



Challenges of Taxation of the Digital Economy

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Abstract

For robust, lengthy, and shared prosperity, a very well tax system is vital. However, since the current geopolitical taxation framework recognizes subsidiaries of a multinational business group as separate entities for tax reasons, developing nations usually find it difficult to tax the income of MNEs operating in their territory efficiently. Many African countries' tax structures are ill-equipped to deal with the digital economy's rapid rise. African tax authorities confront the difficult problem protect their tax base while not hindering the development and implementation of new technology or the involvement of the business community in the developing e-marketplace. The study employed a sample size of 305 RRA employees and 394 taxpayers as responders, and the data was analyzed using descriptive statistics, an excel spreadsheet, and STATA 10 software. Document analysis and questionnaires were employed in the study to investigate the issues of digital economy taxes as well as their influence on tax administration and commercial operations. The study's results on hypothesis testing employed t-testing at a significance threshold of 95%. Only two of the twenty-four challenges accepted the null hypothesis, while the other twenty-two determined that digital economy taxation had a significant impact on either company activity or tax administration. The study looked into the difficulties of taxing the digital economy and how they affect tax administration policies and enterprises in that sector. It concluded by acknowledging that developing-country difficulties are distinct from those faced by their developed-country counterparts and proposing three approaches to address them. To begin with, multilateral action should be preferable to unilateral action. Second, the RRA should safeguard domestic firms in the digital economy by establishing a fair and equal taxation system for all businesses and providing particular assistance to help these businesses prosper. The third and final approach is a continental evolutionary strategy that evaluates several concepts of tolerance, effectiveness, and productivity while assessing the various digital MNE business models and their potential evolution.

Keywords: Taxation, tax administration, digital economy, Africa

INTRODUCTION

Since the industrial revolution, the digitization age has ushered in new opportunities for workers in both the private and governmental sectors. As a result, it is a critical driver of innovation, economic growth, and social issues. However, although being a major driver, digitization is also connected with significant problems, because existing tax regulations control new ways of doing business. According to political and scholarly debate, the biggest issues in the digital economy's taxes stem from the customer's declining physical presence in the market, rising intangibles, and a high degree of value chain integration. To ensure a stable system for taxing profits, these debates demand extensive and systematic adjustments to the international tax system (Olbert et al., 2017).

The digital economy has taxation issues at a global, continental, regional, and local level. Organizations much like European Council (EC) as well as the Organization for Economic Cooperation and Development (OECD) are working to solve these difficulties. The European Commission proposed two regulations in March 2018, the first of which is the formation of a new PE. It implies that all businesses must pay taxes in all states where they have a digital presence. The second option is to levy a 3% tax on interim digital tax receipts. As long as it doesn't want a fragmented approach, the OECD is working on taxing the internet economy worldwide. In October, the OECD declared that progress towards the

census had been achieved in an inclusive framework on BEPS for OECD/G20 (139 nations as of February 2021) members (Rukundo, 2020).

PE and ALP are two global tax regulations that make taxing the digital industry difficult. When a taxpayer has two or more establishments in two or more countries with no tax treaties between them, the first PE gets complicated. This is problematic since the PE rule grants the power to tax, and if no treaties exist between nations, the tax may be doubly taxed. Another issue with the ALP rule is that it prevents parties from being autonomous and on equal footing. These issues are addressed by bilateral agreements or treaties (Rukundo, 2020).

Because the majority of African countries are still developing, many of their tax collection agencies rely on indirect and direct taxes. African countries encountered a number of challenges when implementing the digital economy. According to Ndajiwo's study, for a long time, African governments utilized two techniques to tax multinational corporations: local laws (CIT and VAT) and bilateral DTAs. These methods are now causing problems since resident firms that provide identical services to MNEs are still subject to CIT, whereas digital MNEs are not. MTN Rwanda, for example, pays taxes on its profits, but Facebook does not, even though many Rwandans use WhatsApp for texting. This results in a decrease in the number of messages sent by MTN Rwanda, which has an impact on the company's earnings as long as texts are used to bring in higher income before WhatsApp.

