


Review

Direct Digital Services Taxes in Africa and the Canons of Taxation

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Abstract: The unprecedented expansion of the digital economy has increased the intricacy of mobilising tax revenues from both domestic and international transactions. Tax evasion and avoidance are perpetuated by the invisible nature of digital transactions. To minimise the untapped revenues, countries all over the world are mapping policy strategies on how to collect revenue from this sector. African countries are not an exception. They have constructed digital tax policies to levy both direct and indirect taxes on digital transactions. This paper focuses on direct digital service taxes (DSTs). Direct digital service taxes have been an issue of debate among governments, policy makers, academics, tax bodies, and development organisations. Disagreements coalesce around their structure, their adherence to the canons of taxation, opportunities, and challenges as well as consequences of implementing them. Through a literature review, this paper assesses the legislative structure and administration of digital service taxes in relation to the canons of taxation. The findings of the review were conflicting. While certain aspects, motives, and possible outcomes of the taxes upheld the principles of taxation, some of these were conflicting with the principles. This could possibly be linked to variations in the economic, political, and social contexts in African countries and between developed and developing countries. The study recommends that while digital service taxes are an irrefutable necessity to tap tax revenues from the digital economy, African countries should ensure that equity, neutrality, economy, and efficiency among other principles are considered and balanced with the fundamental roles of tax policy.



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1. Introduction

The expansion of the digital economy in most African countries has raised concerns on the ability and preparedness of tax regimes in these countries to address this new and fundamental phenomenon. The movement from the conventional bricks and mortar commercial setting to an economy that is electronically and informational driven presents substantial and daunting problems for governments and their tax authorities (Bunn et al. 2020; Kelbesa 2020; Rukundo 2020). The digital economy accelerated during the COVID-19 pandemic, increasing the possibility of opportunities and challenges for developing economies (Agur et al. 2020). The formidable responsibility facing African tax authorities and their governments (Ministries of Finance) is how to protect their tax bases and widen them by tapping tax revenue from the digital economy without constraining development and usage of novel technologies or financial inclusion as well as the involvement of the population in the upcoming e-marketplace. Some African countries have introduced new direct digital service taxes (DSTs) on digital activities (Kenya, Nigeria, Tunisia, and Zimbabwe), while others have broadened their existing indirect taxes or value added taxes (Algeria, Cameroon, Kenya, Morocco, and South Africa) to ensure taxation of digital transactions to reach the untapped revenue in the digital economy. Questions and concerns have been tabled surrounding the design of direct DSTs, the motivation behind their introduction, the feasibility of administering them, the likely challenges and impact of their

administration (Ahmed and Gillwald 2020; Cebreiro-Gómez et al. 2022; Munoz et al. 2022; Santoro et al. 2022). The possible obstacles of taxing the growing digital economy and the erosion of the tax base were alluded to in earlier literature by Jones and Basu (2002).

This paper focuses on the design of tax digital taxation framework with respect to the canons of taxation. The research was motivated by concerns raised by various researchers on the design of direct digital service taxes (DSTs) considering there are still in their implementation stages; they were argued to have been hurriedly implemented (Kelbesa 2020; Munoz et al. 2022). GSMA (2008) emphasises the need for construction of a good digital tax policy, while quoting M.A. Khalil from the World Bank states:

“We do not believe that taxation should be designed on the basis of short-term considerations. It should be designed on the basis of achieving the best long term economic interests for society and in a way that accelerates the extension of services to the poor. The indirect benefits to the economy of having affordable access to telecommunications far outweigh any short-term benefit”.

The possibility of tax policy and tax incentives to support digital transformation to take advantages of opportunities as well as the likelihood of the same tax policy to cripple digital transformation motivate this article. Extant literature brought three important facts in relation to the need for the design of an inclusive digital tax policy and these aroused the researchers' interest to relate the current digital taxes to the principles of an ideal tax system as postulated by Smith (1776). Firstly, in designing tax policy, policy makers need to bring an equilibrium between the short term and long-term revenue mobilisation objectives. While acknowledging the great possibility of significant lost tax revenue due to the intangibility of digital tax bases as well as from tax avoidance and evasion by multinational enterprises (MNEs) in the African continent (Sebele-Mpofu et al. 2021a), upholding a balance between taxation and economic growth is key (through increased productivity, financial inclusion, and improved efficiency (Ndulu et al. 2021). Over-taxing could lead to a loss of the likely broadened tax base. Crémer (2015) argues that the digital tax base that could be built overtime through stable and inclusive tax policy is larger than the lost revenue in the short term.

Secondly, sector specific taxes are discouraged and described as having distortionary and regressive effects. For example, DFS taxes are viewed as discriminatory and levied on a sector that is likely to drive novel sources of productivity and efficiency and having a likelihood of excluding the vulnerable segments of the population from accessing digital services such as the internet, banking services, and other digital financial services, ultimately leading to financial exclusion. This is against the 2030 Sustainable Development Goals (SDGs) that encourage countries to work towards reduced inequality, financial inclusion, and economic growth. Sub-Saharan Africa (SSA) has most countries charging sector specific taxes (Global System for Mobile communications Association (GSMA 2019, 2020; Ndulu et al. 2021).

Thirdly, connectivity and the quality of internet service remain vital for the success of digitalisation, financial inclusion, digital financial inclusion, and the growth of the digital economy as well as economic growth in general. This is especially applicable to African countries with most of the vulnerable groups in rural societies, large informal economies as well as women and girls who remain financially excluded (Siwela and Njaya 2018). Over-taxation of DFS heightens investment costs and impedes effective network coverage as companies end up using outdated equipment that is costly, unreliable, and inconveniencing to users. This mostly occurs where providers of digital services are forced to bear the tax cost (Kelikume 2021; Munoz et al. 2022). In the cases where users are compelled to carry the tax cost in the form of increased prices, the consequence is reduced usage and possible reversal of the gains of financial inclusion. Having a fair, equitable, efficient, and economic digital tax system can never be over-emphasised.

