ISSN: 2582-7219

International Journal of Multidisciplinary Research in Science, Engineering and Technology

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Impact Factor: 8.206 **Volume 8, Issue 3, March 2025**

© 2025 IJMRSET | Volume 8, Issue 3, March 2025| DOI: 10.15680/IJMRSET.2025.0803337

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

A Comparative Study of Traditional and Digital Tax Planning in Corporate Finance

Kashish Agrawal[1], Mishra Anshul Sheshmani[2], Arpita Saha[3], B Reetu[4], Anjana Linganagouda Patil[5], Aisvaraya Lakshme R[6], Dr.Tejaswanini S[7]

Professor, Faculty of Management Studies, CMS Business School, Jain (Deemed to be University), Bangalore, India[7]

Department of MBA, Faculty of Management Studies, CMS Business School, Jain (Deemed to be University), Bangalore, India[1,2,3,4,5,6]

ABSTRACT: This research aims to explore the intersection of traditional and digital tax planning strategies within the corporate finance landscape. Traditional tax planning approaches, such as deductions, depreciation, and tax credits, have long been foundational in managing corporate tax obligations. However, with the rise of digital technologies, organizations are increasingly integrating advanced tools like artificial intelligence (AI), machine learning (ML), and blockchain into their tax strategies. This study evaluates the effectiveness of traditional tax planning strategies and investigates the emerging role of digital tools in reshaping tax management. The findings will highlight the advantages, challenges, and potential risks of integrating digital technologies into tax strategies, offering a comprehensive understanding of how organizations can leverage both approaches to optimize tax efficiency, compliance, and alignment with broader financial goals in the modern corporate landscape. This study examines the current application of traditional tax planning strategies, evaluates their limitations, and explores the growing role of digital tools in enhancing tax management. By investigating the dynamic relationship between traditional and digital tax strategies, the research aims to provide valuable insights into the future of corporate tax planning. Furthermore, it examines the evolving dynamics between traditional methods and digital innovations, offering insights into the future trajectory of corporate tax planning. By understanding these trends, organizations can optimize their tax strategies to achieve greater efficiency, compliance, and alignment with long-term financial goals.

KEYWORDS: Corporate Tax Planning; Artificial Intelligence (AI); AI Driven Corporate Tax Planning; AI Driven Corporate Tax Planning Model; Automation; Predictive Analytics

I. INTRODUCTION

In the rapidly evolving world of corporate finance, tax planning remains a critical component of a company's financial strategy. Traditional tax planning methods—such as leveraging tax deductions, depreciation, and credits—have long been relied upon to minimize tax liabilities and ensure compliance with tax regulations. However, the landscape of tax management is undergoing a profound transformation driven by advancements in digital technologies. The rise of automation, artificial intelligence (AI), machine learning, and blockchain presents new opportunities and challenges for tax professionals and organizations alike. As digital tools become increasingly integrated into corporate tax strategies, understanding their potential to enhance traditional methods, streamline processes, and align tax strategies with broader financial goals becomes essential. As an essential aspect of both corporate and individual financial planning, tax planning has traditionally relied on expert judgment and manual processes we also have acquired secondary data to minimize tax obligations within legal parameters (Yunira et al., 2023).This research seeks to examine the application and effectiveness of traditional tax planning strategies in corporate finance, while also evaluating the growing influence of digital tools on tax planning processes. By exploring the synergy and tensions between these two approaches, the study aims to provide insights into the future of tax management in corporate finance. Specifically, it investigates how digital technologies are reshaping tax planning, the potential benefits and risks they bring, and how organizations can strategically blend traditional and digital strategies to stay ahead in an increasingly complex tax environment. Through this exploration, the research aims to offer practical recommendations for organizations to optimize their tax planning strategies, ensuring long-term financial sustainability and compliance.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

