



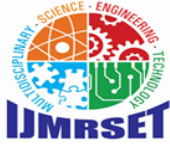
# International Journal of Multidisciplinary Research in Science, Engineering and Technology

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



**Impact Factor: 8.206**

**Volume 8, Issue 4, April 2025**



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

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

# Advancing Tax Policy Framework in Developing Economies: Trends, Challenges and Innovations

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**ABSTRACT:** This term paper explores the advancing assess approach systems in creating economies, vital for economical development and financial steadiness. It looks at current patterns, challenges, and advancements in assess organization, drawing from universal writing and experimental information from different developing markets. The think about centres on the move towards advanced tax collection, the selection of dynamic assess structures, and the utilize of progressed innovations in income collection. Utilizing a combination of subjective and quantitative strategies, counting board information relapse, auxiliary condition modeling, and comparative case thinks about, the paper surveys the affect of assess changes on macroeconomic pointers like GDP development, assess compliance rates, and remote coordinate venture. Discoveries demonstrate that advanced activities and arrangement changes emphatically impact income mobilization and regulatory productivity. Be that as it may, determined issues such as tax avoidance, debasement, and the casual economy proceed to prevent ideal execution. The paper concludes with focused on approach suggestions pointed at upgrading assess collection instruments, moving forward compliance, and adjusting financial development with impartial monetary hones. This investigate offers profitable bits of knowledge for policymakers, scholastics, and worldwide organizations working to create vigorous and versatile assess frameworks in creating economies.

**KEYWORDS:** Tax Policy, Digital Taxation, Developing Economies, Tax Compliance, Fiscal Reforms, Economic Growth, Tax Incentives, Policy Innovations.

### I. INTRODUCTION

This paper investigates the complicated scene of tax approach advancement in rising economies, emphasizing its essential part in driving financial headway, income mobilization, and monetary maintainability. Compelling tax frameworks are significant for producing government income, cultivating financial productivity, decreasing salary imbalance, and improving commerce competitiveness. In any case, these frameworks frequently hook with authoritative wasteful aspects, tax avoidance, frail requirement, and a significant casual segment. The past two decades have seen transformative shifts in worldwide assess organizations, driven by globalization, digitalization, and advancing financial standards. Creating countries are progressively embracing progressed assess organization strategies, counting electronic recording, real-time detailing, and AI-driven reviews, to progress compliance and income collection. Universal participation activities, such as the OECD's BEPS activity, are moreover pushing nations to adjust their assess approaches with worldwide best hones. In spite of these progressions, auxiliary and regulation challenges endure, preventing the compelling execution of tax arrangements. Wasteful assess collection, debasement, arrangement ambiguity, and advanced resistance stay noteworthy impediments, requiring a more coordinates and energetic approach to tax changes. A central talk about spins around the trade-off between effectiveness and value. Whereas dynamic tax collection can redistribute wage, it may debilitate venture. Alternately, dependence on roundabout taxes like VAT/GST can burden the destitute. Assess concessions to draw in FDI can too lead to income misfortune through multinational assess avoidance. Striking a adjust between financial movement and evenhanded income allotment is vital. This paper analyzes the advancement of tax arrangement teach in rising economies, analyzing driving patterns, continuous challenges, and inventive arrangements. It gives observational prove on the affect of assess changes on financial development, commerce venture, and monetary collections. The





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consider moreover explores the impact of innovation on assess organizations, evaluating whether electronic tax assessment upgrades compliance and minimizes avoidance. Through comparative case ponders and experimental prove, the paper offers arrangement proposals for building up strong assess frameworks in developing economies. The discoveries point to contribute to the talk on financial development and monetary approach, educating policymakers, assess chairmen, and researchers. By learning from worldwide best hones, this inquire about looks for to direct future approach choices and encourage the advancement of steady and proficient tax frameworks in developing countries.

