commerce were adequately represented, following the recommendation of Krejcie & Morgan (1970) on sample size determination.

### **3.5 Sample Techniques**

A purposive sampling technique was used to select participants with relevant knowledge and experience in digital taxation and e-commerce. This method enabled the study to focus on key stakeholders who could provide valuable insights. Additionally, a stratified random sampling method was employed to ensure representation across different sectors within the e-commerce ecosystem.

### **3.6 Research Instrument**

The instrument employed will be a structured questionnaire. The questionnaire will be divided into two sections. Section one will address the demographic information of the respondents. Section two will contain questions constructed in line with the research question earlier stated to elicit information from the respondents. The questionnaire will consist of 5-point Likert scale response of strongly agree (SA)-5, Agreed (A)-4, Neutral(U)-3, Disagree (D)- 2, Strongly Disagreed (SD)-1.

### **3.7 Validity of the instrument**

Validity expresses the degree to which a research instrument measures what it purposes to measure (Bolarinwa, 2015). The validity of the instrument (questionnaires) will be affirmed by the researchers' supervisor who is an expert in the field of management. The opinion, suggestions and recommendation of the supervisor will be used to produce the final instrument.

### **3.8 Reliability of the Instrument**

Reliability is a measure of consistency of research instruments. The Cronbach's Alpha coefficient will be used to test the reliability of the research instrument (questionnaire).

Cronbach's Alpha is a reliability coefficient that shows how well things in a set are decidedly connected to each other (Sekaran, 2003). The reliability of data pertaining to the variables will then be designated through Cronbach's Alpha ( $\alpha$ ) coefficient which has a value between 0 and 1 (Bayram, 2004). According to Inenacho (2014), cronbach Alpha value above 0.7 is statistically reliable; indicating that the variables in the questionnaire have a high degree of consistency.

### **3.8 Sources of Data**

The nature of this study demands the use of primary data. The data will be collected through the administration of questionnaires to University of Benin Students.

### **3.8 Method of Data Analysis**

The responses from the distributed questionnaires were analyzed using descriptive statistics, Pearson moment correlation matrix, and multiple regression analysis. Descriptive statistics summarized the demographic characteristics of respondents using frequency, percent %, valid percent %, and cumulative percent %, providing a clear overview of the sample population. Additionally, descriptive statistics were used to analyze the central tendencies and variability of key variables, such as mean and standard deviation. The Pearson correlation matrix examined the relationships between variables, while multiple regression analysis tested the hypotheses using the Ordinary Least Squares (OLS) method. Diagnostic tests, including multicollinearity, normality, autocorrelation, heteroskedasticity, and model specification tests, were conducted to ensure the reliability and validity of the results. The analysis was performed using SPSS version 20 and EViews econometric software.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

This chapter presents the findings from the analysis conducted to assess the impact of digital taxation on e-commerce businesses in emerging economies. The data was analyzed using multiple regression techniques, with Digital Taxation Policies and E-commerce Growth (DTPEG) serving as the dependent variable. The independent variables include Digital Taxation (DT), Significant Economic Presence (SEP) Rules and Operational Strategies (SEPROS), and E-commerce Business Operations (EBO). The results are discussed in alignment with the study's objectives, examining the statistical significance of each variable. The interpretation considers the broader economic and financial implications, particularly the role of tax policies in shaping revenue generation and business sustainability within the digital economy.

#### 4.2 Demographics Analysis

**Table 4.1: Distribution of Age**

		<b>Frequency</b>	<b>Percent %</b>	<b>Valid Percent %</b>	<b>Cumulative Percent%</b>
<b>Valid</b>	18-25	73	73.0	73.0	73.0
	26-35	24	24.0	24.0	97.0
	36-45	2	2.0	2.0	99.0
	46 and above	1	1.0	1.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

The age distribution of the sample indicates that the majority of respondents fall within the 18-25 years category, accounting for 73% of the total sample. This suggests that younger individuals make up the largest proportion of the study population. The 26-35 years age group follows, representing 24%, while the 36-45 years group comprises 2% of respondents. Finally, the 46 and above category accounts for only 1% of the total sample. The cumulative percentage confirms that by the time all age groups are considered, the total reaches 100%, ensuring that all respondents are accounted for in the dataset. The overwhelming representation of younger

individuals (particularly those aged 18-25) suggests that the study sample may primarily consist of students or early-career professionals. However, the presence of older respondents, though minimal, provides some level of diversity in age representation.

**Table 4.2: Distribution of Gender**

		<b>Frequency</b>	<b>Percent %</b>	<b>Valid Percent %</b>	<b>Cumulative Percent %</b>
<b>Valid</b>	Male	53	53.0	53.0	53.0
	Female	47	47.0	47.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

The gender distribution of the sample consists of 53 males (53.0%) and 47 females (47.0%), indicating a relatively balanced representation of both genders. The cumulative percentage confirms that all respondents are accounted for, reaching 100%. This distribution suggests that the study sample is not significantly skewed toward either gender, ensuring a fair representation of perspectives from both male and female respondents.

**Table 4.3: Distribution of Level of Education**

		<b>Frequency</b>	<b>Percent %</b>	<b>Valid Percent %</b>	<b>Cumulative Percent %</b>
<b>Valid</b>	Secondary School Certificate	22	22.0	22.0	22.0
	Diploma	5	5.0	5.0	27.0
	Bachelor's Degree	70	70.0	70.0	97.0
	Master's Degree	2	2.0	2.0	99.0
	Doctorate (PhD)	1	1.0	1.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

The educational qualification distribution of respondents reveals a diverse range of academic backgrounds. The largest proportion of respondents, 70%, hold a Bachelor's Degree, indicating that most participants have attained undergraduate education. This is followed by 22% of respondents who possess a Secondary School Certificate, while 5% have a Diploma. A smaller proportion of respondents have pursued postgraduate studies, with 2% holding a Master's Degree and only 1% possessing a Doctorate (PhD). The cumulative percentage confirms that by the time all educational levels are considered, the total reaches 100%. This distribution

suggests that the sample primarily comprises individuals with undergraduate qualifications, with a smaller representation of those with either lower or advanced educational attainment.

