Available online at https://e-journal.unair.ac.id/TIJAB

TIJAB (The International Journal of Applied Business)

e-ISSN: 2599-0705

Vol. 7 No. 1, April 2023, pp. 31-49

A Principles – Based Assessment of The Quality of Zimbabwe's Direct Tax Policy for The Digital Economy

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APA Citation:

Ndhlovu, J. T. (2023). A Principles – Based Assessment of The Quality of Zimbabwe's Direct Tax Policy for The Digital Economy. *TIJAB (The International Journal of Applied Business)*, *7*(1), 31-49.

Submission Date: 20/10/2022

Revision Date : 24/12/2022

Acceptance Date: 29/01/2023

Published Date : 28/03/2023

Abstract

Background: In 1998, under the Ottawa framework, the OECD and non-OECD countries agreed that any new taxation rules should adhere to the guiding principles, namely Neutrality, efficiency, certainty and simplicity, effectiveness, fairness flexibility (Cockfield, 2006). In the absence of an international consensus-based – taxation framework for the digital economy, a question arises on whether unilateral measures adopted by countries such as Zimbabwe comply with the principles of a good tax policy.

Objective: The study aimed to examine the quality of Zimbabwe's direct tax policy for the economy based on the principles of a good tax policy prescribed by the Organisation for Economic Cooperations and Development (OECD).

Method: The study was carried out under a pragmatic philosophical view and adopted a quantitative cross-sectional survey as the research design. Data collection was done using closed-ended questionnaires. The study population comprised 250 tax experts drawn from the Zimbabwe Revenue Authority (ZIMRA) representing tax administrators and private sector tax practitioners representing the taxpayers. Quantitative data was collected from a sample of 146 respondents. Systematic random sampling was used to select the respondents. Chi-squared test was used to analyze the data in SPSS.

Results: The study revealed that among the overarching principles of a good tax policy, namely (1) Fairness; (2) Certainty and Simplicity; (3) Neutrality; (4) Efficiency, and (5) Effectiveness, Zimbabwe's tax policy for the digital economy only complies with the principles of Fairness, Certainty and Simplicity.

Conclusion: The study established that, to a greater extent, Zimbabwe's tax policy for the digital economy needs to comply with the principles of a good tax policy.

Keywords: digital economy; OECD, principles; taxation; Zimbabwe

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1. Introduction

Over the years, digital companies such as Apple, Amazon and Microsoft have grown to surpass traditional brick-and-mortar enterprises such as Boeing, JP Morgan chase and The British American Tobacco Company. Between 2018 and 2019, Apple, Amazon and Microsoft became the world's first trillion-dollar companies (Gurman, Rojanasakul, & Sam, 2018; Salinas, 2018; Warren, 2019). In 2019, worldwide e-commerce sales amounted to more than 3.5 trillion dollars, and 14.1 per cent came from online purchases. Worldwide e-commerce revenues are estimated to reach more than 6.5 trillion dollars by 2023 (Coppola, 2022)

Developing countries such as Zimbabwe are also generating significant revenues through e-commerce. In 2019, Zimbabwe shut down the internet for 144 hours, costing the economy US$34.5 million (Chimhangwa, 2019). This implies that Zimbabwe generated more than $240 000 per hour online. According to Kemp (2021), in 2021, Zimbabwe's internet penetration rate stood at 33.4% (5.01 million internet users), estimated to grow at 4.2% per year. A further breakdown of this number showed that among these internet users, 1.3 million are active social media users, estimated to grow by 32.7%. According to the same report, during the same period, Facebook, Instagram and Twitter had potential audiences of 1.2 million, 340 thousand and 172 thousand users, respectively, within Zimbabwe. Data from these companies' annual reports show that in 2021, Facebook, Instagram and Twitter had advertising revenues of USD 32,03, USD 18 and USD 11, respectively (Statista Research Department, 2023). An analysis of these companies' users within the country and their advertising revenue per user suggests that Facebook, Twitter and Instagram generate approximately $38 million, $6.12 million and $1.9 million annually in revenues.

The data presented above suggest that developing countries such as Zimbabwe can generate significant government revenues by taxing these digital economy transactions. However, sadly against this revenue potential, although Zimbabwe implemented the taxation of internet companies in 2019, a report by ZIMRA (2020) shows that the Zimbabwean government only collected about ZWL 500 million (approx. USD5 million) from newly registered taxpayers (inclusive of local taxpayers).

The underpayment of taxes by digital economy companies is not a phenomenon observed in Zimbabwe only; it is a trend that has been reported globally. Research by Fair Tax Mark (2019) indicated that collectively, the six tech giants, namely Netflix, Google, Twitter, Facebook, Amazon and eBay, had a gap between the expected headline rates of tax and the cash taxes paid of USD 155.3 billion, a gap between the current tax provisions and the cash taxes paid was USD 100.2 billion and the bulk of the shortfall almost certainly arose outside the United States, given that 'foreign' activity accounts for more than half of booked revenue and two-thirds of booked profits. In particular, a report by Drucker (2010) indicated that Google only paid an overseas effective tax rate of 2.4% in 2009.