Other variables can add to the increased difficulties. Some nations, for example, have lax tax regulations that promote tax evasion and other crimes. These stolen funds are frequently buried in tax havens and never used by Africa. African economies require sufficient income to accomplish long-term growth, but these practices make it difficult to apply tax solutions to address difficulties in the digital economy. These countries have become a major problem with tax systems since many follow tax avoidance or evasion instead of compliance. Technology is changing every industry, including those that have relied on conventional methods for a long time, such as e-commerce and digital banking. Between 2000 and 2019, Africa, like other areas, had a surge in internet usage in the twentieth century, with the internet-connected population rising from 4.5 to 526 million people (2000–2019). This created a sizable market for computerized commerce (Alstadsæter et al., 2013; Ndajiwo, 2020).

Since the rise of cryptocurrencies, officials in many nations have been arguing about how to construct the tax system and regulate transactions in digital assets. Surprisingly, official viewpoints vary greatly, in part because there is no global agreement addressing this new sector. Essentially, a government must determine whether it wants to keep its tax system neutral by charging the correct sort of tax at the right moment, or whether it wants to discourage the use of cryptocurrencies by imposing abnormally high tax burdens. While some nations regard cryptocurrencies similarly to traditional forms of foreign exchange, others classify them as transferable assets for tax reasons (Rachanee, 2018).

In the year 2018, in the United States, the cabinet abruptly authorized drafts of two emergency decrees, one to control transactions and the other to establish tax laws for what the decrees refer to as "digital assets." The news stunned the market, essentially putting a halt to new ICOs by levying both income tax (along with withholding tax) and VAT on transactions. This looks to be an effort to discourage excessive usage of and investment in digital assets. True, the varied properties of cryptocurrencies make it difficult to develop a single taxation law for all digital assets, but the initial draft appears to ignore this problem (Rachanee, 2018).

Globalization has become one of the factors influencing the rise of the digital economy. Since the mid-1990s, increased globalization has weakened portions of many nations' revenue bases. According to a 2014 Pew Research Center survey, almost 60% of respondents in both wealthy and poor nations identified rising inequality as a key concern. However, lowering inequality through more equitable labor income taxes may not always be possible due to the rising mobility of high-income, often highly trained individuals, which limits governments' capacity to tax them (Egger et al., 2016).

The study showed that, between 1994 and 2007, OECD nations responded to globalization by raising taxes on the middle classes while lowering them on the wealthy (often businesses in the digital economy). As a result, with the objective of keeping and attracting highly productive, high-income people, eliminating inequality through traditional tax mechanisms becomes increasingly difficult. Personal income taxes have become less effective as a tool for redistribution for OECD nations since the mid-1990s as a result of globalization. Academic and policy researchers are working on international tax policy cooperation in capital taxation. It could be worthwhile to investigate the costs and advantages of such coordination on labor taxes as well. (Egger et al., 2016).

Rwanda, like many other countries, has embraced digitization in a variety of industries. As a result, tax methods and systems have evolved and become more computerized to remain competitive worldwide. Rwanda, like many African nations, suffers from taxation issues. Some are linked to multinational corporations, permanent establishments, and the digital economy... To address tax difficulties, RRA has established tax reforms and strategies like DTAs and is currently developing new ones. As long as it is represented both physically and digitally, the digital economy presents distinct issues. Even while certain difficulties are universal, developing countries are affected differently than developed

countries. RRA has produced positive outcomes, but there is still work to be done to address the difficulties that have arisen in the new digital economy (Gouder, 2020; Rosengard, 2020).

Statement of problem

As a result of the rapid growth in the number of internet users, the digital economy is exploding all over the world. As a result, numerous firms have prospered, with Google, Facebook, and Amazon dominating the field. Many African countries have seen an increase in internet use over the previous decade. The availability of low-cost internet and gadgets (smartphones, laptops, etc.) in many African countries made this possible. This resulted in the establishment of several digital-based enterprises. As a result, the digital economy has grown to become a vital business in the lives of its residents. Despite the fact that the digital economy has numerous potentials, taxing it creates significant difficulties.

Rwanda, like other African countries, has had a rapid growth in the digital economy. At COVID-2019, technology became a necessity and many businesses started to go digital for selling, distribution, and other business operations. Momo Pay has become a popular form of money transaction. For RRA, the main challenge was whether the traditional tax regimes were equipped to deal with the digital economy. RRA has made much improvement towards the digital world, but there is much to be done to counter challenges in taxing the digital economy to protect their tax bases. Challenges should be examined for their effects on the tax administration’s policies and taxpayers’ compliance. This should be done by acknowledging that the challenges of developing countries differ from developed ones.