**Table 4.4: Distribution of Occupation**

		<b>Frequency</b>	<b>Percent %</b>	<b>Valid Percent %</b>	<b>Cumulative Percent %</b>
Valid	Business owner	47	47.0	47.0	47.0
	Financial analyst	10	10.0	10.0	57.0
	Tax consultant	2	2.0	2.0	59.0
	Government official	4	4.0	4.0	63.0
	Other (please specify)	37	37.0	37.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

The occupation distribution of respondents indicates a diverse mix of professional backgrounds. The largest proportion, 47%, consists of business owners, reflecting a significant presence of entrepreneurial individuals in the sample. This is followed by respondents who selected "Other (please specify)", accounting for 37%, suggesting a broad range of unspecified occupations.

Among specific professional roles, 10% of respondents are financial analysts, while 4% are government officials. The least represented category is tax consultants, making up only 2% of the sample. The cumulative percentage confirms that all occupational categories sum up to 100%, ensuring full representation in the dataset. This distribution suggests that the study sample is largely comprised of self-employed individuals and professionals in various fields, with relatively lower representation from government officials and tax consultants.

**Table 4.5: Distribution of respondent who manages an e-commerce business?**

		<b>Frequency</b>	<b>Percent %</b>	<b>Valid Percent %</b>	<b>Cumulative Percent %</b>
Valid	Yes	46	46.0	46.0	46.0
	No	54	54.0	54.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

The distribution of respondents based on e-commerce business management reveals that a majority (54%) do not own or manage an e-commerce business, while 46% are actively engaged in e-commerce operations. This indicates a nearly balanced representation between

those involved in digital commerce and those who are not. The findings suggest that while e-commerce is gaining traction among respondents, traditional business or employment models still hold a slightly higher prevalence. The cumulative percentage confirms that all respondents are accounted for, reaching 100%.

**Table 4.6: Distribution of respondents Familiarity with Digital Taxation**

		Frequency	Percent %	Valid Percent %	Cumulative Percent %
Valid	Very Familiar	12	12.0	12.0	12.0
	Somewhat Familiar	43	43.0	43.0	55.0
	Not Familiar	45	45.0	45.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

The distribution of respondents based on their familiarity with digital taxation highlights varying levels of awareness among participants. Notably, 45% of the respondents indicated that they are not familiar with digital taxation, making up the largest proportion. This suggests a significant knowledge gap that could impact their understanding of taxation policies and compliance requirements within the e-commerce sector. Meanwhile, 43% of respondents reported being somewhat familiar with digital taxation, indicating a moderate level of awareness. This group represents individuals who may have some exposure to digital taxation policies but may not possess in-depth knowledge of their implications. On the other hand, only 12% of respondents identified as very familiar with digital taxation, signifying a smaller group with strong knowledge and understanding of the subject. The cumulative percentage reaching 100% ensures that all levels of familiarity are accounted for in the analysis.

Overall, this distribution suggests that while some respondents have a basic to moderate understanding of digital taxation, a substantial portion remains unfamiliar with its principles. This lack of awareness could influence their engagement with digital taxation policies and their ability to comply with taxation frameworks governing e-commerce activities in emerging

economies. The findings highlight the need for greater education and awareness regarding digital taxation to enhance compliance and improve the overall effectiveness of tax regulations in the digital economy.

**Table 4.7: Descriptive Statistic of the Variables**

<b>Statistic</b>	<b>DTPEG</b>	<b>DT</b>	<b>EBO</b>	<b>SEPROS</b>
Mean	2.620	2.600	2.537	2.747
Median	2.667	2.500	2.333	3.000
Maximum	5.000	5.000	5.000	5.000
Minimum	1.000	1.000	1.000	1.000
Std. Dev.	0.780	0.743	0.871	0.701
Skewness	0.388	0.379	0.660	-0.064
Kurtosis	3.859	3.470	3.720	3.474
Jarque-Bera Probability	5.588 0.061	3.321 0.190	9.422 0.009	1.007 0.605
Sum	262.000	260.000	253.667	274.667
Sum Sq. Dev.	60.227	54.667	75.088	48.693
Observations	100	100	100	100

Where:

DTPEG = Digital Taxation Policies and E-commerce Growth

DT= Digital Taxation

EBO = E-commerce Business Operations

SEPROS = Significant Economic Presence (SEP) Rules and Operational Strategies

The descriptive statistics in the table above provide an overview of the distribution and characteristics of the four variables: DTPEG, DT, EBO, and SEPROS.

The mean values for all variables are close to 3, indicating a relatively balanced distribution. SEPROS has the highest mean value (2.75), suggesting a slightly higher perception of Significant Economic Presence Rules and Operational Strategies compared to other variables, while EBO has the lowest mean (2.54). The median values show that SEPROS (3.00) has the highest central value, while EBO (2.33) has the lowest, further supporting the observation of a relatively symmetric distribution.