There is a contentious political and academic debate about the ability of traditional tax laws to effectively levy tax on digital economy companies (Becker & Englisch, 2019; Watanabe et al., 2018; Yang & Metallo, 2018). The world's discussion on the taxation of the digital economy can be traced back to as early as 1996. However, meaningful contributions can be traced back to the Ottawa conference of 1998, where the Ottawa Taxation Framework Conditions were set (OECD, 2015). Under this framework, the OECD and non-OECD countries agreed that any new taxation rules should adhere to the guiding principles: Neutrality, efficiency, certainty and simplicity, effectiveness and Fairness, and flexibility (Cockfield, 2006). These conditions were set to avoid tax wars and distortions between conventional and electronic commerce (Nellen, 2012). The characteristics of transactions and business models in the digital economy include heavy reliance on intangible assets and benefiting through data analysis (Olbert & Spengel, 2017).

In 2013, The BEPS Action plan and the Task Force on the Digital Economy (TFDE) were established to identify issues raised by the digital economy and to provide the world with detailed options to address these issues by September 2014 (Geringer, 2020). However, despite the collective efforts of more than 137 countries to find a solution to the taxation of this new plethora of taxation challenges, as of mid-2020, there was still no final framework (Geringer, 2020).

Without an international and consensus-based – taxation framework, various countries and jurisdictions took it upon themselves to craft their tax legislation. By the end of 2020, in terms of direct taxes, 23 countries had already enacted direct taxation legislation (KPMG, 2019). In addition, four countries had drafted draft legislations and were in public consultations; ten countries had made public

announcements to implement; three countries had their proposals rejected, whilst only seven countries were awaiting a global solution, and the rest of the world has made no developments. Regarding direct taxation legislation, 81 countries have enacted indirect taxes legislations for the digital economy. 11 Countries had draft legislations, and the rest of the world had no developments (KPMG, 2020).

In Africa, by the end of 2020, 3 African countries, Kenya, Nigeria, Tunisia and Zimbabwe, had enacted direct taxation legislation, Egypt had made the intention to implement, while South Africa was waiting for a global solution (Latif, 2020). The rest of the countries in the continent had yet to indicate their positions (KPMG, 2020).

Table 1. The design of Zimbabwe's direct tax policy for the digital economy

Provision	Design
Tax rate	5%
Tax base	Revenues
Applicability	Non-resident digital broadcasters and non-resident digital service providers
Thresholds	Minimum Annual revenue of USD500 000
Tax payment dates	Quarterly payment dates (QPDs)
Tax filing requirements	Requires a resident representative to be appointed

Source: Income-tax Act [Chapter 23.06]

Zimbabwe introduced its legislation for the digital economy in 2019 (Nyachowe, 2019). The following is an analysis of the significant provisions of the tax law shown in table 1 above.

1.1. *Tax Rate*

Table 1 above shows that Zimbabwe's direct tax policy for the digital economy charges a tax rate of 5%. This is very low compared to the effective tax rate on the traditional economy, which is 24.72% (Finance Act (No.2), 2020). Zimbabwe's tax rate is outside the rate range recommended by the African Tax Administration Forum (ATAF), which has recommended that digital services taxes be charged between 1% and 3% (ATAF, 2020).

However, the rate is within the range of other countries digital tax policies ranging from 1.5% to 30% (KPMG, 2019). Other countries have also set their digital tax policies at 5%, such as Slovakia and Pakistan. (Asen, 2021; Orbitax, 2018). The lowest tax rates for the digital economy are found in Poland and Kenya, where the digital services tax rates have been set at 1.5% (Wielińska, 2021), and the highest tax rates are found in Argentina, where a 30% tax is charged on goods acquired from foreign suppliers (Magrina, 2020).

1.2. *Tax Baxe*

As shown in table 1, Zimbabwe's direct tax policy on the digital economy is charged on revenues as the tax base. This is a departure from the norm that corporate is charged on corporate profits (Income-tax Act [Chapter 23.06]). The idea of charging taxes based on revenues is, however, not unique to Zimbabwe since other countries such as Italy, Spain, Tunisia, and Canada also enshrined the same in their direct digital tax policies (Méndez, 2021; Emery, 2021; Richard Asquith, 2021; Martin Sorensen & Haarstad, 2021; Asen, 2021).

1.3. *Applicability*

Zimbabwe's tax policy for the digital economy applies to non-resident digital providers and digital service providers. As shown in Table 1, this is quite different to the standard corporate tax, which applies to all corporates regardless of their services or methods of service delivery profits (Income-tax Act [Chapter 23.06]). The applicability of direct tax policies largely varies from jurisdiction to jurisdiction. Countries such as India set different tax policies for different services in the digital economy. In India, a withholding tax is charged on sales facilitated by a digital platform; an equalization levy is charged on advertising services revenues, and another form of tax is charged on revenues received by e–commerce operators for the services they provide for their supply of services (PWC, 2020).

1.4. *Thresholds*

Zimbabwe's thresholds indicate that the tax policy only applies to non-resident and digital service providers earning more than USD 500,000 per year. This is a significant departure from the standard corporate tax profit provisions applicable to every corporate entity making profits regardless of their revenues (Income-tax Act [Chapter 23.06]). Zimbabwe, however, has taxes that are designed to encompass thresholds such as the Intermediary Money Transaction Tax (IMTT) which is charged on transactions greater than USD10 and has a maximum limit set at USD10,000 for transactions greater than USD500, 000 (Statutory Instrument (205), 2018).

