



Digitalization of Taxation and Its Impact on Customer Transparency and Governance

**Rasika Patil, **PROF.(DR). BHAWNA SHARMA PADROO*

¹ MBA (B&F) Sem 4, Amity Business School, Amity University Maharashtra.

² Amity Business School, Amity University Maharashtra.

ABSTRACT:

The advent of digital technologies has fundamentally transformed tax administration, enhancing transparency, compliance, and overall governance. This paper examines the diverse impacts of tax digitalization on customer transparency and governance structures, highlighting both opportunities and challenges. Using a systematic literature review and analysis of empirical data from global case studies, the study explores how innovations such as e-invoicing, artificial intelligence (AI), and blockchain are reshaping tax systems.

E-invoicing has enabled real-time transaction reporting, reducing the scope for tax evasion and increasing the accuracy of tax records. AI and machine learning tools have improved the ability of tax authorities to detect fraud and irregularities swiftly, while blockchain technology enhances security and trust through decentralized, tamper-proof ledgers. Together, these technologies promote greater transparency, simplify taxpayer compliance, and strengthen public confidence in tax systems.

However, the benefits of digitalization are not evenly distributed. Challenges such as weak digital infrastructure, low digital literacy, and high levels of corruption continue to undermine the effectiveness of digital tax reforms in several regions. Moreover, concerns over data privacy, cybersecurity, and the digital divide between developed and developing countries present additional barriers.

Keywords: Digital taxation, tax compliance, customer transparency, governance, e-invoicing, artificial intelligence, blockchain, tax administration, corruption, digital transformation.

1.INTRODUCTION

The digital transformation of tax systems represents a paradigm shift in public finance management, fundamentally altering the ways in which governments engage with taxpayers. Across the globe, nations are increasingly leveraging digital technologies to enhance tax collection efficiency, minimize opportunities for evasion, and foster greater transparency and accountability within their fiscal systems. This transformation is not simply a technological upgrade; it is a comprehensive restructuring of the interaction between taxpayers and tax authorities, with profound implications for governance, trust, and economic development.

In India, for example, the introduction of the Goods and Services Tax Network (GSTN) exemplifies this digital shift. By creating a unified digital platform for tax administration, the GSTN has aimed to streamline tax processes, increase compliance rates, and reduce the administrative burden on both taxpayers and the state. Similarly, other countries have adopted measures such as electronic invoicing (e-invoicing), AI-driven audit systems, and blockchain-based transaction monitoring, each contributing to a more transparent and efficient tax ecosystem.

This paper investigates the impact of tax digitalization specifically on customer transparency and governance structures. It explores how digital tools influence taxpayer behaviour, encouraging voluntary compliance through simplified processes, real-time reporting, and greater visibility of obligations and entitlements. Furthermore, the paper examines the critical role of governance structures—such as regulatory frameworks, institutional capacities, and anti-corruption mechanisms—in facilitating the successful adoption and sustainability of digital tax reforms.

Drawing on a systematic review of scholarly literature from databases such as Taylor & Francis Online, ResearchGate, and Emerald Insight, the study synthesizes empirical findings and theoretical perspectives to highlight both the opportunities and challenges associated with tax digitalization. While there is substantial evidence that digitalization can significantly improve tax compliance and enhance transparency, persistent challenges remain. These include disparities in digital infrastructure, cybersecurity risks, concerns over data privacy, and resistance to change within traditional tax administrations. Moreover, the impact of digitalization varies significantly across different governance environments. In regions with high levels of corruption or weak institutional frameworks, digital technologies alone may not achieve the intended outcomes without parallel governance reforms. As such, the paper argues that while digitalization holds immense potential, its success is contingent upon a holistic approach that integrates technological advancement with strong governance principles.

By examining these dynamics, the paper aims to provide a nuanced understanding of how digitalization can be leveraged to enhance customer transparency and strengthen governance, offering policy recommendations to optimize its benefits for diverse socio-economic contexts.

2. OBJECTIVES OF THE STUDY

- To analyze the impact of digitalization on tax compliance and customer transparency.
- To assess how digital tools influence governance within tax administrations.
- To identify challenges and limitations in implementing digital taxation systems.
- To provide recommendations for effective digital tax governance.