In terms of dispersion, EBO exhibits the highest standard deviation (0.87), indicating greater variability among responses, whereas SEPROS has the lowest standard deviation (0.70), implying a more consistent distribution. The skewness values show that DTPEG (0.38), DT (0.38), and EBO (0.66) are slightly positively skewed, suggesting that more observations fall below the mean. Conversely, SEPROS (-0.06) is nearly symmetrical, meaning values are evenly distributed around the mean. However, all skewness values remain within a small range, indicating an approximately symmetric distribution.

The kurtosis values for DTPEG (3.85) and EBO (3.72) suggest a distribution with slightly heavier tails than a normal distribution, while the kurtosis for DT (3.47) and SEPROS (3.47) indicate near-normal distributions. The Jarque-Bera test results confirm that EBO has a probability value lower than 0.05 (0.0089), indicating a slight deviation from normality, while the other variables do not significantly deviate from normality.

The sum values indicate that SEPROS has the highest total (274.67), while EBO has the lowest (253.67). Similarly, the sum of squared deviations is highest for EBO (75.08) and lowest for SEPROS (48.69), reflecting differences in variability. Each variable is based on 100 observations, ensuring sufficient data points for reliable analysis.

It therefore means that on average, the four variables are approximately normally distributed, with minimal deviations in skewness and kurtosis. The distribution of digital taxation variables appears to be relatively even, with E-commerce Business Operations (EBO) showing slightly greater variability.

### 4.3 Reliability Analysis

This section provides the level at which data collected can be relied upon for decision by interested parties. The cronbach's Alpha table will be used to test the reliability and consistency of data collected.

**Table 4.8: Reliability Statistics**

Cronbach's Alpha	N of Items
------------------	------------

0.8572	18
--------	----

Source: Researcher's Compilation (2024) SPSS 30.0.0

From the table above, the result of cronbach's alpha test shows that the data collected and analyzed has 85.7% reliability which indicates an good reliability and the analysis can be relied upon for decision making purpose.

**Table 4.9 Correlation Matrix Analysis**

Covariance Analysis: Ordinary

Data: 03/22/25 Time: 23:43

Sample: 1 100

Included observation: 100

Correlation Probability	DTPEG	DT	EBO	SEPROS
DTPEG	1.000			
DT	0.612	1.000		
EBO	0.613881	0.664564	1.000	
SEPROS	0.692185	0.675794	0.623589	1.000

Source: Researchers compilation,2025

The correlation coefficients range from -1 to 1, where positive values indicate a direct relationship, negative values indicate an inverse relationship, and values close to zero suggest no strong association. The significance levels (p-values) further determine the statistical reliability of these associations.

The correlation between DTPEG and DT (0.612, p = 0.0000) suggests a moderate positive relationship, implying that digital taxation policies are significantly associated with revenue generation. Similarly, the correlation between DTPEG and EBO (0.613, p = 0.0000) suggests that digital taxation policies influence e-commerce business operations, aligning with previous findings that digital tax structures can shape business models and compliance strategies within e-commerce platforms (OECD, 2022).

The strongest association exists between DTPEG and SEPROS (0.692,  $p = 0.0000$ ), indicating that digital taxation policies and Significant Economic Presence (SEP) rules are closely intertwined.

Among the independent variables, the correlation between DTRG and EBO (0.664,  $p = 0.0000$ ) highlights a strong positive relationship between digital tax revenue generation and e-commerce business performance, reinforcing arguments that tax policies directly affect business profitability and compliance behavior. Additionally, DTRG and SEPROS (0.676,  $p = 0.0000$ ) show a strong association, suggesting that revenue generation efforts are heavily influenced by SEP rules, which serve as a regulatory mechanism to ensure fair taxation of digital businesses.

The correlation between EBO and SEPROS (0.623,  $p = 0.0000$ ) suggests that the operational strategies of e-commerce firms are significantly shaped by the enforcement of SEP rules. This supports prior research emphasizing that SEP regulations create structural adjustments in e-commerce businesses, including pricing strategies, compliance costs, and tax reporting obligations (OECD, 2021).

The observed moderate to strong positive correlations among these variables underscore the intricate linkages between digital taxation frameworks and e-commerce dynamics. The significance of these relationships ( $p < 0.05$  across all variables) suggests that digital tax policies, revenue generation strategies, and SEP regulations are critical drivers of e-commerce business performance. However, correlation does not imply causation, to further establish the causal relationship among the variables to examine the impact of digital taxation on e-commerce business growth in emerging economies, this study employed an Ordinary Least Squares (OLS) regression model. This method was used to analyze the relationships between the dependent variable (DTPEG) and the independent variables (DTRG, EBO, and SEPROS). The OLS regression estimates provide insights into the statistical significance and direction of

these relationships, offering empirical evidence on how digital taxation policies and operational strategies influence e-commerce growth.

**Table 4.10 Regression Analysis**

Dependent variable: DTPEG  
 Method: Least square  
 Data: 03/22/25 Time: 23:43  
 Sample: 1 100  
 Included observation: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.313	0.226	1.384	0.170
DT	0.169	0.108	1.566	0.121
EBO	0.210	0.087	2.410	0.018
SEPROS	0.486	0.110	4.441	0.000
R-squared	0.545	Mean dependenr var	2.620	
Adjusted R-squared	0.531	S>D> dependent var	0.780	
S.E. of regression	0.534	Akaike info criterion	1.623	
Sum squared resid	27.398	Schwarz criterion	1.727	
Log likelihood	-77.160	Hannan-Quinn criter.	1.665	
F-statistic	38.342	Durbin-Watson stat	2.168	
Prob (F-statistic)	0.000			

The model's results provide critical insights into how taxation frameworks, operational business strategies, and significant economic presence regulations influence digital commerce. The dependent variable, Digital Taxation Policies and E-commerce Growth (DTPEG), is analyzed against three independent variables: Digital Taxation (DT), E-commerce Business Operations (EBO), and Significant Economic Presence Rules and Operational Strategies (SEPROS).

