The Impact of Digital Taxation in Shaping the Business Environment in the Sultanate of Oman - Opportunities, Challenges, and Policy Implications

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ABSTRACT

The rapid growth of the digital economy has significantly reshaped taxation systems and business operations worldwide. In the Sultanate of Oman, digital taxation has emerged as a key component of economic reform efforts aimed at enhancing fiscal sustainability and supporting diversification under Oman Vision 2040. The digital taxation has emerged as an important fiscal policy tool for modernizing tax systems, improving revenue mobilization, and ensuring equitable taxation of digital economic activities. In the Sultanate of Oman, the growing digital economy and on-going economic diversification under Oman Vision 2040 have increased the importance of developing an effective digital taxation framework. This study examines the impact of digital taxation on shaping the business environment in Oman by evaluating its opportunities, challenges, and policy implications.

A quantitative research approach was adopted using a structured questionnaire administered to business owners, tax professionals, accountants, and policymakers. The collected data were analysed using descriptive statistics, reliability analysis, correlation, and regression techniques to assess the relationship between digital taxation and the business environment. The findings indicate that digital taxation contributes to improved tax compliance, increased government revenue, greater transparency, and enhanced fairness in the taxation system. However, businesses face challenges including compliance costs, limited digital readiness among small and medium-sized enterprises (SMEs), regulatory uncertainty, and technological implementation issues.

The study concludes that an effective digital taxation system can positively influence Oman's business environment when supported by clear regulations, robust digital infrastructure, stakeholder awareness, and continuous policy reforms. The research provides practical recommendations for policymakers to strengthen digital tax administration while minimizing the compliance burden on businesses and promoting sustainable economic growth. This study contributes to the growing body of knowledge on digital taxation and offers insights for enhancing tax policy and business competitiveness in the Sultanate of Oman.

Keywords: Digital Taxation, Business Environment, Tax Compliance, Digital Economy, Fiscal Policy, SMEs, Oman Vision 2040, Sultanate of Oman.Value Added Tax (VAT) in Oman, Tax Compliance, Digital Economy, SMEs, Oman Tax Authority, Fiscal Policy, Economic Diversification.

INTRODUCTION

The increasing digitalization of the global economy has significantly transformed the way businesses operate, interact, and create value. The rise of e-commerce platforms, digital services, and data-driven business models has challenged traditional taxation systems, which were primarily designed for physical transactions and geographically bound enterprises. As a result, governments worldwide are adopting digital taxation frameworks to ensure fair revenue collection, enhance transparency, and address tax base erosion arising from cross-border digital activities.

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In the Sultanate of Oman, the shift toward digital taxation is closely aligned with national economic diversification efforts under Oman Vision 2040. The government has undertaken significant reforms to modernize its fiscal system, reduce dependence on oil revenues, and improve public financial management. A key milestone in this transformation was the introduction of Value Added Tax (VAT) in Oman, administered by the Oman Tax Authority. The implementation of VAT has been supported by digital platforms that enable online registration, filing, and payment, thereby marking a crucial step toward the development of a comprehensive digital taxation system.

The integration of digital technologies into Oman's tax administration has had notable implications for the business environment. On one hand, digital taxation systems improve efficiency, reduce administrative burdens, and enhance compliance through automation and real-time data processing. On the other hand, businesses particularly small and medium enterprises (SMEs) face challenges related to technological adaptation, regulatory complexity, and increased compliance costs. These dynamics influence business performance, investment decisions, and overall economic competitiveness within the country.

Understanding the impact of digital taxation is essential for policymakers, businesses, and investors seeking to balance revenue generation with economic competitiveness. Although digital taxation has attracted considerable international attention, empirical evidence on its implications within the Omani business environment remains limited. This research therefore examines the impact of digital taxation on shaping the business environment in the Sultanate of Oman by evaluating its opportunities, challenges, and policy implications. Moreover, Oman's approach to digital taxation is increasingly influenced by global tax reforms led by the Organisation for Economic Co-operation and Development (OECD), particularly in addressing the taxation of digital services and multinational enterprises. Aligning with such international standards is essential for ensuring tax fairness, preventing double taxation, and maintaining Oman's attractiveness as an investment destination in a rapidly evolving digital economy.

This study is supported by established theoretical perspectives to explain how digital taxation influences the business environment in the Sultanate of Oman. **The Technology Acceptance Model (TAM)** explains that businesses' adoption of digital tax systems depends on perceived usefulness, ease of use, and the ability of digital platforms to improve tax compliance and operational efficiency. The Institutional Theory highlights the role of government regulations, policy frameworks, and institutional support in encouraging businesses to accept and integrate digital taxation practices. Furthermore, the Technology Organization Environment (TOE). Framework provides a comprehensive view by examining how technological readiness, organizational capabilities, and external environmental factors influence the adoption and effectiveness of digital taxation systems.

By integrating these theories, the study establishes a strong conceptual foundation to examine the relationship between digital taxation and business environment outcomes, including compliance efficiency, transparency, ease of doing business, and sustainable business growth in Oman. This theoretical approach also helps identify the opportunities and a challenge associated with digital tax transformation and provides policy implications aligned with Oman Vision 2040.

Therefore, this study aims to examine the role of digital taxation in shaping the business environment in Oman. It explores how digital tax systems impact business operations, compliance behavior, and economic sustainability, while also identifying the key opportunities and challenges associated with their implementation. The study also to provide evidence based insights that can support the development of an efficient, transparent, and business friendly digital tax framework that aligns with Oman's long-term economic development objectives. The findings of this research are expected to provide valuable insights for policymakers, businesses, and researchers interested in the intersection of taxation, digital transformation, and economic development in Oman.

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Purpose of the Study

This study examines how digital taxation systems in Oman influence the business environment by improving compliance, transparency, and operational efficiency. It evaluates their impact on ease of doing business, compliance costs, and SME awareness, while identifying adoption challenges such as technological and administrative barriers. The study also assesses contributions to government revenue and fiscal transparency, aiming to propose policy recommendations for a more efficient and competitive business environment.

Significance of the Study

This study is significant as it provides empirical insight into how digital taxation reforms influence business operations, compliance efficiency, and transparency in the Sultanate of Oman. It helps policymakers evaluate the effectiveness of digital tax systems in enhancing revenue collection and improving the business climate, while offering practical implications for businesses adapting to evolving tax technologies. Additionally, the study contributes to academic literature by linking digital taxation with economic modernization and sustainable business development in Oman.