3. LITERATURE REVIEW

Abdul Rashid et al. (2024) write a book chapter that talks about the complicated problems that the digital change brings to Malaysia's government, the environment, and taxes. Because technology changes so quickly, the writers talk about how we need sustainable practices and flexible ways of running the government. They talk about issues like data privacy and hacking and stress how important it is to use digital tools to make taxes more clear and easier to follow. The chapter stresses the need for a complete method that considers economic, environmental, and social factors to make sure that digital transformation helps the country reach its development goals.

Nigerian researchers investigated how going digital can make the government more open and accountable (Shenkoya, 2023) in the country. Using a mixed-method approach that includes bibliometric analysis and a systematic literature review, the study finds that going digital is a good way to fight crime and make the government better. Still, the study draws attention to big infrastructure problems like slow internet connections and broken data systems that make adoption less effective. Shenkoya says that to get the most out of digital government, smart investments need to be made in digital infrastructure and building people's skills. The study is helpful for lawmakers who want to improve the success of the public sector by using technology.

In 2022, Sobrinho et al. did a study that investigates how taxes and corporate governance work in the OAS S/A building company in Brazil. Using a qualitative case study method, the writers bring up issues such as the need to use technology in tax management and the difficulty of tax laws. The results show that good tax governance is linked to good corporate governance standards in general, which stress openness, responsibility, and following the rules. The study suggests that new technologies and better procedures should be used to improve tax administration and make it more in line with bigger business goals. The results are helpful for businesses that must deal with the complicated rules of tax administration in an ever-changing legal environment.

A study by Batoool et al. (2021) investigates how e-governance helps make government better and the internet business grow. The research investigates how ICTs help make things more open, efficient, and allow more people to have a say in how policies are made. The authors look at different e-governance attempts with the main goals of improving service delivery and building public trust. According to them, technology is needed for long-term economic growth and to bring the government up to date. To help the government make the switch to digital, the article carefully examines the good and bad aspects of putting in place an e-governance framework.

Owens and Risse's (2021) "Tax Law and Digitalisation: The New Frontier for Government and Business" examines tax laws and digital technology in detail. A comprehensive look at how digitisation is changing global firm structures, governance frameworks, and tax systems. The book explores core concepts, real-world applications, and future forecasts about digital tax platforms, highlighting the opportunities and challenges taxpayers and tax authorities face from technology. The collection includes contributions from famous tax law experts on how technology like e-filing, blockchain, and AI has changed tax administration. Chapters one and two examine the effects of complex digital tax landscapes on multinational corporations, while chapters three and four examine digital tax systems in the UK, US, and EU. This book is essential for tax professionals, legislators, and scholars interested in tax digitalisation. Its academic research and practical case studies make it essential for anybody interested in digital tax compliance, enforcement, and governance.

4. RESEARCH METHODOLOGY

1. Research Design:

A descriptive research method based on source data was used for this study because it lets researchers hear about and make sense of current events from the people who are living them. Descriptive research is great for studying things like observing, describing, and writing down parts of a situation as they happen normally, without changing the environment. The point of this study is to find out how people feel about digitalising taxes and how that changes things like accountability and openness. The primary data method lets you get respondents' thoughts, feelings, and actions directly from them and in real time. India's digital taxation system is still new, so a descriptive method is the best way to keep track of both new trends and ongoing problems. From the end user's point of view, this architecture makes it possible to carefully check how well digital taxing processes work.

2. Data Collection Method:

Researchers used a Google Form to send a structured poll to people who took part in this study online. This study was meant to get both qualitative and quantitative information from people who have used electronic tax systems like GSTN, the Income Tax portal, or anonymous assessment tools. A poll with fifteen closed-ended and Likert-scale-based questions was used to find out how aware users were, how easy the system was to use, how much they trusted it, how much they thought it made things clearer, and how happy they were overall. The online poll format was chosen because it allows for contactless and time-efficient data collection and can reach a wide range of respondents from different parts of the world. We told everyone that their answers would stay secret so that they would be completely honest and fair. This method gave a more accurate picture of popular opinion because it made sure that all the data was collected the same way and reduced the bias of the interviewers.