The overall model demonstrates a moderate explanatory power, with an R-squared value of 0.545, indicating that approximately 54.5% of the variation in DTPEG is explained by the included independent variables. When adjusted for model complexity, the Adjusted R-squared value of 0.531 confirms that the model maintains its robustness despite the number of predictors. The F-statistic of 38.34 with a p-value of 0.0000 suggests that, as a whole, the

independent variables significantly predict e-commerce growth, reinforcing the model's validity. Furthermore, the Durbin-Watson statistic of 2.17 suggests that autocorrelation is not a major concern, indicating that the residuals are randomly distributed and the regression results are reliable.

Among the independent variables, Significant Economic Presence Rules and Operational Strategies (SEPROS) exhibits the strongest and most significant influence on e-commerce growth, with a coefficient of 0.4863 and a p-value of 0.0000. This result suggests that regulatory policies defining the economic presence of digital businesses play a crucial role in shaping the growth and sustainability of e-commerce operations. This finding aligns with existing literature emphasizing the importance of tax compliance enforcement in digital markets, as seen in reports by the OECD (2021). The implementation of SEP regulations ensures that multinational digital businesses are subject to fair taxation, reducing tax avoidance and fostering a more structured and accountable e-commerce environment. The positive impact of SEPROS on e-commerce growth highlights the need for governments to continuously refine these regulatory frameworks to create a more sustainable digital economy. The second independent variable, E-commerce Business Operations (EBO), is also statistically significant, with a coefficient of 0.2096 and a p-value of 0.0179. This result implies that well-structured e-commerce operations contribute positively to digital business expansion. On the other hand, the Digital Taxation (DT) variable, while positively correlated with e-commerce growth, is not statistically significant, as indicated by its coefficient of 0.1693 and p-value of 0.1207. This suggests that while digital taxation contributes to revenue mobilization, its direct impact on the expansion of e-commerce businesses is less pronounced compared to regulatory frameworks and operational strategies. One possible explanation for this result is that digital taxation alone does not necessarily drive business growth, but rather, the way it is structured and implemented plays a crucial role. If tax policies are perceived as restrictive or burdensome, they may deter

business expansion, whereas well-balanced taxation frameworks could support economic growth by creating a level playing field for businesses. This finding calls for further research to explore the long-term implications of digital taxation on e-commerce development, particularly in emerging economies where taxation policies are still evolving.

The implications of these findings are significant for both policymakers and digital entrepreneurs. The strong influence of Significant Economic Presence Rules suggests that governments should prioritize refining and enforcing these policies to ensure fair taxation in the digital sector. By doing so, they can enhance tax compliance, reduce revenue losses due to tax evasion, and create a stable economic environment for digital businesses to thrive. Additionally, the positive and significant effect of E-commerce Business Operations highlights the need for businesses to optimize their tax planning strategies and operational models in alignment with regulatory requirements. Policymakers should, therefore, ensure that digital taxation frameworks promote innovation and business growth rather than hinder them through excessive tax burdens.

### Diagnostic Test

**Table 4.11 Multicollinearity Test Ananalysis**

Variance Inflation Factors  
 Date: 03/23/25 Time: 00:31  
 Sample: 1 100  
 Included observations: 100

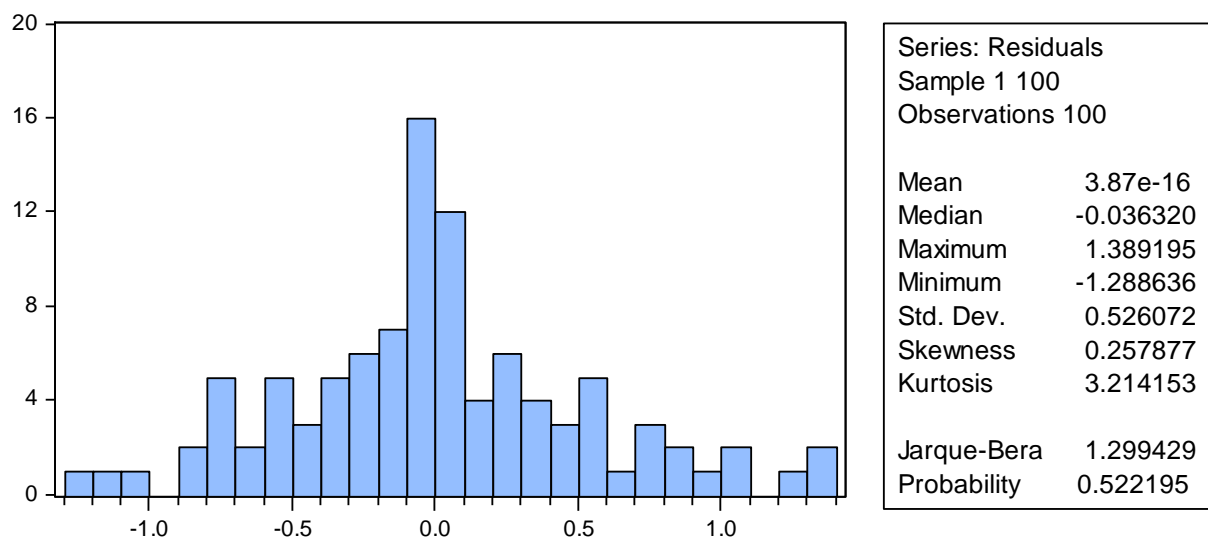
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.050971	17.85941	NA
DT	0.011691	29.93041	2.239319
EBO	0.007567	19.05069	1.990763
SEPROS	0.011991	33.74379	2.045916

The Variance Inflation Factor (VIF) analysis is a statistical tool used to detect multicollinearity among the independent variables in a regression model. Generally, a VIF value greater than 10 suggests severe multicollinearity, while values close to 1 indicate minimal correlation.