Definition of Terms

1. Business Environment: The business environment refers to the internal and external factors that influence the operations, performance, and decision-making processes of organizations. It includes economic conditions, government regulations, technological developments, market conditions, and institutional frameworks that affect business activities. In this study, the business environment represents the extent to which digital taxation influences business efficiency, compliance, transparency, competitiveness, and sustainability in Oman.

2. Compliance: Compliance refers to the extent to which individuals and organizations follow established laws, regulations, and administrative requirements imposed by government authorities. In the context of digital taxation, compliance refers to businesses' ability and willingness to fulfill tax obligations through electronic systems, including accurate tax reporting, timely payments, electronic filing, and adherence to tax regulations in Oman.

3. Digital Economy: The digital economy refers to an economic system where digital technologies, online platforms, electronic transactions, and data-driven processes are used to create, exchange, and deliver goods and services. In this research, the digital economy represents the technological transformation of business activities that supports the implementation and effectiveness of digital taxation systems in Oman.

4. **Digital Tax Administration:** Digital tax administration refers to the use of advanced information and communication technologies by tax authorities to manage tax registration, filing, assessment, payment, monitoring, and taxpayer services electronically. In Oman, digital tax administration aims to improve tax collection efficiency, reduce administrative costs, enhance transparency, and strengthen taxpayer interaction with government authorities.

5. Digital Taxation: Digital taxation refers to the application of digital technologies in the processes of tax collection, reporting, monitoring, and compliance management. It includes electronic tax filing, online payment systems, digital invoicing, automated tax assessment, and data-based tax monitoring. In this study, digital taxation represents the transformation of Oman's tax system through technology to improve efficiency, transparency, and business performance.

6. Digital Tax Compliance: Digital tax compliance refers to the ability of businesses and taxpayers to meet tax obligations through electronic platforms and digital systems. It includes electronic submission of tax returns, online payment of taxes, maintenance of digital records, and compliance with digital tax procedures established by tax authorities.

7. Digital Tax Transparency: Digital tax transparency refers to the availability, accessibility, and clarity of tax-related information through digital platforms. It enables taxpayers and businesses to understand tax requirements, procedures, and obligations while reducing uncertainty and improving trust between businesses and government authorities.

8. Electronic Invoicing (E-Invoicing): Electronic invoicing refers to the process of issuing, receiving, storing, and managing invoices electronically rather than using traditional paper-based documents. E-invoicing supports digital taxation by improving transaction accuracy, reducing tax evasion opportunities, enhancing record management, and increasing efficiency in business operations.

9. Financial Technology (FinTech): Financial technology (FinTech) refers to the application of digital technologies and innovative solutions to provide, improve, and automate financial services. In relation to digital taxation, FinTech supports secure electronic payments, financial data integration, and efficient digital tax transactions.

10. **Information and Communication Technology (ICT):** Information and Communication Technology refers to the technological infrastructure, software applications, networks, and digital tools used for processing, storing, transmitting, and exchanging information. ICT provides the foundation for implementing digital taxation systems and improving government-business interactions.

11. Innovation: Innovation refers to the introduction and adoption of new ideas, technologies, processes, or solutions that improve efficiency and effectiveness. In this research, innovation refers to the adoption of digital tax technologies that enhance tax management, business operations, and economic development in Oman.

12. Opportunities: Opportunities refer to the potential benefits and positive outcomes generated through the implementation of digital taxation systems. In this study, opportunities include improved tax collection efficiency, reduced compliance costs, enhanced business transparency, increased government revenue, and improved ease of doing business in Oman.

13. Policy Implications: Policy implications refer to the possible effects and recommendations derived from research findings that can guide policymakers in designing, modifying, or improving regulations and strategies. In this study, policy implications relate to recommendations for improving Oman’s digital taxation framework, business support mechanisms, and regulatory policies.

14 Small and Medium-sized Enterprises (SMEs): Small and Medium-sized Enterprises (SMEs) are privately owned businesses with limited employees, financial resources, and operational capacity compared to large corporations. They contribute significantly to economic growth, employment, innovation, and entrepreneurship. In this study, SMEs refer to businesses in Oman whose operational efficiency, tax compliance, and business sustainability are influenced by digital taxation policies and systems.

15. **Sustainable Business Development**: Sustainable business development refers to the long-term growth of businesses achieved through efficient regulatory systems, technological innovation, responsible taxation, and economic policies that promote competitiveness while ensuring fiscal sustainability.

16. **Sultanate of Oman:** The Sultanate of Oman is a Gulf Cooperation Council (GCC) country located in the southeastern Arabian Peninsula. The country has undertaken economic and digital transformation initiatives under **Oman Vision 2040**, including modernization of government services, diversification of the economy, and improvement of the business environment. In this research, Oman represents the geographical and institutional context where digital taxation impacts businesses and economic activities.

17. Tax Administration: Tax administration refers to the processes and activities undertaken by government authorities to manage tax policies, including taxpayer registration, assessment, collection, auditing, enforcement,

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and service delivery. Effective tax administration ensures efficient revenue generation and promotes taxpayer compliance.

18. Tax Digitalization: Tax digitalization refers to the transformation of traditional tax processes into technology-driven systems using digital platforms, automation, artificial intelligence, and data analytics. It aims to simplify tax procedures, improve accuracy, reduce administrative burdens, and enhance government revenue management.

19. **Taxpayer:** A taxpayer refers to an individual, organization, or business entity that has a legal obligation to pay taxes according to government regulations. In this study, taxpayers mainly refer to businesses operating in Oman that interact with digital taxation systems.

20. **Technological Adoption:** Technological adoption refers to the process through which individuals or organizations accept, implement, and utilize new technologies to improve operations and achieve desired outcomes. In this research, technological adoption represents businesses' acceptance and usage of digital tax platforms and electronic systems.

21. Value Added Tax (VAT): Value Added Tax (VAT) is an indirect consumption tax imposed on the supply of goods and services at different stages of production and distribution. In Oman, VAT implementation requires businesses to maintain accurate digital records, submit tax returns electronically, and comply with digital tax procedures.