The ATAF also suggested that thresholds should be encompassed in digital services taxes to avoid taxing too much to companies making losses or with low-profit margins and avoid over-taxation (ATAF, 2020). Other jurisdictions have adopted similar designs in their digital direct tax policies, although the threshold amount differs. For example, the European Union (EU) proposed that as a temporary solution, a permanent establishment could be established if gross revenues of digital businesses, such as those that sell online advertising space and those that sell data generated by users, meet the two thresholds of firstly having worldwide revenues exceeding Euro 750 million (USD 900 million) and a total of EU jurisdiction revenues that exceed Euro 50 million (USD 60 million). It was also proposed that this tax revenue be allocated to member states according to the number of users of the digital business in each state (Szczepański, 2021).

In the long run, the EU suggested an approach where they defined a 'significant digital presence' as a business that either exceeds an annual revenue of Euro 7 million (USD 8.5 million) or has over 100 000 users in a member state or concluded more than 3000 business to business contracts. However, it might not be physically present in a member territory (Szczepański, 2021). Other countries in the EU, such as Austria, Italy, Spain and Belgium, have adopted the Euro 750 million worldwide approach in their enacted and proposed legislations; however, they differ in terms of the country's territorial revenue thresholds that qualify as the basis of taxation.

Austria's thresholds are that a company taxable under their DST should have a global turnover of Euro 750 million (USD 900 million) or more, and the turnover from advertising services in Austria should be at least Euro 25 million (USD 31 million). Italy's DST thresholds are set for both residential and nonresidential companies at least Euro 750 million (USD 900 million) for global revenues and at least Euro 5.5 million (USD 6.7 million) (Asen, 2021).

1.5. *Tax payment dates*

As shown in table 1, Zimbabwe's digital economy direct tax policies must be made on quarterly payment dates. This is similar to the payment dates for the corporate tax (Income tax Act [Chapter 23.06]). Countries that have enacted direct tax policies for the digital economy have taken different approaches to setting their tax payment dates. Countries like Spain and Poland also adopted quarterly payment dates for digital service tax legislation (Méndez, 2021; Wielińska, 2021). On the other hand, other countries such as Kenya, Austria and Brazil suggested payment of such a tax every month (Mwaja, 2020 (KPMG, 2021)).

1.6. *Tax filing requirements*

Table 1 shows that in terms of tax filing, the provisions of Zimbabwe's direct tax policy for the digital economy require the non-resident digital service provider to appoint a local tax representative. This is similar to the provisions of the corporate tax law, which also requires the company to have a designated accountant responsible for the tax affairs of the business tax (Income tax Act [Chapter 23.06]).

Other countries that enacted digital tax policies also adopted similar provisions. An analysis of the available tax policies for the digital economy shows that authorities such as ATAF, Kenya and Finland governments are either adopting or proposing that foreign digital companies without a permanent establishment should appoint a local tax representative who will be responsible for tax filling in the jurisdiction collecting the tax ((ATAF, 2020; Hira, Magonga, & Mathini, 2020; Holma & Roukala, 2021) while other countries such as Paraguay, Thailand and Vietnam have designated financial institutions to be tax withholding and remittance agents (EY, 2019; Mullins, 2020).

Zimbabwe's direct tax law for the digital economy differs from other countries' digital economy tax laws. It also differs in many aspects from the provisions on which the traditional economy is taxed. This, therefore, sought to examine Zimbabwe's digital tax policy using the principles of a good tax policy suggested by the OECD, namely Neutrality, efficiency, certainty and simplicity, effectiveness and Fairness, as well as flexibility.

2. **Literature Review**

2.1. *Theoretical Framework*

The Organisation for Economic Cooperation and Development OECD (2019) stipulates that a quality tax system should encompass principles of Neutrality; Efficiency; Certainty and Simplicity; Effectiveness and Fairness; Flexibility. According to the American Institute of Certified Public Accountants AICPA (2017), a quality tax system should encompass principles of Equity and Fairness; Certainty; Convenience of payment; Economy of the collection; Simplicity; Neutrality; Economic growth and efficiency; Transparency and Visibility; Minimum tax gap; Appropriate government revenues. On the other hand, the United States National Conference of Legislators (NCSL) stated that a quality tax system is Complimentary; Generates reliable and stable revenues; Relies on balanced sources; Treats individuals equitably and promotes progressivity; Aids in taxpayer compliance; Enables and promotes fair, efficient and effective administration; Responds to economic competition that exists among the states and between the states and foreign countries; Is neutral by minimizing its involvement in spending decisions, making any such involvement explicit; Is accountable to taxpayers in that the tax laws should be explicit, not hidden (NCSL, 2001).

An analysis of these principles suggested by these international organizations shows similarities. In a nutshell, while the OECD principles are composite, the principles suggested by the AICPA and NCSL have broken down principles of the principles suggested by the OECD.

2.2. *Principles of a good tax policy*

2.2.1 *Neutrality*

Tax Neutrality is one of the conditions a tax policy must meet (AICPA, 2017; OECD, 2021). Neutrality is a broad term that can be measured from various perspectives. One of the variables that have been noted to be a measure of the Neutrality of a tax policy is the objective of a tax policy. According to Steuben (2005), the only objective of a tax policy should be to raise revenue. In contradiction of this, proponents of unilateral tax policies, such as the African Tax Administration Forum (ATAF) (2020), have argued that although African countries may not raise large sums of revenue from the taxation of the e–commerce, other qualitative benefits may arise from such policies such as improving the public confidence in the Fairness of tax systems. A neutral tax system means that a tax system should strive to ensure that decisions are based on economic merits instead of tax reasons (Elkins, 2019). A neutral tax system is one in which investment, business and economic choices are made without regard to the tax consequences of the choices (Steuben, 2005). Such a tax policy should ensure economic

growth, thus while all taxes result in suboptimal efficiencies and create economic distortions, and a good tax policy should diminish these effects (AICPA, 2017).