Research hypotheses

The following theories guided the research.

1. Challenges in taxing the digital economy in have no significant effect in Rwanda.
2. Challenges in taxing the digital economy have no significant effect on RRA’s policies in the digital economy.
3. Challenges in taxing the digital economy have no significant effect on business activities in the digital economy.

Concept framework model

According to Bas Swaen (2015), a conceptual framework model in research is a written or visual representation that illustrates the expected relationship between variables. These variables are composed of independent, mediating variables, and dependent variables. Dependent variables are those variables that can be influenced by other variables. In other words, they depend on others to exist. In this study, the dependent variables are the businesses based on the digital economy. Dependent variables include e-commerce and digital banking.

The independent variables are those variables that influence other variables. In this study, the independent variables are the challenges of taxation in the digital economy. Taxpayer compliance, the impact of the globalization system, and political economy are all independent variables. Mediating variables are those variables that link independent and dependent variables. Mediating variables include innovation in taxation systems and economic growth. The relationship between variables is clearly illustrated in the conceptual framework model (Fig. 1)

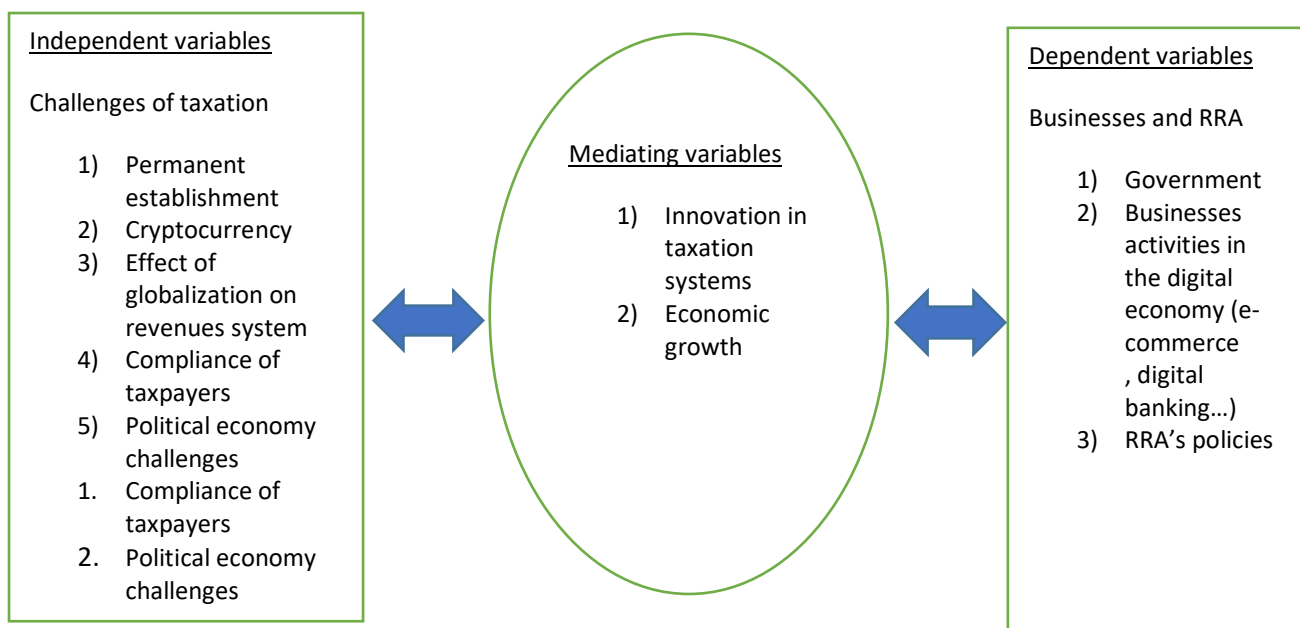


Figure-1: Conceptual framework model of the study**Source:** Primary data

With this conceptual framework model, we look at the structure of challenges faced during the taxation of the digital economy. With independent variables, we have variables that are influenced by independence. Businesses and policies on taxation of the digital economy are influenced by challenges faced. This is because, in the digital economy, many profit-generating activities allow taxation in this field to exist. Therefore, if challenges arise, it affects business in that field. Innovation in the taxation system (payment, declaration) influences both sides. On the business side (dependent), if the number of businesses continues to grow, revenue authorities must innovate their system of taxation to satisfy taxpayers.