Contemporary research on taxing the digital economy has focused on the rationale for taxing the digital economy (Ndajiwo 2020; Watanabe 2021), challenges of taxing the digital economy, and tax evasion and avoidance by MNEs due to increased globalisa-

tion, digitalisation, and digital transformation of business models (Ahmed et al. 2021; Kakungulu-Mayambala and Rukundo 2018; Ndung'u 2019; Rukundo 2020). This paper explores the current debate on digital taxes as they relate to the principles of taxation. The paper also assesses the design of the current digital tax frameworks in Africa and how these relate to the principles of an ideal tax system. The paper further discusses why it is vital to design a good digital tax system that takes into cognisance the principles of taxation. It would be inadequate to discuss the canons of taxation or principles of an ideal tax system without linking them to the role of taxation in the economy. There is a need to refer to the objectives of tax policy in an economy to illuminate the relationship between direct DSTs in Africa and the principles of a good tax policy, because to be considered ideal or good a tax policy must be able to deliver on the key objectives. Taxation is not only a tool for domestic revenue mobilization but also a tool for redistribution, governance, stakeholder bargaining, and for regulating international trade. Therefore, the direct DSTs implementation in African countries does not only have domestic implications on usage, revenue generation, and market structure but also international implication on international trade, trade relations, and the possibility of trade wars. Therefore, the assessment of direct DSTs against the canons of taxation is critical for two reasons.

Firstly, this article contributes to the theoretical literature on taxation of the digital economy, especially in relation to direct DSTs. Taxation of the digital economy is a topical issue in development and tax discussion and the implementation of DSTs is still a new phenomenon that is relatively under-researched (Rukundo 2020). Secondly, the article further contributes to the practical aspect of digital tax policy design by giving an informative analysis of the implications of the current structure and design of DSTs as they relate to the canons of taxation, and this can assist policymakers in evaluating the policy.

This article is made up of five sections. Having articulated the motivation, objectives, novelty of the research, and envisaged contribution in Section 1, the next section reviews and synthesises literature on DSTs and the canons of taxation. Section 3 explains the research methodology employed during the review. Section 4 presents a summary of the review results and discussion, while Section 5 concludes the articles and presents recommendations and suggested direction for future research.

2. Literature Review

As posited by ATAF (2020), most economies are digitalized, and digitalization empowers MNEs to conduct business in Africa with little or no physical presence. Countries find it challenging to establish taxing rights over income generated by these MNEs from their activities. Current tax rules focus on distribution of taxing rights to tax jurisdictions where sufficient physical presence can be justified (through TP legislation) (Eden 2019; Rogers and Oats 2021; Sebele-Mpofu et al. 2022) and are not paying attention to taxation of users of services or the value addition in the market jurisdictions. Digitalized businesses cause significant tax risks due to possible tax revenue leakages or outright non-taxation. Significant digital presence of MNEs such as Facebook, Amazon, Uber, Netflix, Alibaba, and Google, to name just a few, has compelled African countries and the rest of world to rethink their tax policies to tap this potentially lucrative tax base. This has seen the formulation of DSTs in both developed and developing countries. This is despite arguments against such taxation. Figure 1 presents a picture of DSTs for selected countries from the view that put in place DSTs globally.



Figure 1. DSTs in selected countries around the world. Source: Authors' compilation.

Direct DST taxes are based on turnover. They are computed directly as a percentage of the revenue, not as a percentage of taxable income, which is the case with corporate tax and withholding taxes. The OECD recommends around 3% of turnover (ATAF 2020; Kelbesa 2020). The bone of contention is the fact that they are based on turnover and that they apply the virtual presence (market jurisdictions) as opposed to the traditional brick and mortar driven tax rules (physical presence).

Promoters of DSTs table that digital companies are undertaxed. This view is founded on that, as part of tax avoidance and minimization of tax liability efforts, high profile profitable tech firms give the ownership of income generating intangible assets to affiliate companies in low tax jurisdictions. The supporters of DSTs further point out that the nations charging the taxes have a just claim to receive a share of profits generated by MNEs because of the value created by their users (residents) through content use, purchases, reviews, and other ways. On the other hand, opponents of the taxes question DSTs arguing that they focus on taxing income or profits that ordinarily would not have been subject to taxation under traditional tax laws (Lowry 2019). The lack of stakeholder consensus on digital tax legislation motivates this study. Economists, technologists, innovators, and activists are contentiously disagreeing with tax authorities, Ministries of Finance, and ICT regulatory bodies in African economies on how to tax the sector without crippling digital transformation (Anyanzwa 2021). Despite considerable research on the international taxation of the digital economy, conventional tax policy principles underlying source taxation have not been systematically challenged and evaluated against the new reality of the digital economy. These principles are still practical and relevant in the design of the digital tax policy and justification of the tax legislation (Brauner and Moreno 2015).

The general acceptable principles of taxation that apply to conventional tax frameworks and existing international tax laws should equally guide the taxation of the digital economy. Adam Smith initially propounded these principles in 1776 and these include neutrality, economy (ability to pay), and equity among others (Smith 1776). These principles have been expanded overtime by researchers and they now include simplicity, transparency, effectiveness, and fairness as well as flexibility among others (Bunn et al. 2020;

Munoz et al. 2022; Rukundo 2020; Simbarashe 2020). Figure 2 presents a display of the canons of taxation. The OECD Inclusive Framework on BEPS is working towards establishing a consensus based digital framework that incorporates the principles of taxation in the digital tax systems. Impatient and frustrated by the continued loss of tax revenue while awaiting the finalisation and rollout of the OECD guidelines on digital taxes, some African countries have put in place their own digital services tax policies. Though these taxes vary across nations, the principles of taxation are universal, and this assesses the DSTs taxes in relation to the canons of taxation in Africa.

The Canons of Taxation in brief



Figure 2. The figure foregrounds the brief discussions on the canons of taxation. Source: Authors' Compilation.

Efficiency and economy

The administrative and compliance costs of a tax system must be manageable and affordable to both the tax administrators and taxpayers, respectively (Rukundo 2020). The costs must not be such that they outweigh the benefits of taxation. Tax administration must not be too costly to tax administrators in terms of time, resources, and effort. With respect to taxpayers, the costs must not be prohibitive such that they drive taxpayers to find means of avoiding and evading tax. Tax is a business cost that must not compromise the profitability and survival of companies, must not result in distortionary effects on the market, or result in regressive externalities. Taxpayers must be taxed according to their ability to pay, and they must not be left in a worse off position (Cut the coat against the size of the cloth hence taxation must be in relation to the size of their income) (Smith 1776). The administrative and compliance burdens are argued to be one of the fundamental constraints facing revenue authorities in Africa and opening crevices for corruption in tax administration (Sebele-Mpofu 2020a, 2021).

