FUTURE TRENDS OF TAXATION 2028: AN INTERNATIONAL AND NIGERIAN PERSPECTIVE

BEING A REPORT

PRESENTED BY

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FORWARD

I use this opportunity to appreciate the offer made to me to undertake the Professorial Diplomat Program of St Clements Institute. I am immensely grateful to the Institute for the opportunity.

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Dr Christian N. Onyegbule.

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CHAPTER ONE

INTRODUCTION

This report, on the future trends of taxation, starts with the question, why future trends, when there are challenges in the tax system now. My response is that the business environment on which taxation is dependent is already planning for the future. In the United States of America, predictions are being made about the price of crude oil in 2030($95) and 2050($117)[1]. There are interrelationships of economic factors around the world. Therefore, it will be good to know how other related factors would be affected and to plan accordingly. Taxation is not insulated from changes in the global environment, now and in the future.

In the core area of the report, my understanding of economic principles, in terms of resource, is that there has always been a historical insufficiency of tax revenue for economic development. For obvious reasons, this is even more so now, as many countries face the challenges of growing and/or ageing population and dilapidated infrastructure. This state of insufficiency has led to the development of various strategies aimed at identifying new sources of revenue and optimizing available financial resources. The strategies include options of choice of which sources of funds are best suited in funding economic development. Of all the sources of funds, the cheapest and most sustainable is tax revenue[2].

Tax revenue is noted to be the cheapest source of funds for development in the sense that it does not have interest charges and conditions, precedent and

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[1] Economic Prediction: Top Nine Economic Predictions for the Next Ten Years. This can be found at https://www.thebalance.com

[2] Christian Onyegbule, Strategies for Tax Revenue Maximization through Voluntary Tax Compliance, Lambert Academic Publishing, Germany, 2017

[3]subsequent, as in the case of loans. In any case, loans have to be repaid when they mature. Repayment of loans will be made from the proceeds of tax revenue. In addition to tax revenue and loans, economic development can be funded through aids and grants. However, even if there are no interest charges on these, there are conditions to be fulfilled in getting them. These conditions may jeopardise long term development goals of a country or even its sovereignty. Therefore, funds for economic development and other activities of government are best sourced through proceeds from tax revenue collection. Importantly, funding economic development with proceeds from tax revenue gives citizens a sense of contribution in the affairs of the country.

The preferred fund for development, tax revenue, comes from many sources especially incomes, of individuals and businesses, expenditure on consumption, taxes and levies on properties, etc. Globalisation and profit motivated flows of investments across the globe, to a large extent, determine the amounts of incomes and properties available for taxation at any given time. Incidentally, the tax base upon which tax revenue is levied are largely created through investments made by Multi-National Enterprises (MNEs). This scenario gives rise to the first phase of global competition for tax revenue amongst tax jurisdictions, that is, to have a wider tax base for the imposition of taxes and therefore to secure more tax revenue. At this point, each Revenue Authority pushes for tax revenue maximization. The details of how this scenario plays out amongst them and with the MNEs will be discussed in the body of the report.

On the part of MNEs, what triggers their interest to invest around the world is to secure a control of global market, in their particular lines of trade. And

[3] Christian Onyegbule, Op.cit

through this, to maximize their profits especially, after-tax profits. However, MNEs have to pay taxes and levies in the various Tax Jurisdictions where they have operations. These Tax Jurisdictions have different tax laws, some of which are more attractive than others, tax-wise. MNEs go for the more investment attractive tax laws and rules in order to minimize their taxable profits thus maximizing their after-tax (take home) profits. In terms of ethics of doing business, on the surface, there is apparently nothing wrong with this business decision of going for the more attractive tax regime. However, the moral issue and conflict arise where tax minimization was contrived and achieved at the expense of place of real economic activity, where the profit was generated. As is often the case, MNEs exploit mismatches in various tax laws to artificially move profits to lower tax jurisdictions where they pay lower taxes, rather than pay at the place of economic activity. This gives rise to the questions of transparency, fairness and equity. It is noted that equity is a principle of taxation. The inequity in moving profit to a more 'friendly tax jurisdiction' may cause a social upheaval in a Tax Jurisdiction, due to insufficiency of tax revenue to fund socio-economic activities in that place. At this point, some International Inter-Governmental Organisations have started intervening to forestall financial dependency syndrome of some countries who are denied taxing rights.

The organisations seek to ensure fairness, equity and transparency in the global tax system by providing platform for collaboration and information sharing, amongst Revenue Authorities, with a view to building effective and efficient tax systems. In this way, to reduce tax revenue minimization schemes by the MNEs. These initiatives have recently come on stream and will need time to crystalize. They will form part of future trends of taxation that need to be planned for now.

In view of the above, a major objective of this report is to identify factors that would shape the future trends of taxation and recommend to Revenue Authorities, including Nigeria, the creation of appropriate tax regime that would be capable of dealing with the trends, as an example, the taxation of highly digitalised business transactions. The new tax regime will make the Revenue Authorities become more effective and efficient as to maximize their tax revenue collection. In view of the seamless digital global operations of MNEs, the report also explores how the Revenue Authorities will collaborate with one another, using digital technology, to reduce tax revenue leakages. In this way they will achieve a near sufficiency of tax revenue required for long-term economic development, up to the next ten years (2018-2028).

In addition to the above, there was focus on some other emerging factors that have economic implications and that would put pressure on tax revenue generation. One of such is population, to the extent that it will impact on the consumption of goods and services; investment patterns and their destinations. Population in itself will put pressure on infrastructure. Revenue Authorities will have to design new tax types and processes, as I have recommended in this report. The new structures will capture taxes and levies exigible on transactions arising from the emerging trends.

CHAPTER TWO

BODY OF THE REPORT

This chapter starts with an overview of global taxation system. On the subject matter of tax and taxation, 'tax' is defined as an involuntary fee levied on corporations and individuals that is enforced by a level of government in order to finance government activities[4]. This definition cuts across global tax administration systems. However, in this report I will use the more inclusive words, tax revenue, in reference to tax. Tax revenue may be defined as the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property and other taxes[5].The reason for the preference of the use of the words tax revenue is that it provides me the platform for the recommendations I will make on how the State can raise money for economic development.

The growing demand for funds for economic development has led to the development of strategies for tax revenue maximization, using tax types and various tax systems. Of particular interest is the world-wide (sometimes referred to as citizen-based) tax system and the territorial(residence-based) tax system. These are two broad global classifications of tax systems. In one, world-wide, tax is imposed on global income-wherever they are made and

[4] Investopedia, Tax@www.investopedia.com
[5] OECD Data, https://www data.oecd.org

whenever they are brought back to the country of citizenship (including corporate citizenship by registration). On the other, tax is imposed at the place of residence. In practice however, many countries apply a hybrid of the two. The two classifications are important because they create the mismatches which Multi-National Enterprises (MNEs) exploit to artificially shift taxable incomes to jurisdictions of their choice. The exploitation of mismatches in tax revenue laws, such as place of residence as divorced from place source of income and place of economic activity, is at the centre of the much talked about unfairness and lack of transparency the global tax systems. There is a consequent clamour for fairness, through the recognition of the place of economic activity, and possibly the harmonisation of global tax systems. **This is an important aspect of future trends in taxation.**

Other classifications in tax systems now and that may be reviewed and/or reconfigured, in terms of inclination, to meet the challenges of future trends are the direct and indirect tax systems of taxation and the use of multiple tax rates for consumptions taxes. Some of them are listed below;

(a) Direct taxes

(i) Petroleum profits or hydrocarbon taxes;

(ii) Income tax; corporate and individual;

(iii) Education tax; an earmarked tax imposed by some countries such as Nigeria and India;

(iv) Information technology development levy. This is an earmarked tax imposed on selected companies in Nigeria;

(v) Capital gains tax;

(vi) Stamp duties;

(vii) Gross receipt tax on revenue even if profit was not made. This is similar to minimum tax imposed in Nigeria;

(viii) Windfall tax on excess profit;

(ix) Capital transfer tax; and

(x) Inheritance tax.