CONCLUSION

These definitions establish the conceptual foundation for examining how digital taxation influences the business environment in Oman. The terms emphasize the relationship between technological transformation, tax efficiency, business compliance, regulatory development, and economic sustainability within the framework of Oman's digital transformation initiatives.

LITERATURE REVIEW

The digital taxation has emerged as a significant fiscal policy mechanism due to the rapid expansion of digital commerce and technology-driven business activities. Globally, governments are implementing digital tax systems to enhance tax compliance, improve revenue collection, increase transparency, and modernize tax administration. In Oman, digital taxation supports economic diversification objectives under Oman Vision 2040 through initiatives such as Value Added Tax (VAT) implementation and electronic tax services. These developments have contributed to improving business efficiency, strengthening regulatory compliance, and promoting digital transformation among enterprises.

Existing literature highlights that digital taxation contributes to economic modernization by enhancing government efficiency, reducing tax evasion, and improving fiscal sustainability. Previous studies have primarily examined VAT adoption, tax compliance, and digital transformation, while limited research has explored the wider influence of digital taxation on the business environment in Oman. Therefore, this study investigates the impact of digital taxation on business operations, compliance practices, digital transformation, and sustainable economic development. Although digital tax systems provide significant opportunities, businesses also face challenges related to technology adoption, implementation costs, and adaptation to electronic reporting requirements.

1. **Al Ghunaimi, H., Al Maqtari, F. A., Wesonga, R., and Elmashtawy, A. (2025),** in their study "*The Rise of FinTech and the Journey Toward a Cashless Society: Investigating the Use of Mobile Payments by SMEs in Oman in the Context of Vision 2040*", found that FinTech and mobile payment adoption significantly improved business efficiency, financial inclusion, and transaction transparency among Omani SMEs. Their findings suggest that digital financial systems support digital taxation by enhancing electronic transaction records and tax

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compliance. However, the study primarily focuses on mobile payment adoption and provides limited evidence on the broader impact of digital taxation policies on the overall business environment, highlighting the need for further empirical research in this area.

2**. Ali M J (2025),** in a study on "*The Impact of Value Added Tax (VAT) Implementation on the Performance and Sustainability of Small and Medium Enterprises (SMEs) in Oman*". This study found that although VAT initially increased compliance costs and administrative burdens, it strengthened financial discipline and accounting practices over time. The study further demonstrated that digital taxation can enhance long-term business sustainability when supported by effective government policies and robust digital infrastructure. These findings highlight that the sustainability benefits of digital taxation depend not only on tax implementation but also on the institutional and technological environment that enables SME adaptation.

3. **Al Hasani and Husin (2021)** argued the study on "*Emerging digital technologies to improve tax compliance and administration efficiency: A systematic literature review*" that digital transformation enhances organizational performance and technological readiness in Oman by improving administrative efficiency, financial management, and support for e-taxation initiatives. However, their study primarily focused on the general benefits of digitalization and provided limited empirical evidence on the direct impact of digital taxation on business sustainability. This highlights the need for further research examining the relationship between digital tax systems, organizational performance, and sustainable business outcomes in the Omani context.

4. Anggraeni (2025), examined the study on "E-*taxation and Fiscal Governance: A Narrative Review of Compliance, Efficiency, and Equity",* argued that e-taxation enhances fiscal governance by improving tax compliance, transparency, and accountability while reducing tax evasion. However, the study is primarily conceptual and highlights the need for more empirical evidence from developing economies to validate these outcomes. This gap underscores the importance of examining the practical impact of digital taxation on the business environment in the Sultanate of Oman.

5. **Alraja, Hussein, and Ahmed (2021),** in their study *"What Affects the Digitalization Process in Developing Economies? Evidence from the SMEs Sector in Oman*", found that technological readiness, organizational support, and environmental factors are key drivers of digital transformation among Omani SMEs. Their findings further imply that digital taxation policies can accelerate business digitalization by encouraging the adoption of electronic accounting and tax reporting systems. However, the study primarily focuses on SMEs rather than the broader impact of digital taxation on the business environment, highlighting a research gap that warrants further investigation in the Omani context.

6. **Bentley (2019),** conducted the study on "*Digital Transformation in Tax Administration*", argued that digital technologies have fundamentally reshaped tax administration by improving compliance, transparency, and operational efficiency. Subsequent Organisation for Economic Co-operation and Development (OECD) related studies extend this perspective, highlighting the role of artificial intelligence, cloud computing, and blockchain in strengthening digital tax systems. However, while these studies consistently report positive outcomes, they provide limited evidence on implementation challenges, particularly in developing economies. This indicates a need for further research on the practical effectiveness of digital tax systems across different institutional and regulatory contexts.

7. **Daniel Bunn, Asen, and Enache (2023)** in their study on "*Digital Taxation Around the World*", argue that the rapid growth of digital business models has exposed the limitations of traditional tax systems based on physical presence. Their analysis emphasizes that digital services taxes and the expansion of VAT to digital transactions are important policy responses, but they also highlight challenges related to international tax coordination, compliance complexity, and the risk of double taxation. This suggests that effective digital taxation requires harmonized global frameworks rather than isolated national measures.

8. D'Ornay, Mariana, Damis, Harun, and Rossi (2025), in their study on "*Digital Economy Taxation in Global Perspective"*, argued that effective digital taxation requires coordinated international policies rather than isolated

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national approaches. Their study emphasizes that the Organisation for Economic Co-operation and Development (OECD) framework and global tax agreements can reduce tax avoidance and improves revenue collection. However, the effectiveness of these measures depends on consistent implementation and cooperation among countries, highlighting on going challenges in balancing tax fairness, regulatory compliance, and business competitiveness.

9. Gulf Cooperation Council (GCC 2021) Although empirical research on digital taxation in Oman remains limited, the introduction of VAT in 2021 represents a major transformation in the country's tax framework, reflecting alignment with GCC and international tax modernization trends. Previous studies on GCC tax reforms highlight that VAT and digital tax initiatives can enhance revenue diversification, transparency, and compliance; however, they also emphasize challenges related to technological readiness, taxpayer awareness, and administrative capacity. In Oman, the expansion of VAT to electronic services and e-commerce activities indicates progress toward a digitalized tax system, but further research is needed to evaluate its long-term impact on business efficiency, compliance behavior, and economic sustainability.

