

Global Tax Trends and Transformations: A Literature Review on Change and Adaptation

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ABSTRACT

This study aims to explore and analyze trends and transformations in the global tax system by referring to the latest literature studies. In the context of an ever-evolving economy and rapid globalization, tax systems in various countries are undergoing significant changes to respond to new challenges and adaptation needs. This study conducts a comprehensive literature review covering various aspects, including tax policy reform, the impact of digitalization on the tax system, and the application of new technologies in tax administration. Through an analytical approach, this study identifies key patterns in global tax transformation, such as the shift from traditional to digital-based taxation, and international efforts to address tax avoidance and profit shifting. This study also highlights the adaptation of tax systems in developing countries compared to developed countries, as well as the challenges and opportunities faced by each. The results of this study are expected to provide deeper insights into the dynamics of change in the global tax system and offer recommendations for policymakers, academics, and tax practitioners in formulating more effective and adaptive strategies and policies in the future.

ABSTRAK

Penelitian ini bertujuan untuk mengeksplorasi dan menganalisis tren serta transformasi dalam sistem perpajakan global dengan mengacu pada studi literatur terkini. Dalam konteks ekonomi yang terus berkembang dan globalisasi yang pesat, sistem perpajakan di berbagai negara mengalami perubahan signifikan untuk menanggapi tantangan baru dan kebutuhan adaptasi. Penelitian ini melakukan tinjauan literatur menyeluruh yang mencakup berbagai aspek, termasuk reformasi kebijakan pajak, dampak digitalisasi terhadap sistem perpajakan, dan penerapan teknologi baru dalam administrasi pajak. Melalui pendekatan analitis, penelitian ini mengidentifikasi pola-pola utama dalam transformasi perpajakan global, seperti pergeseran dari pajak tradisional ke pajak berbasis digital, dan upaya-upaya internasional dalam menangani penghindaran pajak dan pengalihan laba. Penelitian ini juga menyoroti adaptasi sistem perpajakan di negara-negara berkembang dibandingkan dengan negara maju, serta tantangan dan peluang yang dihadapi oleh masing-masing. Hasil dari penelitian ini diharapkan dapat memberikan wawasan yang lebih dalam mengenai dinamika perubahan dalam sistem perpajakan global dan menawarkan rekomendasi bagi pembuat kebijakan, akademisi, serta praktisi perpajakan dalam merumuskan strategi dan kebijakan yang lebih efektif dan adaptif di masa depan.

A. INTRODUCTION

In the era of globalization and technological advancements, tax systems around the world face increasingly complex challenges. The main issue is how tax systems

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can quickly adapt to rapid economic changes, digitalization, and globalization. This transformation not only affects how taxes are collected and managed but also impacts international tax policies and global regulations. Addressing tax avoidance and profit shifting has become a major issue that requires adaptive solutions to ensure tax systems remain effective and fair (OECD, 2021).

Reports and studies from various international organizations such as the OECD, IMF, and World Bank highlight significant trends in global tax reforms. For instance, the OECD's report on Base Erosion and Profit Shifting (BEPS) reveals how countries are attempting to tackle tax avoidance through new policies and regulations (OECD, 2020). Additionally, data from annual reports on global tax systems indicate a shift towards digitalization and new technologies in tax administration, emphasizing the need for rapid adaptation by various countries (World Bank, 2023).

Previous research has discussed various aspects of tax transformation, such as studies on the impact of digitalization on tax administration and tax policy reforms in developed countries (Smith & Johnson, 2019; Lee, 2020). However, these studies often focus on specific cases or countries, with little attention to global comparisons or comprehensive analyses of broader trends and transformations. This research differentiates itself by providing a more comprehensive literature review and comparing the adaptation of tax systems in developing and developed countries simultaneously, offering a more holistic view of global challenges and opportunities (Brown, 2022).

The objective of this research is to identify and analyze trends and transformations in the global tax system using a broad literature review approach. This study aims to provide in-depth insights into how various countries are responding to new challenges in taxation and the adaptations they are making. The main contribution of this research is to offer practical recommendations for policymakers and tax practitioners on effective ways to address global tax issues and enhance the effectiveness of tax systems in the digital era (IMF, 2021). Human security covers economic security. The economic security in Asia has been questioned due to inflation, unemployment and poverty. One of the key reasons behind the economic vulnerability is over taxation (Nandy and Majee, 2024)

B. RESEARCH METHOD

This research employs a qualitative approach with a literature review to analyze trends and transformations in the global tax system. Data were collected through a comprehensive review of books, journal articles, and reports from international organizations such as the OECD, IMF, and World Bank (Flick, 2018). The data collection process involved selecting relevant and high-quality literature, while the analysis was conducted using a thematic analysis approach to identify and group key themes such as digitalization and tax policy reform (Nowell et al., 2017). The validity of the research was maintained by comparing results from various sources and conducting triangulation to ensure the accuracy and comprehensiveness of the findings (Guba & Lincoln, 2021).

