

# Curbing Tax Evasion in the Digital Marketplace: A Multifaceted Approach

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## **Abstract**

*This study examines tax evasion in the digital marketplace, focusing on the European context, and proposes a multifaceted approach to address this issue. The proposed approach includes legislative efforts, waste management through packaging and unpacking, and improved infrastructure. Our analysis highlights the impact of digitalization on deterring tax evasion behavior, as well as the potential benefits of technology advancements for improving the ability of governments to decrease tax evasion. To gather data, we created a questionnaire to assess the perception of tax evasion in the digital marketplace among experienced e-commerce traders. The results demonstrate the need for collaboration between stakeholders to curb tax evasion. The study offers practical solutions for curbing tax evasion while emphasizing the importance of collaboration between governments, businesses, and consumers in the digital marketplace. This study provides valuable insights for academics and managers seeking to understand the challenges and opportunities presented by e-commerce growth.*

**Keywords:** tax evasion; e-commerce; tax compliance; corporate digital responsibility.

**JEL classification:** L81; H20; H26.

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## **1. Introduction**

E-commerce has grown at an unprecedented rate in the past decade. It has become an essential aspect of modern business practices, and its adoption has seen a significant shift in the way commerce is conducted across the world. E-commerce has become a tool for businesses to reach customers beyond their geographical locations, expand their market share, and enhance their sales. Moreover, it has provided consumers with greater convenience, ease of access, and diverse options to choose from. The growth of e-commerce has been facilitated by various factors such as advancements in technology, improved infrastructure, and changing consumer

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behaviors (Damanpour, Law, and Madison 2001; Dandapani 2017; Wulfert and Karger 2022).

The past years have demonstrated that change can occur abruptly, impacting both personal and professional behaviors and expectations, including consumer behavior in the way they shop and buy products. The EY Future Consumer Index has surveyed thousands of consumers since the start of the pandemic, revealing that 80% of U.S. consumers continue to modify their shopping habits. As a result of the pandemic, 60% of consumers are visiting physical stores less frequently, with 43% opting for online shopping. Moreover, the pandemic has redefined the importance of geographical location, as internet access has become the critical factor in determining where consumers shop. This flexibility has enabled consumers to relocate from urban centers, with the latest Index data showing that 26% of respondents plan to live in less populated areas, up from 22% in April 2020.

E-commerce in Europe witnessed a significant surge in 2021, with an increase of 13% compared to the previous year, reaching 718 billion euros and emerging as a vital driver of economic growth. This upswing can be attributed to the prolonged COVID-19 pandemic, where online shopping became the most efficient and expedient option for purchasing essential and long-term products. Romania has also witnessed a substantial surge in e-commerce sales, reaching 6.2 billion euros in 2021, representing 2.58% of the country's gross domestic product for the same year. This was an 11% increase compared to 2020, which was also marked by the COVID-19 pandemic. The upsurge in e-commerce sales reflects the changing consumer behavior and preferences, indicating the need for further research, and highlighting the need for businesses to adapt to the evolving needs and expectations of their customers.

Besides, the rapid growth of e-commerce has also led to new challenges and concerns, including the issue of tax evasion. Scholars indicate that tax evasion has become a major problem for governments worldwide, with e-commerce transactions playing a significant role in this trend (Basu 2008; Mohamed and Lashine 2003; Yapar, Bayrakdar, and Yapar 2015). Yamen et al. (2022) find that the adoption of digitalization has a significant impact on deterring tax evasion behavior. Alm (2021) explores the impact of changing technology on tax evasion and argues that advancements in technology will improve the ability of governments to decrease tax evasion by increasing information available to them. However, these changes may also open up new avenues for individuals and firms to evade taxes.

Generally speaking, the increasing use of e-commerce platforms by businesses has led to difficulties in monitoring and regulating transactions, which has created opportunities for tax evasion. In some instances, businesses may intentionally underreport sales to avoid tax obligations, while in others, they may simply not be aware of their tax responsibilities in different jurisdictions.

This article delves into the burgeoning e-commerce industry, particularly in Romania and the potential tax evasion risks associated with it. Through the use of case studies, we present real-life examples of tax fraud and the potential for more widespread issues in the future. Our study highlights the pandemic and war in

Ukraine as drivers of the growth of e-commerce, and identifies a shift towards online commerce as a way to optimize costs and reduce energy consumption and greenhouse gas emissions. We assert that investing in online commerce is paramount for companies to survive in an increasingly competitive market (Cristache, N., et al, 2021). Our study offers valuable insights for academics and managers alike, providing them with a better understanding of the opportunities and challenges that come with the growth of e-commerce and its implications for the future. Furthermore, we discuss about waste management through packaging/unpacking and the legislative efforts on this concern.

Our analysis of e-commerce and tax evasion takes a two-fold approach. Firstly, we provide an overview of the e-commerce landscape in Europe, highlighting challenges and opportunities for tax authorities in the region. Secondly, we narrow our focus to Romania, exploring its rapidly growing e-commerce market and tax implications. Romania's market growth presents challenges for tax authorities who must navigate a complex landscape to ensure compliance. Recent tax system reforms aim to improve transparency and reduce tax gaps. Romania's location in Central and Eastern Europe makes it a relevant case study for understanding the challenges facing the region (Gruia, L. A. et al., 2022). Our focus on Romania provides a rich context to explore the complex interplay between e-commerce and tax evasion and identify potential solutions.