(b) Indirect taxes

(i) Value added tax, sales tax and goods and services tax;

(ii) Custom duties;

(iii) Excise duties;

(iv) Carbon tax on content of fuel;

(v) Luxury tax;

(vi) Sin tax;

(vii) Anti-dumping tax (India imposes this;

(viii) Entry tax; and

(ix) Gift tax.

(c) **Tax Rates**

Tax rates are one of the tools used in tax revenue maximization and also to attract investments. Value added tax (VAT) rates appear to be more commonly used to achieve these goals, through its multiple tax rate structure. It is also more suited as a fiscal policy tool for income redistribution. VAT has been implemented by one-hundred and sixty-seven (167) countries since its introduction by France in 1954. In spite of its popularity, it faces the challenge of the determination of place of consumption, thus jeopardising the strict use of the destination principles. In this case, proxies are used to determine geographical definition of consumption. This is a challenge the OECD is contending with. This is in addition to the challenge of taxing services and intangibles.

Details of various tax rates across the globe are on appendices.

2.1 Global Investment and Taxation Trends

The Chief Economist of World Economic Forum (WEF) in a recent (2018) comments[6] on radical changes being introduced in the world, noted that digital, robotic and 3D technologies have impacted on what the world as to what to to produce, how and where they are produced and how people earn livings. He said that no country will be speared from the tidal wave of change. These comments underscore the fact of digital economies around the world with a consequence that tax systems must adjust to the realities of the time(now) and in the future. Especially that large number of jobs will be taken up by machine intelligence and robots. The issue for the tax system to make a difference in those areas human beings have an advantage over machines. Surely, in a behavioural field such as tax compliance strategies, creativity will still hold sway over machines. In this regard, the tax expert will still determine appropriate tax policies to guide tax administration to deliver tax revenue maximization.

In view of the above, the following trends which subsist now will still be part of the future of taxation on account of initiative, and outside the control of the automated system;

(i) Countries will continue to use incentives, such as good infrastructure like road net-work and power supply, and the market (the population of consumers) to attract investments;

[6] The statement is contained in 2018 publication of WEF; The Future of Growth: Technology. Details may be found at https://www.wef.org

(ii) Increased reliance on Value Added Tax as a veritable source of tax revenue. Already the tax-take from consumption taxes in OECD countries are on the increase as per OECD consumption tax trend in 2016. The reasons include the fact that consumption tax is more difficult to evade and easier to administer. All OECD countries, except the US, are among the 167 countries that levy VAT globally. However, nearly all the States in US levy Sales Tax;

(iii) Revenue Authorities will strive to be more competitive in order to be the favoured investors destination. This is in spite of the movement of tax rates towards a harmonised structure, as shown in the appendix. The multiplicity of consumption tax rates and tax holidays will be a handy tool to attract investments; and

(iv) Although there are similarities in tax types and methods of taxation, the efficiency of a tax system, supported by removal of distortions in the system. and the transparency of tax processes will still aid tax revenue maximization for individual Revenue Authorities

(v) More importantly there will be increased use of real-time access and analysis of tax data. Already some countries have used digital technology to improve tax revenue compliance as indicated below;

I. Portugal used a central VAT compliance monitoring base, connected to electronic systems of companies and other taxpayers within a given threshold, to get information on the accuracy or otherwise of VAT returns filed. Many irregularities were discovered and this brought about improvement in VAT compliance;

II. In China an electronic device known as Jinshu or Golden Tax Software System was developed and deployed, and delivered to VAT Agents for use in issuing VAT invoices. This monitoring device brought about an improvement in VAT compliance; and

III. Brazil uses an electronic device to collect raw data from transactions made by taxpayers and use them as a check against tax returns when they are eventually filed[7].

(vi) Another trend in taxation is tax harmonisation. This is a process through which ordinarily heterogeneous tax administration systems; countries, federal states or even local governments agree on minimum and maximum levels of tax rates and standards for some aspects of their legislations. The objective is to encourage both foreign and local investors without engaging in harmful competition amongst themselves. In this way, gaps and mismatches in various legislations will be removed. Ultimately, the tax systems may be harmonised. At the end of the day, a fiscal integration may emerge.

A strong reason for tax harmonisation is the removal of tax distortions that negatively affect the movement of goods and services. In this way, there will be more efficient allocation of resources. Harmonisation will bring about common definitions of tax base and what constitutes income for tax purposes. The removal of these gaps and overlaps will prevent their exploitation by transnational and transglobal investor for tax minimisation purposes.

2.2 Business Practices of Multi-National Enterprises and the Risk they Create to Tax Revenue Maximization Efforts of Revenue Authorities

[7] Chris N.Onyegbule,Report of Professorial Diplomat Program, Paper Three

In 2.1above it was asserted that new digital, robotic and 3D technologies are influencing investments and production processes around the world. It is important to say it unequivocally that in the pursuit of profits maximization, control of global markets and resources, and indeed the economy of the world, MNEs are capable of creating new technologies to achieve their objective. The technologies include the ones mentioned above. In spite of the emerging trend of tax harmonisation, MNEs operate across the globe and create appropriately technologies so as to operate seamlessly.

As put succinctly by Denis Garbor, in 'No time like the future', published in the Museum of Science and Industry, Chicago, ''the future cannot be predicted, but futures can be invented''[8]. To this extent, the MNEs create the future, in their own interest, in the pursuit of their business goals. On the part of the Revenue Authorities, the way to get the best out of the business incomes and properties of the future is to create a future tax system that is capable of tax revenue maximization at that time.

However, MNEs, with the technologies they have created for business operations, now and for the future, to a large extent, are more sophiscated than their host countries. This is because they, single-mindedly, deploy their global spread in business activities and real-time connectivity to their advantage, especially, in the areas of profit maximization and tax minimization. Indeed, the ultimate for MNEs is profit maximization so as to accumulate capital for investment and to meet the expectations of their stakeholders. Practical examples of how these works are explained later

It is re-iterated that the fierce competition amongst MNEs pushes them to the tendencies to control the global market and economy for the purpose of more

[8] 'No time like the future' can be found at https://www.msichicago.org

capital accumulation. Consequently, new technologies and future economies are created to enable MNEs achieve their objectives. However, as noted in report of Professorial Diplomat Program, Paper Three, the profit maximization and tax minimization tendencies of MNEs are exclusive to tax maximization goals of Revenue Authorities. In reality, the so-called theory of international trade is a trade between countries, as owners of Revenue Authorities, and the MNEs. Therefore, the superior technology deployed by MNEs is a challenge to host countries, and not just Revenue Authorities that work for them. Host countries should therefore be responsible for bridging the technological gap Revenue Authorities find themselves. After all, the Revenue Authorities work for their various countries. A poor performance in tax revenue administration is not just about the revenue but about the economy of relevant countries. To this extent, Revenue Authorities should be assisted to acquire blockchain technologies[9]. This is because information held in them are public and are noted to be open for verification in real time. Also, the fact that they can be programmed to record not just financial transactions but everything of value.