Neutrality and equity

Taxes should be neutral (unbiased) and equitable. Equity is divided into horizontal and vertical equity. In terms of horizontal equity, individuals and businesses in alike circumstance are taxed similarly. Those engaging in a similar business activity should

be treated in an equal manner (vertical equity). Neutrality and progressiveness of the tax policy are key. Administrative shortcomings can result in unfairness, inequities, and economic inefficiency (Atkinson et al. 2022). For example, in relation to digital taxes, taxes must be unbiased between digital and traditional economies or between DFS and traditional financial services to maintain a level playing field and fair market competition. Alike digital or conventional business models should be taxed in a similar way (Rukundo 2020). The same taxing principles and standards should apply to whole economy. In line with the efficiency and neutrality principles, it is argued that income originated from the digital economy must be taxed as that generated from conventional means.

Certainty and simplicity

Tax legislation must be comprehensible and easy to adhere to. Its provisions must be such that a taxpayer is certain or aware of their tax obligation and are able to compute it themselves with certainty following the provisions of tax statutes or tax policy. Tax policy must not be ambiguous and complicated. Accordingly, tax rules for the digital economy must be transparent. There must be legal certainty in the application of the digital tax rules, definitions of digital transactions and enforcement boundaries between digital and non-digital transactions.

The complexity of tax policy is viewed in tax literature as one of the major weaknesses of tax policy in Africa and a deterrent to tax compliance (Mpofu 2021d). Taxpayers opt not to comply with tax legislation in fear of grappling with legislative intricacies (ambiguity, inconstancies in application and interpretation, procedural challenges, computational complexity, submission of returns complexity) and challenges to get redress or tax justice (Sebele-Mpofu and Chinoda 2019). These complexities border around logging objections and appeal as well as getting refunds.

Flexibility

Tax laws must not be too rigid and archaic. Tax policy and legislation must keep abreast with changes in the business environment. It must evolve in response to the opportunities and risk that emerge for tax policy as the business world evolves. Tax policy must keep up with the speed of technological as well commercial developments.

Convenience

It must be convenient for taxpayers to settle their tax obligations.

Effectiveness and fairness

Tax systems must not be porous, frail, or easily exploited, to minimise the likelihood of tax evasion and avoidance. For example, the current transfer pricing rulings are described as vulnerable to abuse by MNEs to engage on BEPS behaviour. The ambiguity of the arm's length principle, which is the heart of the OCED transfer pricing guidelines, and individual country transfer pricing legislation in most African countries is another catalyst for this abuse (Sebele-Mpofu et al. 2021a, 2021b). Tax policy must be effective, transparent, and fair to achieve the revenue mobilisation motives and other motives such governance gains, ensuring equity and tax justice, resource distribution and fostering accountability and stakeholder bargaining.

2.1. The Role of Taxation in the Economy

Taxes are about several issues, economic policy, revenues generation, politics, and incentives. Other than the revenue mobilization objective to fund government expenditure, taxation has several roles. These roles include redistribution of resources, stimulating economic growth, reducing market externalities, ensuring equity, reducing inequalities, and preventing dumping. Taxation is further used to discourage the consumption of certain goods and services, in addition to stimulating the demand for representation, accountability, transparency, and stakeholder bargaining from government by citizens (Meagher 2018). The revenue mobilization is the most accentuated motive and overshadowing the other

objectives. Heggstad et al. (2011, p. xvi) argue that, “Tax is much more than collecting revenue, it is about building accountable relations between government and citizens”; therefore, governments should not narrowly concentrate on revenue generation while overlooking other roles of tax.

In the same light, the design and evaluation of DST frameworks should pay due consideration to other functions of taxation. The challenge is that African countries and their governments tend to focus more on the revenue generation objectives while overlooking that the different objectives are inextricably connected. While studying tax revenue mobilisation in Tanzania, Heggstad et al. (2011, p. xii) state, “the uncompromising revenue target focus of the tax administrations implies achieving the collective target becomes not “everything” but the “only thing” and sometimes at any “cost”, even at the expense of other functions of revenue administration”. The other taxation functions influence the ultimate objective of tax revenue mobilisation. For example, if taxes lead to unintended reduced usage of digital services or diminished trust in government, potentially tax revenue is reduced, tax morale is affected, and tax compliance is compromised.

2.2. Digital Services Tax in Africa

Domestic revenue mobilization is crucial for sustainable development. Sustainable development hinges on a government’s ability to generate its own funds that is through taxation. Fjeldstad and Heggstad (2011) adduce that tax bases in developing countries are “non-comprehensive” because of a large non-taxpaying IS that can easily evade tax due to weak capacities of most countries’ tax authorities. This is in addition to several hurdles they encounter in effectively administering tax legislation (El Badaoui and Magnani 2020). African countries must look for alternatives to expand their tax bases.

Therefore, there is a growing trend in digital taxation in Africa (Simbarashe 2020). Several African countries, including Zimbabwe and South Africa (Southern Africa), Kenya, Uganda, and Tanzania (East Africa) and Nigeria (West Africa) have introduced DST (Anyanzwa 2021). According to Atkinson et al. (2022), “DSTs represent a rudimentary and imprecise means of taxing the perceived value target by most OECD proposals. By taxing the gross revenues, DSTs seek to tax value created by persons in a jurisdiction currently not covered by conventional taxes”. As the digital or ICT powered economy expanded across African countries, consideration towards and implementation of DST increased in Africa. The rationale being to generate enough revenue to support depleted public revenue, reduced revenue collection (expansion of the narrow tax bases), the rising public debt, and widening public expenditure. According to Brauner and Moreno (2015, p. 3), “the digital economy presents one (if not the) most direct challenge to international tax legislation, pressing on its weakest point—the not so seamless interaction of economic and legal roots”. Table 1 foregrounds the discussion on the direct DST in Africa and proposals.

Table 1. Direct Digital Services Taxes implemented and proposed in African countries.

Country	Provision	Threshold	Implementation Date
Zimbabwe	Any amount received by or on behalf of or accrued by an e-commerce or satellite broadcasting service provider situated outside Zimbabwe shall be deemed to be income from a source within Zimbabwe and be liable for tax at a rate of 5% for any revenue in excess of US\$500,000 (Simbarashe 2020; Deloitte 2020; KPMG 2020; Becker 2021)	US\$500,000	1 January 2019

Table 1. Cont.