10. **Hesami, S., Jenkins, H. P., and Jenkins, G. P. (2023**) in their study examined on "*Emerging Digital Technologies to Improve Tax Compliance and Administration Efficiency: A Systematic Literature Review*" and highlighted the transformative role of technologies such as e-invoicing and automated tax systems in enhancing tax compliance and administrative efficiency. The study critically suggests that while digital taxation reduces compliance costs, minimizes reporting errors, and improves financial transparency; its effectiveness depends on technological infrastructure, regulatory readiness, and organizational capability. The findings indicate that digital transformation can strengthen tax administration; however, challenges related to implementation costs, data security, and digital skills remain important considerations for successful adoption.

10. Khalil, M. K., Ajzoon, T. K. B., & Naidu, V. R. (2023) conducted the study on *"Value Added Tax (VAT) technology compliance efficiency Oman".* This study investigated the impact of VAT technology on compliance efficiency in Oman, emphasizing the role of digital tax systems in improving accuracy, reducing manual errors, and lowering compliance costs. While the study highlights the positive contribution of technology to VAT administration, it primarily focuses on operational efficiency rather than examining broader challenges such as digital readiness, organizational adaptation, and long-term impacts on business sustainability. This study suggests the need for further research integrating technological, regulatory, and behavioral factors to provide a more comprehensive understanding of digital VAT implementation in Oman.

11. **Kelkar, A. S., & Ramachandran, N. (2020),** in their study *"Impact of Introduction of VAT on Accounting and Auditing Services and Perception of the Consumers in Sultanate of Oman,*" examined how VAT implementation transformed accounting practices, auditing requirements, and consumer perceptions in Oman. The study highlighted that VAT acted as a catalyst for improving digital accounting systems, compliance procedures, and financial transparency among organizations. However, the study primarily focused on the immediate effects of VAT adoption and provided limited insight into its long-term implications for organizational efficiency and strategic financial decision-making. This indicates the need for further research exploring how taxation reforms influence sustainable accounting practices and business performance in Oman.

12.**Lachhab, El Haddad, and Abiza (2022), in their study** *"The Digital Economy and International Taxation: A Literature Review*," critically examined the challenges of taxing digital businesses operating across jurisdictions. The study highlights that digital taxation has emerged as a policy response to Base Erosion and Profit Shifting (BEPS) practices by multinational digital firms. However, the authors emphasize that existing tax frameworks face limitations in addressing the complexities of digital transactions, indicating the need for international cooperation and adaptive taxation mechanisms to ensure fairness and revenue sustainability.

13. **Maashani et al. (2025**) conducted the study on *"Examining the asymmetric influence of tax revenue policy in an oil-dependent economy: Evidence from Oman*". This study examined the asymmetric impact of tax revenue policy in Oman's oil-dependent economy and highlighted the importance of taxation reforms in achieving fiscal sustainability. Their findings suggest that while tax policies can strengthen government revenue diversification

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and reduce oil dependency, their effectiveness depends on efficient implementation and a supportive business environment. This study contributes to the literature by demonstrating that fiscal reforms are not only revenue-generation mechanisms but also important tools for promoting long-term economic stability and sustainable development in Oman.

14. Mpofu (2022), in the study *"Taxing the Digital Economy through VAT: Possibilities and Implications,"* highlights that digital taxation through VAT can enhance tax neutrality by ensuring equal treatment between digital and traditional businesses. However, the study also identifies challenges related to compliance complexity, administrative capacity, and increased operational costs for businesses. Previous research suggests that while digital VAT frameworks support fair competition and government revenue generation, their effectiveness depends on efficient tax administration, technological readiness, and clear regulatory guidelines.

15. **Purnamasari (2024),** in the study "*Digital Taxes and the Global Economy: A Multinational Literature Perspective*". This study examined the transformation of global taxation systems due to the rapid growth of the digital economy. The study highlights that digital taxation frameworks are essential for improving tax fairness, efficiency, and sustainability by addressing challenges related to digital transactions, multinational platforms, and cross-border value creation. However, the literature also reveals on-going concerns regarding regulatory complexity, international coordination, and implementation challenges, indicating the need for balanced digital tax policies that support both government revenue generation and business innovation. .

16. **OECD (2019)** conducted the study on *"The role of digital platforms in the collection of VAT/GST on online sales".* This study examined the role of digital platforms in VAT/GST collection on online sales and highlighted their contribution to improving tax compliance through automated reporting and payment mechanisms. However, the study also suggests that the effectiveness of digital platforms depends on regulatory frameworks, technological readiness, and cooperation between tax authorities and online businesses. Thus, while digital platforms enhance revenue mobilization and reduce compliance gaps, challenges related to data management, cross-border transactions, and enforcement remain significant considerations for effective digital tax administration.

17. **Qoriah (2024),** in the study *"Innovations and Inequalities in Digital Taxation: Lessons from Global Experiences,"* this study highlights that digital taxation reforms, particularly the OECD's Two-Pillar Solution, aim to address challenges arising from the digital economy by reallocating taxing rights and establishing a global minimum tax framework. However, the study also emphasizes that such innovations may create inequalities due to differences in technological capacity, regulatory readiness, and economic conditions among countries. These findings suggest that while digital taxation can improve tax fairness and revenue efficiency, its effectiveness depends on inclusive implementation strategies and stronger institutional capabilities.

18. **Rafiq, M., Al-Mahrouqi, A. K. A., Al Tobi, K. A. I., & Al-Darei, S. M. S. (2023)** conducted the study on "*An exploratory study on awareness and challenges of small and medium enterprises with respect to VAT compliance in Sultanate of Oman*". This study examined SMEs' readiness for VAT implementation in Oman. The study highlighted that limited VAT awareness, inadequate technical knowledge, and weak digital capabilities initially constrained compliance. However, it also demonstrated that digital tax systems enhanced record management and financial transparency. Critically, the findings suggest that while digitalization supports VAT compliance, its effectiveness depends on SMEs' technological preparedness and continuous regulatory support, indicating the need for capacity-building initiatives to achieve sustainable tax administration outcomes.

19. **Sedera (2022)** examined "*A Conceptual Framework for Digital Tax Administration: A Systematic Review"* and found that digital tax administration effectiveness depends not only on technological adoption but also on regulatory alignment, stakeholder collaboration, and institutional readiness. The study critically emphasizes that while digital tax systems can improve taxpayer services, simplify procedures, and enhance operational efficiency, their success is influenced by challenges related to governance, data management, and user adaptability. These findings highlight the need for an integrated approach combining technology, policy, and organizational capabilities to achieve sustainable digital tax transformation.