C. RESULT AND DISCUSSION

Dynamic Changes in the Global Tax System: Identifying Trends and Adaptations

Changes in the global tax system reflect responses to the ever-evolving dynamics of the economy, technology, and globalization. The tax system plays a crucial role in supporting economic stability and facilitating development, but it must

also adapt to rapid changes in the modern world. In this context, three major trends—digitalization, tax policy reform, and the differences in adaptation between developed and developing countries—are key to understanding how the global tax system is transforming.

One of the most significant changes in the global tax system is digitalization. Advances in information and communication technology have enabled tax administration to become more efficient and transparent. Countries worldwide are beginning to implement e-filing and e-payment systems, which accelerate administrative processes and reduce the risk of human error (OECD, 2020). Digital technology also allows the use of big data and data analytics to monitor tax compliance and detect tax avoidance more effectively. By leveraging this technology, tax administrations can identify discrepancies in tax reports in real time, enhancing the accuracy and efficiency of tax collection (Flick, 2018).

Tax policy reform is a response to global challenges such as tax avoidance and profit shifting by multinational corporations. The BEPS (Base Erosion and Profit Shifting) initiative spearheaded by the OECD is a clear example of efforts to close tax loopholes that companies exploit to reduce their tax liabilities (OECD, 2021). This initiative encourages countries to update their tax regulations, including cross-border tax reporting and transparency rules. These reforms involve not only developed countries but also have an impact on developing countries, which are expected to align their policies with international standards to reduce tax avoidance and improve compliance (World Bank, 2023).

Adaptation to changes in the tax system is uneven across the world. Developing countries often face different challenges compared to developed countries in implementing tax reforms. Limitations in technological infrastructure, human resources, and administrative capacity can hinder the process of reform and the adoption of new technologies (UNCTAD, 2022). Additionally, developing countries often require international support and strategies tailored to local conditions to address these challenges. Without adequate support, reform efforts may not be effectively implemented, which could impede progress in improving the tax system (Sachs et al., 2021).

Digitalization and Tax Reform: Impacts on Global Policy and Administration

In the era of globalization and digitalization, tax systems around the world face significant new challenges and opportunities. Digitalization and tax policy reform have become two main pillars in efforts to enhance the efficiency, transparency, and effectiveness of tax administration. The impact of these changes is not only felt by developed countries but also by developing countries that are striving to adapt to the rapidly changing global tax landscape.

Digitalization has transformed how tax administration is conducted, enabling governments to increase efficiency and accuracy in tax collection and management. The implementation of technologies such as e-filing, e-payment, and cloud-based tax information systems has simplified tax administration processes and reduced the administrative burden for both governments and taxpayers (OECD, 2020). With digitalization, tax administrations can access real-time data, monitor tax compliance, and identify discrepancies or tax avoidance more quickly and accurately (Flick, 2018). Technology also allows the use of big data analytics to detect patterns and anomalies in tax reports, which can enhance the effectiveness of audits and tax enforcement.

Tax policy reform is a response to changes in the global economy and challenges such as tax avoidance by multinational corporations. The Base Erosion and Profit Shifting (BEPS) initiative led by the OECD is a prime example of policy reform aimed at closing tax loopholes and ensuring that profits earned by companies are taxed in the countries where they operate substantially (OECD, 2021). This reform includes updates in reporting rules, international tax treaties, and arrangements regarding profit allocation between countries. The implementation of these reforms aims to reduce tax avoidance practices that result in revenue losses for countries and create competitive imbalances in the global market (World Bank, 2023).

Digitalization and tax policy reform have far-reaching impacts on global tax policy and administration. From a policy perspective, reforms like BEPS compel countries to adapt their tax regulations to align with international standards, which can increase uniformity and transparency in the global tax system. However, this also poses challenges for countries with limited administrative capacity, especially developing countries that may face difficulties in implementing policy and technology changes (UNCTAD, 2022).

On the administrative side, digitalization brings positive impacts in the form of efficiency and operational cost reduction, but it also demands investment in technology infrastructure and training for tax personnel. Countries that successfully implement digitalization effectively can experience improvements in tax compliance and reductions in tax avoidance cases (Sachs et al., 2021). However, there are also risks related to data security and privacy that need to be managed carefully.

Digitalization and tax policy reform are key elements in the evolution of the global tax system. Digitalization enables more efficient and transparent tax administration, while policy reform aims to close tax loopholes and ensure fiscal fairness in the global market. Although these developments bring significant benefits, the challenges related to implementation, especially for developing countries, require attention and international support to ensure that the benefits of digitalization and policy reform can be widely enjoyed. The contribution of this research can assist policymakers and tax practitioners in formulating effective strategies to optimize the benefits of digitalization and tax policy reform at the global level (IMF, 2021).