Country	Provision	Threshold	Implementation Date
Tunisia	Three percent digital service tax and 15% withholding tax on payments made to providers of advertising services or in return for the supply of such services through digital means (Bunn et al. 2020; Kelbesa 2020; Simbarashe 2020; PWC 2020)	n/a	1 January 2020
Kenya	Of income accruing through a digital marketplace, 1.5% A digital marketplace is considered as a place that enables buyers and seller of goods to directly interact through electronic means	n/a	7 November 2019
Nigeria	Thirty percent of taxable income of foreign companies that transmit or receive signals, messages, images, sound, and/or data of any kind by radio, cable, electromagnetic systems, or any other wireless or electronic devices in Nigeria in respect of any including such activities as high frequency, e-commerce, application store, electronic data storage, online payments and adverts, and other participative online network platforms, to the extent that the company has significant economic presence in Nigeria and the profit can be attributed to such activity	NGN 25 MILLION (approximated at about US\$65,000)	2020
Egypt	In the 2020 budget draft, the Minister of Finance alluded to the need to introduce digital taxes to strengthen revenue mobilization from the digital economy (Becker 2021; Bloomberg 2020; Simbarashe 2020; Bunn et al. 2020)	n/a	2019 public announcement

Source: Author's compilation from various sources.

The summary of the provisions of the new direct digital taxes by the few African countries show variations on the digital tax policy. This also points to the complexity of mobilizing tax revenue from the digital economy, pointing to likely implications on the possible tax revenues that could be generated through direct DSTs (Simbarashe 2020). Complexity of the tax system itself is a cost to tax administration and compliance (Mpofu 2021a). It constrains the ability to collect taxes effectively and to comply fully with tax legislation for taxpayers and revenue authorities, respectively. An indisputable tax policy obstacle is how African governments will find an optimal balance in constructing an inclusive and fair DST policy that facilitates business growth and investments, while maximizing revenue generation from the sector to finance development. Effective revenue mobilization is a sustainable development issue, government can only attain the SDGs with enough resources to fund education, health, investments, and economic development. According to Silue (2021), access to e-money and financial inclusion are both development problems in developing countries that need to be addressed. Therefore, tax policy must pay attention to how these development hurdles are dealt with.

2.3. Digital Service Taxes in Africa and the Principles of a Good Tax System

There is no consensus on whether direct DSTs conform to the principles of a good tax policy that were expostulated by Smith (1776) and have remained the core of taxation to date. The structure of these taxes, the thresholds and the implications of their implantation have the bone of contention. The findings of this review on this debate are summarized below in relation to the principles of taxation.

2.3.1. Equity and DSTs

The discussion on DSTs and equity can be discussed under the structure of DSTS, vertical equity (the issue of progressivity), and the horizontal equity (treatment of firms based on thresholds).

Structure of DSTs

As shown previously in Table 1, DSTs are based on revenues and there are certain set thresholds, therefore, making their design a subject of controversy. Opponents of taxing the digital economy through direct service taxes have raised equity concerns. They argue that designing them in such a way that tax liability is computed based on revenue and not based on corporate profits is selective on its own. Taxing profits ensures tax is levied on the return on investment. Contrarily, with DSTs tax liability is calculated on turnover or gross sales ignoring the expenses incurred by companies, yet if it was based on taxable income or corporate profits it would have recognized the allowable deductions and expenses incurred by corporates in earning income in market jurisdictions. This violates the principles of taxation. Lowry (2019) and Kennedy (2019) argue that tax rules do not permit companies to tax MNEs cross border income only because the residents in market jurisdictions purchase goods provided by that MNE. The researcher further argues that ownership of assets should be the justification for allocating any share of the MNEs' profits. The researchers submit that being a market or having consumers of digital services in country is not enough rationale to tax MNEs. Kennedy (2019) specifically disputes the concept of taxation of value creation, stating "users do not create value in any significant way". The arguments though sound is not persuasive enough, as it is evident from extant literature that countries need to focus on tax evasion and avoidance as well as erosion of the tax base by these MNEs that is made possible by the non- or under-taxation of the digital economy. If tax bases are to be broadened and protected, there is no way the digital economy can be ignored. In addition, the issue of value addition, though still controversial, cannot be overlooked.

Horizontal Equity or Discriminatory treatment of firms

On the use minimum thresholds, opponents submit these thresholds are discriminatory against large MNEs. ATAF (2020), advising on the need to ensure that the DSTs do not have an unfavourable effect on the digital economy in Africa, encouraged African countries to set de minimis thresholds. The idea is to target only the big and profitable digital businesses. The targeting of only these large companies is viewed as a violation of the neutrality principle and an effort to only mobilize digital tax revenue from United States technology MNEs such as Amazon, Netflix, Google, and Facebook, among others, as they are the ones that meet these thresholds. Kennedy (2019, p. 2) affirms this supposed discrimination, asseverating "Digital services taxes should be seen to for what they really are: ill-disguised, convoluted and capricious, attempts to grab tax revenue from a narrow set of large, highly profitable, and mostly American companies". The contention on minimum thresholds can be viewed and interpreted in two ways.

Firstly, as a violation of the equity and neutrality principles as well as the ability to pay principle as argued by critics. Secondly, as indeed an acknowledgement that the MNEs indeed make huge profits in market jurisdiction and fairness demands that these super profits are subject to tax, and DST are the viable option to collect these tax revenues. DSTs in Africa allow countries to go beyond the hurdles of the physical presence and ownership of the asset principles and arguments to levy tax on a sector that has remained undertaxed to the detriment of developing countries. One could argue that while the first interpretation can be seen as a violation of the equity and neutrality canons, the second interpretation can be viewed as a way of addressing equity and fair taxation between developed and developing countries. Lirri (2021) who asserts that it is rather too superficial to interpret the implementation of DST policies as a tax revenue "grab" because the role of taxation goes beyond just revenue collection, there are important motives for taxing the digital economy. The revenue rationale might be key, but it is not the only reason. Equity consideration,

political economy reasons as well as protection of the tax base and building trust in tax policy are some of the essential justifications.