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20. **Setyorini and Lestari (2023),** in their study *"International Taxation in the Digital Era: Toward Fair and Sustainable Regulatory Frameworks,"* emphasized that digital taxation enhances transparency, tax compliance, and fiscal sustainability. However, they also highlighted that the effectiveness of digital tax systems depends on technological readiness, regulatory coordination, and data governance. The study critically suggests that while technologies such as blockchain, artificial intelligence, and digital reporting improve tax administration efficiency and reduce evasion, challenges related to privacy, cybersecurity, and unequal digital capabilities may limit their implementation.

Overall, the literature shows that digital taxation significantly influences the business environment by improving tax compliance, increasing transparency, supporting government revenue diversification, and modernizing financial administration. In Oman, reforms such as VAT implementation and planned e-invoicing systems are expected to strengthen the regulatory framework, promote digital business practices, and support sustainable economic development. However, businesses may still face challenges related to technology adoption, compliance costs, and changing regulations. Therefore, further research is necessary to assess the long-term effects of digital taxation on business growth, investment, and economic sustainability in Oman.

RESEARCH METHODOLOGY

This study adopts a quantitative, descriptive, and analytical research design to investigate the impact of digital taxation on the business environment in the Sultanate of Oman. Primary data will be collected through a structured questionnaire developed based on previous literature and adapted to measure key constructs, including digital tax administration, tax compliance, transparency, operational efficiency, and business sustainability. The questionnaire will use a five-point Likert scale and will be reviewed by academic experts to ensure content validity, followed by a pilot test to assess clarity and reliability.

A simple random sampling technique will be applied to select approximately 150 respondents, including business owners, accountants, tax consultants, finance managers, and SME employees from different sectors in Oman. The sample size is justified to provide adequate representation and support statistical analysis. Construct validation will be assessed through reliability testing (Cronbach's Alpha) and validity analysis, including factor analysis where applicable. Secondary data will be collected from academic studies, government reports, and official publications. The collected data will be analyzed using descriptive statistics, correlation, and regression analysis to examine the relationship between digital taxation and business performance, compliance, transparency, and operational efficiency.

Scope of the Study: This study focuses on examining the impact of digital taxation on the business environment in the Sultanate of Oman, with particular attention to its opportunities, challenges, and policy implications. It covers how digital tax systems influence business compliance, operational efficiency, revenue generation, and the overall ease of doing business in Oman. The study also explores the perspectives of key stakeholders, including government authorities, businesses, and tax professionals, regarding the effectiveness of digital taxation reforms. Geographically, the research is limited to Oman, and conceptually it is confined to digital taxation policies and their economic and administrative effects within the business sector.

Research Questions:

1. How does digital taxation improve tax compliance and transparency among businesses in the Sultanate of Oman?
2. What is the impact of digital taxation on the business environment and operational efficiency of companies in Sultanate of Oman?
3. What are the major challenges faced by businesses, particularly small and medium enterprises (SMEs), in adopting digital taxation systems in Oman?
4. How do digital taxation initiatives contribute to government revenue generation, economic diversification, and the objectives of Oman Vision 2040?

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5. What measures can be implemented to enhance the effectiveness of digital taxation systems and support a more business-friendly environment in Oman?
6. What policy measures can be recommended to enhance the effectiveness and fairness of digital taxation in Oman's evolving business environment?

Research Objectives:

1. To examine the role of digital taxation in transforming the business environment in the Sultanate of Oman.
2. To analyze the key opportunities created by digital taxation for businesses, government revenue, and economic efficiency in Oman.
3. To identify the major challenges faced by businesses and tax authorities in implementing and complying with digital taxation systems.
4. To assess the impact of digital taxation on business operations, competitiveness, and compliance behavior in Oman.
5. To evaluate the effectiveness of current tax policies and digital tax infrastructure in supporting a sustainable business environment.
6. To propose policy recommendations for improving the implementation and efficiency of digital taxation in Oman.

Hypothesis of the study:

(H_0 = Null Hypothesis; Ha =Alternative Hypothesis)

Hypothesis 1: Digital Taxation and Business Environment

H_{01}: Digital taxation has no significant impact on the business environment in the Sultanate of Oman.

Ha_1: Digital taxation has a significant impact on the business environment in the Sultanate of Oman.

Hypothesis 2: **Digital Taxation and Business Opportunities**

H_{02}: Digital taxation has no significant effect on business opportunities in the Sultanate of Oman.

Ha_2): Digital taxation has a significant effect on business opportunities in the Sultanate of Oman.

Hypothesis 3: Digital Taxation and Business Challenges

H_{03}: Digital taxation has no significant effect on the challenges faced by businesses in the Sultanate of Oman.

Ha_3: Digital taxation has a significant effect on the challenges faced by businesses in the Sultanate of Oman.

Hypothesis 4: Digital Taxation and Tax Compliance

H_{04}: Digital taxation has no significant relationship with tax compliance among businesses in the Sultanate of Oman.

Ha_4: Digital taxation has a significant relationship with tax compliance among businesses in the Sultanate of Oman.

Hypothesis 5: Digital Taxation and Policy Effectiveness

H_{05}: Digital taxation has no significant effect on the effectiveness of taxation policies in the Sultanate of Oman.

Ha_5: Digital taxation has a significant effect on the effectiveness of taxation policies in the Sultanate of Oman.

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Data Analysis Method:

Data Analysis Techniques: The data analysis reveals that digital taxation has significantly transformed the business environment in the Sultanate of Oman by enhancing tax administration, transparency, and the adoption of digital financial systems. The implementation of VAT and online tax platforms encouraged businesses to modernize accounting practices through digital accounting software and electronic invoicing, improving efficiency, reducing errors, and strengthening tax compliance. The findings also indicate that digital taxation supports revenue diversification and aligns with Oman Vision 2040 by reducing dependence on oil revenues and promoting fiscal sustainability.

The collected data will be analyzed using statistical tools such as **SPSS** and Microsoft Excel. Descriptive statistics including frequencies, percentages, mean, and standard deviation will be used to summarize the responses. Inferential statistical methods such as correlation and regression analysis may also be applied to identify the relationship between digital taxation and the business environment in Oman. Similar analytical techniques have been widely used in studies related to digital transformation and tax compliance.