There are researches done that have shown that the imposition of such taxes in the digital economy usually results in the non – Neutrality of consumer choices, business decisions and investment decisions (Anderson & Fong (2014); Goolsbee (2000); Anderson et al., (2010)). In light of the above literature, it can be hypothesized that:

H1: There is no association between Neutrality and Zimbabwe's digital tax policy.

2.2.2 *Effectiveness*

Effectiveness is another principle noted as a requirement that a tax policy must meet under the OECD framework (OECD, 2020). Effectiveness means that tax systems should ensure appropriate government revenues thus they should encompass a certain level of stability, predictability and reliability such that the government can estimate the number of tax collections and the timing thereof (AICPA, 2017). An effective tax policy should ensure that revenue collected is sufficient to meet the required level in the state budget and to demonstrate stability; the amount of revenue collected by the government should be relatively constant over time and not show unpredictable fluctuations (NCSL, 2001).

The amount of tax that a tax system can raise is often a matter of the tax charged and the tax base on which the tax is targeted. According to Steuben (2015), an effective tax system should be broad-based, and examples of broad-based tax systems include the Value Added Tax (VAT). For many developing countries, the gap between tax law and the existing system applied is so large that one does not resemble the other because tax administrators usually determine the actual workings of a tax system by collecting easy-to-administer taxes (Mansfield, 1988). Nellen (2015) stated that it is important to raise questions in terms of a balance and mix of taxes, such as the effect of the proposed tax on the economy and other taxes, how the new tax is justified, if the new tax should replace an existing tax as well as how the tax will affect the total tax obligations of taxpayers including taxes as a percentage of income. From the above literature, it, therefore, hypothesized that:

H2: There is no association between effectiveness and Zimbabwe's tax policy for the digital economy.

2.2.3 *Fairness*

Literature suggests that the Fairness of a tax system is a matter of public perception (OECD, 2015; Steuben, 2005). Tax fairness significantly influences tax compliance (Alshira'h & Abdul-Jabbar, 2019). Increasing tax compliance among taxpayers who perceive a particular tax system as unfair is challenging as they are less likely to comply (Communale, Barragato, & Buhrau, 2019). Scholars such as (Faizal & Palil, 2015) agree that a tax system is considered fair if the fair exchange of benefits matches the cost of paying tax by the taxpayer, which is positively correlated with tax compliance. Arguments for the taxation of the companies in the digital economy to ensure Fairness of tax systems are that digital companies benefit from public goods provided by governments in different jurisdictions; however, they are not paying their fair share of taxes (Devereux & Vella, 2018).

Another factor that other scholars have scrutinized to consider the Fairness of tax policies is reasonable cooperation and the balance between the rights and the obligations of the taxpayer and the tax administrator. The taxpayer's rights can be examined by considering whether there is transparency, confidentiality and an effort by the tax administrator to ensure taxpayer education. This also means looking at whether taxpayers can challenge and appeal the decisions of the tax administrator (Steuben, 2015). A study carried out in South Africa on the perceived Fairness of turnover tax by Gluckman & Turner (2018), using open-ended questionnaires, revealed that where there is perceived unfairness of a tax policy, the unfairness is often attributable to ambiguity in tax policy, lack of education and lack of training of taxpayers—in their study of tax systems fairness dimensions Bin-Nashwan, Marimuthu, & Ramadhan Al-Harethi (2020), suggested that policymakers should consider non- pecuniary factors other than those that are related to coercion when trying to foster tax compliance. Gberegbe & Umoren (2017), also proposed that tax administrators should be friendly when executing their duties of ensuring tax compliance.

Literature from different scholars also suggested that enforcing tax payment is imperative in ensuring the Fairness of tax systems. Tax enforcement ensures that taxpayers pay their taxes according to their ability. This means that for a tax system to be considered fair, taxpayers should perceive that those who are not compliant with the requirements of a tax policy are adequately punished for their wrongdoing (Faizal & Palil, 2015). The punishment of a tax fraud perpetrator increases the tax compliance of an observer only when the punished perpetrator is perceived to be blameworthy (Farrar, Jonathan; King, Tisha, 2022). Retributive justice positively impacts the ability of penalties imposed to encourage tax compliance level. It can be classified into two classes: the adequacy of tax penalties and their appropriateness (Holland & Mahangila, 2015). Other scholars have, however, suggested that there should be minimal punitive measures in a tax system to encourage tax compliance (Gberegbe & Umoren, 2017). As an alternative to levying penalties, another method that positively affects the perceptions of retributive justice is the method of naming and shaming the non–compliant taxpayers (Okafor, 2022). The study, therefore, hypothesizes that:

H3: There is no association between Fairness and Zimbabwe's digital tax policy.