In this analysis, the centered VIF values for the independent variables—DT (2.2393), EBO (1.9908), and SEPROS (2.0459)—are all well below the threshold of 10. This indicates that the predictors do not exhibit a high degree of linear dependence on one another. Since all VIF values remain within an acceptable range, multicollinearity does not pose a significant concern in this model. The relatively low VIF values suggest that each independent variable contributes unique information to the model without excessive redundancy.

It is important to note that the uncentered VIF values are much higher. However, these values incorporate the constant term (C) and are not typically used to assess multicollinearity. Instead, the centered VIF values provide a more reliable measure of the relationships between the independent variables. Additionally, the coefficient variance values remain stable, further reinforcing the reliability of the regression estimates.

**Figure 4.1: Aggregate Normality Graph**



The histogram and statistical summary provide essential insights into the distribution of residuals, which is a crucial assumption in regression analysis. The assumption of normality in residuals ensures that the model's estimates are unbiased, efficient, and valid for hypothesis testing.

Examining the descriptive statistics, the mean residual value is approximately zero (3.87e-16), which aligns with the expectation that residuals should have a mean close to zero. The median

(-0.0363) and the standard deviation (0.5261) further indicate that the residuals are symmetrically distributed around zero, suggesting no significant bias.

The skewness value (0.2579) is close to zero, indicating that the residuals do not exhibit substantial asymmetry. The kurtosis value (3.2142) is also near the normal distribution benchmark of 3, meaning there is no extreme concentration of residuals around the mean or in the tails.

To formally test normality, the Jarque-Bera statistic (1.2994) with an associated p-value of 0.5222 is examined. Since the p-value is significantly greater than 0.05, we fail to reject the null hypothesis that the residuals follow a normal distribution. This statistical evidence supports the assumption that the residuals are normally distributed, meaning that the regression model adheres to the key normality assumption necessary for reliable inference.

#### 4.12 Autocorrelation Test Using the Breusch-Godfrey LM Test

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.372323	Prob. F(2,94)	0.6901
Obs*R-squared	0.785950	Prob. Chi-Square(2)	0.6750

The Breusch-Godfrey test is a statistical test used to detect the presence of autocorrelation in the residuals of a regression model. In this test, the null hypothesis states that there is no serial correlation in the residuals at up to 2 lags. The test results show an F-statistic of 0.3723 with an associated p-value of 0.6901, and an observed R-squared statistic of 0.7860 with a p-value of 0.6750 for the Chi-Square test. Since both p-values are significantly greater than 0.05, we fail to reject the null hypothesis at conventional significance levels. This indicates that there is no evidence of significant serial correlation in the residuals.

#### Table 4.13 Heteroskedasticity test

Heteroskedasticity Test: Breusch-Pagan-Godfrey  
 Null hypothesis: Homoskedasticity

F-statistic	0.832803	Prob. F(3,96)	0.4791
Obs*R-squared	2.536498	Prob. Chi-Square(3)	0.4687
Scaled explained SS	2.587942	Prob. Chi-Square(3)	0.4596

To test for heteroskedasticity, the Breusch-Pagan-Godfrey test was employed, which examines whether the residuals exhibit systematic variations in variance.

The test results indicate that all p-values obtained (0.4791, 0.4687, and 0.4596) are greater than the conventional significance level of 0.05. This suggests that the null hypothesis of homoskedasticity cannot be rejected, implying that the residuals have constant variance. The absence of heteroskedasticity ensures that the standard errors of the regression coefficients remain valid, making statistical inferences reliable.

A model free from heteroskedasticity is desirable as it guarantees efficient and unbiased parameter estimates, allowing for accurate hypothesis testing and confidence interval construction. **Table 4.14 Model misspecification**

Ramsey RESET Test  
 Equation: UNTITLED  
 Omitted Variables: Squares of fitted values  
 Specification: DTPEG C DTRG EBO SEPROS

	Value	df	Probability
t-statistic	0.657920	95	0.5122
F-statistic	0.432858	(1, 95)	0.5122
Likelihood ratio	0.454605	1	0.5002

The Ramsey RESET test was conducted to evaluate the adequacy of the regression model's functional form and to check for possible misspecification issues, such as omitted variables or incorrect model structure. The null hypothesis of the Ramsey RESET test states that the model is correctly specified, meaning it does not suffer from omitted variable bias or functional form misspecification. The test results indicate that all p-values (0.5122 for the t-statistic and F-statistic, and 0.5002 for the likelihood ratio) are greater than the conventional significance level of 0.05. As a result, we fail to reject the null hypothesis, implying that there is no statistical evidence of model misspecification.

These findings suggest that the regression model is appropriately specified, and the chosen independent variables sufficiently capture the relationship between the dependent variable and the predictors. Since no significant omitted variables or incorrect functional forms were detected, the model can be considered robust and reliable for making inferences.

**Table 4.15 Wald test (Hypothesis testing)**

Wald Test:  
Equation: Untitled

Test Statistic	Value	df	Probability
F-statistic	38.34185	(3, 96)	0.0000
Chi-square	115.0256	3	0.0000

Null Hypothesis: C(2)=0, C(3)=0, C(4)=0

Null Hypothesis Summary:

Normalized Restriction (= 0)	Value	Std. Err.
C(2)	0.169275	0.108124
C(3)	0.209602	0.086987
C(4)	0.486288	0.109506

Restrictions are linear in coefficients.