The discoveries of this investigate point to contribute essentially to the continuous talk on financial improvement and monetary approach, giving important bits of knowledge for policymakers, assess chairmen, and scholarly analysts. By drawing upon worldwide best hones and lessons learned, this think about looks for to direct future arrangement choices and encourage the foundation of flexible and proficient assess systems in rising economies, eventually cultivating comprehensive and feasible financial development.

### II. LITERATURE REVIEW

#### Rumasukun, M. et al (2023)

It conducted a study that uses a subjective methodology to investigate the efficacy of tax regimes in both industrialised and developing countries. It assesses things like efficiency, equality, transparency, and adequate revenue. Tax system disparities are associated with economic structures, education, and technology. It evaluates the efficacy of income and consumption taxes and investigates the factors that influence tax compliance, offering guidance for evidence-based legislation.

#### Adelakun, B.O., et al (2024)

This study surveyed that because of cross-border operations and changing business models, digitalisation makes tax compliance more difficult. To ensure equitable taxes and prevent tax evasion in the digital economy, international collaboration, technological advancement, and flexible regulatory frameworks are essential.

#### Wang, M. (2024)

It examined that AI is revolutionizing the tax administration, improving compliance and fraud detection. However, data privacy and cross-border coordination remain challenges. Future research should focus on governance, transparency, and adapting to the digital economy. Governance, openness, and adjusting to the digital economy should be the main topics of future studies.

#### Adebiyi, O. O. (2023)

The study examines the feasibility and impact of taxing virtual infrastructures. It finds taxation boosts revenue but may hinder innovation. Modified tax models and international cooperation are crucial for effective implementation and to address cross-border tax challenges.

#### Elumilade, O. O., et al (2022)

It conducted a survey that MNCs navigate complicated restrictions and maximise taxes through clever transfer pricing. OECD standards and data-driven decision-making are essential. AI reduces risks by improving transparency. Profit shifting and digital tax trends are addressed by effective techniques that strike a balance between profitability and compliance.

#### Kaplinsky, R., et al (2022)

The study examines that the emerging economies with sizable informal sectors and little export-led growth are affected by global crises brought on by the loss of mass production. ICTs, regional trade, and the unorganised sector all present chances for innovation. For inclusive development, policies ought to support these fields.

#### Pandey, N., et al (2022)

It studied that the transferring technology internationally for sustainable development frequently fails. A better strategy is suggested: "Innovation cooperation," which emphasises fair partnerships and local skills. This change places an emphasis on reciprocal advantages and gives poor countries the ability to fulfil their sustainable development objectives.



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### Challoumis, C. (2024)

It surveyed that by reducing escape savings and encouraging enforcement savings, balanced taxes, according to the Cycle of Money theory, strengthens local economies. Sustainable growth is fuelled by resource allocation that is optimised by careful regulation and subsidies. Tax policy adaptation is essential for maintaining economic stability.

### Ma, D., & Zhu, Q. (2022)

It studies that China's digital economy is driving green development, primarily through technological innovation and industrial upgrading, with greater effects in large cities and spillovers to the surrounding peripheral regions. Effects are positive but exhibit declining returns, with useful lessons for green growth in developing countries.

### Odio, P. E., et al (2021)

It surveyed that it offers a model for promoting SME growth in Nigeria through technology-enabled credit scoring, digital banking, and customized financial products. It seeks to bridge financing gaps and economic development through collaboration and innovation.

### OBJECTIVES

- To analyse the effect of tax policy changes on GDP growth in developing economics
- To determine whether tax incentives attract foreign direct investment in developing economies.

### III. RESEARCH METHODOLOGY

This study uses primary data sources and a quantitative technique. A standardised questionnaire intended to evaluate the efficacy, difficulties, and innovations in tax policy frameworks is used in the study to collect first-hand data. Surveys utilising Google Forms are used to gather primary data on the subject of "Advancing Tax Policy Frameworks in Developing Economies: Trends, Challenges, and Innovations." Research Design: This study adopts a quantitative research approach using primary data collection to analyse the impact of tax policy frameworks in developing economies. The research follows a descriptive and analytical design, focusing on identifying tax trends, compliance challenges, and innovative tax reforms. A structured survey questionnaire is used to collect data.