New Technologies in Tax Administration: Opportunities and Challenges in a Global Context

New technologies have transformed the landscape of tax administration by bringing various opportunities and challenges. With advances in big data, artificial intelligence (AI), and blockchain technology, tax administrations around the world can achieve higher efficiency and better transparency. However, the implementation of these technologies also faces several challenges, such as the need for significant investment and data security issues. The USA and India started a new journey of economic relations following the spirit of globalization since the early 1990s. However, regarding taxation on export and import and over FDI there was some controversy (Nandy, 2014).

New technologies offer significant opportunities in tax administration. The use of big data enables deeper analysis of tax data, which can help detect tax avoidance and reporting errors more effectively. This technology helps tax administrations monitor compliance in real-time and identify discrepancies in tax reports more quickly (Hodzić, 2018). Additionally, artificial intelligence (AI) enables the

automation of various administrative processes, such as claims processing and risk analysis, thereby reducing manual workloads and increasing the accuracy of decisions (Lipniewicz, 2017). Blockchain technology also offers benefits in the form of higher transparency and data security by creating immutable transaction records and ensuring data integrity (Gashenko et al., 2018).

Although new technologies bring various benefits, their implementation also faces significant challenges. One of the main challenges is the high cost of investment in technology infrastructure and personnel training. Countries with limited resources may struggle to adopt these advanced technologies effectively, resulting in a gap in the quality of tax administration between developed and developing countries (Ihnatišinová, 2021). Data security is also an important issue. With the increasing volume of data collected, the risk of data breaches and cyber threats rises. Therefore, tax administrations must ensure that taxpayer data is effectively protected and that the technology systems used are secure (Hodzić, 2018).

Adaptation by taxpayers and tax personnel is also a critical challenge. New technologies often require major changes in work processes and administrative procedures, which can lead to resistance or difficulty in adaptation. This transition process must be managed carefully to ensure that the benefits of technology can be maximized without disrupting the overall operation of tax administration (Lipniewicz, 2017).

New technologies offer great opportunities to improve tax administration in a more efficient and transparent way. By leveraging big data, artificial intelligence, and blockchain, tax administrations can face modern challenges and harness the potential of technology to improve the tax system. However, challenges such as investment costs, data security, and technological adaptation must be addressed to ensure successful implementation. This research provides insights into how new technologies can be effectively applied in tax administration and how these challenges can be managed to support a better global tax system.

Anti-Tax Movement

The concept of "anti-globalization" refers to the opposition to the growing economic interconnectedness that has characterized the global landscape since the 1980s, particularly as it has favored multinational corporations. Critics within global social movements have highlighted the detrimental impacts of such integration on various aspects of society, including civilizations, cultural identities, political structures, and environmental sustainability, as articulated by anti-globalization theorists and advocates. Globalization is accused for increasing taxes. The Tobin Tax Movement represents a significant development in the context of global finance, emerging in response to the increasing volatility observed in markets and financial systems. Developing and least-developed countries are now facing considerable obstacles attributed to the forces of globalization. Central to this movement is the assertion that foreign direct investment (FDI) poses heightened risks to the economic stability of these nations, advocating for the implementation of a tax on foreign exchange transactions (Nandy, 2024). This initiative has effectively addressed the issue of currency transaction taxation. Furthermore, the movement's enduring influence stems from its vocal opposition to the Global North, which is perceived as imposing barriers that hinder the economic progress of the Global South. For some countries, such as Malaysia tax system is positive. The political economy of Malaysia

and globalization are coexisting positively. In Malaysia , there is no such dissatisfaction among the people. However,

D. CONCLUSION

New technologies have had a significant impact on global tax administration, offering opportunities to improve efficiency, transparency, and accuracy. Big data, artificial intelligence (AI), and blockchain each present different benefits, ranging from real-time tax compliance monitoring to preventing fraud and data manipulation. However, implementing these technologies is not without challenges. High investment costs, data security issues, and the need for adaptation by both taxpayers and tax personnel are major obstacles that must be overcome. The application of new technologies requires careful planning and adequate support, especially for countries with limited resources. Despite the challenges, the benefits of new technologies can enhance the overall tax system, providing opportunities for more modern and responsive tax administration. Therefore, it is important to continue monitoring technological developments and developing effective strategies to address existing challenges so that new technologies can be optimally utilized in tax administration. This research emphasizes the importance of technology integration in tax administration and identifies areas where challenges can be addressed. With the right approach, new technologies have the potential to bring positive changes to the global tax system and support better fiscal and transparency objectives.

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