The Wald Test was conducted to determine whether the independent variables—Digital Taxation (DT), E-commerce Business Operations (EBO), and Significant Economic Presence (SEPROS) Rules and Operational Strategies—have a significant impact on Digital Taxation Policies and E-commerce Growth (DTPEG) in emerging economies. The null hypothesis in this test assumes that these independent variables collectively have no effect on the dependent variable, meaning that their coefficients are equal to zero. In contrast, the alternative hypothesis suggests that at least one of these variables plays a significant role in shaping digital taxation policies and e-commerce growth.

The results of the Wald Test provide strong statistical evidence against the null hypothesis. The F-statistic value of 38.34185 and the Chi-square value of 115.0256 both have probability values of 0.0000, which are far below any common significance threshold such as 1%, 5%, or 10%. Given these extremely low p-values, we confidently reject the null hypothesis and conclude

that the independent variables do, in fact, have a significant effect on digital taxation policies and e-commerce growth in emerging economies.

The individual coefficient estimates further highlight the specific contributions of each independent variable. The coefficient for Digital Taxation (DT), represented as  $C(2) = 0.169275$ , indicates a positive but relatively modest impact on digital taxation policies and e-commerce growth. This suggests that while taxation policies aimed at revenue generation influence e-commerce activities, their effect is not as pronounced as other factors. E-commerce Business Operations (EBO), represented by  $C(3) = 0.209602$ , shows a stronger positive effect, indicating that the way businesses operate within the digital taxation framework significantly contributes to their growth and sustainability. However, the most substantial impact comes from Significant Economic Presence (SEPROS) Rules and Operational Strategies, which has a coefficient of  $C(4) = 0.486288$ . This result suggests that policies and strategies based on significant economic presence play a crucial role in determining how digital taxation affects e-commerce growth, making them a critical area of focus for policymakers.

The rejection of the null hypothesis and the significant values of these coefficients indicate that digital taxation policies and regulations are highly influential in shaping the trajectory of e-commerce in emerging economies. The findings suggest that a well-structured digital taxation framework, especially one that incorporates clear guidelines on significant economic presence, can contribute positively to the expansion of e-commerce. Moreover, e-commerce businesses must continuously adapt their operational strategies to comply with taxation policies while maintaining growth.

#### **4.4 Discussion of findings**

This study examined the impact of digital taxation on e-commerce growth (DTPEG) in emerging economies using multiple regression analysis. The independent variables considered were Digital Taxation (DT), E-commerce Business Operations (EBO), and Significant

Economic Presence Rules and Operational Strategies (SEPROS). The regression results provided key insights into the significance and influence of these variables on e-commerce growth.

The R-squared value of 0.545 suggests that the independent variables explain 54.5% of the variation in e-commerce growth, indicating a moderate explanatory power of the model. The Adjusted R-squared (0.531) further indicates that, after adjusting for the number of predictors, approximately 53.1% of the variance in e-commerce growth is explained by the model. This suggests that the model is robust and captures a significant portion of the factors influencing e-commerce growth.

Among the independent variables, Significant Economic Presence Rules and Operational Strategies (SEPROS) showed the strongest and most significant effect on e-commerce growth, with a coefficient of 0.486 and a p-value of 0.0000 (highly significant). This suggests that regulatory policies defining the economic presence of digital businesses play a crucial role in shaping the growth and sustainability of e-commerce operations. E-commerce Business Operations (EBO) was also statistically significant at the 5% level ( $p = 0.018$ ), indicating a meaningful positive effect. This implies that well-structured e-commerce operations contribute positively to digital business expansion.

Conversely, Digital Taxation (DT) was found to be statistically insignificant with a p-value of 0.121, meaning its direct impact on e-commerce growth is not strong enough to be conclusively established. This suggests that while digital taxation contributes to revenue mobilization, its direct impact on the expansion of e-commerce businesses is less pronounced compared to regulatory frameworks and operational strategies.

The F-statistic (38.34,  $p = 0.0000$ ) indicates that the model is statistically significant overall, suggesting that at least one independent variable has a meaningful effect on e-commerce

growth. The Durbin-Watson statistic (2.17) suggests no serious autocorrelation issues, indicating that residuals are randomly distributed.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

#### 5.1 Introduction

As the study concludes, this chapter provides a comprehensive summary of the key findings, draws overall conclusions from the analysis, and offers practical recommendations to address the issues explored in the research. The study examined the impact of digital taxation on e-commerce growth in emerging economies, focusing on the role of Digital Taxation (DT), E-commerce Business Operations (EBO), and Significant Economic Presence Rules and Operational Strategies (SEPROS). The findings, conclusions, and recommendations presented here aim to guide policymakers, e-commerce stakeholders, and future researchers in understanding and addressing the challenges and opportunities associated with digital taxation and e-commerce growth.

#### 5.2 Summary of Findings

This research investigated the impact of digital taxation on e-commerce growth in emerging economies, utilizing multiple regression analysis to explore the relationships between the dependent variable, Digital Taxation Policies and E-commerce Growth (DTPEG), and the independent variables: Digital Taxation (DT), E-commerce Business Operations (EBO), and Significant Economic Presence Rules and Operational Strategies (SEPROS). Based on the analysis, the following key findings were made:

1. **Significant Economic Presence Rules and Operational Strategies (SEPROS):** SEPROS had the strongest and most significant positive impact on e-commerce growth, with a coefficient of 0.486 and a p-value of 0.0000. This indicates that regulatory frameworks defining the economic presence of digital businesses play a critical role in shaping e-commerce growth and sustainability.