The remainder of the article is structured as follows. Section 2 introduces the conceptual framework. Section 3, which is the Empirical Study, is subdivided into three parts. The first part provides an overview of Europe, the second part delves into the case of Romania, and the final part covers our distributed questionnaire and the results we obtained. Section 5 concludes the article.

## **2. Conceptual Framework**

Tax administration is a long-standing issue that has always faced the challenge of obtaining accurate information about taxpayers and their activities. However, in the past, tax administrations lacked complete and timely information due to several factors. For instance, many transactions were conducted using cash, leaving no record or "paper trail" that could be used to verify the accuracy of any reports. Similarly, certain types of transactions were not reported through third-party information, further diminishing the flow of transactional information available to tax authorities. Furthermore, some types of income were not subject to source withholding, reducing the flow of information to the tax authorities. Tax shelters were often surrounded by secrecy, and many individuals and companies concealed income and assets in offshore accounts. Multinational corporations also used transfer pricing techniques to shift profits to low-tax jurisdictions, which were often hidden and could not be independently verified. Despite these challenges, tax administrations have been working to improve information gathering and compliance, especially with the rise of digital transactions and improved international cooperation (Slemrod 2019).

In recent years, researchers have examined the relationship between state tax policies and business location decisions in a number of contexts and over many years (Bruce, William, and Luna 2015; Chirinko and Wilson 2008; Fox and Murray 2004; Funderburg et al. 2013; Reed 2008; Thomas 2002). However, conclusions reached in these studies may not hold for retailers selling goods and services online. E-tailers can locate their revenue-generating websites anywhere without affecting their customers' shopping experience and can often exploit nationwide markets with physical locations in only one or a few states. These characteristics provide e-tailers with more locational flexibility than their bricks-and-mortar counterparts, and this flexibility in turn may heighten the potential influence of state tax policies on decisions about where to locate key operational assets. Indeed, location may have a different meaning for e-tailers than for traditional retailers.

One of the key factors driving this trend is the rise of e-commerce and digital transactions. As more and more business is conducted online, the traditional methods of tax administration and information gathering become less effective. For example, cash transactions leave no paper trail, and certain types of transactions may not be reported through third-party information. This makes it difficult for tax authorities to identify non-compliance or track down tax evaders. Similarly, the growth of offshore accounts and tax havens provides another avenue for tax evasion and avoidance. Multinational corporations can shift profits to low-tax jurisdictions via transfer pricing techniques, making it difficult for tax authorities to collect the appropriate amount of tax revenue (Karagiorgos et al. 2019; Krasniqi and Jusufi 2022).

The challenge of tax administration is further complicated by the fact that e-tailers can locate their revenue-generating websites anywhere without affecting their customers' shopping experience. This means that they have more locational flexibility than their bricks-and-mortar counterparts and are better able to take advantage of tax policies in different states. For example, e-tailers may be more likely to locate in states with favorable tax policies, such as no sales tax, or in states with lower corporate tax rates. This may lead to a race to the bottom among states as they compete for e-tailers' business, resulting in lower tax revenues overall.

To address these challenges, tax administrations need to adapt to the changing landscape of business and technology. They need to develop new methods of information gathering and compliance that are tailored to the unique characteristics of e-commerce. This may include new forms of data analytics, machine learning, and artificial intelligence that can help identify non-compliance and tax evasion. Raikov (2021) proposes an approach to combat corporate tax evasion using artificial intelligence. The author argues that value chains formed in the digital environment are increasingly falling out of government control, and digital platforms allow the building of relationships that are opaque for tax authorities. To address this issue, the author suggests using indirect accounting of latent factors in taxation processes. This involves analyzing a wide range of data sources, including social media activity, online transactions, and other digital footprints to identify patterns and anomalies that may indicate tax evasion. The

article draws on several theories to support this approach, including cognitive semantics and collective decision-making processes. The author also suggests that further research is needed to explore the effects of using digital technology on tax evasion and to analyze a wider spectrum of suspicious events under different market conditions. Overall, Raikov (2021) presents an innovative approach to addressing the challenges posed by corporate tax evasion in the digital age.

Tax authorities may need to improve international cooperation to ensure that they can track down tax evaders who use offshore accounts and tax havens to hide their income and assets. This is because tax evasion is a global problem that requires international cooperation to tackle it effectively. According to the International Monetary Fund (IMF), tax evasion is a major problem that costs governments around the world billions of dollars in lost revenue every year. The Organization for Economic Cooperation and Development (OECD) has also recognized the importance of international cooperation in combating tax evasion. The rational choice theory suggest that individuals are more likely to engage in tax evasion when they perceive that the benefits outweigh the costs. Therefore, improving international cooperation can help reduce the benefits of tax evasion and increase its costs, making it less attractive for individuals to engage in this illegal activity. In order to examine the determinants of tax evasion intention, Kaulu (2022) uses the Theory of Planned Behavior (TPB) to explain tax compliance and/or evasion intentions. The TPB is a well-established theory that has been widely used in the literature to explain human behavior, including tax compliance. However, other theories have been adopted to explain tax evasion under risk and uncertainty, such the prospect theory, expected utility theory, and deterrence theory. For instance, the prospect theory suggests that individuals are more likely to engage in tax evasion when they perceive that the benefits outweigh the costs. The deterrence theory suggests that individuals are less likely to engage in tax evasion when they perceive that the probability of being caught and punished is high. Moreover, the social norms theory suggests that individuals are more likely to engage in tax evasion when they perceive that others are doing it too. Therefore, the institutional environment influences the social norms and beliefs within the society (Scott 1995), same as it does for corporations (Shahrour, Girerd-Potin, and Taramasco 2022). Furthermore, the tax authorities may also need to improve international cooperation to ensure that they can track down tax evaders who use offshore accounts and tax havens to hide their income and assets.