2.2.4 *Certainty and simplicity*

Certainty and simplicity are two interconnected variables; a tax policy should be simple to understand, allowing the taxpayers to be specific in terms of their obligations and entitlements and consequently be able to make optimal decisions and respond to conscious policy choices (OECD, 2015). Simplicity has many facets like certainty, consistency and clarity. For assessing any tax regime's certainty and simplicity, one has to look at; (1) technical complexity, which rates to clarity and flexibility of the language and (2) content of a tax code or in terms of operational complexity, which covers administrative issues (Memon, 2013). Nellen (2015) suggested that considerations must be made as to whether (1) taxpayers need the assistance of tax experts to understand and comply appropriately with the tax rules and (2) whether; more straightforward approaches have been considered and whether tax practitioners have been consulted (3) whether considerations have been made in terms convenience of payment for the taxpayer. According to (Hoff, 2016), the structure of tax payment dates is essential as it helps organizations to plan future cash flow so that when the tax payments fall due, the business will be charged penalties and interests. According to AICPA (2017), factors determining certainty include how easy it is to identify and value the transactions that should be taxed and the tax rate such that the taxpayer may reasonably ascertain their tax liability. The study, therefore, hypothesizes that:

H4: There is no association between certainty and simplicity and Zimbabwe’s tax policy for the digital economy.

2.2.5 *Tax efficiency*

Efficiency means that there should be an economy in terms of compliance costs to the collecting agent and the taxpayer. In contrast, effectiveness means ensuring that the right amount of tax is attained at the same time while avoiding non-taxation and double taxation (OECD, 2015). The compliance costs to the taxpayer are one of the significant tax determinants of compliance amongst taxpayers (Naicker & Rajaram, 2018). Tax compliance costs have been observed to have a more significant effect on tax compliance even more than the tax rate in other forms of taxes, such as value-added tax (Harju, Matikka, & Rauhanen, 2019)

According to De Neve, Imbert, Spinnewijn, Tsankova, & Luts (2021), the manner and communication process used by the tax administrator has a significant effect on the tax enforcement costs by the tax agent, in particular, reducing information overload and emphasizing action-relevant information seems particularly effective in increasing compliance the effects of deterrence and tax morale intervention. The standard measure of tax efficiency compares the revenue raised (for a given tax) with that which could be raised if it were perfectly enforced and levied at a uniform rate on the total tax base (Babici, Crivelli, & Marinkov, 2019). This suggests that when determining a tax system's efficiency, one must also consider the potential leakages emanating from the tax system. Nellen (2012) stated that it is essential to consider whether collection costs have been kept to a minimum; new technology can reduce administration and compliance costs by simplifying and streamlining the

reporting, assessment, and collection processes. Reducing tax compliance costs is associated with greater economic efficiency (Barrios, dÁndria, & Gesualdo, 2020). It is therefore hypothesized that:

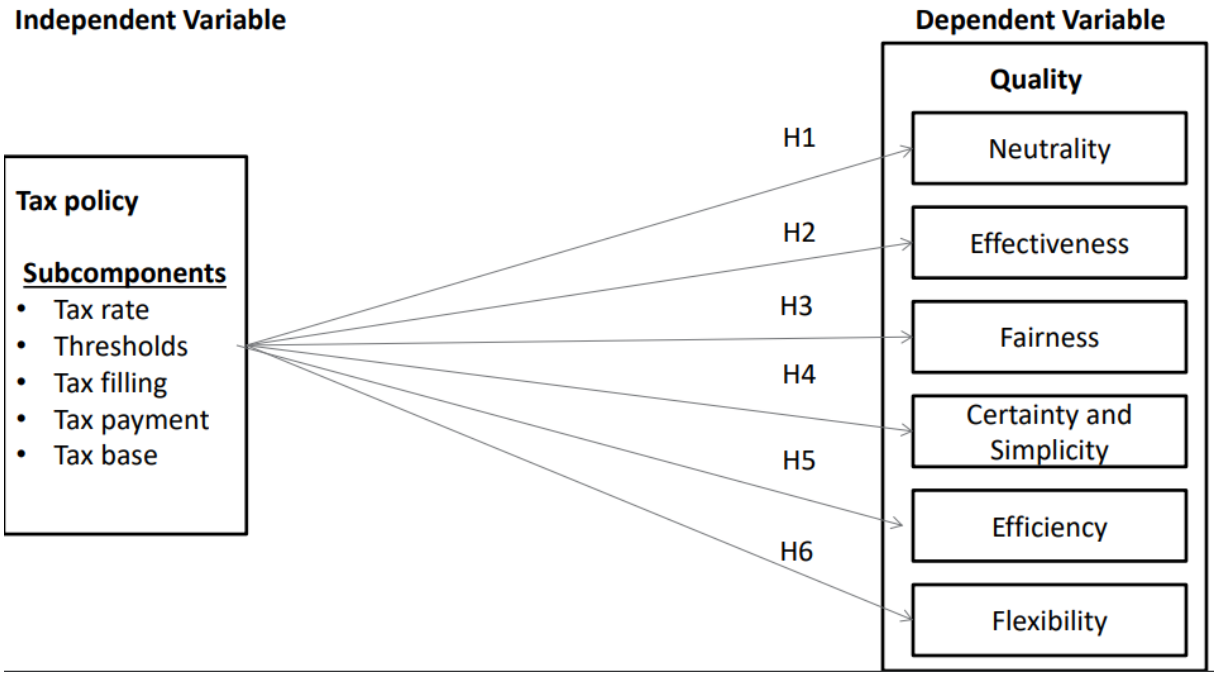
H5: There is no association between efficiency and Zimbabwe's digital tax policy.