2. **E-commerce Business Operations (EBO):** EBO also showed a statistically significant positive effect on e-commerce growth, with a coefficient of 0.210 and a p-value of 0.018. This suggests that well-structured e-commerce operations contribute meaningfully to the expansion and sustainability of digital businesses.
3. **Digital Taxation (DT):** While Digital Taxation (DT) had a positive coefficient of 0.169, it was statistically insignificant, with a p-value of 0.121. This implies that, although digital taxation contributes to revenue generation, its direct impact on e-commerce growth is not as pronounced as regulatory frameworks and operational strategies.
4. **Model Performance:** The regression model demonstrated moderate explanatory power, with an R-squared value of 0.545, indicating that 54.5% of the variation in e-commerce growth is explained by the independent variables. The Adjusted R-squared value of 0.531 further confirmed the model's robustness. The F-statistic of 38.34 ( $p = 0.0000$ ) indicated that the model is statistically significant overall, and the Durbin-Watson statistic of 2.17 suggested no serious autocorrelation issues.
5. **Diagnostic Tests:** Diagnostic tests, including multicollinearity, normality, autocorrelation, heteroskedasticity, and model misspecification tests, confirmed the reliability and validity of the regression results. The Variance Inflation Factor (VIF) values for all independent variables were below the threshold of 10, indicating no severe multicollinearity. Additionally, the residuals were normally distributed, and the model was free from autocorrelation and heteroskedasticity.

### 5.3 Conclusion

This study aimed to examine the impact of digital taxation on e-commerce growth in emerging economies, focusing on the roles of Digital Taxation (DT), E-commerce Business Operations (EBO), and Significant Economic Presence Rules and Operational Strategies (SEPROS). The

findings revealed that SEPROS has the most significant and positive influence on e-commerce growth, highlighting the importance of regulatory frameworks in shaping the digital economy. E-commerce Business Operations (EBO) also played a meaningful role, emphasizing the need for well-structured operational strategies to drive business expansion.

However, Digital Taxation (DT) did not show a statistically significant direct impact on e-commerce growth, suggesting that while taxation policies are essential for revenue generation, their influence on business growth is less pronounced compared to regulatory and operational factors. This underscores the need for balanced and well-designed tax policies that do not hinder e-commerce development.

Overall, the study concludes that regulatory frameworks and operational strategies are critical drivers of e-commerce growth in emerging economies. Policymakers and businesses must work collaboratively to create an enabling environment that fosters innovation, compliance, and sustainability in the digital economy.

#### **5.4 Recommendations**

Based on the findings and conclusions of this study, the following recommendations are proposed:

##### **1. Strengthen Regulatory Frameworks (SEPROS):**

- a) Governments should prioritize the development and enforcement of Significant Economic Presence (SEP) rules to ensure fair taxation of digital businesses. Clear and consistent regulations will reduce tax avoidance and create a level playing field for all stakeholders.
- b) Policymakers should engage with e-commerce businesses and industry experts to refine SEPROS, ensuring that they are adaptable to the evolving digital economy.

##### **2. Optimize E-commerce Business Operations (EBO):**

- a) E-commerce businesses should invest in robust operational strategies, including efficient tax planning, compliance mechanisms, and customer-centric models, to enhance growth and sustainability.
- b) Businesses should leverage technology to streamline operations, reduce costs, and improve compliance with digital taxation policies.

### **3. Reform Digital Taxation Policies (DT):**

- a) While digital taxation did not show a significant direct impact on e-commerce growth, policymakers should design tax policies that strike a balance between revenue generation and business growth. Excessive tax burdens could deter investment and innovation in the digital sector.
- b) Governments should consider providing tax incentives for startups and small e-commerce businesses to encourage growth and competitiveness in emerging economies.

### **4. Enhance Awareness and Education:**

- a) Given the low familiarity with digital taxation among respondents (45% were not familiar), governments and industry stakeholders should launch awareness campaigns to educate businesses and individuals about digital taxation policies and compliance requirements.
- b) Training programs and workshops should be organized to help e-commerce businesses understand and adapt to regulatory changes.

### **5. Promote Collaboration Between Stakeholders:**

- a) Policymakers, tax authorities, and e-commerce businesses should collaborate to create a transparent and predictable tax environment. Regular consultations and feedback mechanisms can help address challenges and improve policy implementation.

- b) International cooperation is also essential to address cross-border tax issues and ensure a harmonized approach to digital taxation.

## **5.5 Suggestions for Further Studies**

To build on the findings of this study, future research could explore the following areas:

### **1. Expanded Scope and Variables:**

- a) Future studies could incorporate additional variables, such as government incentives, technological infrastructure, and consumer behavior, to provide a more comprehensive understanding of the factors influencing e-commerce growth.
- b) The study could be expanded to include multiple emerging economies to compare the impact of digital taxation across different regions and regulatory environments.

### **2. Longitudinal Analysis:**

A longitudinal study could be conducted to examine the long-term effects of digital taxation and regulatory frameworks on e-commerce growth. This would provide insights into how policies evolve and their sustained impact over time.

### **3. Sector-Specific Analysis:**

Future research could focus on specific sectors within the e-commerce industry, such as retail, logistics, or digital services, to understand how digital taxation and regulations affect different segments.

### **4. Methodological Advancements:**

- a) Advanced econometric techniques, such as panel data analysis, structural equation modeling (SEM), or machine learning algorithms, could be employed to capture complex relationships and dynamics between variables.

- b) Qualitative research methods, such as interviews or case studies, could complement quantitative analysis by providing deeper insights into the experiences and perspectives of e-commerce businesses and policymakers.