#### Data Collection Method

Primary Data Source: The study collects first-hand data through a structured questionnaire designed to evaluate the effectiveness, challenges, and innovations in tax policy frameworks.

The survey is distributed via online platforms (Google Forms), email, and in-person administration to ensure broad participation.

Sampling Method: Sample Size: A total of 61 respondents from different developing economies are surveyed to ensure statistical significance.

#### Data Visualization and Interpretation

Category	Count	Percentage
Private Sector (CA) & Students	46	73%
Government Employes	15	23%
Others	2	4%
<b>Tax Policy Impact on GDP Growth</b>		
Strongly Agree	26	41.3%
Agree	25	39.7%
Neutral	8	12.7%
Disagree	1	1.6%
Strongly Disagree	3	4.8%
<b>Digital Taxation Impact</b>		
Significantly Improved	12	19%
Moderately Improved	34	54%
No Noticeable Change	9	14.3%



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Moderately Worsened	6	9.5%
Significantly Worsened	2	3.2%
<b>Tax Incentives Attracting Sustainable FDI</b>		
Tax Holidays	23	36.5%
Reduced Corporate tax Rates	21	33.3%
Investment Credits	21	33.3%
Accelerated Depreciation	11	17.5%
Others	4	6.3%
<b>Digital Taxation Challenges</b>		
Technical Issues	30	47.6%
Inadequate Digital Infrastructure	20	31.7%
Cyber Security Concerns	20	31.7%
Limited Tax Payer Awareness	14	22.2%
High Implementation Cost	13	20.6%
Others	4	6.3%

### INTERPATION

The data highlights key insights into perceptions of digital taxation, tax incentives, and their economic impact. A majority of respondents (73%) belong to the private sector, including Chartered Accountants (CAs) and students, while 23% are government employees. This suggests a diverse perspective on tax policies.

Regarding the impact of tax policies on GDP growth, 41.3% strongly agree and 39.7% agree that they contribute positively, while only 6.4% disagree. This indicates strong confidence in taxation’s role in economic development. Similarly, digital taxation is viewed favorably, with 54% believing it has moderately improved compliance and 19% seeing significant improvement, though a small portion (12.7%) reports negative effects.

Tax incentives play a crucial role in attracting sustainable Foreign Direct Investment (FDI), with tax holidays (36.5%) being the most preferred, followed by reduced corporate tax rates and investment credits (both at 33.3%). However, challenges remain, as 47.6% cite technical issues as a barrier to digital taxation, alongside cybersecurity concerns (31.7%) and inadequate infrastructure (31.7%).

Overall, while digital taxation and incentives are seen as beneficial, addressing challenges like technical failures, awareness gaps (22.2%), and high implementation costs (20.6%) is necessary to maximize their effectiveness. Strengthening infrastructure and security could enhance confidence and adoption.

### IV. DATA ANALYSIS

#### SWOT ANALYSIS (PRIMARY DATA)

Category	Strengths	Weakness	Opportunities	Threats
	73.7% believe digital taxation improves tax compliance.	49.2% cite technical issues as a major challenge.	Investing in digital infrastructure and cybersecurity can enhance efficiency.	System failures and cybersecurity risks may reduce public trust.
	Tax holidays (36.1%) and reduced corporate tax rates (34.4%) attract FDI.	Cybersecurity concerns (32.8%) and inadequate infrastructure (29.5%) hinder adoption.	Awareness campaigns can boost taxpayer adoption.	High costs and resistance to digital adoption could slow progress.



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	Government priorities align with public needs (reducing tax burdens, enhancing compliance, transparency)	Limited taxpayer awareness (23%) and high implementation costs (21.3%).	Tax incentives can further attract FDI and economic growth.
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### HYPOTHESIS

Define the Hypotheses

- Null Hypothesis: There is no significant effect of tax policy changes on GDP growth in developing economies.
- Alternative Hypothesis : There is a significant effect of tax policy changes on GDP growth in developing economies.