2.2.1 Actual Challenges Faced by Tax Authorities

Globalisation has exposed tax authorities to dual competition namely, (i) the zero-sum-game of either tax revenue maximization (on the part of the tax authority) or tax minimization (in the case of the MNEs), and (ii) the competition for who maximizes tax revenue more, among the tax authorities. The competition amongst the tax authorities for tax revenue maximization often results in granting of generous tax incentives that may end up being

[9] The blockchain technology has important properties suitable for revenue administration;(a) transparency of data is embedded within the network and is therefore public, and(b) it cannot be corrupted. See https://blockgeets for further information.

counter-productive. This is because after enjoying the tax incentives, for example tax holidays, some MNEs close shop and migrate elsewhere to enjoy even more generous tax incentives, at a time they were expected to start paying tax in the former tax jurisdiction. Thus, the former host country that expected to reap the benefits of tax incentives in the future ends up losing the future tax expected.

Digital technologies are being developed in an exponential manner. In the competition for global resources, MNEs have gone ahead to develop technologies that will be used for future business transactions. These technologies may be used for cross-border digital transactions. Robots are being created now to reduce the use of labour; more sophisticated robots that will be launched in future are being created now. Already digital currency is in use and payments are being made across borders through electronic transfers, unknown to tax authorities except through third-party sources that may face the challenge of ethic of disclosure due to competition and secrecy. Tax authorities are reactive in the procurement of appropriate technologies and are not developing or yet causing the development of technologies for future tax administration. They have not even developed adequate strategies on how to use of technology for future tax issues[10].

Due to lack of adequate capacity, in an effort to check aggressive tax planning the tax authorities are compelled, by circumstances beyond their control, to collaborate with International Inter-Governmental Organisations and Regional Economic Blocs. In addition to having the backing of governments around the world, the International Inter-governmental Organisations, such as the United Nations, have the advantage of global reach that nearly matches the MNEs.

[10] https://www.researchgate.net

The International Inter-Governmental Organisations are also responsible for the development of most of the anti-tax evasion/avoidance rules and strategies. They are also largely responsible for the development of capacity and tax administration improvement plans for developing countries. The development of the rules for information sharing, fairness in the determination of place of economic activity is to the credit of the Inter-Governmental Organisations. This scenario, while commendable, is a threat to the sovereignty of benefiting countries, even if the real purpose is to reduce the dependency of developing nations. This points to tax administration dependency tendency in the future. This tendency will affect Nigeria.

On the whole, the powers of MNEs have grown from strength to strength over the years. The possibility of the relocation of their operations and even their Headquarters from place to place is a threat and intimidation of host nation states. It is noted that United States (US) companies relocated their operations to China for the purpose of profit maximization. It got to the point of President Donald Trump of the US making efforts to get the US companies to repatriate profits held outside the US so they can pay US tax. To this extent the MNEs are capable of jeopardising economic activities and tax yields of various countries. They use this as a leverage to get tax concessions. Apple is a case in point. Apple has a tax structure of US Headquarters, and management of sales in North and South America. It has three subsidiaries in Ireland, a low tax jurisdiction, where Apple has a tax haven. Ireland gave Apple preferential corporate tax treatment by allowing it to pay at a lower rate than the statutory rate, between 2003 and 2014. This led to legal disputes at the instance of the European Union, as to the propriety and ethical issues in such preferential treatment[11].Apple avoids taxes in the US, its home country, by sheltering its cash outside the US in order to minimize its tax liability. It exploits gaps in tax laws to perpetrate its tax avoidance scheme. In this case, by US tax code, tax is paid at the place of registration. On the other hand, Ireland imposes tax on the basis of place of control. Apple is not the only US company involved in profit shifting. Others include, Starbuck and Amazon[12]. The favoured tax havens include Cayman Island and Bermuda. The powers wielded by MNEs will get bigger in the future, to the disadvantage of individual/host countries. The competition to shore up domestic tax revenue will most likely lead to the offer of more generous tax incentives, such as reduced corporate tax rates and friendlier regulatory environment. This is more so as countries crave for foreign direct investment. In this scenario, MNEs will be motivated to engage in tax reduction, avoidance and outright dodging of tax liabilities, now and into the future as countries continue to strive to maximize their domestic tax revenue.

2.2.2 Offensive Tax Planning

Up to a decade ago, tax minimization practices were passed for mere tax avoidance and evasion schemes. In the case of tax avoidance, the taxpayer was regarded as having taken advantage of loop-holes in tax revenue laws to reduce tax liability. This was taken as tax reduction within the confines of tax revenue laws. However, issues began to arise when tax avoidance developed to the level of deliberate shopping for loop-holes in the tax revenue laws for tax reduction purposes. This is in addition to outright refusal to comply with tax revenue laws for tax reduction purposes. In most cases, these tax reduction practices happen side-by-side and simultaneously.

[11] Christian N.Onyegbule, Report of Professorial Diplomat Programme Paper Three
[12] R. Barrer,2018@https: www.tandfonline.com

Tax reduction or minimization runs contrary to one of the ethics and principle of taxation, that is, equity. This is to the extent that fair tax is not paid. This is n addition to other tax reduction practices that are harmful to various Tax Jurisdictions evolved. These are discussed below and they form the grounds of the interventions by some Multi-Lateral Institutions (MLIs). These practices include;

(a)Base Erosion Profit Shifting (BEPS)

The Organisation for economic cooperation and development (OECD) describe BEPS as tax avoidance strategy that exploits gaps and mismatches in tax revenue laws of different countries to artificially shift(move) profits to low or no tax locations. The consequence is that profits may not be taxed at all or be taxed adequately in the place where economic activity that gave rise to the profit took place, and where value was created. For further reference see www.oecd.org.

In simple terms, profits are artificially shifted from the tax jurisdiction where economic activity took place and profits were generated, but that has a higher tax rate, to another tax jurisdiction, that was not involved in the economic activity, but where the tax rate is lower or where no tax is paid at all. The MNEs end up denying tax jurisdictions were transactions took place and where profits were made of their taxing rights.

Some of the issues that emerge from BEPS include;

(i) The use of technology to abuse digital transactions by not reporting them at the rightful place;
(ii) Deliberate arrangement for double non-taxation, double deductions of expense items and long-term deferrals. This happens mostly

where the world-wide(citizenship) tax system is in operation, requiring taxation of income/profits generated globally and brought back to the tax jurisdiction where the taxpayer is a ‘citizen’(through registration).

(iii) MNEs may create controlled foreign companies. These are shell companies and foreign subsidiaries that are registered for the purposes of transactions that would not be carried out at arm’s length. The parent company uses the foreign/offshore subsidiary as conduit to divert taxable incomes and profits.