They can update their software or make others that sustain large amounts of data. This innovation would influence the way businesses are taxed, which reduces disputes between the RRA and taxpayers. Some of the challenges (independent) are influenced by innovation since it is there to resolve those challenges. For example, if there are innovative systems to remind taxpayers when the declaration period is near, this might make them comply more. On the dependent side, mediating variables can make the digital economy grow. For example, if there are tax incentives for economic growth purposes in digital-based businesses, it attracts newcomers, investors, and new ideas.

LITERATURE REVIEW

Taxation of digital economies

Many countries throughout the world have begun to alter their tax systems in recent years to reflect the economy's digitalization. This is why digital taxes include new policies for taxing digital businesses that surpass existing policies to ensure fairness in taxing all digital businesses. For example, taxing a permanent establishment without a physical presence requires new policies since it is new. Organizations like the UN and OECD have led ongoing negotiations to adapt the existing international tax rules. These talks are anticipated to address concerns about the present international company tax system, which has conventional permanent establishment requirements that do not apply to the world's top digital enterprises operating in many nations (Bunn et al., 2020).

To deal with digital taxes, many governments have implemented unilateral tax policies. Digital services taxes, grass-roots withholding taxes, and digital permanent establishments are examples of these. The necessity for multilateral coordination is based on the expectations or effects of unilateral tax measures that interact or contradict one other, resulting in repercussions such as double taxation across nations. The design of these policies must follow principles of taxation (simplicity, transparency, neutrality, and stability). Therefore, they can stand a chance against challenges arising from taxing the digital economy (Bunn et al., 2020).

The Digital Economy's Taxation Challenges

1) The ancient idea of the permanent establishment norm no longer applies:

When a global firm develops a considerable physical presence, a jurisdiction gains taxing authority. A suitable physical presence includes a central office, a dependent agent, branches, and so on, but excludes storage, product delivery, and basic preparation or auxiliary chores. In the digital economy, it becomes a challenge since many MNCs in the digital economy have only digital footprints with no physical permanent establishment to tax (Rukundo, 2020).

Foreign countries have a major challenge in implementing policies that tax those digital footprints even if they are earning income there. When it comes to developing countries, it becomes harder due to the lack of those policies and tax treaties with other countries. For example, Netflix has clients in Rwanda but still doesn't pay taxes in Rwanda. Digital MNEs pose a difficult challenge due to their disruptive nature. CIT is imposed on local enterprises that provide identical services, whereas digital MNEs are exempt from the tax (Rukundo, 2020).

2) Cryptocurrency:

This is a worldwide challenge due to being a decentralized currency, and it has sparked a wide range of subjects in both political and economic matters. Since the rise of cryptocurrencies, officials in many nations have been arguing about how to construct the tax system and regulate digital asset transactions. Surprisingly, official attitudes vary greatly, owing in part to the lack of a global agreement addressing this new domain. In essence, a government must decide whether it wants to retain the neutrality of its tax system by applying the appropriate tax at the appropriate moment or if it wants to discourage the use of cryptocurrencies by imposing disproportionately large tax burdens. For tax reasons, some nations regard cryptocurrencies similarly to conventional forms of foreign exchange, while others treat them as transferable assets (Rachanee, 2018).

3) The impact of globalization on the revenue system:

Tax systems around the world have different policies. Because of the influence of globalization, the digital economy's taxation policy must adhere to international standards. However, this has proven to be challenging due to local and international laws having to be followed, and sometimes they contradict each other. Globalization requires a global strategy to resolve these challenges caused by contradictions and differentiation between local and international laws on taxation (Carnahan, 2015).

4) Political and economic challenges:

These challenges arise due to political pressure to tax the digital economy. Taxing digital MNEs requires economic deals, and that requires political ties, especially in making multilateral deals. Apart from multilateral, political, and economic challenges, these include administrative and legal issues that are associated with taxing the digital economy. Using a unilateral approach, CIT and VAT showed weakness when taxing digital MNEs. This is why multilateral action is taken to ensure fair taxation for all parties participating in it, and it requires both political and economic approaches (Carnahan, 2015).