Taxes are not meant to be punitive or favourable to certain sectors, industries, operations, and products. DST taxes might be considered to create neutrality between business and business models (Bunn et al. 2020). The expansion of permanent establishment regulation to encompass the digital establishments with respect to clear market interactions is an avenue to enhance neutrality. Notwithstanding this, targeting only digital services and ignoring traditional services and even the focus on hi-tech companies violates equity and neutrality canons of taxation. Companies in the same business or sector must be treated equitably. This inequitable treatment by focusing on large international businesses could have negative ramifications and result in trade wars. The countries where these MNEs are physical domiciled could institute tariffs or digital companies resorting to subscription models to cover the tax cost, therefore, expanding the digital divide (Kennedy 2019). This could have negative consequences towards digital inclusion in Africa where the greater portion of the population is poor and where internet access costs are unaffordable. The negative implications are for both households and businesses. The pressing question is, what is the best option, to continue losing significant tax revenues, given the delay on the finalization of the OECD consensus-based rules, or take the risk? Another concern is whether these OECD guidelines would really be adequately applicable to Africa and protect tax bases and curb tax evasion and avoidance by MNEs. The implications for equity and neutrality are contradictory and inconclusive.

Vertical Equity

As outlined earlier, vertical equity works together with the ability to pay principle, those with a considerable ability to pay must pay a higher share in relation to their income and those with a lower ability accordingly pay less, thus progressivity. The economic incidence of DSTs implies otherwise, they are more like excise taxes as opposed to corporate taxes (Lowry 2019) and, therefore, regressive as low-income households end up paying more than the high-income ones. This is more explained under economic efficiency principle. A flat DST rate is not just regressive but has the potential to disenfranchise the poor and marginalized segment of the population such as women, the unemployed, those operating in the informal sector, and the youth. Empirical evidence shows that a flat rate is likely to affect the vulnerable and those in the rural areas who need the internet the most. For example, in Uganda, the poor and less privileged were significantly affected by the social media tax introduced in 2018 (Anyanzwa 2021). Important to note is that the precise equity implications on the abilities of digital firms to push the tax cost to consumers, the nature of services and goods supplied, and elasticity of demand and supply in those relative markets. For luxury services and goods, the effects might be progressive but for key household services such as internet that have become an indispensable part of livelihoods, the impact is likely to be highly regressive. An ideal tax system should be broad-based, easy to administer, enforce and encourage fair market competition as well as being progressive. Flat taxes such as most DSTs are regressive, as they do not take into consideration the ability to bear the tax burden between the rich and the poor (Anyanzwa 2021).

2.3.2. Simplicity and Certainty and DSTs

Taxes should be easy for taxpayers to understand and comply with. DST legislation in the four African countries (Tunisia, Zimbabwe, Kenya, and Nigeria) does not meet the simplicity test; the tax legislation leaves key definitions unexplained and ambiguous. For example, in Kenya, digital services are not fully defined, and the digital marketplace is not clearly and comprehensively defined. The markets and economic actors covered by the definition are not clearly articulated, hence there is need for clarity and legal certainty in definitions that are fundamental to digital services tax administration and compliance. This adds complexity to tax policy and unintended hurdles to tax compliance. The definition and boundaries for virtual permanent establishment and DSTs remained ill-defined and unclear. Despite researchers pointing to the simplicity of DSTs, they are simple in theory but

complicated in practice, the identification of users and revenues are practically challenging and even the concept of value creation. [Bunn et al. \(2020\)](#) in concurrence posit that linking value to a user that accesses and uses free service is economically difficult as there is no price prompt or sign attached to one user; therefore, regarding a network of users as value generating assets is problematic and accompanied by valuation and measurements problems. Assessing the correctness and completeness of the amounts paid in settlement of tax obligation will be a daunting task for governments and their tax. Certain design characteristics could result in inequitable treatment between companies and heighten administrative intricacy ([Lowry 2019](#)). For example, the minimum revenue thresholds guiding DSTs and targeting the large and profitable MNEs could bring complexity to tax systems. The identification of the location of users in market jurisdictions could be problematic and bring along consequential costs on companies.

2.3.3. Economy, Transparency, and DSTs

Tax policies must be clear on the obligations of the taxpayer and their due dates. Digital taxes are argued to be thinly as proxies for indirect taxes such as VAT or direct taxes such corporate taxes rather than straightforward expansion of those existing frameworks ([Bunn et al. 2020](#)). This compromises transparency in tax policy. Furthermore, DSTs and withholding taxes appeared to be low, but their application, which is based on revenues as opposed to taxable income or profits, implies the tax burden is much greater than that implied by the tax rate. The true tax burden is veiled in the seemingly lower tax rate.

2.3.4. Consistency, Predictability, and Stability as They Relate to DSTs

Consistency and predictability are fundamental characteristics in tax policy to encourage compliance and reduce tax system complexity and tax administration costs ([Bunn et al. 2020](#)). Most DSTs are meant to be implemented on a temporary basis and are to be repealed in favour of the consensus-based ones when they are finalized. Temporary or short-term tax policy brings uncertainty and problems for both taxpayers and tax administrators. Tax administration and compliance become uncertain. In addition, DSTs focus on specific business operations, and these continuously evolve. The dynamism of digital operations creates room for upsetting stability of tax policy.

2.3.5. Economic Efficiency and DSTs

Economic efficiency is explained as a situation where resources are produced and distributed in an optimal way in a market or economy ([Lowry 2019](#)). Taxes generally infringe on and or distort the optimal distribution of resource as they influence economic decisions based on the tax effect on prices. Key to understanding the implications of the distortions is identifying who carries the incidence of or economic burden of DSTs. The question is the economic burden born by the suppliers of digital services or the consumers or distributed among these parties. The statutory incidence does not matter as suppliers ultimately pay the tax collected to the government. Where there is perfect competition in the supply of digital services market, the users bear the tax cost in the form of increase in prices of services. According to [Lowry \(2019\)](#), “in a perfectly competitive market, firms providing digital advertisements earn zero economic profit in that they could earn a higher return via alternative investment”. The options available are, firstly, to digital services companies to move out of the industry and engage in industries or sectors that that are not subjected to the tax or take the investment to destinations that are DST friendly. Secondly, digital companies can push the tax to businesses and consumers that use the digital services. The first option leads to loss of investment in the economy, slowing economic growth and reducing the taxable revenue targeted through DSTs. The second option could lead to higher prices being charged and consequently result in a decrease in quantity demanded. Consumption and revenue mobilization are interconnected. Loss of business for companies means lower profits and decrease in tax revenue. Reduced consumption of digital services means reduction in consumption taxes such as VAT in

addition to other negative externalities such as reduced opportunities for technological and digital financial literacy, digital inclusion, and financial inclusion as well as communication. These externalities are important in the attainment of SDGs by African countries. It is important to note that the extensiveness of the changes in demand and usage are a function of the elasticity or responsiveness of the market (individuals and businesses) to changes in prices.