II. REVIEW OF LITERATURE

- Barik & Ranawat (2024): AI enhances corporate tax planning efficiency but raises concerns in data privacy, ethics, and governance. It enables automation, real-time analytics, and improved compliance.
- Zhang & She (2024): Digital transformation impacts corporate tax evasion, with mixed findings on transparency vs. increased tax avoidance. Internal control quality plays a key role.
- OECD (2024): Digitalization challenges taxation through nexus issues, BEPS risks, and digital services taxes. A global response is necessary to ensure fair taxation.
- Jacobs (2017): Digitization improves tax compliance, administration, and international cooperation. Updating tax systems is crucial for efficiency and fairness.
- Afzali & Thor (2024): Corporate culture affects tax planning; collaboration-oriented firms use tax shelters, while control-oriented firms pay higher tax rates.
- Chen & Meng (2024): Corporate digital transformation increases tax evasion risks, particularly where tax enforcement is strong. Governments must improve digital tax frameworks.
- Scholes & Wolfson (2023): Traditional tax strategies remain vital despite evolving laws, requiring businesses to adapt frequently.
- Kleinbard (2023): Increasing tax regulation complexity demands greater corporate compliance efforts, while tech-based solutions offer more flexibility than traditional methods.

Research Gap

- Impact of AI and Machine Learning on the Evolution of Corporate Tax Planning
- Effect of Regulatory Changes on the Adoption and Implementation of Digital Tax Planning
- Comparative Cost-Benefit Analysis of Traditional vs. Digital Tax Planning in Corporations

Objectives

- To examine how traditional tax planning strategies are applied in corporate finance and their effectiveness.
- To evaluate the future trends in tax planning, focusing on the evolving relationship between traditional and digital tax strategies in corporate finance.
- To explore the role of digital tools and technologies in modern tax planning, and how they transform corporate tax management.

III. RESEARCH METHODOLOGY

The study is based on both primary & secondary data. The primary data was collected through a questionnaire analysis with 15 questions on dependent and independent variables. The convenience sampling method was used to collect data from 117 consumers. SPSS statistical tool was used to analyse the collected primary data where the analysis consists of t-test, descriptive statistics, correlation, and regression analysis.

Research Hypotheses

H0: There is no significant relationship between traditional tax planning strategies and the digital tax planning in managing corporate tax liabilities.
H1: Adoption of digital tax planning tools and improvement in efficiency and accuracy.
H2: Integration of sustainability and ESG factors in corporate tax planning and use of digital tools.
H3: Challenges in implementing digital tax planning tools and need for specialized skills, cost, and integration issues.

© 2025 IJMRSET | Volume 8, Issue 3, March 2025| DOI: 10.15680/IJMRSET.2025.0803337

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

SPredictor	B	Beta	Sig. 2 - tailed (p-value)	Accepted/ Rejected
TTP	-.216	**.0987**	.701	**Rejected**
DTP	.130	.071	.513	**Rejected**
DT	.783	.384	.000	**Accepted**
CII	-.265	-.249	.004	**Accepted**
EICF	.391	.255	.023	**Accepted**

- **TTP (Traditional Tax Planning):** With a p-value of 0.701, TTP does not significantly impact corporate finance effectiveness. Traditional strategies alone are insufficient, requiring modernization for better results.
- **DTP (Digital Tax Planning):** A p-value of 0.513 shows no significant link between DTP and corporate finance effectiveness. Simply adopting digital tax tools without proper integration does not enhance financial performance.
- **DT (Digital Tools):** With a p-value of 0.000, DT significantly improves corporate finance effectiveness. Digital tools enhance accuracy, efficiency, and decision-making for better financial outcomes.
- **CII (Corporate Income Integration):** A p-value of 0.004 indicates a negative but significant impact on corporate finance effectiveness. Over-reliance on income integration may create complexities that hinder financial performance.
- **EICF (Effectiveness in Corporate Finance):** A p-value of 0.023 shows a significant positive relationship with financial performance. Strong corporate finance strategies improve decision-making and overall financial health.

Correlations

		TTP	DTP	DT	CII	EICF
TTP	Pearson Correlation	1	.600**	.292**	.663**	.404**
	Sig. (2-tailed)		.000	.001	.000	.000
	N	133	127	131	131	131
DTP	Pearson Correlation	.600**	1	.457**	.627**	.476**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	127	130	130	129	129
DT	Pearson Correlation	.292**	.457**	1	.366**	.057
	Sig. (2-tailed)	.001	.000		.000	.515
	N	131	130	134	133	133
CII	Pearson Correlation	.663**	.627**	.366**	1	.470**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	131	129	133	133	133
EICF	Pearson Correlation	.404**	.476**	.057	.470**	1
	Sig. (2-tailed)	.000	.000	.515	.000	
	N	131	129	133	133	134

*. Correlation is significant at the 0.01 level (2-tailed).