Similarly, when addressing e-commerce we are targeting another, limitless, environment. The rise of e-commerce has brought about several benefits, yet it has also presented significant challenges for tax administration (Sisu, J. A. et al., 2024). The electronic nature of e-commerce transactions has made it difficult for tax authorities to apply traditional approaches to both direct and indirect taxation. According to Arinze et al. (2015) e-commerce's business model has several tax implications, including disintermediation, increased magnitude of cross-border transactions (Brodzka 2017), and digitization of information, making it challenging to identify the origin and destination of transactions. These characteristics create

difficulties in carrying out audit trails, verifying the parties involved in business transactions, and collecting taxes. The virtual nature of the Internet makes e-commerce intangible and multi-jurisdictional, posing serious challenges to tax authorities' effectiveness (Gombiro, Jantjies, and Mavetera 2015; Hellerstein et al. 2001). As e-commerce transactions can take place from obscure or unidentifiable locations, they may be shielded in tax havens, making them harder to trace and regulate. This, coupled with the challenges of cross-border digital transactions, continues to constitute the greatest threat to tax regimes (Asher and Rajan 2001). There are many concerns about the type of information retrieved online and the types of business transactions conducted, sparking debates among stakeholders on how to regulate the Internet while preserving the interests of all. The implications of e-commerce's virtual nature and its influence on fiscal policy administration require early and close attention to mitigate potential issues (Tanzi 1998). The unique attributes of e-commerce's business model have significant tax implications, making it imperative to consider its effect on the tax regime and devise appropriate measures to address the challenges it presents.

In the following, we divide our analyses on two stages: first, we present an outlook on e-commerce in Europe, and then, we delve beneath the case of Romania. Second, we provide a questionnaire based evidence to tackle issues related to e-commerce in general, and tax evasion in particular.

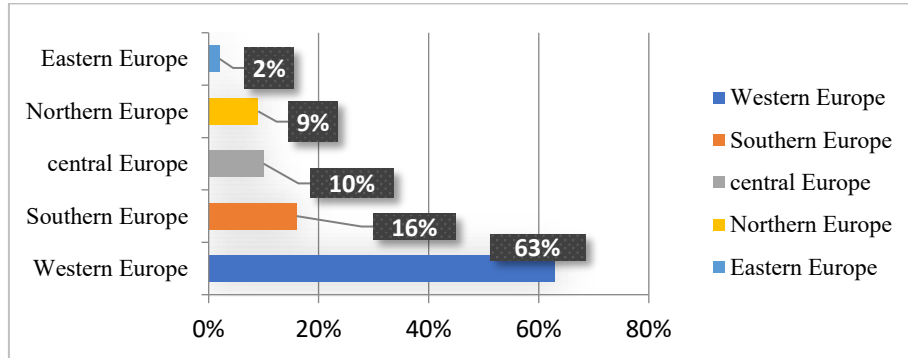
In the following, we adopt a two-fold approach to our analysis of e-commerce and tax evasion. Firstly, we offer an overview of the e-commerce landscape in Europe, highlighting the challenges and opportunities faced by tax authorities in the region. Secondly, we narrow our focus to Romania, exploring the country's e-commerce market and its implications for tax evasion. This dual approach allows us to provide a comprehensive assessment of the issues at hand and to generate insights that are both informative and relevant to policymakers, academics, and practitioners alike.

There are several reasons why Romania is an interesting case to study in relation to e-commerce and tax evasion. Firstly, Romania has a rapidly growing e-commerce market, which is projected to continue expanding in the coming years. This growth presents both opportunities and challenges for the country's tax authorities, who must navigate a complex and rapidly evolving landscape to ensure compliance with tax regulations. Secondly, Romania's tax system has undergone significant reform in recent years, with the aim of improving transparency and reducing the tax gap. By examining the impact of these reforms on e-commerce and tax evasion, we can gain valuable insights into the efficacy of policy measures aimed at addressing these issues. Finally, Romania's location in Central and Eastern Europe makes it a particularly relevant case study for understanding the broader challenges and opportunities facing the region as a whole in relation to e-commerce and tax evasion. Overall, our focus on Romania provides a rich and nuanced context in which to explore the complex interplay between e-commerce and tax evasion, and to identify potential solutions to these pressing issues.