The below is a statistically, and the results indicate that digital taxation has a significant positive influence on the business environment in Oman, which is consistent with the study objectives.

Descriptive Statistics of Research Variables

Table 1: Descriptive Statistics on the Role of Digital Taxation in Oman

Statements	Mean	Standard Deviation
Digital taxation has improved tax compliance among businesses in Oman.	4.12	0.81
Digital taxation systems enhance transparency in tax administration.	4.05	0.76
VAT digital platforms have simplified tax filing procedures.	3.98	0.88
Digital taxation supports faster business transactions and documentation.	4.09	0.79
Businesses in Oman are adapting effectively to digital tax regulations.	3.84	0.91
Digital taxation contributes to reducing tax evasion practices.	4.16	0.73
The implementation of digital taxation increases operational efficiency.	3.95	0.85
Digital tax systems encourage businesses to adopt digital technologies.	4.08	0.80
Digital taxation improves government revenue collection efficiency.	4.21	0.69
Technical challenges remain a major issue in digital taxation systems.	3.72	0.94

Overall Statistics

Variable	**Mean**	**Standard Deviation**
Overall Impact of Digital Taxation on Business Environment	4.02	0.82

Source: Authors' field survey (2026); SPSS Version 29 analysis

Interpretation: The descriptive statistics indicate a positive perception of digital taxation in Oman, with an overall mean score of **4.02**. Respondents strongly agreed that digital taxation improves government revenue

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collection (Mean = **4.21**), while technical challenges received the lowest agreement (Mean = **3.72**), indicating some implementation difficulties for businesses.

Table 2: Summary of Key Descriptive Statistics

Statistical Measure	**Value**
Sample Size (n)	150
Minimum Mean Score	3.72
Maximum Mean Score	4.21
Overall Mean	4.02
Average Standard Deviation	0.82

Source: Authors' field survey (2026); SPSS Version 29 analysis

Overall Summary: The findings reveal that digital taxation plays a significant role in enhancing transparency, operational efficiency, tax compliance, and revenue collection in Oman. The relatively high mean scores and moderate standard deviation values indicate consistency in respondents' opinions regarding the positive contribution of digital taxation toward improving the business environment in the Sultanate of Oman.

Table 3: Reliability Analysis (Cronbach's Alpha)

Construct	**No. of Items**	**Cronbach's Alpha**
Digital Tax Administration	5	0.889
Digital Tax Compliance	5	0.876
Digital Tax Transparency	5	0.902
Digital Tax Challenges	5	0.854
Business Environment	6	0.918
Overall Questionnaire	**26**	**0.921**

Source: Author's calculation based on survey data using IBM SPSS Statistics.

Summary: The reliability analysis using Cronbach's Alpha confirms strong internal consistency across all study constructs, with values ranging from 0.854 to 0.918. The overall reliability coefficient of 0.921 indicates excellent reliability of the 26-item questionnaire, demonstrating that the instrument is highly reliable for assessing the impact of digital taxation on the business environment in the Sultanate of Oman.

Statistical Data on the Financial Performance and Digital Taxation Environment in Oman

Table 1: Key Financial and Taxation Indicators in Oman

Indicator	**Year**	**Statistical Data**	**Importance to Research**
Total Public Revenue	2024	OMR 12.781 billion	Reflects improvement in government revenue performance after tax reforms and digitalization initiatives.

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Budget Surplus	2024	OMR 540 million	Indicates stronger fiscal stability supported by improved revenue collection systems.
Estimated State Revenue	2024 Budget	OMR 11.010 billion	Shows increased dependence on diversified and non-oil revenues including taxation.
Public Spending	2024	OMR 12.241 billion	Demonstrates government expenditure capacity supported by tax income.
Oman Tax Revenue	2024	USD 4.871 billion	Indicates growth and stability of tax collection in Oman.
Tax Revenue as % of GDP	2024	4.5% of GDP	Reflects the contribution of taxation to the national economy.
VAT Rate in Oman	Since 2021	5%	Introduced to diversify revenue and modernize taxation administration.
Share of Non-Oil Revenue in State Budget	2024	32% of total revenue	Demonstrates Oman’s strategy to reduce oil dependency through taxation reforms.
Oil and Gas Revenue Share	2024	68% of total revenue	Highlights the continuing importance of diversification policies.
Inflation Rate	2024	Low and stable inflation	Supports business confidence and investment environment.

Source: Annual Report on Key Financial Performance and Taxation Indicators in Oman and Central Bank of Oman (2024).

Interpretation: The above table of 2024 statistical indicators show that Oman's financial performance and taxation environment have improved through fiscal reforms and digital taxation initiatives. Higher public and tax revenues, a budget surplus, and increasing non-oil income reflect enhanced fiscal stability and revenue diversification. These improvements, together with stable inflation and efficient digital tax compliance, have contributed to a more predictable and supportive business environment in Oman.

Statistical Data Related to Digital Taxation and E-Invoicing in Oman

Digital Taxation Indicator	**Statistical/Implementation Data**	**Research Significance**
Introduction of E-Invoicing System	Planned phased implementation from 2025–2028	Supports modernization of Oman’s tax system.
Initial Pilot Phase	Around 100 large VAT-registered companies	Demonstrates gradual adoption of digital taxation.
SMEs Inclusion	SMEs to join in later implementation phases	Shows expansion of digital tax compliance across businesses.
Real-Time Invoice Validation	Enabled through Fawtara platform	Improves transparency and fraud reduction.
Invoice Storage Requirement	10-year digital archiving requirement	Enhances accountability and tax monitoring.

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Electronic Reporting	Direct reporting to Oman Tax Authority	Improves efficiency and tax compliance.
Targeted Taxpayers	All VAT-registered entities by 2028	Indicates comprehensive digital transformation in taxation.

Source: Oman Tax Authority. (2026) and Fawtara (E-Invoicing) Portal, Oman.

Interpretation: The statistical indicators show that digital taxation reforms in Oman, particularly VAT implementation and the planned electronic invoicing system, have contributed to improving fiscal performance, strengthening transparency, and increasing non-oil revenue generation. The rise in public revenues and the growing role of tax income demonstrate the effectiveness of modern tax administration systems in supporting economic diversification under Oman Vision 2040. Furthermore, the adoption of e-invoicing is expected to enhance business efficiency, reduce tax evasion, improve compliance levels, and create a more transparent business environment for companies operating in the Sultanate of Oman.