Interpretation: The correlations between the variables are generally positive and statistically significant at the 0.01 level. TTP has strong positive correlations with DTP (0.600), CII (0.663), and moderate correlation with EICF (0.404). DTP shows moderate to strong correlations with CII (0.627) and EICF (0.476), while also having a significant correlation with TTP (0.600). DT has a weaker relationship with TTP (0.292) and DTP (0.457), and a moderate correlation with CII (0.366), but no significant correlation with EICF (0.057). CII is strongly correlated with TTP (0.663), DTP (0.627), and EICF (0.470). EICF also exhibits a moderate positive correlation with TTP (0.404) and DTP (0.476), but weakly correlates with DT.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.558[a]	.312	.289	1.122	.312	13.820	4	122	.000	1.867

a. Predictors: (Constant), CII, DT, DTP, TTP
b. Dependent Variable: EICF

Interpretation: The model shows a moderate relationship between the predictors (CII, DT, DTP, and TTP) and the dependent variable (EICF), with an R value of 0.558. The R-square value of 0.312 indicates that approximately 31.2% of the variance in EICF can be explained by the predictors in the model. The Adjusted R-square value of 0.289 accounts for the number of predictors, suggesting a modest fit. The standard error of the estimate is 1.122, which represents the average distance between observed and predicted values. The F-change statistic is significant at 0.000, indicating that the model is statistically significant. The Durbin-Watson value of 1.867 suggests that there is no significant autocorrelation between residuals.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.554	4	17.388	13.820	.000[b]
	Residual	153.501	122	1.258		
	Total	223.055	126			

a. Dependent Variable: EICF

Interpretation: The coefficients table shows the relationship between the predictors (TTP, DTP, DT, CII) and the dependent variable (EICF). The constant term is -0.216, though it is not statistically significant. **DTP** has a strong positive effect on EICF (B = 0.783, p = 0.000), making it the most influential predictor. **DT** has a negative impact on EICF (B = -0.265, p = 0.004), with a moderate effect size. **CII** also has a positive effect on EICF (B = 0.391, p = 0.023), while **TTP** shows a small positive effect (B = 0.130, p = 0.513), but it is not statistically significant. The standardized coefficients (Beta) indicate the relative strength of each predictor, with **DTP** having the highest beta (0.384), followed by **CII** (0.255).

Coefficient Correlations[a]

Model			CII	DT	DTP	TTP
1	Correlations	CII	1.000	-.110	-.312	-.486
		DT	-.110	1.000	-.331	.044
		DTP	-.312	-.331	1.000	-.305
		TTP	-.486	.044	-.305	1.000
	Covariances	CII	.029	-.002	-.012	-.016
		DT	-.002	.008	-.007	.001
		DTP	-.012	-.007	.048	-.013
		TTP	-.016	.001	-.013	.039

a. Dependent Variable: EICF

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Interpretation: The coefficient correlations table shows the relationships between the independent variables (CII, DT, DTP, TTP). There is a strong negative correlation between **TTP** and **CII** (-0.486), indicating that as TTP increases, CII tends to decrease. **DTP** and **TTP** are negatively correlated (-0.305), suggesting that higher DTP values are associated with lower TTP scores. **DT** shows weak correlations with the other predictors, with a minor negative relationship with **CII** (-0.110) and **DTP** (-0.331). **TTP** has a very weak positive correlation with **DT** (0.044), indicating little to no relationship. The covariances further confirm these relationships, with **CII** and **TTP** showing the most substantial covariance (-0.016), emphasizing their inverse association.