The paradox of DST is that the introduction of digital taxes in most African countries were accompanied by a subsequent decline in those accessing and using internet and other digital related services, signal decline in revenues mobilized. Ultimately, the impediment on the usage of financial transactions affects business such as agriculture and financial services. Taxes deepen the internet and digital services affordability problem in African countries, where access and affordability of the internet are already a challenge due to data costs and poor connectivity. COVID-19 has made it evident that connectivity and access to cheaper internet is crucial for both communication, business transactions, and economic activity. Taxes that unduly burden the poor that are already reeling from unaffordability challenges or discourage investment in a sector are against the principles of fair taxation (Lirri 2021).

Uganda implemented tax on social media in 2018 with the hope of broadening the tax and mobilize more tax revenue. Revenue mobilization declined drastically, and users resorted to Virtual Private Networks (VPN), Wi-fis in offices and restaurants. The country abandoned the tax in 2021 and introduced 12% tax on internet data after intensive stakeholder consultation. Africa needs to bridge the accessibility and affordability void so that it can adequately deliver on e-services, which include fintech, health, education, and communication. DSTs increase the prices of e-services or discourage investment. Mobile money could digitally transform financial inclusion. In Africa, DST taxes are likely to affect financial inclusion, increase inequality and perpetuate poverty. Donovan (2012, p. 62) articulates “Poverty is more than just the lack of money. It involves a lack of access to the instruments and means through which the poor could improve their lives. Exclusion from the formal financial systems has increasingly been identified as one of the barriers to a world without poverty”. African countries should re-look at the ripple effects of digital taxes on other roles of taxation by focusing on usage, affordability access, and the impact on the market.

Contrastingly, in a situation where providers of digital services have monopoly power such as Facebook, Amazon, and Google, or where there are few players in that industry, the tax can be partly absorbed by these firms in form of reduced prices. The lack of competition and/or absence of alternative services influence market power of service providers. The digital MNEs can earn supernormal profits as they can price their services over the marginal cost of production as they are operating in oligopoly or almost monopoly as the “the marginal cost of scaling production of their business is relatively low, if not costless. For example, the marginal cost of Facebook to display an advertisement to a user is basically zero” (Lowry 2019, p. 21). Though these arguments are not certain, they point to the possibility of high profits for MNEs. The argument can also hold untrue for companies such as Google that allow the search engine to be used freely by individuals and on the other hand advertising space is sold to businesses. Therefore, the issue of competition with companies such as Facebook and other non-digital means such as television and radio is a reality which could result in charges above the marginal cost of production prices. These arguments raise question of the equity, fairness, and economic efficiency of DSTs.

3. Materials and Methodology

The paper discusses direct DSTs in Africa and how they conform to the principles of taxation. The paper adopted a qualitative approach, which is descriptive and analytic in nature through a critical literature review. A critical review as described by Carliner (2011) is a comprehensive review approach that allows researchers to review, comment on, and critically evaluate and synthesise literature to draw research gaps, consistencies, and inconsistencies in previous studies. To make the review comprehensive, the researchers

followed guidance from [Webster and Watson \(2002\)](#) who argue that a thorough review must address four essential aspects: contribution (“what’s new?”), impact (“so what?”), logic (“why so?”), and thoroughness (“well done?”).”

To further enhance the novelty of this review article’s contribution, the researchers employed a qualitative sequential method (as used by [Tofan and Bostan \(2022\)](#)). For this research, the preliminary review of literature focused on direct DSTs in Africa to point out the countries that have adopted them and the structure of these taxes in these countries as presented in Section 2.1 and Table 1. Secondly, the researchers focused on the literature on the structure of the direct DSTs in relation to the canons of taxation as presented in Section 2.3 of the article and the review results section discussion and Table 2 in Section 4.

The researchers undertook document review to gather information on direct DSTs and analysed the information as it relates to the canons of taxation. The review focused on the main aspects of tax policy, that is, the structure of the DSTs, the thresholds, the tax rates, and the role of taxation in the economy as well as the likely unintended implications that may arise. These key issues are the ones that are likely to bring to question the adherence of tax policy to the principles of an ideal tax policy. The paper assessed proposals, public announcements on DSTs and digital tax legislation as implemented in selected African countries (Tax Statutes such as Income Tax Acts and Finance Acts). The focus was especially on those countries that have implemented digital taxes (direct taxes) in Africa. Literature was also drawn from published articles that were searched for through the Google scholar search engine. Only a few papers were found on DSTs in Africa and even fewer that addressed the canons of taxation in relation to the DSTs. Most of this limited DST literature addressed the rationale for taxing the digital economy and the challenges of taxing the digital economy faced by African countries and other developing countries. Some of the papers centred on taxing the digital economy using VAT and withholding taxes. To complement this extant literature, the researcher used citation mining ([Mpofu 2021b](#)) and snowballing. The researchers searched for relevant papers using the information extracted from the reference list of the papers that were found appropriate. Furthermore, snowballing was used (both forward and backwards snowballing) ([Jalali and Wohlin 2012](#); [Mpofu 2021b](#)), to follow the prominent authors in the area backwards and forward. This yielded previous and recent works (2022) by [Munoz et al. \(2022\)](#) on DSTs among other papers.

Owing to the novelty on digital taxes, the researchers also reviewed working papers and publications from the African Portal, the International Centre of Tax and Development (ICTD), and the Institute of development studies (IDS) as well as from ATAF and the OECD. Reports, policy reviews, and blogs by international bodies such as Bloomberg Tax and other developmental bodies. Literature was reviewed until the saturation point was reached and this was the point where no new information on the subject emerged from further reviewing ([Sebele-Mpofu 2020b](#)). The review literature was discussed thematically, guided by the principles of taxation.

4. Results

The controversy surrounding the DSTs continues in Africa and beyond. It was evident from the review of literature that taxing the digital economy is irrefutably an important step taken by some African countries, but because of the novelty of the tax frameworks, they are still fraught with structural weaknesses and ambiguities. These weaknesses raise questions about the conformity of the DSTs policy to the canons of a good tax policy. These structural deficiencies raise implications for tax administration effectiveness and tax compliance as well as the likelihood of unexpected negative outcomes. From the review, the researchers deduced that DSTs are presented as taxes levied on corporate profits, yet their computation resembles that of excise taxes and the fact that they are computed on revenue points to the possibility of increased revenue mobilisation and heavy tax burden. This applies to government and suppliers of digital services. From a positive perspective, DSTs are a measure to reduce tax avoidance, base erosion and profit shifting and tax evasion by large MNEs operating in Africa without physical presence. The taxes also target tax value

creation in these market jurisdictions. The business world is changing and accordingly tax policy must evolve because international tax laws were no longer effective or adequate to capture digital transactions.