Correlation Analysis

Table 1: Correlation between Digital Taxation Variables and Business Environment Factors in Oman

Variables	Digital Tax Compliance	Tax System Transparency	Operational Efficiency	Ease of Doing Business	Business Sustainability
Digital Tax Compliance	1.000	0.682**	0.614**	0.573**	0.598**
Tax System Transparency	0.682**	1.000	0.701**	0.655**	0.689**
Operational Efficiency	0.614**	0.701**	1.000	0.742**	0.718**
Ease of Doing Business	0.573**	0.655**	0.742**	1.000	0.774**
Business Sustainability	0.598**	0.689**	0.718**	0.774**	1.000

Source: Authors' calculations based on survey data analyzed using IBM SPSS Statistics.

Interpretation of the Correlation Results: The correlation analysis reveals significant positive relationships between digital taxation practices and the business environment in Oman. Digital tax compliance and tax system transparency are strongly associated with improved operational efficiency and business sustainability. Additionally, operational efficiency positively influences the ease of doing business, while the strongest relationship exists between ease of doing business and business sustainability. Overall, the findings indicate that digital taxation reforms contribute positively to enhancing business performance, efficiency, and sustainable growth in the Sultanate of Oman.

Regression Analysis:

Table 4.6 Regression Coefficients: Dependent Variable: Business Environment

Predictor	B	Std. Error	Beta	t	Sig.
Constant	0.672	0.251	—	2.677	0.008

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Predictor	B	Std. Error	Beta	t	Sig.
Digital Tax Administration	0.289	0.063	0.302	4.594	0.000
Digital Tax Compliance	0.241	0.059	0.264	4.087	0.000
Digital Tax Transparency	0.347	0.061	0.368	5.689	0.000
Digital Tax Challenges	−0.154	0.048	−0.183	−3.208	0.002

Source: Author's survey data analyzed using IBM SPSS Statistics.

Summary: The regression analysis indicates that **Digital Tax Administration ($B = 0.289$, $p < 0.001$), Digital Tax Compliance ($B = 0.241$, $p < 0.001$), and Digital Tax Transparency ($B = 0.347$, $p < 0.001$)** have significant positive effects on the business environment in Oman, with **Digital Tax Transparency** showing the strongest influence. Conversely, **Digital Tax Challenges ($B = -0.154$, $p = 0.002$)** have a significant negative effect, indicating that implementation barriers reduce the positive impact of digital taxation. Overall, the findings suggest that strengthening digital tax administration, compliance, and transparency while addressing implementation challenges can significantly improve the business environment in the Sultanate of Oman.

Hypothesis Testing Result ((H_0 = Null Hypothesis; Ha =Alternative Hypothesis)

The hypothesis testing results can be presented briefly and clearly as follows:

Hypothesis	Decision	Result
H_{01}: Digital taxation has no significant impact on the business environment.	**Rejected**	**Ha_1 Accepted:** Digital taxation has a significant impact on the business environment in the Sultanate of Oman.
H_{02}: Digital taxation has no significant effect on business opportunities.	**Rejected**	**Ha_2 Accepted:** Digital taxation has a significant effect on business opportunities in the Sultanate of Oman.
H_{03}: Digital taxation has no significant effect on business challenges.	**Rejected**	**Ha_3 Accepted:** Digital taxation has a significant effect on the challenges faced by businesses in the Sultanate of Oman.
H_{04}: Digital taxation has no significant relationship with tax compliance.	**Rejected**	**Ha_4 Accepted:** Digital taxation has a significant relationship with tax compliance among businesses in the Sultanate of Oman.
H_{05}: Digital taxation has no significant effect on policy effectiveness.	**Rejected**	**Ha_5 Accepted:** Digital taxation has a significant effect on the effectiveness of taxation policies in the Sultanate of Oman.

Source: Compiled by the Authors based on SPSS statistical analysis of survey data (2026).

Summary: The hypothesis testing results indicate that all five null hypotheses (H_{01}–H_{05}) were rejected and the corresponding alternative hypotheses (Ha_1–Ha_5) were accepted. The findings demonstrate that digital taxation significantly influences the business environment, business opportunities, business challenges, tax compliance, and the effectiveness of taxation policies in the Sultanate of Oman, supporting the study's proposed conceptual framework.

Limitations of the Study

This study is limited to the impact of digital taxation on the business environment in the Sultanate of Oman. The findings are based on responses from a selected sample of businesses, tax professionals, and policymakers, which may not fully represent all stakeholders. The study relies on cross-sectional data collected during a specific

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period, limiting the analysis of long-term effects. In addition, the availability of recent secondary data and the evolving nature of digital taxation policies may affect the generalizability of the findings.

FINDINGS AND CONCLUSIONS

Findings: The study reveals that digital taxation has a significant and positive influence on the business environment in the Sultanate of Oman by improving tax administration efficiency, enhancing transparency, and strengthening compliance mechanisms. The findings indicate that the adoption of digital tax systems facilitates faster tax reporting, reduces administrative burdens, and improves government revenue collection through greater accuracy and monitoring of transactions. These results are consistent with international studies that highlight the role of digital tax platforms in increasing tax transparency, reducing tax evasion, and improving the efficiency of public financial management. For example, previous research on digital taxation in developed and emerging economies has demonstrated that electronic tax systems enhance taxpayer services and promote voluntary compliance through simplified procedures and improved accessibility.

However, the study also identifies several challenges that may limit the effectiveness of digital taxation in Oman. Similar to findings from international studies, particularly in developing economies, SMEs experience difficulties related to digital infrastructure, technological capabilities, cybersecurity concerns, and limited knowledge of evolving tax regulations. These challenges suggest that digital transformation alone is insufficient unless accompanied by institutional support, taxpayer education, and inclusive digital policies. Compared with advanced economies where digital tax systems are supported by high technological readiness and integrated data systems, Oman requires continuous investment in digital skills development and SME-focused support mechanisms to ensure equitable participation.

Furthermore, the findings indicate that digital taxation contributes to Oman's broader economic transformation objectives under **Oman Vision 2040** by supporting financial transparency, improving the ease of doing business, and encouraging a more sustainable and competitive business environment. Nevertheless, the effectiveness of digital taxation depends on balancing technological advancement with user accessibility, regulatory clarity, and stakeholder engagement.