Secondary Data

Aspect	**Traditional Tax Methods**	**Digital Tax Methods**
1.E-filing Adoption Rate	- 3-5% of businesses used digital filing before 2013. - Paper returns were the norm.	- 99% of income tax returns filed digitally by 2022. - Over 1.3 million businesses file GST returns monthly since 2017.
2. Speed of Processing	- Paper returns took 6-12 months to process. - Refund processing time was 3-6 months.	- Processing time for income tax reduced to 60-90 days. - Refunds processed within 20-45 days for most taxpayers.
3. Cost Reduction for Businesses	Compliance costs ranged from ₹25,000 to ₹1,00,000 annually.	Compliance costs reduced to ₹10,000 to ₹50,000 annually, especially for SMEs.
4. GST Revenue Growth Post-Digitalization	- Pre-GST indirect tax collection was ₹7.5 lakh crore annually. - GST revenue was fragmented with multiple state and central taxes.	- Post-GST (2017-2022): GST revenue increased to ₹18.1 lakh crore annually in FY 2022-23. - Average monthly GST collection in FY 2022-23 was ₹1.5 lakh crore.
5. Tax Compliance and Audit Rate	- Only 20-30% of businesses were compliant due to the complexity of manual filings. - Audit cycles took 1-2 years.	- Compliance rates improved to 85-90% with digital systems and AI-driven audits. - AI-based audits reduced audit time to 3-6 months.
6. Impact on Tax Fraud and Evasion	- Tax evasion was difficult to track, with 20-30% of taxes uncollected.	- Tax evasion reduced significantly, with ₹90,000 crore recovered via AI-based fraud detection by 2022.
7. Taxpayer Access to Services	- 60-70% of taxpayers needed to visit tax offices for queries and filing assistance. - Long waiting times and inefficiencies at physical offices.	- 95-98% of queries resolved online via digital portals and chatbots. - 24/7 online access to services, reducing the need for physical office visits.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

8. Government Spending on Digital Infrastructure	- Minimal investment in digital tax infrastructure.	-Government invested over ₹10,000 crore by 2022 in digital infrastructure (e.g., GSTN, e-filing systems, AI).
9. Adoption of Digital Payments and Tax Systems	- Less than 20% of businesses used digital payments for tax filing.	- Over 90% of corporate taxes and 95% of GST payments are made online via digital platforms.

Source: HM Revenue and Customs, "Introduction of the New Digital Services Tax," July 11, 2019, https://www.gov.uk/government/publications/ introduction-of-the-new-digitalservices-tax/introduction-of-the-new-digital-services-tax.

IV. DISCUSSION

The data sheds light on how different tax planning strategies affect corporate finance. It turns out that both TTP (Tax Timing Planning) and DTP (Diversification Tax Planning) don't really make a significant difference when it comes to improving corporate finance effectiveness. This suggests that businesses might need a more integrated approach to tax planning. On the other hand, DT (Dynamic Taxation) has a strong positive impact, boosting efficiency and helping with better decision-making in tax strategies. Interestingly, relying too much on CII (Corporate Income Integration) seems to have a negative effect, as it can lead to inefficiencies. Finally, EICF (Efficient Corporate Financial Planning) is crucial for financial success, underlining the importance of well-optimized corporate finance strategies to achieve better results.

Looking ahead, there are several areas for improvement in tax planning strategies. First, future research should explore how to integrate Traditional Tax Planning (TTP) and Digital Tax Planning (DTP), combining their strengths for better financial results. Companies should also put a greater focus on digital tools for tax planning, and research should help pinpoint the most effective technologies to improve financial performance. Another key area for future study is refining Corporate Income Integration (CII), with a closer look at how to strike the right balance to avoid inefficiencies that could hurt corporate finance. Finally, it's important to consider other factors that may influence tax planning effectiveness, such as organizational structure and leadership. Further research could help uncover how these elements can play a role in optimizing tax strategies.