### 3. Empirical Study

#### a. General outlook across Europe

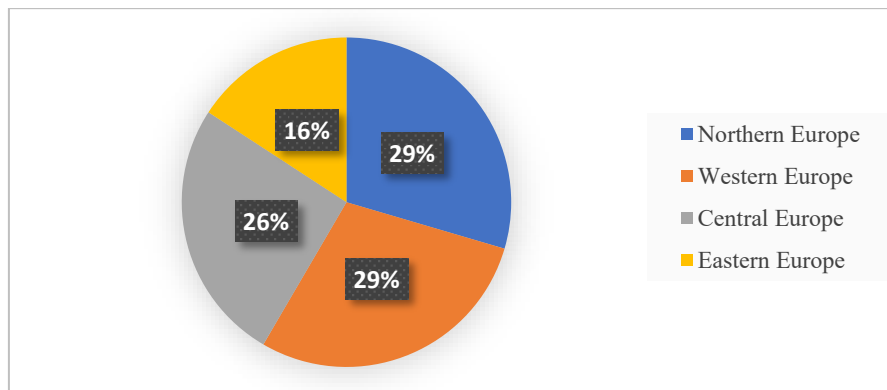
Based on the available statistical data for 2022, it is apparent that more than 150,000 companies are engaged in the online sale of goods and services across Europe. In terms of the distribution of online trade across the 37 European states in the business-to-customer (B2C) system in 2021, the following situation was observed:



**Figure 1. Histogram representing the distribution of online commerce across Europe**

*Source: Eurostat; Statista*

The distribution of online trade in Europe exhibits a stark contrast between the regions of Western and Eastern Europe. Specifically, the former region accounts for a significant proportion of the total revenue generated, with over 450 billion euros accumulated in 2021. In contrast, the latter region has only been able to accumulate a fraction of that amount, with a mere 14 billion euros attributed to it. Figure 2 presents the share of online purchases across Europe.



**Figure 2. Share of online purchases, relative to the population with internet access**

*Source: Eurostat; Statista*

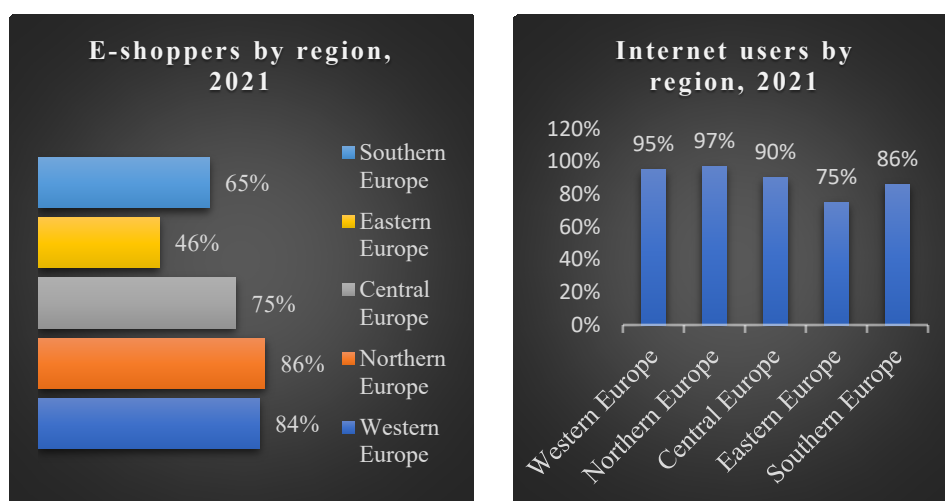
The data reveals that the share of online trade carried out in Eastern Europe is disproportionately low compared to the other European regions. There are several reasons why this might be the case. First, there may be a lack of online purchase

culture in Eastern Europe. For many people in this region, traditional brick-and-mortar stores may still be the preferred way of shopping, and they may be less familiar or comfortable with the idea of making purchases online. Second, concerns about cybercrime may also be a factor. Many people in Eastern Europe may be wary of providing their personal and financial information online, fearing that it could be stolen or misused by criminals. Third, the digital skills of potential customers may also be a barrier. While younger generations in Eastern Europe may be more tech-savvy, older generations may struggle with using technology to make purchases online. Finally, the use of cards only for the withdrawal of salaries may also limit online purchases. In some Eastern European countries, cash is still the preferred method of payment for many transactions, and the use of credit or debit cards may not be as widespread.

In contrast, in Northern Europe, the highest percentage of online purchases was recorded at 86%. This may be due to factors such as a strong online purchase culture, high levels of digital literacy, and a relatively low level of concern about cybercrime.

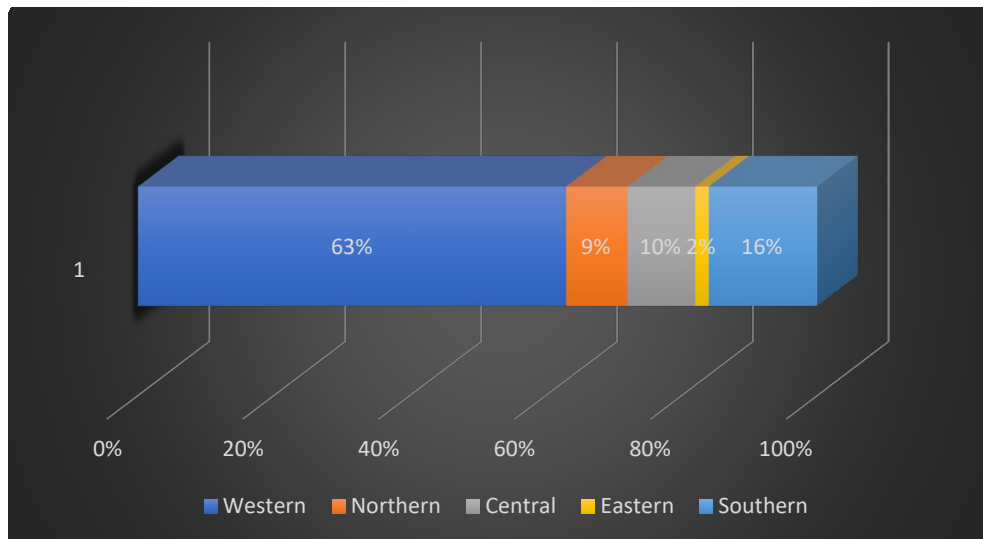
In Western Europe, 84% of the population with online access made electronic purchases, while in Central Europe the percentage of purchases was 75%. The higher percentage in Western Europe may be due to the region's strong economy and the presence of large multinational companies that have driven growth in the e-commerce sector.