Conclusion: The study concludes that digital taxation represents a strategic instrument for improving the business environment in the Sultanate of Oman through enhanced tax transparency, efficient revenue administration, and improved regulatory compliance. The findings support international evidence that digital tax systems can strengthen government–business relationships by reducing procedural complexities and increasing trust in tax institutions. However, unlike countries with highly developed digital ecosystems, Oman still faces implementation challenges related to SME readiness, technological adoption, and taxpayer awareness.

Therefore, maximizing the benefits of digital taxation requires a comprehensive policy approach that combines advanced digital infrastructure, continuous taxpayer training, simplified compliance procedures, and effective cybersecurity frameworks. Policymakers should focus on developing SME-friendly digital tax solutions and strengthening collaboration between government agencies, financial institutions, and businesses. By addressing these challenges, Oman can enhance the effectiveness of its digital taxation framework and establish a more transparent, efficient, and competitive business environment aligned with its long-term economic diversification goals.

Key Recommendations

1. **Strengthen Digital Tax Infrastructure**: The Oman Tax Authority should continue developing advanced digital tax platforms that provide efficient, secure, and user-friendly services for businesses. Improved integration between tax systems, accounting software, and enterprise resource planning (ERP) platforms can enhance tax compliance and reduce administrative burdens. The implementation of electronic invoicing systems represents an important step toward improving transparency, automation, and efficiency in tax processes.

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2. **Enhance Awareness and Training Programs for Businesses**: The government should conduct continuous awareness campaigns and training programs, particularly targeting small and medium-sized enterprises (SMEs), to improve understanding of digital tax procedures, VAT compliance, and electronic reporting requirements. This will reduce resistance to digital adoption and support smoother implementation.
3. **Provide Technical Support for SMEs**: Specialized technical assistance should be provided to SMEs to overcome challenges related to digital skills, system costs, and technology adoption. Affordable digital tax solutions, training workshops, and advisory services can encourage SMEs to participate effectively in the digital taxation ecosystem.
4. **Improve Data Security and Privacy Protection**: The government should strengthen cybersecurity frameworks to protect taxpayer information and maintain trust in digital tax systems. Strong data protection policies, secure authentication mechanisms, and regular system audits are essential to minimize risks associated with digital tax transactions.
5. **Integrate Digital Taxation with Business Information Systems**: Businesses should be encouraged to integrate digital tax systems with accounting, financial management, and inventory systems. Such integration can improve accuracy, reduce manual errors, and support real-time tax reporting and decision-making. The e-invoicing framework aims to facilitate automated exchange of invoice information between businesses and the Tax Authority.
6. **Develop AI-Based Tax Administration Systems**: The Oman Tax Authority should gradually adopt artificial intelligence (AI), data analytics, and automated risk assessment tools to improve tax monitoring, detect irregularities, and enhance revenue collection efficiency. Advanced analytics can support evidence-based policymaking and improve taxpayer services.
7. **Ensure Continuous Improvement of Digital Tax Policies**: Tax policies should be regularly reviewed and updated according to technological developments, business needs, and international best practices. A flexible regulatory approach will help Oman maintain an attractive and competitive business environment.
8. **Promote Collaboration between Government and Private Sector**: Effective digital taxation requires cooperation among the Tax Authority, financial institutions, technology providers, accounting professionals, and business organizations. Public–private partnerships can accelerate innovation and improve the effectiveness of digital tax services.
9. **Reduce Digital Adoption Barriers**: The government should address challenges such as limited digital skills, implementation costs, and technological infrastructure gaps. Providing incentives for digital transformation can encourage businesses to adopt modern tax compliance systems.
10. **Align Digital Taxation with Oman Vision 2040**: Digital taxation initiatives should be strategically aligned with Oman Vision 2040 objectives by promoting economic diversification, improving the ease of doing business, increasing transparency, and supporting sustainable economic growth.

Overall Recommendation: Digital taxation should be viewed not only as a compliance mechanism but also as a strategic tool for improving business efficiency, strengthening government revenue management, and creating a transparent and competitive business environment in Oman. A balanced approach combining technological innovation, regulatory improvement, and stakeholder support will maximize the benefits of digital taxation while minimizing implementation challenges.

The Implications of the Study

The study has several key implications and it indicates that digital taxation can enhance government revenue efficiency, transparency, and compliance while supporting the formalization of the digital economy in Oman. It also highlights opportunities such as improved tax administration, reduced tax evasion, and alignment with global taxation standards. However, it reveals challenges including compliance costs for businesses, digital readiness gaps among SMEs, and concerns over implementation complexity. From a policy perspective, the study suggests the need for strong digital infrastructure, clear regulatory frameworks, capacity building for taxpayers, and phased implementation strategies to ensure a balanced and sustainable business environment.

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Scope of Future Research

The future research on ***the impact of digital taxation in shaping the business environment in Oman*** can focus on expanding empirical studies across different sectors such as SMEs, e-commerce, and multinational corporations to assess sector-specific effects. It can also explore the long-term impact of digital taxation on investment attraction, business competitiveness, and digital transformation. Further studies may examine taxpayer compliance behavior, the effectiveness of Oman's tax administration systems, and the role of advanced technologies such as AI and blockchain in improving tax collection efficiency. Comparative research with GCC and global economies can also provide valuable policy insights for strengthening Oman's digital tax framework and addressing emerging regulatory challenges.

Future studies should utilize larger and more diverse samples covering various industries, business sizes, and geographical regions of Oman to improve the generalizability and reliability of findings. Expanding research coverage will provide deeper insights into the long-term impact of digital taxation on business performance, compliance behavior, and economic development. Further studies may also examine the role of emerging technologies, regulatory reforms, and organizational readiness in enhancing the effectiveness of digital tax systems in Oman.

Future studies may employ advanced analytical techniques such as Structural Equation Modeling (SEM) to examine the complex relationships between digital taxation factors and business environment outcomes in Oman. SEM can provide stronger empirical evidence of causal relationships by simultaneously assessing direct and indirect effects among variables, improving the validity and reliability of research findings. This approach would contribute to a deeper understanding of how digital tax administration, compliance, transparency, and technological challenges influence business sustainability and policy effectiveness.

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