3. Sampling Method and Sample Size:

Convenience sampling, a non-probability selection method, was used by the researchers in this study. This method helped the researcher get in touch with people who were free and ready to fill out the survey, even though time, money, and scope limitations meant that they had to be flexible. Convenience sampling can be used for exploratory research that wants to find trends rather than statistically valid findings. This is true even though it might make the results less generalisable. The 30 people who took part in this study were a mix of salaried workers, small business owners, and independent professionals. These are the types of people who are usually touched by India's digital tax systems. The goals of the study were met because all of the people who answered had experience with digital tax systems, like making returns online or following GST rules.

4. Research Instrument:

main tool used to gather information for this study was an online poll questionnaire built on Google Forms. This technology was chosen because it could collect data in real time, was easy to customise, and was easy for everyone to access. The poll asked about the respondent's background, whether they knew about or used digital tax tools, their opinions on the pros and cons of these tools, and their general satisfaction with the results. There were multiple-choice, yes/no, and 5-point Likert scale questions, with "Strongly Disagree" as the most extreme answer and "Strongly Agree" as the least. We made the poll clear and easy so that people from all walks of life could understand it and fill it out. The structure of the questionnaire made sure that all the answers were the same, which made analysis much easier. The

5. Hypothesis Testing

Hypothesis:

H0: There is no association between age group and awareness of digital tax platforms.

H1: There is a significant association between age group and awareness of digital tax platforms.

Chi-Square Test Results:

Calculated chi-square value: 6.84

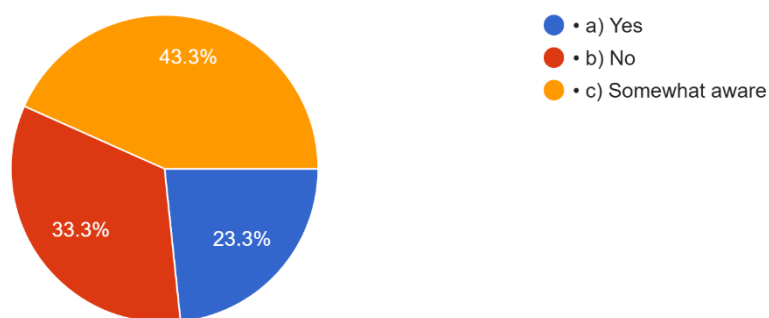
Degrees of Freedom: 8

Result: No significant association at 5% significance level.

6. Overall analysis of data

4. Are you aware of the digital tax platforms such as the Income Tax e-filing portal or GSTN?

30 responses



The pie chart shows the awareness levels of 30 respondents regarding digital tax platforms like the Income Tax e-filing portal or GSTN. A significant portion (43.3%) are somewhat aware, while 33.3% are not aware at all. Only 23.3% of the respondents indicated that they are aware of these digital tax platforms.

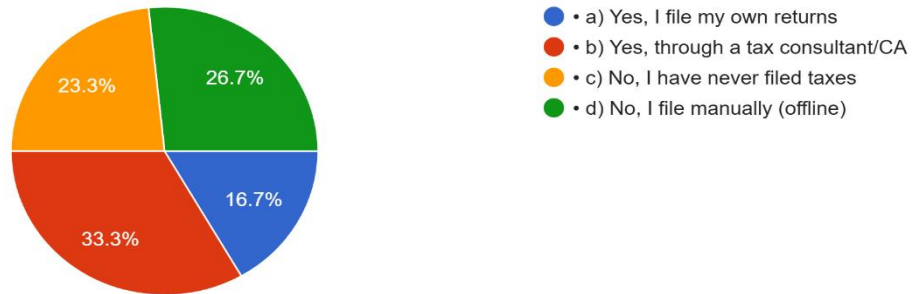
Table: Awareness Levels of Respondents on Digital Tax Platforms

| Awareness Level | Number of Respondents | Percentage (%) |
|-----------------|-----------------------|----------------|
| Aware | 7 | 23.3% |
| Somewhat Aware | 13 | 43.3% |
| Not Aware | 10 | 33.3% |