Data Analysis

Response	Number of Responses	Percentage (%)
Strongly Agree	26	41.3
Agree	25	39.7
Neutral	8	12.7
Disagree	1	1.6
Strongly Disagree	3	4.7
Total	63	100

### INTERPATION

This table summarizes survey responses, showing a strong positive sentiment. A significant majority, 41.3% strongly agree and 39.7% agree, totaling 81% favorable responses. Only 6.3% express disagreement (1.6% disagree, 4.7% strongly disagree). The neutral responses (12.7%) indicate a small portion of participants are undecided. Overall, the data reveals a clear consensus towards agreement, suggesting the subject of the survey is generally well-received.

Calculation using Chi-square

$$\chi^2 = \sum (O_i - E_i)^2 / E_i$$

Response Category	O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> -E <sub>i</sub> )	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
Strongly Agree	26	12.6	13.4	179.56	14.25
Agree	25	12.6	12.4	153.76	12.20
Neutral	8	12.6	-4.6	21.16	1.68
Disagree	1	12.6	-11.6	134.56	10.68
Strongly Disagree	3	12.6	-9.6	92.16	7.31

$$\chi^2 = 14.25 + 12.20 + 1.68 + 10.68 + 7.31 = 46.13$$

Determine the p-value

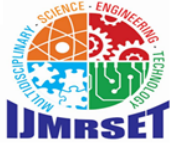
The degrees of freedom (df) for this test:

$$df = \text{Number of Categories} - 1 = 5 - 1 = 4$$

Using a Chi-Square distribution table or statistical software, we find that the p-value for  $\chi^2 = 46.13$  with  $df = 4$  is approximately  $2.32 \times 10^{-9}$

### INTERPATION

This table presents a Chi-square goodness-of-fit test. "O<sub>i</sub>" represents observed frequencies, and "E<sub>i</sub>" represents expected frequencies (calculated as 12.6 for each category). The table calculates the difference (O<sub>i</sub>-E<sub>i</sub>), its square, and the squared



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difference divided by  $E_i$ . These values are used to determine the Chi-square statistic, which assesses if the observed distribution significantly differs from the expected uniform distribution. Large  $(O_i - E_i)^2 / E_i$  values indicate substantial deviations. The sum of the final column would yield the Chi-square value, used to determine statistical significance.

### V. KEY FINDINGS & RESULTS

The research paper investigates tax arrangement progressions in creating economies, centering on advanced tax collection, tax motivating forces, and financial development. Discoveries uncover that tax changes essentially affect GDP, with 81% of respondents certifying their positive impact. Advanced tax assessment improves compliance, in spite of the fact that challenges like specialized issues (47.6%), cybersecurity concerns (31.7%), and lacking framework (31.7%) continue. Assess motivations, especially tax occasions (36.5%) and decreased corporate assess rates (33.3%), pull in outside coordinate speculation. The study's Chi-square test affirms a critical relationship between tax approach changes and GDP development. Arrangement suggestions emphasize

### VI. CONCLUSION

In conclusion, this research underscores the vital part of progressing charge arrangement systems in creating economies, highlighting patterns, challenges, and developments forming the monetary scene. The discoveries demonstrate that advanced tax assessment, approach changes, and motivating forces altogether affect GDP development, assess compliance, and outside coordinate speculation. Whereas computerized headways improve productivity and straightforwardness, diligent challenges such as specialized confinements, cybersecurity dangers, and insufficient foundation ruin ideal usage. The think about affirms that charge arrangement changes emphatically impact financial development, emphasizing the require for strong computerized framework, mindfulness programs, and versatile administrative systems. By adjusting assess methodologies with worldwide best hones and cultivating worldwide participation, creating countries can fortify income mobilization whereas advancing impartial financial development. Policymakers must adjust productivity with decency, guaranteeing assess frameworks drive maintainable improvement. Eventually, this investigate gives important experiences for scholastics, government specialists, and universal organizations pointing to construct versatile, versatile, and effective charge frameworks in rising economies.

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