#### **5. Impact of Emerging Technologies:**

With the rapid adoption of emerging technologies like blockchain, artificial intelligence, and the Internet of Things (IoT), future studies could explore how these technologies influence digital taxation and e-commerce operations.

By addressing these areas, future research can contribute to a more nuanced understanding of the interplay between digital taxation, regulatory frameworks, and e-commerce growth, ultimately guiding the development of policies that foster a sustainable and inclusive digital economy.

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## APPENDIX

	DTPEG	DTRG	EBO	SEPROS
DTPEG	1.000000	0.612299	0.613881	0.692185
DTRG	0.612299	1.000000	0.664564	0.675794
EBO	0.613881	0.664564	1.000000	0.623589
SEPROS	0.692185	0.675794	0.623589	1.000000

Dependent Variable: DTPEG

Method: Least Squares

Date: 03/24/25 Time: 15:29

Sample: 1 100

Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.312523	0.225767	1.384272	0.1695
DTRG	0.169275	0.108124	1.565555	0.1207
EBO	0.209602	0.086987	2.409595	0.0179
SEPROS	0.486288	0.109506	4.440765	0.0000

R-squared	0.545079	Mean dependent var	2.620000
Adjusted R-squared	0.530862	S.D. dependent var	0.779968
S.E. of regression	0.534228	Akaike info criterion	1.623191
Sum squared resid	27.39839	Schwarz criterion	1.727398
Log likelihood	-77.15955	Hannan-Quinn criter.	1.665365
F-statistic	38.34185	Durbin-Watson stat	2.167514
Prob(F-statistic)	0.000000		

### I have adequate knowledge of digital taxation policies in Nigeria.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	6.0	6.0	6.0
	2	28	28.0	28.0	34.0
	3	41	41.0	41.0	75.0
	4	16	16.0	16.0	91.0
	5	9	9.0	9.0	100.0
Total		100	100.0	100.0	

### Digital taxation policies significantly impact revenue generation for e-commerce businesses in Nigeria.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	13	13.0	13.0	13.0
	2	48	48.0	48.0	61.0
	3	29	29.0	29.0	90.0

	4	4	4.0	4.0	94.0
	5	6	6.0	6.0	100.0
	Tota l	100	100.0	100.0	

**Digital taxation policies increase operational costs,  
reducing profit margins for e-commerce businesses.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1	15	15.0	15.0	15.0
	2	42	42.0	42.0	57.0
	3	30	30.0	30.0	87.0
	4	10	10.0	10.0	97.0
	5	3	3.0	3.0	100.0
	Tota l	100	100.0	100.0	

**I am familiar with the Significant Eco2mic Presence (SEP)  
rules.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1	5	5.0	5.0	5.0
	2	22	22.0	22.0	27.0
	3	39	39.0	39.0	66.0
	4	28	28.0	28.0	94.0
	5	6	6.0	6.0	100.0
	Tota l	100	100.0	100.0	

**SEP rules influence pricing strategies and operational  
models of e-commerce businesses in Nigeria.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1	8	8.0	8.0	8.0
	2	38	38.0	38.0	46.0
	3	44	44.0	44.0	90.0
	4	8	8.0	8.0	98.0

	5	2	2.0	2.0	100.0
	Tota l	100	100.0	100.0	

**Compliance with SEP rules affects the competitive advantage of local e-commerce businesses compared to international firms.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1	8	8.0	8.0	8.0
	2	36	36.0	36.0	44.0
	3	48	48.0	48.0	92.0
	4	6	6.0	6.0	98.0
	5	2	2.0	2.0	100.0
	Tota l	100	100.0	100.0	

**I am familiar with recent changes in digital taxation policies in Nigeria.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1	8	8.0	8.0	8.0
	2	33	33.0	33.0	41.0
	3	35	35.0	35.0	76.0
	4	13	13.0	13.0	89.0
	5	11	11.0	11.0	100.0
	Tota l	100	100.0	100.0	

**Changes in digital taxation policies have a significant impact on the growth of e-commerce businesses in Nigeria.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	1	16	16.0	16.0	16.0
	2	48	48.0	48.0	64.0
	3	29	29.0	29.0	93.0

	4	5	5.0	5.0	98.0
	5	2	2.0	2.0	100.0
	Tota l	100	100.0	100.0	

**The digital tax system in Nigeria encourages foreign investment in the e-commerce sector.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Vali d	1	9	9.0	9.0	9.0
	2	32	32.0	32.0	41.0
	3	41	41.0	41.0	82.0
	4	15	15.0	15.0	97.0
	5	3	3.0	3.0	100.0
	Tota l	100	100.0	100.0	

**My e-commerce business is significantly affected by digital taxation policies.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Vali d	1	15	15.0	15.0	15.0
	2	40	40.0	40.0	55.0
	3	32	32.0	32.0	87.0
	4	8	8.0	8.0	95.0
	5	5	5.0	5.0	100.0
	Tota l	100	100.0	100.0	

**Digital taxation policies have influenced my pricing and revenue strategies.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Vali d	1	12	12.0	12.0	12.0
	2	44	44.0	44.0	56.0
	3	32	32.0	32.0	88.0
	4	9	9.0	9.0	97.0

	5	3	3.0	3.0	100.0
	Tota l	100	100.0	100.0	

**I have implemented strategies to adapt to digital taxation policies, such as adjusting prices or restructuring operations.**

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Vali d	1	8	8.0	8.0	8.0
	2	40	40.0	40.0	48.0
	3	36	36.0	36.0	84.0
	4	10	10.0	10.0	94.0
	5	6	6.0	6.0	100.0
	Tota l	100	100.0	100.0	