| | | |
|-------|----|------|
| Total | 30 | 100% |
|-------|----|------|

5. Have you ever filed your taxes digitally (online)?

30 responses



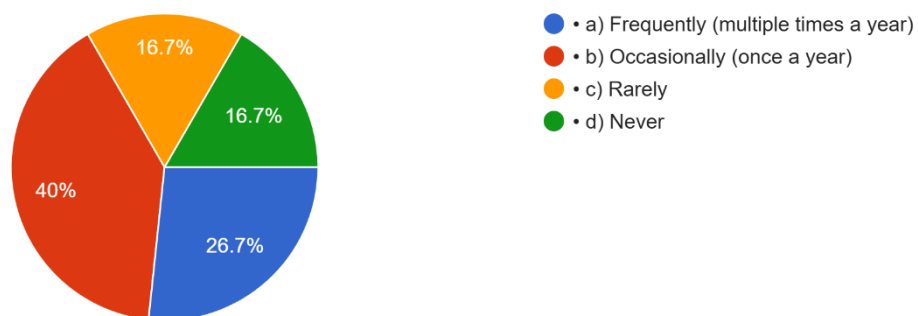
The pie chart illustrates the digital tax filing experiences of 30 respondents. The largest group (33.3%) have filed digitally through a tax consultant or CA, while 26.7% have never filed taxes. Additionally, 23.3% have filed their own returns digitally, and 16.7% still file their taxes manually (offline).

Table: Digital Tax Filing Experience of Respondents

| Filing Experience | Number of Respondents | Percentage (%) |
|--|-----------------------|----------------|
| Filed digitally through a consultant or CA | 10 | 33.3% |
| Never filed taxes | 8 | 26.7% |
| Filed own returns digitally | 7 | 23.3% |
| File taxes manually (offline) | 5 | 16.7% |
| Total | 30 | 100% |

5. How often do you use digital platforms for tax-related activities (e.g., return filing, payments, verification)?

30 responses



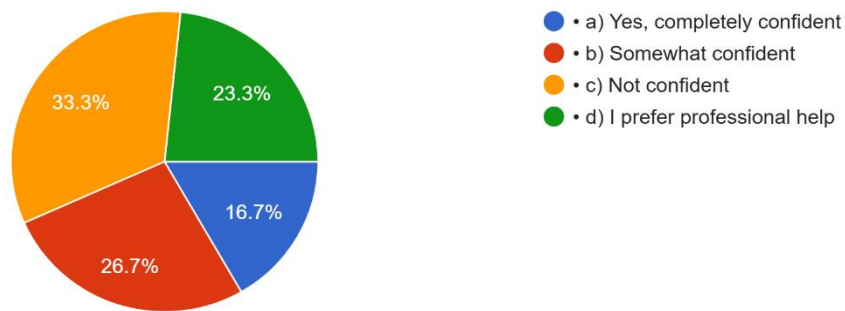
The pie chart reveals the frequency of digital platform usage for tax-related activities among 30 respondents. A significant 40% use these platforms occasionally (once a year), while 26.7% use them frequently (multiple times a year). Both "rarely" and "never" using digital platforms for tax activities are reported by 16.7% of the respondents each.

Table: Frequency of Digital Platform Usage for Tax Activities

| Frequency of Use | Number of Respondents | Percentage (%) |
|----------------------------------|-----------------------|----------------|
| Occasionally (once a year) | 12 | 40.0% |
| Frequently (multiple times/year) | 8 | 26.7% |
| Rarely | 5 | 16.7% |
| Never | 5 | 16.7% |
| Total | 30 | 100% |

. Do you feel confident in filing or handling your taxes online without professional help?

30 responses



The pie chart illustrates the confidence levels of 30 respondents in filing or handling their taxes online without professional help. The largest portion (33.3%) are not confident, while 26.7% feel somewhat confident. Additionally, 23.3% prefer professional help, and only 16.7% are completely confident in managing their online taxes independently.

Table: Confidence in Independently Filing/Handling Taxes Online

| Confidence Level | Number of Respondents | Percentage (%) |
|--------------------------|-----------------------|----------------|
| Not Confident | 10 | 33.3% |
| Somewhat Confident | 8 | 26.7% |
| Prefer Professional Help | 7 | 23.3% |
| Completely Confident | 5 | 16.7% |
| Total | 30 | 100% |

7.FINDINGS OF THE STUDY

The study on digital taxation reveals several important insights into user experiences, transparency, governance, and demographic trends in India. The findings show that while digital taxation systems such as the Income Tax e-filing portal and GSTN are increasingly available, awareness and adoption are uneven across the population. A significant number of respondents were either unaware or only partially aware of these platforms, indicating that digital outreach and education efforts have not fully penetrated all sections of society.