(b) **Thin Capitalisation**

Companies are funded through equity (shareholders’ fund) and debt (borrowing). Some of the times there is a combination of debt and equity financing. Thin capitalisation is a financial arrangement where the level of debt financing is relatively higher than the equity portion. It is noted that interest on loans and debts are tax deductible expenses.

In the game of tax minimization, MNEs may fund their ‘dependent’ subsidiaries on the basis of more of loan than equity. Considering that it is a dependency situation, the interest due on the debts will be relatively high. This is used as a means of reducing taxable profit in a host country and shifting it, disguised as interest payment, to the territory of the MNE’s choice.

As long as huge funds are required for investments, subsidiaries will continue to face the challenges of funding through loans, contrived through related-party transactions.

(c) **Transfer Pricing**

This is the method used for pricing transactions within and between enterprises under common ownership and control. The pricing for transactions is not done at arms-length. The OECD notes that there are five (5) methods MNEs use in executing transfer pricing. Three of the methods are transactions methods made up of (a)the comparable uncontrolled price method (CUP), (b) the resale price method, and (c) the cost-plus method. The other two (2) are transactional profit methods namely, (a) the transactional net profit shift method (TNMM), and (b) the transactional profit split method.

Without going into the technicalities of each of the methods, the point is that the MNE uses artificial pricing methods within the divisions it controls to get a reduction in taxable profits in a tax jurisdiction with a higher tax rate, while moving the 'extra' profit to a tax jurisdiction with a lower tax rate, where it pays lower tax. Consequently, the taxing right and tax payable in one tax jurisdiction is moved to another region/tax jurisdiction. At the end of the day the MNE reaps a higher after-tax profit. The issue of fairness therefore arises in that a country may not be sufficiently compensated, through tax revenue collected, for economic activities carried out within its territory. One of the future trends of taxation is how to ensure fairness in cross-border business transactions.

2.3 The Stabilizing Role of International Inter-governmental Organisations and Other Stakeholders in the Global Tax Arena

The topic, future trends of taxation from international (and Nigerian) perspectives confirm the international dimension and importance of taxation. It is in this regard that I review the roles of International Inter-governmental Organisations in shaping the future trends of taxation, for at least the next ten years. The organisations that are being discussed include the United Nations

(UN), the International Monetary Fund (IMF), the World Bank (WB) and the Organisation for Economic Co-operation and Development (OECD).

The UN was formed, on October 24, 1945, in the aftermath of the World War 11, to ensure that the world does not have the type of devastation it witnessed during that war. As an inter-governmental organisation, the UN is charged with achievement of the following objectives;

I. Maintaining international peace and security;
II. Promoting human rights;
III. Fostering social and economic development;
IV. Protecting the environment; and
V. Providing humanitarian aid in cases of famine, natural disaster, and armed conflict.

The financial resources required to reconstruct economies destroyed during the war led to the creation of complementary global financial institutions to support and facilitate the achievement of the objectives of the UN. The institutions include the IMF and the WB.

The WB was founded, post-world war 11, to provide financing, advice and research to developing nations to aid their economic development. On the other hand, the IMF has the objective of promoting international co-operation, facilitating international trade, fostering sustainable economic growth, making resources available to members experiencing balance of payment difficulties. The OECD on its part, is an organisation of thirty-six (36) developed countries. It focuses on the stimulation of economic progress and world trade.

One of the challenges that can cause global upheaval is crises in any member State of the UN. The crises may lead to wars, with resultant migration and a spiral effect on other nations. It is in this regard that the IMF and the WB have intervened to ensure that countries are financially self-sustaining and that dependency is eradicated. The inability of any nation to mobilise enough tax revenue to meet social and economic needs of its people can trigger global crises. It is no wonder that the issue of harmful tax practices; tax minimisation and injustice of profits/incomes shifting, with the attendant denial of taxing rights, is a potential source of global crises, and has attracted the attention of major global inter-governmental institutions.

The recent conference, of February 14, 2018, of the UN, the IMF, the WB and the OECD, held at UN Headquarters on taxation matters, underscores the importance of tax revenue, and the need to make tax systems more efficient and effective. This is with a view to generating more revenue to meet Sustainable Development Goals (SDGs) This will starve off financial crises. The conference was organised on the Platform for Collaboration on Tax (PCT). It provided the opportunity for the big four International Inter-Governmental Organisations to discuss the role of tax in ending poverty, ensuring prosperity for all, and protecting the planet. They therefore called on governments across the world to strengthen their tax systems. Part of the agenda of the conference, with the theme: 'Taxation and the SDGs', was the debate on the key directives needed for tax policy and administration to meet the SDG by 2030. These objectives indeed define the future trends of taxation, at least up to the next ten years, 2018-2028.

Key statements made during the conference are given below;

(1) Antonio Gutterres, Secretary-General of the United Nations

- ''I call upon the international community to establish effective mechanism to combat tax evasion, money laundering, and illicit financial flows, so that developing countries could better mobilize their own resources''.

(2) Jim Young Kim, President of the World Bank Group;

- '' Fair and efficient tax system, combined with good service delivery and public accountability, build citizens trust in government and helps society prosper''.

(3) Christine Largade, Managing Director, World Bank

- ''Funding the SDGs is an economic and ethical imperative with major implications for taxation. Countries themselves need to raise more revenue in an equitable way. And the entire international community needs to eradicate tax evasion and tax avoidance''.

(4) **Angel Gurria, Secretary General, Organisation for Economic Cooperation and Development**

- ''Effective taxation is essential to promote a more inclusive and sustainable growth. It is fundamental to making globalization work for all. It is crucial for achieving the SDGs''.

The role of international inter-governmental organisations may have been intended to assist member countries to build capacity to maximize tax revenue collection. However, in the face of aggressive competition amongst the Revenue Authorities for bigger share of tax revenue, the International Inter-Governmental Organisations have assumed additional role of ensuring fairness in the movement of income and profits across borders and the consequential loss of taxing rights by some Revenue Authorities. The competition for tax revenue maximization has been described as 'race to the bottom', as Revenue Authorities try to outdo each other in offering more attractive tax incentives and concessions that may end up undermining their own tax revenue base. This scenario suits the tax minimization disposition of the MNEs.

In the circumstances discussed above, the UN, the IMF, the WB and the OECD took a position to push for a level playing field through institutionalising tax transparency, tax cooperation, and exchange of information. Consequently, the OECD and the G20 governments pledged to restore confidence in the global economy through transparency and fairness[13].

2.3.1 Specific Roles of International Inter-Governmental Institutions in Shaping Trends in Taxation

It is in the light of the above that the role of International Inter-Governmental Organisations and perhaps some Regional Economic Associations/Blocs will be deliberated upon, from the perspective of how they will shape the future of tax;

(a) Organisation for Economic Development and Cooperation (OECD)

The OECD draws its membership from developed countries across the world. It is noted to be the most active organisation in the field of international taxation. In this area it has contributed immensely in efforts for the elimination of double taxation through bilateral conventions. It is important to note that double taxation involves the imposition of comparable taxes in two (or more) States on the same taxpayer in respect of the same subject matter and for identical period. Double taxation is

[13] Christian N.Onyegbule,Report of Professorial Diplomat Program Paper Three .

harmful to the exchange of goods and services, and to movement of capital, technology, and persons.