DSTs result in inequitable economic treatment of alike digital companies operating locally and foreign companies with a market or users in the market jurisdiction. This implies that local digital companies can generate large profits locally and globally without being levied DSTs. Therefore, DSTs in their current state may create inequities based on thresholds but it is important to bear in mind that taxation has several roles in the economy. The thresholds might be a policy object to protect, nurture, and promote local companies, start-ups, and small and medium enterprises from large MNEs that are stronger and more resilient in terms of resources. Viewing DSTs from purely equity grounds, the thresholds raise equity or unfairness concerns as they reflect an arbitrary policy.

On economic efficiency, the arguments of negative externalities are persuasive. If the taxes are passed on to consumers of digital services in the form of higher prices or digital companies exiting the industry or market, the impact on SDGs, digital transformation, digital financial inclusion, financial inclusion in general, and poverty reduction must be comprehensively considered. The evaluation should also focus on the possibility of reduced demand and ultimately a decline in tax collections. If MNEs bear the tax cost in the shape of a reduction in the return on investment, the possibility of trade wars or vengeful trade behaviour by developed countries is worthwhile to pay attention to. African countries need to tap tax revenues from the sector, the challenging question is how to do so in a fair, just, and equitable way.

In relation to a 10% increase in mobile broadband penetration, Gross Domestic Product (GDP) responds by an increase of approximately around 0.82% to 1.4% (Bunn et al. 2020; Kelbesa 2020). If these estimations are anything to go by, overly burdensome DSTs would lead to foregone revenues, reduction in value addition, and GDP growth. Solutions to problems of digital economy taxation and its implications to the canons of taxation, economic growth, and other negative externalities will vary across countries and should be tailored and contextualised to suit tax jurisdictions or continents.

A good digital tax system must take into cognizance the likely impact of the DST on users as well as on national ecosystems. National, regional, and continental regulatory bodies, revenue authorities, platform operators, and policymakers should work together to construct an inclusive digital tax policy.

The discussion of findings from the review is summarized in Table 2.

Table 2. Summary of Review Findings on the Canons of Taxation.

Canon (s) and Focal Points	Key Questions Answered	Findings
Equity and neutrality (structure, vertical equity, and horizontal equity), universality	Do DSTs apply to all digital service providers or only to telecommunications companies? Do DSTs apply to both local and foreign digital companies?	DSTs apply to selected digital services, and these differ with tax jurisdictions. For example, in reference to Table 1, Zimbabwe, while other digital services are covered some are not covered in tax legislation. The de minimis or minimum thresholds are such that DSTs target large profitable MNEs (foreign companies), while local companies are not taxed using them.
Equity and fairness (sector coverage)	Which kind of digital services are subjected to DSTs? Are similar non-digital services levied tax?	Digital services such as advertising, Facebook and Google search engines, purchasing on Amazon and Alibaba, and watching movies on Netflix and similar non-digital services are not levied DSTs.

Table 2. Cont.

Canon (s) and Focal Points	Key Questions Answered	Findings
Distribution of the tax burden (equity)	Is the tax burden fairly distributed between consumers and providers of digital services?	Tax burden is not fairly distributed as the implications of the incidence of DST depend on factors such as usage, market structure, and the elasticity of supply and demand.
Tax rates (fairness)	Are the DST rates fair? Do they foster progressivity in digital tax policy?	Taxes are not based on profits or taxable income but revenue. This does not consider the expenses incurred. The tax rates appear to be comparatively low in theory, but the actual tax liability will be substantial since it is computed on revenue. The flat tax rates generate regressivity, hence, DSTs are not progressive in collecting taxes.
Simplicity and certainty	Are DSTs easy to compute? Does the DST legislation fulfill the certainty principle?	Theoretically the taxation framework, but complexities are associated with underlying assumption such as value creation, the identification of users, and tracing of revenues. Definition of key terms are ambiguous and not clearly explicated.
Transparency and economic efficiency	How transparent are DST?	The lack of clarity on whether they are corporate taxes or excise taxes give an impression of them being disguised. The seemingly low rates give a false comfort of affordability yet in practice the actual tax obligation is likely to be significant.
Economic efficiency	Are DST taxes economically efficient?	The results are conflicting. Implications are that the costs are possibly going to outweigh the benefits. The effect of negative externalities might be considerable as they relate to broader issues such as the attainment of the SDGs, reduction in usage, decline investment, other market distortions and reduced revenues. All this is dependent on how demand and supply respond to the DSTs.
Effectiveness	Are DST effective in as a fiscal tool?	The findings are conflicting and are dependent on the other principles. Concerns are evident on the ability of DST policy to deliver on the fundamental roles of tax policy. Even achieving of the dominant motive of revenue mobilization raises questions. Their propensity to reduce tax evasion avoidance and base erosion and profit shifting requires further investigation through empirical analysis.

Source: Authors' Compilation from the review.

5. Conclusions, Limitations, Recommendations and Areas of Further Research

This article's main objective was to assess the structure and design of direct DSTs in Africa with respect to their conformance to the principles on ideal tax system. The aim is to inform the amendments of direct DSTs in those African countries that have implemented their design or in those countries that intend to adopt them in the future. The acceptability and effectiveness of tax policy depend on stakeholder perceptions on the tax policy design, tax rates, implications as well as tax administration. Through a critical literature review, this review article conducted a review of relevant literature on direct DSTs in Africa. The review's results on the canons of taxation were mixed. The fact that their structure hinged on them being computed on the revenue as the base, and not profits or taxable income as is the case with ordinary corporate tax, violated the ability to pay principle, the equity principle, and the fairness principle. From another angle, not taxing MNEs that generate

income on the African markets is a violation of the canons of taxation. The review concludes that while the arguments in favour of the direct digital taxes based on the canons of taxation are valid, those against such taxation because of the same principles of taxation are equally pragmatic. Governments need revenue to function, and the digital economy presents a possible tax base and direct DSTs a likely avenue to tap tax revenue from this promising source. The key is for governments to design direct DSTs in a way that addresses the canons of taxation. Tax policy requires continuous review, evaluation, and amendment; tax policy review is constant balancing act. From the review, the article makes suggestions that could help improve the structure, design, and implementation of direct DSTs.