2.2.6 *The Principle of Flexibility*

According to the OECD (2015), the principle of flexibility entails that a tax policy should have the potential for adapting to change. It should be flexible and dynamic enough to ensure they keep pace with technological, commercial developments and government revenue needs. Particularly important to the digital economy, a tax system should be able to keep up with technological and commercial developments appropriate for new business models and generate appropriate revenues (AICPA, 2017). This means that the structural features of the system should be durable in a changing policy context yet flexible and dynamic enough to allow governments to respond as required to keep pace with technological and commercial developments, considering that future developments will often be difficult to predict (OECD, 2015). Considerations need to be made on whether the current tax system or proposal results in a predictable revenue source for the jurisdiction, whether the tax track with changes in the economy and how changes in technology affect the tax base (Nellen, 2012). Studies above show that the dynamism of a tax policy is a measure of its flexibility. It is therefore hypothesized that:

H6: There is no association between flexibility and Zimbabwe's tax policy for the digital economy.

2.3. *Conceptual Framework*



Source: Study (2022)

Figure 1. Conceptual framework of the study

3. **Method**

This research was carried out under a pragmatic philosophical worldview. This means any single form of philosophy and reality did not underpin the researcher. Pragmatism emphasizes utilizing positivist and interpretivism philosophy and views both as a continuum rather than contradictions (Chetty, 2016). The research adopted a quantitative cross-sectional survey as the research design. The approach has been adopted in similar studies, such as a study by Dobrovič et al. (2018) on the effectiveness and performance of the tax system in the Slovak Republic.

3.1. *Sample / Participants*

This study's population comprises tax experts from the Zimbabwe Revenue Authority (ZIMRA) and private-sector tax practitioners. The tax experts from ZIMRA were chosen to represent the tax administrator, and the private sector tax practitioners were chosen as proxies of the taxpayers since the actual taxpayers are non-residents in Zimbabwe. The total population of the study was estimated to be 250, the number of registered tax accountants in Zimbabwe (PAAB, 2022). Similar studies by Bahadur (2019), and Mohd Jamel et al. (2021), also utilized tax experts in assessing the compliance of different tax policies against the principles of a good tax policy.

The sample size was determined using the G-Power sampling size determinant. The variables used in the software were an effect size of 0.15, an alpha of 0.005 and a power of 0.8. Effectively the minimum sample size determined was 146 respondents. A similar method of determining the sample size was used by Mohd Jamel et al. (2021) in the analysis of the Malaysian Sales and Services Tax (SST) burden using the guiding principles of a good tax policy. Another study carried out by Bahadur (2019), whose objective was to determine whether Nepal's income tax is associated with the principles of a sound tax system, was carried out with a sample size of 130 respondents. The presence of similar studies with sample studies in the same range justified the sample size used in this study.

Table 2. Population and sample

Population category	Population	Sample
ZIMRA employees	75	35
Private-sector tax practitioners	175	111
Total	250	146

Source: Study (2022)

3.2. *Instrument(s)*

Questionnaires (Appendix I) were used to collect quantitative data. Questionnaires allowed for the collection of responses without directly influencing the respondents. The questionnaires had structured questions with guided responses. The possible questionnaire responses were presented as a 5-point Likert Scale.

(Bahadur, 2019) carried out a study to determine whether the income tax of Nepal is associated with principles of a sound tax system and collected data using questionnaires, and used the chi-squared test to analyze the data. In a study whose objective was to assess the effectiveness and performance of the tax system in the Slovak Republic in terms of its critical non-macroeconomics factors, Dobrovič et al. (2018) also used questionnaires to collect the data and used Factor Analysis and Analysis of variance to analyze the data hence questionnaires are justified to be used as data collection instruments for quantitative data in this study.

In order to ensure internal consistency, the study used the Cronbach Alpha coefficient. Cronbach Alpha coefficient is viewed as the most appropriate measure of reliability when using Likert scales (Wright & Bonett, 2014).

Table 3. Population and sample

Construct	Code	Items	Content validity ratio (CVR)
Neutrality	PN	3	0.984
Effectiveness	PEF	2	0.989
Fairness	PF	3	0.906
Certainty and Simplicity	PCS	2	0.983
Efficiency	PE	2	0.992
Flexibility	PFX	1	0.982
Challenges	PC	3	0.986

Source: Study (2021)

As shown in table 3, the data collected had a Cronbach alpha of above 0.70. Literature suggests that acceptable values of Cronbach alpha range from 0.70 to 0.95 (Tavakol & Dennick, 2011). Since the alphas for the above questions were within that range, they are acceptable. A Cronbach alpha shows that the number of questions is adequate; there is good reliability, the interrelatedness of questions and homogenous constructs.

3.2.1 *Validity*

In order to ensure the validity of the research instruments, two forms of validity tests, namely Face validity and Content validity, were conducted (Taherdoost, 2018). To ensure face validity, discussions were held with various research experts on a question-by-question basis (Taherdoost, 2018). This resulted in the rewording and restructuring of the research instruments.

To ensure the content validity of the research instruments, an extensive literature review was conducted before developing a questionnaire (Lynn, 1986). The findings from the literature were then used to identify the significant variables and appropriate questions for the research instruments. The sample questionnaire was designed with a three-point rating scale, Essential, Neutral and Not essential, for every question included in the pilot questionnaire. The Content Validity Ratio (CVR) was then conducted using Lawhe's (1975) method in Microsoft excel.

Table 4. Results of the content validity test

Construct	Code	Items	Content validity ratio (CVR)
Neutrality	PN	3	1
Effectiveness	PEF	2	1
Fairness	PF	3	1
Certainty and Simplicity	PCS	2	1
Efficiency	PE	2	1
Flexibility	PFX	1	1
Challenges	PC	3	1

Source: Study (2022)

The critical score for a panel size of 5 is 1 (Peach, 2017). Table 4 above shows that all the questions that remained on the research instruments had a critical value of 1; hence they were essential. The ones that scored below the critical value were removed.