In addition to the avoidance of double taxation, the OECD addresses other issues such as;

(i) the prevention of tax evasion and non-discrimination. To this extent, its materials are used as a basic document of reference in negotiation between members and non-member countries;

(ii) there is also the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters;

(iii) OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes;

(iv) OECD's reports on its study of various tax systems influence the design of national tax systems. To this extent, the leanings(inclinations/findings/recommendations) of OECD will to a large extent determine the shape of tax in the future;

(v) The Global Forum on Taxation for members and non-members of OECD, is geared towards a level playing field in the areas of transparency and effective exchange of information for tax purposes, and to ensure that countries can obtain information necessary to enforce their own tax laws. Prior to the exchange of information, the legal basis for doing so was not there; and

(vi) Through other forums organised by OECD, Revenue Authorities benefit through shared experiences, in terms of capacity to deal with aggressive tax planning issues.

(b) United Nations (UN)

The UN promotes measures to ensure that developing countries get their fair share of tax on profits of MNEs operating within its borders. This is demonstrated by the fact that its Model Double Taxation Convention is between Developed and Developing Countries. The UN collaborates with other international inter-governmental organisations to determine the course of taxation, in terms of fairness.

(c) **The World Bank (WB)**

The WB is a major financier of tax policy and administration reforms. It also works in collaboration with other major international inter-governmental organisations to ensure the emergence of an efficient and effective global tax system. Expectedly, this will reduce financial dependency of developing countries. A typical project outline of the WB listed below speaks volumes about the role of WB in shaping tax trends, now and in the future.

- Overall aim of its projects is to reform tax administration to become more efficient and effective in the collection of revenue to enhance voluntary compliance, and improve the quality of taxpayer service;
- In the area of institutional development: development, institutionalisation and implementation of strategic plans and designing appropriate organisational (and field) structures to align with and increase efficiency in an automated environment.
- In terms of operational development; to re-engineer business processes to make the self-assessment tax system work more effectively
- On information technology infrastructure and modernisation; the WB believes that this should lead to the automation of routine processing of tax

returns, calculation of taxes, desk audit and automation of risk management

In addition to the above, the World Bank is working on tax policy and administration strategies including enforcement that will tackle informality, which is a bane on tax administration in developing countries. It is also working on the simplification of tax law and administration so as to make the enhance tax compliance.

(c) **The International Monetary Fund (IMF)**

The IMF plays important roles in the tax arena through its technical assistance to countries in the area of development of tax policy and revenue administration. The assistance is rendered mainly to low and middle-income countries.

The IMF assistance is of a technical nature and is provided on request. One of the outputs of the Technical Assistance Mission is that it provides unfettered access for the IMF Team to high ranking government officials, including Ministers responsible for Finance, who have control over the revenue and expenditure sides of government business. In this regard, the IMF Team has the opportunity to influence tax policies and tax administration systems of member countries. This influence is more so in developing countries.

In addition to Technical Assistance Missions, IMF provides training for members in tax policy and administration. Therefore, it has the opportunity to shape tax in the future

2.3.1.1 **Complementary Role of European Union in Promoting Fairness and Effectiveness of the Tax System**

One definition of aggressive tax planning, sometimes referred to as harmful tax practice, is that it actively pushes the limits of interpretations of the provisions of tax laws. This may involve stretching the definition of a term in the law to access a loophole or dressing up an arrangement with a view to deceiving tax authorities

In an attempt to counter the manipulation of the law for tax avoidance purposes, regional economic groups have stepped in, to the knowledge of Relevant Tax Authorities, to ensure fairness in tax compliance. In an attempt to foster economic development and to be more competitive, regional economic blocs have been formed around the world. One of such is the European Union (EU). As recently as March 22, 2018, Economic and Finance Ministers of EU meet and took far reaching decisions on tax matters. The decisions were made with a view to improving tax compliance and making the tax system of EU members effective. In this regard, the Ministers adopted the directive on mandatory disclosure of aggressive tax planning schemes. The key take-away from the Directive include;

- ➢ Agreement on far-reaching amendment to the Directive on Administrative Cooperation in the field of taxation;
- ➢ To impose mandatory disclosure requirements on EU based intermediaries and their clients concerning cross-border (EU-to-EU-to-third Country) tax planning arrangements that have certain characteristics (known as 'hallmarks'). On the whole, there are five hallmarks categorised into A to E. How the hallmarks apply are explained as below;

(i) Category A Hallmark; is made up of three generic aggressive planning schemes namely;

- ✓ Confidentiality imposed on clients;
- ✓ The use of standard documentation indicating ‘sign-on-the dotted-line’, shrink wrapped arrangements; and
- ✓ Contingency fee arrangements.

(ii)Category B Hallmark; are specific hallmarks executed through the use of;

- Planned use of losses;
- Conversion of income into an item that benefits from more favourable (or no) taxation; and
- Circular transaction resulting in round-tripping of funds which yield a net tax benefit.

(iii)Category C Hallmarks; are hybrids

- ✓ May involve payments to stateless entities, to low/no tax jurisdictions, to non-cooperative jurisdictions and to taxpayers benefiting from exemptions or preferential regimes; and
- ✓ A wide range of hybrid deductions/double relief.

(Iv) Category D Hallmarks; these are transactions that are by their nature intended to circumvent transparency rules.

(V) Category E Hallmarks; these are made up of transfer pricing arrangements such as those involving the use of unilateral safe harbour rules, hard to value intangible assets and business restructuring.

As a result of the agreement of the Economic and Finance Ministers of EU on tax transparency, accountants, bankers and lawyers will be obliged to report to national tax authorities potentially aggressive tax planning schemes with cross-border elements.

The above measures will become effective in July 1, 2020. This again is a clear signal that multilateral institutions and regional economic blocs will play lead roles in shaping future tax trends.

The interventions of International Inter-Governmental Organisations and Regional Economic Blocs, such as EU, point to an emerging harmonised global tax system. The objectives of this global tax system of the future are to strengthen tax revenue systems of various countries and to ensure fairness.

2.3.1.2 Other Complementary Roles by Activists, of the Public and Non-Governmental Organisations (NGOs) in the Drive for Tax Transparency

The dearth of funds for development especially reduction of poverty in the developing countries has made taxation even more important. This is because it is the easiest, cheapest and safest source of revenue available to governments for social and economic development. Some countries are relatively richer than others. However, as long as there are poor people/nations in the global neighbourhood, the resources available to the affluent will continue to be under pressure. In addition to wars and other social upheavals, there is increased migration in contemporary times. This scenario has put tax revenue generation more in the public domain and has necessitated the intervention of non-governmental organisations to ensure the effectiveness of tax revenue administration, transparency and accountability in the tax system. The Activists and NGOs include Tax Justice, ActionAid International, Extractive Industries Transparency International (EITI) and other organised Civil Society Groups. Some of the interventions of these Civil Society Groups are listed below;

a. When Brazil (7th largest economy) hosted the World Cup Fiesta in 2014, people protested about the prioritization of the football event (with a stadium) over and above provision of road infrastructure[14].
b. Around the world, scrutiny of how governments spend tax revenue is the flip side of call for additional transparency demands made by the public
c. Greater demands are being made for increased visibility of tax affairs of big businesses. People want to know how much taxes big companies are paying;
d. Activists are seeking for citizens to participate in shaping the global tax agenda; and
e. There is increasing focus on taxation in the developing countries. Citizens are demanding for a fair and transparent tax system that will deliver adequate tax revenue for social and economic development.