5) Avoiding compliance with tax systems:

This poses a major challenge to taxation in general, but when it comes to the digital economy, it becomes unique. Many digital MNEs don't want to comply with the tax system but instead have a habit of finding loopholes in the tax system to reduce tax liability. even if some programs were implemented to fight challenges associated with taxation compliance. For example, the OECD's BEPS focuses on tax havens. Digital MNEs use their digital opportunities to be classified as permanent establishments to avoid tax compliance. This is done by not always being willing to give access to their data to tax administration (this is done especially in developing countries) and because it's necessary for enforcing transfer pricing law (Carnahan, 2015).

METHODOLOGY

The study used a descriptive case study research technique, combining quantitative and qualitative research approaches. The questionnaire was utilized as a data collection tool to assess every detail related tax difficulty in Rwanda's digital economy. The population of the research is made up of 1,276 RRA personnel reported by the Human Resource department (2021) and 2,400 taxpayers in Kigali City. Using Slovin's method, the sample size was calculated to be 343 taxpayers and 305 RRA workers. The respondents for the research were picked using normal random sampling techniques. Questionnaires and documentation were used to collect data from both primary and secondary sources. STATA 10 and an Excel spreadsheet were used to examine the acquired data. Data processing involves three steps performed on collected data to organize, integrate, and extract data into useful output. The first step was editing the data to examine the data collected through questionnaires. The second one was coding to make our data quantitative. Finally, tabulation for summarizing and displaying for further analysis. Data analysis was also performed in steps, but in four steps. The first one was that document analysis was used to examine the challenges of taxation in the digital economy. Secondly, quantitative data analysis was used to generalize outcomes acquired from answers to the respondent's questionnaires using STATA 10 and an excel spreadsheet as a tool for data analysis. The next step was statistical analysis that showed what was going on in the form of a dashboard, which made interpretation easier. And lastly, a t-test was used to test the hypothesis' significance.

RESULTS AND DISCUSSIONS

T-test for the hypothesis of RRA's respondents and discussion of its result

The hypotheses were evaluated with a t-test to see if there was enough statistical evidence to reject the null hypotheses. The null hypothesis states that problems in taxing the digital economy have no significant influence on RRA's digital economy policies, but alternative challenges in taxing the digital economy have a substantial effect on RRA's digital economy policies. This result also tested the first hypothesis, since if a challenge affects RRA, it also challenges Rwanda as a country. A hypothesis mean of 3 was utilized in the t-test because it indicates neutral.

1) Results of t-test for RRA's respondents

The speculation was tested using a t-test of 12 questions administered to RRA respondents, as shown in table 10.

Table-1: An overview of RRA respondents' t-test findings

Questions	Observations	Hypothesized Mean	t Stat	t Critical one-tail	t Critical two-tail
Q1	305	3	19.27675154	1.6498814	1.967798141
Q2	305	3	31.38173981	1.6498814	1.967798141
Q3	305	3	50.71805319	1.6498814	1.967798141
Q4	305	3	20.64003671	1.6498814	1.967798141
Q5	305	3	6.373548844	1.6498814	1.967798141
Q6	305	3	14.15825086	1.6498814	1.967798141
Q7	305	3	26.06295935	1.6498814	1.967798141
Q8	305	3	22.15094953	1.6498814	1.967798141
Q9	305	3	13.8786217	1.6498814	1.967798141

Q10	305	3	-0.145287663	1.6498814	1.967798141
Q11	305	3	12.62415449	1.6498814	1.967798141
Q12	305	3	94.22857167	1.6498814	1.967798141

Source: Primary data, 2020

Hypothesis: $H_0: \mu \leq 3$

$H_1: \mu > 3$

Reject H_0 , if $t > 1.6498814$ and do not reject if $t \leq 1.6498814$

2) The analysis results of RRA respondents were summarized in the table 11.