3.3. *Data collection procedures*

Regarding primary data, the researcher created an online questionnaire on Google forms. Google forms allow questionnaire design and data collection for free hence this was a cost-effective way for data collection. The researcher then shared the link questionnaires via email, text messages, WhatsApp messages, statuses, and Facebook and LinkedIn.

In order to carter for respondents without access or unwilling to access this online tool, the researcher printed hard copies of questionnaires for physical delivery to the respondents. Regarding physical copies, the researchers often left the questionnaires with the respondents for a stipulated time, so they did not rush them to respond. The researcher would then make up follow up on the questionnaires after a considerable time had passed (on average 1 to 2 weeks). Bourreau et al. (2018) employed a similar data collection process in their study of the taxation of a digital monopoly platform. Data collected from printed and returned questionnaires were subsequently coded into SPSS along with the data downloaded from online questionnaires.

Secondary data was collected from various publications of governments, both local, foreign and international bodies, technical and trade journals, books, magazines and newspapers, as well as public records and statistics, historical documents, and other sources of published information through desktop research.

After reading each secondary source of data, the researcher would write summaries of literature which were then edited when included in the research process. Writing literature summaries allowed the researcher to understand the information obtained comprehensively, quickly recall the information, and reduce plagiarism when including the information in his thesis. The researcher used Mendeley as the storage facility and referencing tool for these data sources.

3.4. *Data analysis*

Quantitative data were analyzed using SPSS version 16.0. An identical method of data analysis was employed in the study, whose objective was to examine the association between the principles of the income tax of Nepal and the principles of the income tax of Nepal and the principles of a good tax policy suggested by the American Institute of Certified Public Accountants (AICPA) (Bahadur, 2019). The study employed a one-way chi-squared test at a 5% significance level to test the hypothesis. The decision rule is to reject the null hypothesis if the calculated value is greater than the critical value and accept it if it occurs otherwise (Bahadur, 2019). The critical value calculated based on 5% significance and four degrees of freedom was 9.49. Theoretically, the Chi-square test requires two independent variables (observed and expected value) to test the significance. The outcome of the zero value of the Chi-square represents the entire association, while the difference in the more excellent value represents a more significant variance between those variables (Sharpe, 2015).

4. **Results**

The following the research hypothesis were tested:

H1: There is no association between Neutrality and Zimbabwe's digital tax policy.

H2 There is no association between effectiveness and Zimbabwe's tax policy for the digital economy.

H3: There is no association between Fairness and Zimbabwe's digital tax policy.

H4: There is no association between certainty and simplicity and Zimbabwe’s tax policy for the digital economy.

H5: No association exists between efficiency and Zimbabwe's digital tax policy.

H6: There is no association between flexibility and Zimbabwe’s tax policy for the digital economy.

Table 5. The results of the Chi-Squared test

	Chi - Square							Descriptive Statistics	
	Response %								
Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	χ^2	Hypothesis	Mean	Standard deviation
Neutrality	8.2	26.5	12.2	30.6	22.4	8.857	Ho accepted	2.67	1.313
Fairness	24.5	32.7	16.3	22.4	4.1	11.102	Ho rejected	3.51	1.21
Effectiveness	0	14.3	18.4	32.7	34.7	6.102	Ho accepted	2.12	1.053
Certainty and Simplicity	6.1	57.1	34.7	0	2	39.408	Ho rejected	3.67	0.625
Efficiency	0	20.4	20.4	30.6	28.6	1.694	Ho accepted	2.33	1.107
Flexibility	0	26.5	10.2	34.7	28.6	6.492	Ho accepted	2.35	1.165

Source: Study (2022)

Table 5 above shows that the Chi-Square for Neutrality, Effectiveness, Efficiency and Flexibility were 8.857, 6.102, 1.694 and 6.492, respectively. Thus, the Chi-Square for these variables was below the critical value of 9.49, which means there is no association between Zimbabwe's tax policy for the digital economy and these principles. On the other hand, the Chi-Square for the principles of Fairness, Certainty and Simplicity were 11.1.2 and 39.408, respectively; thus, the Chi-square for these variables were above the critical value of 9.49, which is interpreted to mean that there is an association between Zimbabwe's tax policy for the digital economy and principles of a good tax policy.

5. Discussion

The findings differed from those predicted by the hypothesis for Fairness, Certainty and Simplicity. The elements used to measure these variables must be the provisions of the digital tax policy that have significant similarities with the provisions of the tax policy for the digital economy. To measure Fairness, the researcher employed two variables, namely 1) the treatment of taxpayers and 2) tax enforcement. To measure certainty and simplicity, the researcher used variables 1) The ease of tax administration and 2) The complexity of tax design. These are all provisions of the digital tax policy that are very similar to that of the direct tax policy for the digital economy (i.e. corporate tax). The similarities are that the digital economies' direct tax policy has a flat tax rate. However, they differ in size (5% for the digital economy and 24.72% for the corporate tax rate). Both tax policies also have similar tax filing and payment requirements and similar tax enforcement mechanisms (the requirement to have a valid tax clearance).