2.4 Future Trends in Taxation from Nigeria's Perspectives

(a) **Population Perspectives**

Social and economic developments which are at the centre of the strive for good governance by every government revolves around people. The drive for financial resources, such as tax revenue, is for the purpose of providing infrastructural facilities, to generate employment, create enabling environment, etc, among deliverables to the people. Wherever are the locations of places of production of goods and services, and the destination for consumption, the calculations are on the basis of human elements that will ultimately consume the goods and services. Therefore, the fact of the huge

[14] Tax Insights for Business Leaders, at ey.com/TaxLibrary.

population of Nigeria, of 198(one hundred and ninety-eight) million people[15], is material in the consideration and creation of future trends of taxation. Currently, Nigeria is the 7th most largely populated country in the world. By the year 2028, the end point of this forecast, the population would be 267(two hundred and sixty-seven) million people. The population would grow to 391(three hundred and ninety-one) million people in 2050, at which time Nigeria will be the 4th most populous country in the world[16].

The huge population now, and growing in the future, will ordinarily put the country in the map of investors, either for purposes of production of goods and services and/or their consumption capacity. As noted earlier in this chapter, one of the factors that will likely make the difference in attracting foreign investment is the provision of adequate infrastructural facilities to enable operations of industries. This will require heavy investment in infrastructural facilities that will support production and distribution of goods and services, and for other social and economic purposes. The implication is that huge tax revenue, the cheapest source of funds, will be required to fund lumpy capital investments adequate for the need of 267(two hundred and sixty-seven) million people in 2028. It is with this background that I discuss and create the scenario for future trends of taxation in Nigeria, 2028.

Early this year, 2018, the world-renowned billionaire and philanthropist, Bill Gate, during his visit to Nigeria, pointed out that tax revenue performance of Nigeria was one of the poorest in the world. Also, that the collection target needed to be ten times more than was set for 2018 fiscal year. This assertion agrees with the conclusions in my research on Strategies for Tax Revenue

[15] The Guardian@www.guardian, volume No.34, No.14348 of 12/4/2018
[16] Internet World Stat, hppts://www.internetworldstat.com

Maximization through Voluntary Tax Compliance, 2016[17]. This points to insufficiency of tax revenue collected, even when the Revenue Authorities exceeded their targets, nominally. In any case, the fact of six (6) per cent tax-to-GDP (gross domestic product) ratio speaks for itself, as against a benchmark of thirty (30) per cent. This performance is worrisome in the face of decaying infrastructural facilities and high debt service to revenue ratio[18].

In spite of its huge population, Nigeria's economy is monocultural and is based largely on crude oil and a little of gas. Nigeria is a member of Organisation of Petroleum Exporting Countries (OPEC) with the consequence that its oil export capacity is limited. Therefore, the amount of tax revenue from the oil and gas sector is already constrained. This is notwithstanding that crude oil is a wasting asset coupled with the threat of alternative and competing sources. Prices of crude oil fell sharply late 2014 and early 2015, and is only just recovering but at prices far lower than the peak prices.

In view of the above, Nigeria needs to make its tax system more efficient and effective to deliver the amount of revenue required to meet the needs of its teeming population, now and in the future. There is an additional challenge that sixty-five per cent of the population is made up of people below thirty years. This creates more pressure on the resource base.

2.4.1 Nigeria's Future Taxation Trends

With the brief overview of the population and resource base of Nigeria, I venture into the future trends of taxation for Nigeria. The first thing to note is that the tax revenue yield, in terms of tax-to-GDP ratio, needs to grow

[17] Christian Onyegbule, Strategies for Tax Revenue Maximization through Voluntary Tax Compliance, Lambert Academic Publishing, Germany, 2017.

[18] On July 26, 2018, Chanel Television, online reported that the Debt Management Office expressed worries about the rising debt burden relative to revenue generation, which could trigger a debt crisis.

exponentially to meet the benchmark of thirty (30) per cent required to meet basic needs[19]. At a growth rate of three (3) per cent of GDP annually, Nigeria would achieve the minimum threshold in 2026. The three (3) per cent growth rate of tax-to-GDP is the minimum, in view of population growth rate estimated at three point two (3.") per cent. Going forward, the tax-to-GDP will be thirty (36) per cent by 2028. In the first Platform for Collaboration on Tax (PCT), mentioned earlier, the UN, the IMF, the WB, and the OECD called on governments from around the world to strengthen their tax systems as to deliver tax revenue needed to meet the Social Development Goals (SDGs) and promote economic development. I note that fifteen (15) per cent of GDP in revenue will be required to finance basic services. This support my postulation of a growth rate of at least three (3) per cent of tax-to-GDP up to 2028, for the achievement of the benchmark SDG by 2030.

While the gradual, piece-meal automation of tax processes, being undertaken in Nigeria, is noted, they cannot match the compliance-oriented configuration of software already in use by big taxpayers within the country. It is on account of this that I posit introduction of a digitalised tax system so as to co-op with new digital technologies in use by big taxpayers, especially MNEs. Earlier in this chapter I gave examples of China and Brazil who successfully deployed digital technologies to check tax fraud, thereby improving tax revenue yield. These technologies should be linked to harmonised, integrated and robust data bank, capable of delivering and processing data real-time. The fact of its existence and operation is a deterrent against tax fraud. In addition, the use of digital technology for tax administration processes, apart from bringing about efficiency in the tax system, promotes the badly needed transparency as well

[19] Christian Onyegbule, Strategies for Tax Revenue Maximization through Voluntary Compliance, Lambert Academic Publishing, Germany, 2017

as the removal of corruption perception; which are impediments to tax revenue maximization, through voluntary compliance.

2.4.1.1 New Sources of Tax Revenue

(a) Value Added Tax.

The future trend in global taxation points to increased use of consumption tax. The figure I gave about Nigeria, in 2.4(a), is that of a populous nation. The best way to tap into incomes from the population is through consumption tax. Although Nigeria runs the Value Added Tax system of taxation of consumption tax, it has not been effective. The future tax should be about the invigoration of VAT administration. The good things going for VAT, as a consumption tax, is that it is easy to administer and difficult to evade. VAT is administered on current basis and therefore is a veritable source of data for the current state of the economy. VAT is referred to as the ''tax'' because it is not discriminatory as it targets expenditure through consumption. It is the most suitable tax policy tool for income distribution, using the multiple rates. Its movement through chains of transactions minimize leakages. This is supported by the input-output mechanism, which is self-policing. It provides a solution to the taxation of the hidden and underground economy. Incidentally, the informal sector accounts for up to sixty (60) of economic activities in Nigeria . To make the administration efficient and effective, digital technologies must be used, typical of the ''Golden Tax'' used by China and elsewhere.