Figure 3 provides additional insights on internet users and online shoppers by region. It shows that Western Europe has the highest share of both internet users (95%) and online shoppers (85%). Meanwhile, in Figure 4, the distribution of the total European e-commerce turnover is depicted, and Western Europe leads the way with the highest share at 63%. These findings highlight the dominance of Western Europe in the e-commerce industry and provide valuable information for businesses looking to expand their operations in the region.



**Figure 3. Internet users and e-shopper by region**  
*Source: European e-commerce report 2022*





**Figure 4. Share of total European e-commerce turnover by region, 2021**

*Source: European e-commerce report 2022*

b. The case of Romania

The European E-commerce Report 2022 highlights the growth potential of Romania's digital economy and e-commerce industry. The report suggests that as more people in Romania go digital and use smart technology, consumers will want more predictable and flexible delivery services such as parcel lockers. From a retailer's perspective, being listed in a marketplace, using a fulfilment service, and having an omnichannel approach will play important roles in terms of business sustainability and development. The percentage of the population accessing the internet in Romania has increased from 70% in 2017 to 88% in 2021. Additionally, the percentage of internet users that bought goods or services online has also increased from 23% in 2017 to 44% in 2021. These numbers suggest that e-commerce is becoming increasingly popular among individuals in Romania who are using the internet to shop online.

However, there are also challenges facing the e-commerce sector in Romania. One major issue is tax evasion, which has been a problem in many countries as online transactions can be difficult to track and regulate. This is an issue that policymakers and tax authorities must address to ensure that e-commerce businesses are operating fairly and contributing to the country's tax base.

Another challenge is logistics, as shipping and delivery can be more complex and expensive in certain parts of the country. Improving infrastructure and logistics networks could help to address these challenges and support further growth in the e-commerce sector.

In terms of waste management, the legislative efforts towards sustainable waste management and packaging in the European Union (EU) are crucial for a

sustainable future across all economic sectors. However, in the Romanian market, it appears that fast delivery continues to hold an advantage over sustainable packaging and consolidated orders when influencing consumer choices. To promote a sustainable approach, a widespread effort to educate customers, consumers, and society about the benefits of waste management and recycling is necessary. This approach could potentially bring about a paradigm shift in the Romanian market (Cristache, N. et al., 2021). A significant turning point in this regard would be the implementation of legislation establishing a warranty-return system for packaging, which could be a game-changer in shifting society's long-term perception of packaging and emphasizing its potential as a raw material.

### c. Questionnaire structure and results

In the context of the growing online business sector during the COVID-19 pandemic, compliance with tax regulations has become a critical concern for regulatory authorities at both the European and international levels. The European Union has recently adopted the DAC7 directive, which targets online traders and platforms, requiring them to report all transaction information to tax authorities. Starting from January 1, 2023, all member states are obliged to apply this new directive. However, in Romania, it seems that entities with reporting obligations are struggling to meet the imperative requirements of the directive despite the tight deadline.

The DAC7 directive includes activities such as building rentals, service provision, and sales of goods and vehicle rentals within the scope of reporting. The operator of the online trading platform is responsible for obtaining and verifying information on transactions carried out by commercial operators on the platform and submitting them annually to the national tax administration by January 31 of the following year. The information includes income results from all online transactions made through the platform. It is important to note that only transactions made on online platforms where sellers and buyers engage in the transaction will be reported. Additionally, the directive excludes reporting for operators who make less than 30 sales, which in total do not exceed 2,000 euros in a calendar year, as well as sales made through an application or website developed by a merchant where goods of other operators are not sold.