Limited digital literacy, complexity of platforms, and infrastructural barriers contribute to this gap.

User engagement with digital tax services also varied widely. Many respondents preferred relying on tax consultants rather than independently managing their filings, suggesting a lack of confidence despite the availability of digital platforms. Most users interacted with these systems only once a year during tax season, with only a small group engaging more frequently, typically freelancers and business owners with regular compliance needs.

The usability of digital tax platforms drew mixed reactions. While some found the systems moderately user-friendly, others struggled with technical complexity or had no experience using them. This disparity highlights a crucial challenge: the digital divide is not merely about access but also about the ease of use and confidence in handling technology.

Regarding transparency and governance, respondents' views were divided. While digitalization was expected to make tax processes clearer and reduce corruption, many users expressed scepticism about its actual impact. Difficulties in tracking payments and refund statuses, as well as concerns about bureaucratic inefficiencies, suggested that digital reforms have not fully realized their governance goals.

analysis further revealed key patterns. Business owners and freelancers reported higher engagement levels compared to students and retirees. The 25–44 age group, being more digitally active, showed greater exposure but not necessarily more independent use of platforms, indicating the need for better user education. Income levels also influenced behaviour: middle-income groups engaged more actively, whereas high-income individuals preferred professional handling, and lower-income groups remained underrepresented.

Overall, the study concludes that while digital taxation reforms hold significant promise, achieving their full potential requires addressing issues of awareness, usability, trust, and inclusivity. Future strategies must focus on simplifying digital interfaces, enhancing public training, improving grievance redressal mechanisms, and tailoring communication to diverse demographic segments to ensure an equitable and effective digital tax environment.

8.CONCLUSION & RECOMMENDATIONS

The present study explored the impact of digitalization in taxation, particularly focusing on customer transparency and governance in India. Using a primary data-based approach, it assessed taxpayers' perceptions of systems such as the Income Tax e-filing portal and the GSTN. The findings reveal a

mixed reality: while digital platforms have introduced convenience and efficiency, they have not yet fully achieved inclusivity, transparency, or public trust. A substantial proportion of users remain unaware or only vaguely familiar with digital tax services, highlighting gaps in public outreach and digital literacy.

Many taxpayers continue to depend on intermediaries like tax consultants, suggesting that the systems are not as user-friendly or accessible as intended. Usability remains an issue, with some respondents finding the interfaces challenging to navigate, particularly when tracking refund statuses or resolving queries. Furthermore, while some users observed increased transparency and reduced discretionary intervention, many felt that digital platforms have not sufficiently improved accountability or service quality. Most notably, a lack of confidence among users—even among the younger demographic—emphasizes the need for stronger digital education and support mechanisms.

In response to these findings, the study recommends several strategic interventions. First, launching targeted public awareness campaigns in local languages, using diverse media channels, is crucial to bridge the awareness gap. Second, simplifying user interfaces and enhancing user experience through multilingual support, intuitive design, and real-time assistance tools can improve accessibility. Third, strengthening customer support infrastructure—through call centres, grievance redressal systems, and community service kiosks—will offer users timely help and reduce reliance on intermediaries. Fourth, establishing systematic feedback mechanisms will help identify service gaps and build transparency. Fifth, integrating digital literacy into broader financial education efforts is critical to empowering a wide range of users, including homemakers, retirees, and first-time taxpayers. Finally, the government must reinforce cybersecurity measures and communicate data privacy protections clearly to strengthen user trust.

Looking ahead, several areas for future research are identified. Longitudinal studies tracking changes in user behaviour over time can offer insights into the effectiveness of digital reforms. Comparative studies across different regions, income levels, and professions can reveal localized challenges and opportunities. Moreover, exploring the perspectives of tax professionals and administrators would provide a more comprehensive understanding of the digital taxation ecosystem. Research into emerging technologies like AI, blockchain, and machine learning could also inform the strategic evolution of digital tax systems. Additionally, evaluating the cost-benefit dynamics of digital taxation from both taxpayer and government perspectives would help justify future investments.

In conclusion, digital taxation holds transformative potential, but its success depends on addressing human factors alongside technological improvements. Focused efforts on awareness, inclusivity, usability, and trust-building are essential for creating a truly transparent, equitable, and citizen-centric tax environment.s

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