Previous similar studies, although carried out on different taxes, have shown that it is common for a tax policy to comply with only a few guiding principles. Bahadur (2019) examined the association between the principles of income tax in Nepal and the principles of sound tax policy prescribed by the American Association of Certified Public Accountants (AICPA). He found an association between Nepal's income tax principles and only three principles (i.e., certainty, information security and economic growth and efficiency) out of twelve guiding principles. Similarly, Mohd Jamel et al. (2021) analyzed the burden of the Malaysian Sales and Services Tax (SST) 2.0 using the guiding principles of a good tax policy by AICPA. They found that Fairness, certainty and simplicity, efficiency, government revenue, and transparency have a negligible effect on SST 2.0 tax burden among the public in Malaysia.

6. Conclusions

Zimbabwe's direct tax policy for the digital economy complies with Neutrality, Effectiveness, Efficiency and Flexibility principles but does not comply with the principles of Fairness, Certainty and Simplicity.

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Appendix A. Questionnaire

My name is Jeffry Tatendashe Ndhlovu. I am a post - graduate student studying towards a Master of Philosophy degree in Accountancy. I am carrying out a research on the Taxation of the digital economy. I am seeking your participation in this study; whose main objective is to examine whether Zimbabwe's current policy on the taxation of digital economy companies and satellite broadcasting service providers without a permanent establishment in Zimbabwe complies with the principles of a good tax system as promulgated by the Organisation for Economic Co-operation and Development (OECD).
I would be grateful if you could spare some time to complete this questionnaire. I assure that all information provided is for academic purposes and will be treated with strict confidentiality. Thank you in advance for your cooperation.

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Section A: Preliminary information. (Please tick the appropriate option)

NB: In this questionnaire 'Digital economy companies' means digital service providers (e.g Ebay, Alibaba, Amazon, Netflix, Facebook) and satellite broadcasting services companies without a permanent establishment (non – resident) in Zimbabwe.

Section B: The compliance of Zimbabwe's current digital tax policy with qualities of a good tax system.

To what extend do you agree/ disagree with the following suggestions in this section on the principles of a good tax system and Zimbabwe's laws and regulations relating to the taxation of digital economy companies and digital satellite broadcasters.

Key: SD=Strongly Disagree D= Disagree N= Neutral A= Agree SA= Strongly Agree

Code		SD	D	N	A	SA
PF	Fairness					
PF1	It is justified for Zimbabwe to be levying tax on digital economy companies based on revenues.					
PF2	Digital economy companies who do not have a physical presence **(Permanent establishment)** are benefiting from the public goods provided by the government of Zimbabwe.					
PF3	Digital economy companies who do not have a permanent establishment in Zimbabwe can easily challenge and appeal the tax verdicts by ZIMRA					

PF4	Digital economy companies have received adequate education about the taxation of their transactions in Zimbabwe.					
PF5	Digital companies that do not pay tax in Zimbabwe are eventually forced to pay the outstanding tax in Zimbabwe.					
PF6	Zimbabwe adequately punishes digital economy companies who do not pay tax they should be paying in Zimbabwe.					

Code		SD	D	N	A	SA
PE	Efficiency					
PE1	Appointing a local tax representative helps digital economy companies to reduce tax compliance costs.					
PE2	Banks only facilitate remittance of funds of digital economy companies to their home countries upon submission of a valid tax clearance. This helps ZIMRA to reduce administrative costs					
PE3	ZIMRA has the latest technologies to facilitate the collection and payment of taxes by digital service providers.					

Code		SD	D	N	A	SA
PCS	Certainty and Simplicity					
PCS1	The Zimbabwe laws and regulations governing the taxation of digital economy service providers and are easy to understand.					
PCS2	The public has sufficient awareness as to how internet transactions, digital services and digital satellite broadcasting services are taxed					
PCS3	Calculating the digital economy companies' tax based on gross revenues is easy.					
PCS4	Calculating digital economy companies' tax liability based on gross revenues and making quarterly payments enhances tax planning.					
PCS5	The filling requirements for digital economy companies are user friendly.					
PCS6	The tax policy for digital economy companies is easy for ZIMRA to administer.					

Code		SD	D	N	A	SA
PFX	Flexibility					
PFX1	Zimbabwe tax policy for digital economy companies can quickly adapt to technological developments.					
PFX2	Zimbabwe tax policy for digital economy companies can quickly adapt to changes in the business environment.					
PFX3	Zimbabwe tax policy for digital economy companies can quickly adapt to changing government revenue needs.					

Code		SD	D	N	A	SA
PEF	Effectiveness					
PEF1	The tax current tax rate that is set at 5% of revenues charged on digital economy companies is appropriate.					
PEF2	The US$ 500 000 threshold is appropriate					
PEF3	ZIMRA is able to successfully audit tax all the digital economy companies					
PEF4	ZIMRA can successfully identify the digital economy companies who are not paying the tax.					

PEF5	ZIMRA can effectively enforce the collection of the taxes from digital service providers.					
PEF6	The penalties in place in Zimbabwe are adequate to deter tax evasion by digital economy companies.					

Code		SD	D	N	A	SA
PN	Neutrality					
PN1	The Zimbabwean tax policy on digital economy companies encourages more similar companies to operate in Zimbabwe.					
PN2	There are no other reasons for the taxation of digital economy companies other than raising government revenues.					
PN3	It is justified that digital economy companies' tax liability is charged based on revenues while similar resident company's tax liability is calculated on profits.					
PN4	The charging of tax on digital economy companies makes consumers prefer traditional purchases to internet purchases.					
PN5	Internet transactions are taxed the same compared to the same transactions that do not involve the internet.					