Table 2: Results' summary of RRA respondents

No	Questions	Hypothesis
1	Do you think that taxing the digital economy has improved RRA policies?	Rejected the null hypothesis
2	Is RRA essential to overhaul the current tax framework for digital economy taxation?	Rejected the null hypothesis
3	Is it essential for RRA to update its current tax structure in view of the challenges that internet commerce presents?	Rejected the null hypothesis
4	Is BEPS a threat to RRA because MNEs exploit gaps and imbalances between countries?	Rejected the null hypothesis
5	Is corporate tax compliance a concern for RRA policies when it comes to digital MNEs?	Rejected the null hypothesis
6	Is RRA's policy of unilateral taxation compliant with international standards?	Rejected the null hypothesis
7	Is the international policy only useful in combating MNE tax evasion?	Rejected the null hypothesis
8	Is BEPS a danger to RRA policy because multinational firms aim to exploit poor nations by exploiting loopholes and mismatches?	Rejected the null hypothesis
9	In your opinion, cryptocurrency taxes should be discussed while developing RRA policies?	Rejected the null hypothesis
10	Do you think RRAs should consider imposing fines on online wallet holders who fail to register their online income in order to lessen its impact?	Accepted the null hypothesis
11	Do you feel that the existence of solely digital footprints of some MNEs in Rwanda constitutes a danger to the country's current taxation system?	Rejected the null hypothesis
12	Is it essential to educate people whose taxes have not yet been imposed in the digital economy about tax compliance?	Rejected the null hypothesis

Source: Primary data, 2020

These questions investigated multiple challenges that are global, political, tax administration level... The results, conducted using a t-test, showed that among the 12 questions tested, only one accepted the null hypothesis. This means 11 of them agree that challenges in taxing the digital economy have significant influence on RRA's digital economy policies and only accept that challenges in taxing the digital economy have no significant influence on RRA's policies. This shows that respondents believe that the challenges of taxation in the digital economy affect RRA's policies. Here, all five independent variables were investigated and how they affect Rwanda and RRA's policies.

This is backed by Rukundo Solomon's paper on the issues of taxes in the digital economy and lessons for Africa. His research indicated that the digital economy continues to be a big concern for African tax authorities. The existing international and unilateral initiatives to tax it, while beneficial, are limited in their applicability to Africa's particular predicament. This demonstrates that RRA policy still has a long way to go in terms of enhancing both unilateral and multilateral measures. (Rukundo, 2020).

T-test for hypothesis of taxpayers' respondents and discussion of its result

A t-test was employed to evaluate if there was enough statistical evidence to reject the null hypothesis. The null hypothesis says that concerns about taxing the digital economy have no major influence on RRA's digital economy policies, while alternative obstacles to taxing the digital economy have a considerable impact on RRA's digital economy

policies. This outcome also tested the first premise, because a threat to RRA also poses a challenge to Rwanda as a country. A hypothesis mean of 3 was selected in the t-test because it suggests neutrality.

1) Results of t-test for taxpayers

A t-test of 12 items was delivered to taxpayers' respondents to evaluate the hypothesis, as indicated in table 4.

Table 3: A summary of the t-test results of taxpayers' respondents

Questions	Observations	Hypothesized Mean	t Stat	t Critical one-tail	t Critical two-tail
Q1	343	3	12.17124	1.649321	1.966924645
Q2	343	3	8.364751	1.649321	1.966924645
Q3	343	3	16.36532	1.649321	1.966924645
Q4	343	3	2.70929	1.64932	1.966924645
Q5	343	3	-2.93648	1.649321	1.966924645
Q6	343	3	24.20818	1.649321	1.966924645
Q7	343	3	22.44649	1.649321	1.966924645
Q8	343	3	48.28673	1.649321	1.966924645
Q9	343	3	13.18136	1.649321	1.966924645
Q10	343	3	6.484681	1.649321	1.966924645
Q11	343	3	15.62499	1.649321	1.966924645
Q12	343	3	7.582836	1.649321	1.966924645

Source: Primary data, 2020

Hypothesis: Ho: $\mu \leq 3$

H1: $\mu > 3$

Reject Ho, if $t > 1.6498814$ and do not reject if $t \leq 1.6498814$

2) Table 4 summarizes the RRA respondents' analytical results.