Manual administration cannot be contemplated in a huge population as we have in Nigeria. After all, providers of Global System for Mobile (GSM) telephony, with millions of customers run on digital technology platforms. With the administration of VAT through digital technologies, VAT/Consumption tax-takes in OECD countries is up to thirty (30) per cent of total tax-takes, more than income tax yield. VAT has a collection gap and therefore has a potential in Nigeria, a huge consuming nation, as it does not contribute up to ten (10) per cent of total tax-takes.

2.4.1.2 Property Tax and Inheritance Tax

In the face of the need to generate enough tax revenue to the tune of fifteen (15) per cent of GDP required to fund SDGs and basic needs of the people, and enough for economic development, in addition to VAT, that should become the main focus, other sources of revenue should come on stream, as in the subject matter. Property tax is at the heart of expenditure and consumption of high net worth individuals. It should be used not only for increase in revenue purposes and income redistribution but to raise money to fund SDGs. In the case of inheritance tax, it is noted that creativity is one of the factors that sustain civilization and economic development. Therefore large unearned income that came by way of inheritance should not be encouraged. A tax should be imposed on it at a generous rate.

2.4.1.3 Carbon and Pollution Taxes

One of the outcomes of the PCT is the need to protect the environment. Taxation is one of such means. In this regard, tax on environmental pollution should be stepped up including;

(i) Increasing the fees payable for gas flaring;
(ii) Introducing carbon tax on fuel; and
(iii) Other taxes and levies on pollution.

In the coming chapters I will draw a conclusion on the future trends of taxation and make recommendations.

CHAPTER THREE
CONCLUSIONS

Contemporary tax revenue compliance activities are matters between the taxpayer and the Revenue Authority. It has largely been handled within the Tax Jurisdiction. However, the dire need for adequate tax revenue for social and economic development has created competition amongst Revenue Authorities for addition tax revenue that is derived from investment made by MNEs. The strategies for the competition include the offer of tax incentives with a view to attracting investments.

Incidentally, MNEs operate across countries of the world and are motivated by profits, especially after-tax profits, in taking investment decisions. In the circumstance, the more Revenue Authorities make more attractive tax incentives, the more they end up triggering more competition amongst themselves. The tax incentives offered create gaps in tax revenue laws when considered side-by-side. MNEs cashed in on theses gaps to choose the more favourable investment destinations. To an extent, the choice is not only based on which place that offered better opportunities for investment but also better opportunity to pay less tax. Consequently, the place for investment may not coincide with the jurisdiction adopted for payment of taxes. This scenario led to the creation of 'shell' companies to facilitate the artificial shifting of incomes and profits and therefore taxing rights.

The implication of loss of taxing right is that a country where economic activities took place may loose taxing rights to another Tax Jurisdiction. This creates the scenario that while conducive investment environment is important in attracting foreign investment, it is not all that is required in investment decisions made by MNEs. The scenario is dangerous to the extent that the loss of taxing right and tax revenue may expose a country to the dangers of poverty and other negative social developments. In the 'global village' that we run now, the negative effect may spiral to other countries. This is a further justification of the creation of a future tax system that assures farness.

In view of gaps in tax rules, created as a result of competition amongst Revenue Authorities, MNEs deploy latest digital, robotic and 3D technologies for tax minimisation purposes. To avert the dangers and consequences of these harmful tax practices, International Inter-Governmental Organisations, such as the UN, the IMF, the WB and OECD, have commenced intervention initiatives in global tax revenue affairs with a view to restoring equity and fair share of taxes. From this point, tax compliance moved from purely domestic and personal matter, between the taxpayer and the Revenue Authority, to being part of global agenda.

Even as solutions are being proffered to unfair share of taxes, MNEs are developing technologies for the future. It is in this regard that recommend to Revenue Authorities to strategize and procure latest digital technologies to combat, in real-time, tax fraud and tax minimization perpetrated by MNEs.

The artificial movement and shifting of incomes and profits across borders has created matters of jurisdiction for tax compliance enforcement, thus taking taxation across borders. However, Revenue Authorities cannot carryout their tax revenue compliance duties outside their own jurisdictions. This has created the need for collaboration amongst various Tax Jurisdictions. In practical terms and for purposes of fairness and equity, only an impartial third party, that is better equipped and has influence over the Revenue Authorities and the MNEs, can provide the platform required for negotiations and collaborations amongst Revenue Authorities, over fair share of tax. This is where the UN, the IMF, the WB and OECD are best suited in playing mediation roles and in providing a level playing field. Fortunately, these organisations have influence and leverage over the MNEs. In this way, rather than the Revenue Authorities compete aggressively amongst themselves, these International Inter-Governmental Organisations can provide the platform for co-operation and collaboration to achieve a common goal of fairness in tax revenue maximization.

In the above circumstance, the future trends of taxation will be shaped by the following;

a. International Inter-Governmental Organisations, already mentioned above will set the rules to govern the determination of sources of income and the taxing rights of relevant Revenue Authorities thereof;
b. Revenue Authorities will collaborate amongst themselves to track and locate origins and movements of incomes and profits associated with business activities of MNEs across countries of the world,
c. To prevent the manipulation of gaps, mismatches and overlaps in tax revenue laws, new tax rules and codes that foster tax revenue harmonisation will be put in place;
d. The unfolding events and information sharing that accompanies them will be driven by digital technologies that will be comparable to the real-time global connectivity of MNEs. Thus, there will be a harmonised global tax system by 2028. While the systems will run on the platforms of the Inter-Governmental Organisations, with each playing on its area of strength, as highlighted in chapter two of this report, the UN will play the lead role. Indeed, the UN is better positioned, as the apex world institution, to provide the legislative and regulatory framework and enabling environment required for the operation of the global tax system.

CHAPTER FOUR
RECOMMENDATIONS

The recommendations are written as a follow up to the conclusions in chapter three

4.1 Key Recommendation

The UN should facilitate the seamless emergence of a global tax system, to which members nations should subscribe. The system should guarantee fair share of taxes, as a means of averting global crises of financial resources.

4.2 Specific Recommendations for Nigeria

Future trends of taxation from Nigeria's perspectives should be driven by a vision;

'To be in a competitive position globally in 2028. Using the best and appropriate digital technologies, and working in collaboration with other Relevant International Agencies, to develop a robust and active data base capable of determining, in real time, the fait tax payable by every taxpayer in every part of the world.

(a) Focus on Consumption Tax

Consumption tax especially value added tax (VAT) should be the focus of the tax system in the next ten years. The VAT yield should be optimized by the use of positive multiple rates. A commencement standard rate of fifteen (15) per cent is recommended. This rate is close to what obtains in Ghana, Egypt, Kenya, Morocco, Malawi and South Africa. These are countries within the African Region[20]. Conversely, the corporate tax rate should be reduced to twenty-five (25) per cent. This is about the average ruling rate [21]. The rational is that after-tax distributions end up in the hands of individuals for their expenditure, at which time they will be subject to VAT during the processes of consumption.

[20] See appendix 1; Global VAT rates
[21] See appendix 2; Corporate tax rates

The VAT should be levied on destination principles, for purposes of equity and transparency, and should not have many exemptions. This will reduce the complications of cascading effects of input VAT on the prices of goods. Fundamentally, all registered persons (agents), of a given threshold must be connected to a central VAT electronic data bank, and must issue VAT invoices.