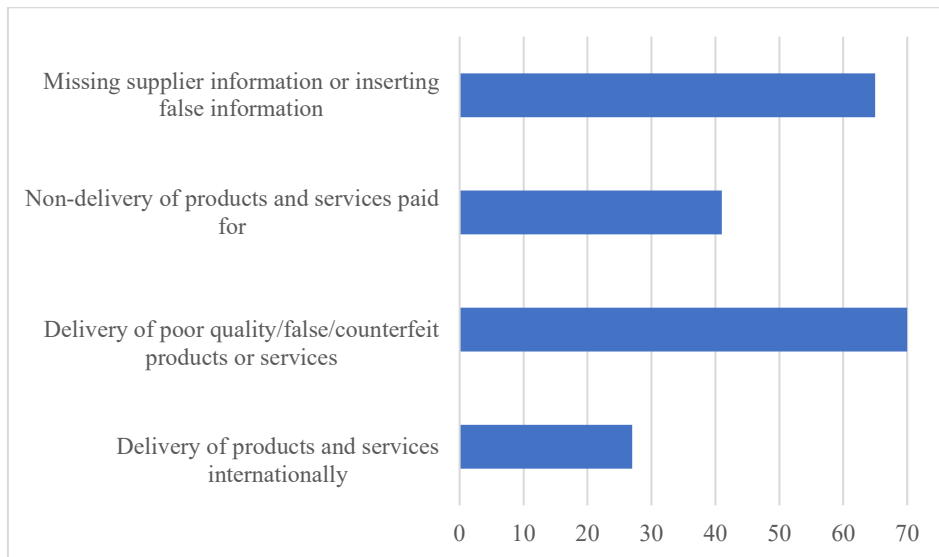
Despite the deadline being only a few months away, entities with reporting obligations in Romania have been slow to adapt their efforts to comply with the DAC7 directive. It is crucial for these entities to take immediate action to ensure compliance, given the directive's significant implications for tax obligations. Failure to comply with the directive can lead to legal consequences, including financial penalties and reputational damage.

In order to perform a field study, we developed a questionnaire that address the main challenges by the e-commerce industry and related to tax evasion. We

included the following closed questions (except for the last question, which is an open-end question). We allow for multiple answers. The questions are the following:

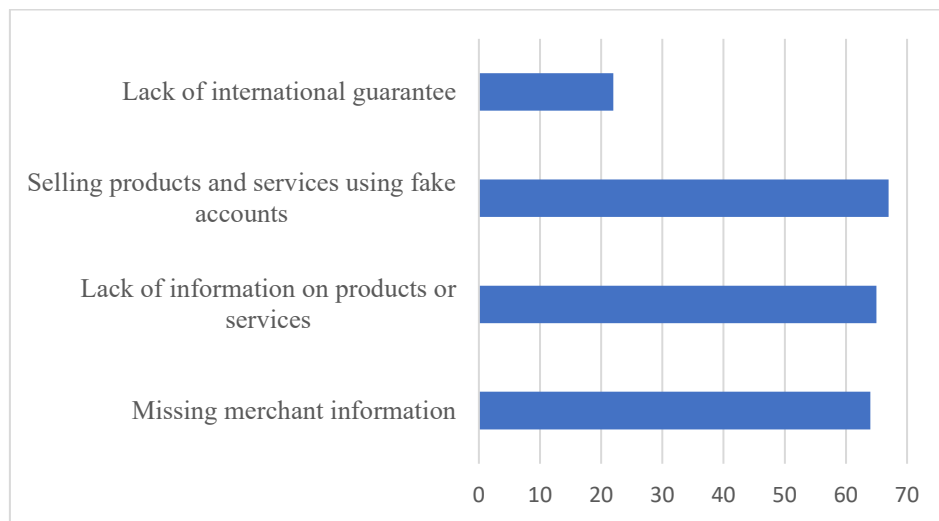
1. What do you think are the main problem areas in relation to online commerce?
2. What do you think are the main forms of violation of legal norms in online commerce?
3. What do you think would be the ways of breaching the protection of personal data in online commerce?
4. What are the cyber security risks in online commerce?
5. To what extent do you think the concept of materiality, which is central to accounting and auditing standards, is relevant to e-commerce businesses when it comes to financial reporting and tax compliance?
6. What ethical considerations should e-commerce platforms and sellers take into account to prevent or deter tax evasion?
7. How important is it for corporations involved in e-commerce to consider digital responsibility in their operations, including data privacy, cyber security and ethical practices?
8. Do you think digital responsibility should be a critical component of a company's overall corporate social responsibility strategy?
9. What would be the related illegalities that you have identified in the field of online commerce?

The questionnaire was distributed for traders and specialists in the field of online trade. Overall, we had 80 participants. Figure 5 reports the results of the first theme related to the main concerns of e-commerce. It reports the results of a survey on four different issues related to online transactions, specifically regarding the delivery of products and services internationally, the delivery of poor quality or counterfeit products, non-delivery of paid products or services, and missing supplier information or false information. The values in the table represent the number of respondents who reported experiencing each issue. The highest reported issue was the delivery of poor quality or counterfeit products or services, with the majority of respondents reporting having experienced this problem. The second highest issue was missing supplier information or false information, followed by non-delivery of products and services paid for, and the delivery of products and services internationally. These results indicate that online transactions are still associated with a significant risk of encountering issues related to the quality and delivery of products and services, as well as the reliability of the suppliers.



