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TAXATION OF E-COMMERCE TRANSACTIONS: ANALYZING TURNOVER TAX IN ONLINE SALES

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Abstract:
The rapid expansion of e-commerce has significantly transformed the global retail landscape, presenting new challenges for taxation authorities. Turnover tax in online sales has become a critical subject in tax policy, necessitating effective strategies for fair revenue collection while ensuring business compliance. This article examines the implications of turnover tax in e-commerce, exploring its economic effects, legal frameworks, and enforcement mechanisms. By analyzing case studies and international practices, we aim to provide insights into optimizing taxation policies to accommodate the digital economy.

Keywords: E-commerce taxation, turnover tax, digital economy, online sales, tax compliance, fiscal policy.

INTRODUCTION

With the advent of digital commerce, traditional tax systems face challenges in adapting to borderless online transactions. Governments worldwide are introducing turnover tax policies to address tax revenue losses and level the playing field between traditional and digital businesses. This paper delves into the evolution, implementation, and economic impact of turnover tax on online sales.

Theoretical Framework of Turnover Tax in E-Commerce

Turnover tax, a form of indirect taxation, is levied on the gross revenue of a business without deductions for expenses. Unlike VAT, which applies at each stage of the supply chain, turnover tax is applied at the final sales level. The necessity of turnover tax in e-commerce arises from the complexities of tracking digital transactions, cross-border sales, and tax evasion risks.

Legislative Approaches to Turnover Tax in Online Sales

Different jurisdictions adopt various models of e-commerce taxation. The European Union introduced the Digital Services Tax (DST) targeting large technology companies, while the United States relies on the Supreme Court's South Dakota v. Wayfair ruling, allowing states to impose sales tax on remote sellers. Developing countries are also implementing turnover tax mechanisms to capture revenue from growing e-commerce markets.

Economic Implications of Turnover Tax on E-Commerce

Turnover tax affects business profitability, consumer prices, and market competition. High turnover tax rates may deter foreign investment, increase compliance costs for small businesses, and lead to higher prices for consumers. However, a well-structured tax policy can enhance public revenue without stifling digital innovation. A comparative analysis of various taxation models highlights best practices in balancing taxation efficiency and economic growth.

Challenges and Solutions in Enforcing Turnover Tax on Online Sales

Enforcement of turnover tax in online sales presents challenges such as tax avoidance, jurisdictional disputes, and digital transaction monitoring. Governments are increasingly leveraging digital tools, AI-driven tax compliance systems, and international cooperation to enhance tax enforcement in the digital economy.

CONCLUSION

Turnover tax in online sales is an essential aspect of modern tax policy, ensuring fair contribution from e-commerce businesses to national revenue. Policymakers must design flexible and comprehensive taxation frameworks that adapt to the dynamic digital economy while fostering business growth and consumer protection.

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