V. CONCLUSION

This study examines how traditional and digital tax planning strategies impact corporate finance effectiveness. The results show that while digital tools (DT) have a significant positive effect on improving financial outcomes, neither Traditional Tax Planning (TTP) nor Digital Tax Planning (DTP) on their own make a notable difference. Interestingly, Corporate Income Integration (CII) has a negative correlation with financial effectiveness, suggesting that relying too heavily on this strategy can lead to inefficiencies. Therefore, a balanced approach that combines both traditional and digital methods is essential for achieving the best financial results. The study also emphasizes the importance of optimizing Effectiveness in Corporate Finance (EICF), which plays a key role in financial success. Looking forward, future research could explore hybrid tax planning approaches that combine traditional and digital methods for better outcomes. It would also be valuable to study emerging technologies like AI and blockchain to see how they can improve corporate tax planning. Sector-specific research could help understand how tax strategies differ across industries like technology, manufacturing, and finance, while examining cultural and regional differences could offer insights on adapting tax planning strategies for multinational companies. This holistic approach to tax planning will help companies align their strategies with broader corporate finance goals, driving long-term success.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

REFERENCES

1. Ameyaw, B., Dzaka, D. (2016), Determinants of tax evasion: Empirical evidence from Ghana. Modern Economy, 7(14), 1653-1664.
2. Aslam, A., Shah, A. (2020), Tec(h)tonic shifts. IMF Working Papers. No. 20/76. Washington, DC: International Monetary Fund.
3. Barthold, T., Booth, M., Gleckman, H., Gullo, T., Kling, J., Lin, E., Mcclelland, J., Papenfuss, S., Plumley, A., Risler, M.H., Schmitt, B., Splinter, D., Sunshine, R., Toder, E., Udell, M. (2016), Factors Affecting Revenue Estimates of Tax Compliance. CBO Working Paper 2016-05 JCX-90-16. Washington, DC: Congressional Budget Office.
4. Bunn, D., Elke, A., Cristina, E. (2020). Digital Taxation Around the World. Washington, DC: The Tax Foundation. pp1-42. Available from: https://files.taxfoundation.org/20200610094652/digital-taxation around-the-world1.pdf
5. Crivelli, E., De Mooij, R., Keen, M. (2015), Base Erosion, Profit Shifting and Developing Countries. IMF Working Papers. No. 15/118. Washington, DC: International Monetary Fund.
6. Deloitte. (2015), Digital Inclusion and Mobile Sector Taxation in Ghana. London: Deloitte Publication. https://www.gsma.com/ mobilefordevelopment/wp-content/uploads/2015/01/Digital inclusion-mobile-sector-tax-Tanzania.pdf
7. Devereux, M.P., Vella, J. (2017), Implications of digitalization for international corporate Tax reform. Intertax, 46(6-7), 550-559.
8. Dharmapala, D. (2014), What Do We Know About Base Erosion and Profit Shifting? A Review of the Empirical Literature. In: Coase- Sandor Institute for Law and Economics Working Paper No. 702. pp421-448.
9. Erickson, T., Kellogg, W.A. (2000), Social Translucence: An Approach to Designing Systems that Support Social Processes. ACM Transactions on Computer Human Interaction, 136(1), 59-83.
10. European Commission. (2014), Report of the Commission Expert Group on Taxation of the Digital Economy TABLE. Brussels:
11. European Commission. European Commission. (2017), A fair and efficient tax system in the European union for the digital single market. In: Communication from the Commission to the European Parliament and the Council. Brussels:
12. European Commission. Available from: https://www.ec.europa.eu/taxation_customs/sites/taxation/files/communication_taxation_digital_single_market_en.pdf
13. Gwaindepi, A. (2021), Domestic revenue mobilisation in developing countries: An exploratory analysis of sub-Saharan Africa and Latin America. Journal of International Development, 33(2), 396-421.
14. Gyau, W.O. (2020), The Impact of Digital Forensics on Cybercrime in Ghana. Vol. 21. Berekuso: Ashesi University.
15. Harpaz, A. (2021), Taxation of the digital economy: Adapting a twentieth century tax system to a twenty-first-century economy. Yale Journal of International Law. 46(1), 57.
16. Hellerstein, W., Owens, J., Dimitropoulou, C. (2019), Digital Taxation Lessons from Wayfair and the U.S. States Responses. Falls Church: Tax Note International. pp241-254.
17. Kelsey, J., Bush, J., Montes, M., Ndubai, J. (2020). In: Picciotto S, editor. How 'Digital Trade' Rules Would Impede Taxation of the Digitalised Economy in the Global South. 3rd ed. Tokyo: World Network.

INTERNATIONAL STANDARD SERIAL NUMBER INDIA

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH

IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | ijmrset@gmail.com |

www.ijmrset.com