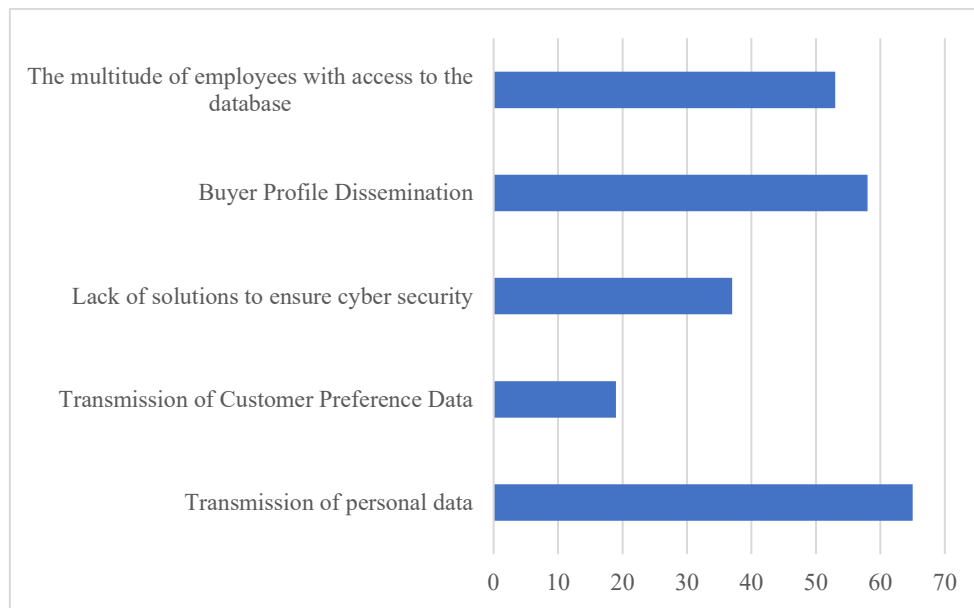
**Figure 5. Main concerns of e-commerce**

Additionally, we examined another theme related to violations of legal norms and found that the absence of international guarantees is not a major concern. It is important to note, however, that this finding may not necessarily reflect the actual experience of consumers. While international guarantees may not be a top priority for some consumers, others may still value the security and peace of mind that such guarantees provide. Moreover, it is important for companies to consider the potential impact of lacking international guarantees on their reputation and customer trust.



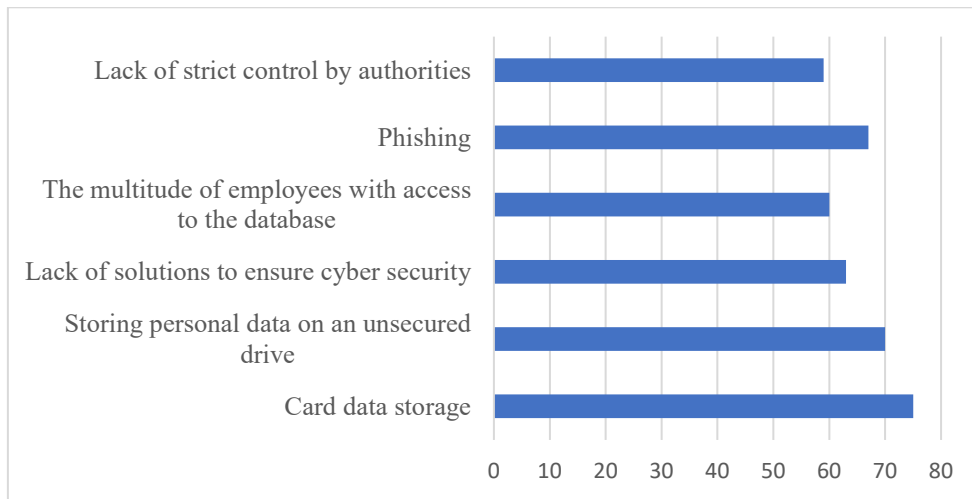
**Figure 6. Legal norms violations in e-commerce**

The results in Figure 7 indicate that the transmission of personal data is the most commonly perceived way of breaching the protection of personal data in online commerce, with 65 respondents selecting this option. Another significant concern is the dissemination of buyer profiles, with 58 respondents indicating this as a potential way of breaching personal data protection. The other three options, namely transmission of customer preference data, lack of solutions to ensure cybersecurity, and the multitude of employees with access to the database, were selected by a moderate number of respondents, indicating that they are also perceived as potential risks to personal data protection in online commerce. Overall, the results suggest that there is a significant level of concern about the protection of personal data in online commerce, and that businesses operating in this sector need to take proactive measures to address these concerns and build trust with their customers.



**Figure 7. Data protection**

In order to understand better the concept behind data protection exposed above, we further investigate about the cyber security risks in e-commerce. The results in Figure 8 show that the majority of respondents perceive the storage of card data as the most concerning issue related to data protection in online commerce. Storing personal data on an unsecured drive and phishing were also highlighted as potential threats. The respondents also expressed concerns regarding the lack of solutions to ensure cyber security and the multitude of employees with access to the database. However, the least concerning issue was the lack of strict control by authorities.



**Figure 8. Cyber security concerns**

Moreover, we delve further into the relationship between materiality and tax evasion in e-commerce businesses. Specifically, we ask to what extent materiality is relevant to financial reporting and tax compliance for e-commerce businesses, with the intention of exploring how complying with financial reporting and tax regulations can prevent or deter tax evasion. We identify several potential issues that could impact the materiality of financial statements, including bill cancellation, non-recording of accounting operations, missing supporting documents, and the management of returned products. These issues can impact the accuracy and completeness of financial statements, making it important to ensure that all significant accounting operations are recorded accurately and in a timely manner. Moreover, transportation-related transactions, such as those involving courier services, logistics warehouses, and other transportation services, play a critical role in the movement of goods and materials in business operations. Inaccurate recording of transportation costs or related transactions can affect the accuracy of financial statements, potentially leading to misstated financial information. This could also result in artificially reduced taxable income, leading to potential legal consequences. Therefore, it is essential for businesses to properly record and document their transportation expenses to ensure compliance with financial and tax regulations.