Table-4: A summary of the t-test results of taxpayers' respondents

No	Questions	Hypothesis
1	Is it possible for local enterprises to become MNEs as a result of globalization?	Reject the null hypothesis
2	Do you think that MNEs with just a digital presence have a competitive advantage when acquiring or disposing of local subsidiaries?	Reject the null hypothesis
3	Is taxing just MNEs with a permanent establishment considered fair to indigenous enterprises in the digital economy, in your opinion?	Reject the null hypothesis
4	Is the existing tax structure protecting homegrown digital businesses thus that the industry may grow?	Reject the null hypothesis
5	Is the current tax framework treating all digital enterprises fairly?	Accept the null hypothesis
6	Given the worldwide nature of digital industry, do you feel RRA should upgrade its tax system to match global standards?	Reject the null hypothesis
7	Do you believe it would be beneficial to companies if the RRA developed a new digital tax system to replace the current ones (CIT, VAT)?	Reject the null hypothesis
8	Do you believe it is critical for RRA to educate new digital enterprises on tax rules before they register?	Reject the null hypothesis
9	Do you think it's simpler to register for a digital business than another form of business?	Reject the null hypothesis
10	Do you think it's a good idea to register all digital economy enterprises, especially freelancers, even if they don't yet have to pay taxes?	Reject the null hypothesis
11	Do you believe taxes have an influence on the short-term viability of newly registered businesses?	Reject the null hypothesis

12	Is there an influence on home-based digital company development when MNEs obtain a tax break?	Reject the null hypothesis
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Source: Primary data, 2020

These inquiries looked at a variety of global, political, and tax administration concerns... The t-test findings revealed that just one of the 12 questions evaluated supported the null hypothesis. This indicates that 11 of them believe that issues in taxing the digital economy have a substantial impact on RRA's digital economy policies, while only one believes that challenges in taxing the digital economy have no significant impact on taxpayers' business activities. This demonstrates that respondents feel that most issues that were investigated in digital economy taxation have an impact on their business activities. Only cryptocurrency out of the five variables, was investigated due to not being taxed. This means it does not affect taxpayers, only the tax administration that tries to tax it. The remaining four affect Rwanda and taxpayers in the digital economy.

This is supported by Mustapha Ndajiwo's paper on digital economy taxation. His research focused on six nations, including Rwanda. This study demonstrated that the issue of MNE taxes is not restricted to highly digitalized businesses. Companies with major operations in African nations might reduce their tax burden by employing arrangements similar to those used by digitalized businesses (Ndajiwo, 2020).

Several African governments have historically been aware of the issue of non-resident taxation of services provided in their countries. Under Rwandan tax policy, non-residents are taxed on acts within the country, including services done there, just as non-residents are taxed in the other five nations studied. However, tax treaties frequently limit source taxation to earnings from permanent establishments, so reducing these tax rights. African countries urgently seek a more comprehensive solution to the problem of taxing MNEs efficiently. (Ndajiwo, 2020).

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

Taxation of the internet economy remains a key concern for developing nations, such as Rwanda, rather than wealthy countries. Although important, present international and unilateral initiatives to tax it is restricted in their relevance to Africa's particular predicament. even if parts of Rwanda's tax structure were updated to meet today's concerns. It is at a disadvantage when it comes to unilateral steps since it lacks its MNEs as leverage. Some efforts should be made to overcome the issues mentioned above.

The following recommendations were made based on the results and conclusion:

First and foremost, multilateral action should be favored over unilateral action. This would make it easier to keep track of MNEs and taxes. Unilateral actions should be limited but not eliminated because they can be beneficial at times and should adhere to international norms to be effective. This would assist the RRA in tackling tax evasion and avoidance on a worldwide scale, as well as participating in global discussions. Since most existing rules are debated among industrialized countries, this would give RRA a voice.

Second, the RRA should defend domestic businesses in the digital economy, as MNEs frequently take advantage of present laws, such as the permanent establishment requirement, which disadvantages local businesses. The RRA should offer a fair and equal taxation structure for all businesses, as well as particular assistance to help these businesses thrive. Because many people come to the digital economy looking for fast money and a quick way to get rich, the help should take the form of advice and instruction. This would educate their minds not just to the rewards, but also to the problems, causing them to reconsider their decision.

Finally, because African nations lack the leverage of having their own MNEs, this applies to the entire continent. Because African nations have distinct problems and disadvantages in comparison to industrialized countries, they require a strategy that acknowledges concepts of neutrality, efficiency, and effectiveness as well as assesses the many digital MNE business models and how they could grow. To divide the worldwide tax base equally across nations, this plan should be a studied, methodical, and inventive approach focusing on the underlying design of existing regulations. This should be a continental initiative because if it is only implemented in one or two countries and proves to be successful, it may be shut down by disgruntled MNEs who threaten to shut it down.

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