Recommendations

From the review of literature, the article recommends the following:

Revisit of digital tax policy especially in relation to DSTs and the principles of taxation

African countries should revisit their DST policies to align them with the canons of taxation. Design of tax policy is an ongoing exercise with revenue authorities continuously playing a balancing act that is informed by the evolving business environment, loopholes that become evident in tax policy, as well as the sophistication in tax avoidance and evasion schemes. DSTs, including the OECD consensus-driven ones, should aim to offer simplicity, certainty, predictability, and ease in comprehension and interpretation to increase compliance and minimize to the administration costs.

Tax legislation must foster industry specific neutrality and guard against specific tax benefits, incentives, or penalties that focus on one industry or one portion of the sector or industry. Direct DST taxes should be charged on net income not revenues. Taxation of revenues is inappropriate and overlooks the costs of accessing the service by customers. In this case, flat taxes rates are not desirable as they introduce regressivity in tax policy. To tax revenue and not income or profit is problematic too. Definitions of key terms must be clearly documented to increase simplicity and certainty. In addition, the removal of sector-specific taxes is encouraged as it not only breaching equity rules but also pivotal to attract investment in digital activities, enhancing affordability, expanding usage, and consequently improving economic growth. Chad removed the 18% excise duty on mobile internet to facilitate improvements in access and usage ([Anyanzwa 2021](#)).

International collaboration in the design of digital taxes

Fundamental issues linked to the digital economy such as value creation and the development of a sound tax policy are daunting problems that need international, continental, regional, and national collaborative efforts. According to [Dancey \(2019\)](#), "However collaboration for the sake of collaboration is not enough. Creating a good global tax policy is a rigorous and intensive process that requires identifying and pursuing clear objectives and transparent and open consultation". These efforts should balance neutrality, certainty, accuracy, equity, and simplicity principles. There must also be certainty in definitions of key components of the policy such as digital services as well as in the dispute resolution mechanism for countries to fall back in cases of divergent views and treatments of transactions.

Countries all over the world and even those that are members of the OECD BEPS inclusive framework are at varying levels of development and tax administration capacity. The gaps are more evident between developed and developing countries. The designing of international digital tax policy should ensure a fair or level playing field for both developed and emerging economies tax jurisdiction and assess the possible implications on revenue collection, taxpayers (companies and individuals), digital markets, and various digital taxes (withholding taxes, direct and indirect taxes). The policy should further ensure affordability of administration and compliance costs and address the principles of taxation in general. A good digital tax policy should further allow harmonization between domestic digital tax rules and international tax rules. The tax policy must be able to be fairly, transparently, and consistently applied across different tax jurisdictions.

Collaboration of Africa counties

Despite progress towards the consensus-based digital taxes, several countries have since implemented unilateral digital taxes. This will heighten regulatory fragmentation, which threatens resilience, economy growth, and the expansion of the digital economy globally. Fragmented legislation brings significant costs and risks to tax policy. African countries must co-operate with each other in designing a unilateral digital tax policy in recognition of the concerns raised in relation to BEPS/G20 inclusive consensus based digital taxation proposals when viewed in the context of Africa. ATAF pointed to the lack of inclusivity of the proposals and the likely ineffectiveness of curbing tax avoidance and evasion by MNEs. The African Forum further suggested the need for collaborative African efforts in coming up with African solutions to the challenges of taxation of the digital economy in view of the weak tax administration capacities in African countries as well as the continued exploitation of TP regulation by MNEs (ATAF 2020). The collaborative efforts could be unified and synchronized through ATAF.

Stakeholder consultation

As a way of minimizing the problems and weaknesses of DST, tax policies in the African countries must be evaluated in line with the interests of government, tax authorities, and consumers. To come up with an optimal tax policy, consultation and collaborative engagements between regulatory authorities, taxpayers, and tax bodies such as ATAF and the Institute of Certified Tax Administrators in Zimbabwe are crucial. Divorcing tax policy construction from stakeholder engagements consequently leads to policy formation that does not address the tax risks and possible negative externalities, infringing on the digital rights of citizens, reducing financial inclusion progress, and distorting digital markets. This was also affirmed by Anyanzwa (2021) who suggested that Africa countries should learn from each other and from other developed countries and understand the different tractor models driving the DSTs. Cases where digital taxes, including mobile money taxes, were implemented (Uganda, Cote d'Ivoire, Rwanda, and Chad) and later removed should provide vital lessons.

Building effective and equitable tax systems

Strong and fair tax systems are pivotal to building and maintaining public trust in governments and its institutions, and tax authorities in all economies and more so in African countries where trust in government is generally low (Dancey 2019; Murphy and Harris 2019; Mpofu 2021c; Sebele-Mpofu 2021). Making MNEs contribute to taxes for digital services is key towards building confidence in the fairness of tax systems. Citizens are also interested in seeing tax legislation simplification. This is more applicable to the digital economy that is surrounded by the ambiguity and failure of tax policy to keep speed with changing business models that have defined public and governments perspectives over the years.

Formulation of tax policy consequently hinges on trust between various stakeholders such as government and revenue authorities (regulators) as well as companies and individuals (taxpayers and civic organizations). Guarding trust is essential for construction of a coherent and acceptable digital tax policy. How the debate on the rationale, design, and implications of DST is ultimately resolved will ultimately either enhance or reduce trust in international, continental, and nation digital tax systems.

Digital tax policy and e-commerce tax matters are complicated (Murphy and Harris 2019). Establishing ways to deal with these interconnected matters in an equitable, transparent, and optimal way must not only be a multilateral issue but one that requires continental and national consideration and contribution. African countries must have their voices heard in the construction of international tax rules, they must interrogate, comment on, and raise concerns where necessary, though researchers such as Becker (2021) are sceptical about the continent's role and impact. The researchers argue that African countries are too politically and economically weak to make a difference. Perhaps they can make a difference through regional bodies or tax bodies such as ATAF.

This article, as a review article, could have the limitation of reviewer bias and the fact that it does not provide empirical data as in the case of a research article. Further research could conduct empirical assessment on DSTs and the canons of taxation while focusing on certain African countries. Secondly, research that evaluates implications of the multiplicity of taxes on digital services (withholding taxes, excise taxes, direct DSTs, and consumption-oriented DSTs such as VAT) in African countries. Lastly, since digital taxation is still in its infancy, more research is essential as research often tables evidence-supported suggestions to inform tax policy improvements.

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