In addition to exploring the impact of materiality on tax evasion, we also address the ethical considerations that e-commerce platforms and sellers should take into account to prevent or deter tax evasion. The results of our study are presented in Table 1. We find that a high number of respondents (over 50 in each case) believed that the concepts of materiality and accurate financial reporting are relevant to e-commerce businesses, particularly in relation to issues such as non-recording of accounting operations, missing supporting documents, and management of returned products. Respondents also highlighted the importance of properly recording transportation expenses to ensure compliance with financial and tax regulations. In terms of ethical considerations, respondents emphasized the need for e-commerce

platforms and sellers to be aware of issues such as the management of returned products, bill cancellation, and delivery of goods by courier to prevent or deter tax evasion. We also found that some respondents were concerned about the practice of uncontrolled transfer pricing.

### Questionnaire results on materiality and tax evasion

**Table 1**

<b>Question</b>	
How and to what extent do you think the concept of materiality is relevant to e-commerce businesses when it comes to financial reporting and tax compliance?	
Bill cancellation	54
Non-recording of accounting operations	60
Missing of supporting documents	66
Management of returned products	50
Courier, from various logistics warehouses, etc.	46
What ethical considerations should e-commerce platforms and sellers take into account to prevent or deter tax evasion?	
Management of returned products	51
Bill cancellation	52
Delivery of goods by courier	53
Practice of uncontrolled transfer pricing	47

Regarding questions (7) and (8), we find that It is crucial for corporations involved in e-commerce to consider digital responsibility in their operations, including data privacy, cyber security, and ethical practices. With the increasing amount of personal and sensitive information being shared online, it is imperative for companies to prioritize data privacy and implement measures to protect their customers' information. Cybersecurity threats pose a significant risk to businesses and their customers, and companies need to be proactive in identifying and mitigating potential risks. Furthermore, ethical practices in e-commerce are essential to building trust with customers and maintaining a positive reputation in the market. Companies that prioritize digital responsibility not only benefit from increased customer loyalty but also avoid potential legal and financial consequences associated with non-compliance. Ultimately, prioritizing digital responsibility is not only a moral obligation but also a strategic imperative for corporations involved in e-commerce. Besides, we find that 77 participants out of 80 believe that digital responsibility should be a critical component of a company's overall corporate social responsibility strategy.

Finally, we dedicate an open question –question (9)– to investigate the related illegalities identified by experienced traders in the domain of e-commerce, mainly in relation to tax evasion. The most important problems identified following the questionnaire, in the open-answer questions, from the perspective of tax evasion, were:

In the final section of the study, an open-ended question (Question 9) was posed to experienced traders in the e-commerce industry, to investigate related illegalities mainly in relation to tax evasion. The study revealed that several problems exist in relation to tax evasion, including:

- Use of shell companies for customs-chargeable products, which are subsequently sold online
- Sales at an extremely low price in relation to the value of the goods, especially those resulting from thefts and frauds, on the territory of the European Union
- Non-registration and non-declaration of income from online trade
- Commercialization of products that are under the empire of copyright, trademark, or industrial property rights
- Lack of monitoring of cash-on-delivery or electronic payment deliveries made by postal or courier companies
- Lack of monitoring of seller-customer sales (in the customer-to-customer - C2C system) mediated by e-commerce platforms
- The existence of situations in which online stores sell products at reduced prices, among other things, because they do not charge VAT
- Buying advertising online without paying VAT
- Purchase of hotel services in the booking system
- Providing taxi or transport services through ridesharing applications

These findings suggest that e-commerce businesses need to be vigilant in monitoring their operations to ensure compliance with tax regulations and prevent illegal activities.

#### **4. Conclusion**

E-commerce has become an essential part of modern business and has revolutionized the way people shop. In conclusion, this study has shed light on the multifaceted nature of tax evasion in the digital marketplace and provided valuable insights for academics and managers alike. The growth of e-commerce has presented both opportunities and challenges, with tax evasion being a significant problem for governments worldwide. The study has highlighted the impact of digitalization on deterring tax evasion behavior, as well as the potential benefits of advancements in technology for improving the ability of governments to decrease tax evasion. However, it also warns that these changes may open up new avenues for individuals and firms to evade taxes. One major contribution of this study is its comprehensive approach to tackling tax evasion in the digital marketplace. It recognizes that there is no one-size-fits-all solution and proposes a multifaceted approach that includes legislative efforts, waste management through packaging/unpacking, and improved infrastructure. The managerial implications of this study are significant. Managers need to be aware of the potential risks associated with tax evasion in the digital marketplace and take proactive measures to prevent it. This includes implementing effective waste management practices, complying with relevant legislation, and



investing in technology that can help detect and prevent tax evasion. Overall, this study provides a valuable resource for academics and managers seeking to understand the challenges and opportunities presented by e-commerce growth. Its multifaceted approach offers practical solutions for curbing tax evasion in the digital marketplace while highlighting the importance of collaboration between governments, businesses, and consumers.

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