(b)Personal Income Tax

Personal income tax rates are about the lowest[22]. The rate for the upper band should be revised upward to at least thirty (30) per cent.

(c) Other Taxes

Property, inheritance, carbon and other pollution taxes should be explored as sources of additional funds for the achievement of SDGs by 2030.

(d)Tax Harmonisation

Nigeria should harmonise the internal tax systems between now and 2028. This will make for efficiency of the tax system as well as efficient allocation of resources. It needs to be active in the global tax system.

GLOBAL VALUE ADDED TAX RATES 2018

APPENDIX 1

Country	**Higher Rate %**	**Standard Rate %**	**Reduced Rate %**	**Lower Rate %**
Afghanistan	-	10	2	-
Albania	-	20	6	-

[22] See appendices 3a and 3b, Personal income tax rates

Algeria	-	19	14	9
Andorra	95	4.5	1	0
Angola	-	10	-	-
Argentina	27	21	10.5	2.5
Australia	-	10	-	-
Austria	-	20	13	10
Bahamas	-	12	-	-
Bangladesh	-	15	9	6
Barbados	22	17.5	7.5	-
Belgium	-	21	12	6
Bulgaria	-	20	9	-
Canada	-	5-15	-	-
Chile	-	19	-	-
China	-	16	10	6
Croatia	-	25	13	5
Cyprus	-	19	9	5
Czech	-	21	15	10
Denmark	-	25	0	-
Dubai	-	0	-	-
Egypt	-	14	5	-
Ethiopia	-	25	0	-
France	-	20	10	5.5
Germany	-	19	7	-
Ghana	-	15	3	-
Greece	-	24	13	6
Guinea	-	18	0	-
Hungary	-	27	18	5
Iceland	-	24	11	-
India (GST)	-	28	18	12
Indonesia	-	10	-	-
Iran	-	8	-	-
Ireland	-	23	13.5	9
Israel	-	17	7.5	17
Italy	-	22	10	5
Japan	-	8	-	-
Jordan	-	16	8	-
Kenya	-	18	8	-
Kuwait	-	0	-	-
Lebanon	-	11	-	-
Liberia	-	10	7	7
Luxemburg	-	17	14	8

Madagascar	-	20	-	-
Malawi	-	16.5	-	-
Malaysia (GST)	-	0	-	-
Malta	-	18	7	5
Maldives	-	15	-	-
Mexico	-	16	-	-
Morocco	-	20	14	10
Namibia	-	15	-	-
Netherlands	-	21	6	-
New Zealand	-	15	9	-
Nicaragua	-	5	-	-
Norway	-	25	15	12
Pakistan	-	17	10	8
Peru	-	18	-	-
Philippines	-	18	12	-
Poland	-	23	8	5
Portugal	-	23	13	6
Russia	-	18	10	-
Saudi Arabia	-	5	-	-
Senegal (GST)	-	7	-	-
South Africa	-	15	-	-
South Korea	-	10	-	-
Spain	-	21	10	4
Sri Lanka	-	15	-	-
Sweden	-	25	12	6
Switzerland	-	7.7	3.7	2.5
Taiwan	-	5-15	-	-
Tanzania	-	18	-	-
Thailand	-	7	-	-
Togo	-	18	-	-
Tunisia	-	19	12	6
Turkey	-	18	8	1
Uganda	-	20	7	-
United Arab Emirate	-	5	-	-
United Kingdom	-	20	5	-
United States (Sales Tax)	-			
Uruguay	-	22	10	-
Zambia	-	16	-	-

Source: International Value Added Tax and Goods and Services Tax Rates @ https://www.vatline.com

CORPORATE TAX RATES OF SELECTED COUNTRIES,2018

APPENDIX 2

Country	**Tax Rate %**
India	34.61
Brazil	34.00
France	33.00
Japan	30.00
Australia	30.00

Mexico	30.00
Germany	29.79
Canada	26.50
China	25.00
Netherland	25.00
South Korea	25.00
Italy	24.00
Turkey	22.00
US	21.00
UK	19.00
Switzerland	17.77

Others:

Ghana	25.00
South Africa	28.00
Nigeria	30.00

Source: https://tradingeconomic.com as at 08/07/18

PERSONAL INCOME TAX RATES AND BRACKETS OF SELECTED COUNTRIES

APPENDIX 3

(a)

1. United States (2018)

RATE %	INDIVIDUAL	MARRIED FILING JOINTLY
10	Up to 9,525	Up to 19,050

12	9,526 – 38,700	19,051 – 77,400
22	38,701 – 82,500	77,401 – 165,000
24	85,501 – 157,500	165,001 – 315,000
32	157,501 – 200,000	315,001 – 400,000
35	200,001 – 500,000	400,001 – 600,000
37	Over 500,000	Over 600,000

Source: https://www.forbes.com

(b)

LIST OF COUNTRIES BY PERSONAL INCOME TAX RATES

https://en.m.wakipedia.org assessed 31/7/18

Country	**Minimum prevailing National + subnational rate %**	**Maximum prevailing National + subnational rate**
Algeria	0	35
Angola	0	17
Argentina	9	35
Australia	0	47
Austria	0	55
Belgium	25	50%
Benin	10	35%
Botswana	0	25
Brazil	0	27.5
Burkina Faso	0	25
Cameroon	10	35
Canada	19	58.75 in Quebec
	(15% Federal Tax 4-11% provincial	(33% Federal Tax + 25.75 provincial and Local)

Central African	N/A	50
Republic		
China	0	45
Czech Republic	15	22
Egypt	0	22.5
France	0	45 (+ Tax on high incomes: 4% over

		Euro500,000
Gabon	5	35
Gambia	0	30
Germany	20 (5% on dividend interest & royalty	20 (5% on dividend, interest & royalty
Greece	29	22
Hungary	15 (Flat tax)	15 (flat tax)
Iceland	0	46
India	0	30
Iran	0	35
Israel	11.5	50
Italy	23	43+4 Graduated
Japan	15.105	55.945
Kenya	10	30 for citizens and 35 for foreigners
Malaysia	0	28 +
Malta	0	35
Mauritius	15	15 (15 corporate)
Morocco	0	7-20
Netherlands	36.55	51.95
New Zealand	10.55	33
Nigeria	10.5	24
Philippines	7	35
Portugal	0	48
Senegal	14.5	50
Singapore	0	22
South Africa	0 (below threshold)	45
Sweden	0	60.15
Tanzania	15	30
Tunisia	0	35
Turkey	15	35
UAE	0	0
UK	20	45
Zambia	10	30

COUNTRIES WITH HIGHEST INCOME TAX RATES

APPENDIX 4

Country	**Rate &**
Belgium	40.7
Netherland	30.4
Finland	30.8
Luxembourg	31%
Italy	31.1
Austria	31.9

Slovenia	33.4
Hungary	33.5
Denmark	36.2
Germany	39.7
Italy	31.1
Norway	27.9
Portugal	27.6
Turkey	27.3
US	26
Greece	25.4
Poland	25
Austrialia	24.3
Croatia	23.6
UK	23.6
Slovakia	23.2
Canada	23.1
Japan	22.2
Spain	21.4

Source: https://www.worldaltas.com = Updated 15/11/17