THE FUTURE TREND IN TAXATION: 2018-2028

BEING A RESEARCH REPORT

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ABSTRACT

The research on future trend in taxation was triggered by the need to find a solution to harmful tax reduction practices perpetrated by big taxpayers. This is happening in the face of growing demand for more tax revenue. Therefore, a zero-sum-game ensued between the big taxpayers, especially Multi-National Enterprises (MNEs), and tax authorities. While the MNEs, who are primarily driven by profit motives, are accused of tax reduction practices, at a time the tax authorities are under pressure to increase tax revenue available to government for socio-economic development.

MNEs are the major investors world-wide. The tax expected from them is lumpy. However, the motive for their investments is profit maximization to the extent of having enough of it after paying tax. This is in order to pay generous dividends to shareholders and for re-investments. Therefore, the lower the tax they pay or even no tax at all, the more the after-tax profit to satisfy their main objective of being in business. They achieve this by using superior technology, their global connections and spread to ‘’shift’’ profits from tax jurisdictions with high tax rates to those with lower rates or no tax at all. This is regardless of place of economic activity. In this way, they end up paying lower or no taxes at their preferred tax jurisdictions. This practice is unethical and amounts to denial of taxing rights of relevant countries. This has tax revenue implications for countries that are victims. The revenue shortfall may be serious enough to destabilize the effected economy and may cause social upheaval and emigration to ‘greener pastures.

At the global scene, tax minimization practices by MNEs is seen as a threat to economic stability of some nations with a spiral effect on others.

Consequently, multilateral institutions in collaboration with the United Nations (UN) are pushing for fair share of taxes, that is, to places of economic activities that generated the profit, and transparency in tax compliance.

The essence of the research is to find a solution to lack of fairness and transparency in the global tax system. And to proffer solutions now and make a prediction of the future tax trend. This is with a view to getting relevant stakeholders to chart a path on how to ensure tax revenue maximization through an effective, efficient and equitable tax system. The indication is that the fight against aggressive tax avoidance and profit shifting will require a technology driven and harmonised international tax system. In this system, Multilateral Institutions and the UN, on the one hand, and various tax authorities will work in collaboration and cooperation, for their mutual benefits.

In view of the above no reliance on the past was done because the research is in a new field and needed to make a forecast into the future concerning the trend of tax. It therefore largely relied on speculative literature especially, the internet. However, there were few discussions and interviews for the purpose of validating local trends. In all of this, a critical look was taken on factors, such as digital technology, that will shape the tax system in the future, into the next ten years, 2018-2028.

CHAPTER ONE

INTRODUCTION

Competition for dominance of global market and resources gets more intensive every day. To this extent Multi-National Corporations/Enterprises (MNEs) make investments world-wide with a view to increasing their share of the global market for the purpose of increasing their return of investment. In doing this, MNEs tend to assess both commercial and tax considerations in the course of taking investment decisions.[i] In the course of this, the tax base of some countries may be eroded. MNEs use various devices to erode tax bases of different countries, including transfer pricing techniques and thin capitalisation.[ii] Other issues that threaten the integrity of the tax system(sometimes referred to as fiscal termites) are; electronic commerce and transactions; intra-company trade; offshore finances and tax heavens; derivatives and hedge funds; growing foreign activities; etc.[iii] This scenario sets another angle to the global competition; the control of the global market and resources on the one hand, and the competition for a reasonable share of tax revenue on the other.

The competitiveness of MNEs extends to the drive for tax revenue minimisation in order to increase their after-tax ‘take-home’ profits. Tax revenue minimisation is often executed through aggressive tax planning schemes. This has resulted in a zero-sum-game between Tax Authorities and MNEs. To some extent the competition extends to countries.[iv] Tax revenue is required to foster economic development. Governments therefore take measures to guarantee tax revenue maximisation. Some of such measure include;

(a) Foreign Account Tax Compliance Act (FATCA) introduced by the United States (US); and
(b) Common reporting standards for the automatic exchange of financial account information promoted by the Organisation for Economic Co-operation and Development (OECD).

On the whole, the competition for tax has necessitated the need for fairness and transparency in the demand for tax revenue maximisation, on the part of tax authorities, and tax minimization strategies developed by taxpayers especially, MNEs. On the part of the Tax Authorities, the quest for tax revenue maximization is serious because this will enable their individual governments provide the necessary infrastructure required to promote economic development, especially providing public goods and services, and national defence. This is more so as there are more advantages in funding infrastructural development with tax revenue rather than aids/grants and borrowing. A compelling reason for mobilization of funds internally is to ensure that a country does not undermine its sovereignty through borrowing. Lenders and funding agencies are known to require compliance with stringent conditions that may not serve the interest of the borrower.

While the tendencies mentioned above will play roles in shaping the future of taxation, it is necessary to reflect on the canons of taxation as a road map to determine the extent to which they contribute in charting the way forward. This is cognisant of the fact that they will form the major planks on which tax disputes that will arise from reduction of taxes payable, as a result of obvious tax avoidance methods adopted by MNEs, will be resolved.

The earliest work in the area of the canons (rules and principle) of taxation was done by Adam Smith, 1776. In his book, ‘The Wealth of Nations; An Inquiry into the Nature and Causes of the Wealth of Nations’, he propounded four cannons of taxation namely;

(i) Equity/Equality

The canon of equity/equality states that every person should **pay his fair share of taxes**, that is, that the tax burden should be equitable. Equity in this case may be either vertical or horizontal. A horizontal equity implies that everybody on the same level of income should pay the same amount of tax. Regarding vertical equity, those who earn more income should pay more tax[v].

The need to pay fair share of taxes is a serious issue in contemporary taxation systems. This is more so as goods and services move across countries and tax jurisdictions. The need for ‘fair share of tax’ attributable to business activities in a tax jurisdiction will continue to shape strategies for tax compliance in the future.

(II) **Certainty**

The canon of certainty requires that the tax authority makes taxpayers aware of taxes due and the due dates for filing tax returns and making payments of taxes due. Certainty of the amount of tax due and payable is a mark of efficiency and transparency of the tax system.

(iii) Economy

The canon of economy posits that the administrative cost of collection of taxes should be lower than the taxes collected, indeed much lower. Otherwise, it will not add extra revenue to the coffers of government. Contemporary tax administration in Nigeria favours the funding of Revenue Agencies on the basis of cost of collection by about five per cent of total revenue collected. This is a demonstration of acceptance and reliance on the canon of economy.

(iv) Convenience

The principle deriving from the cannon of convenience posits that a tax should be administered in a manner that compliance with the tax law is convenient to the taxpayer. Studies have shown that the more convenient the payment of tax, the lower the cost of compliance. Thus, encouraging voluntary compliance[vi].

(v) Other cannons of taxation

Other erudite economists and political economists especially J.S.Mill and J.B.Say added other canons[vii] such as;

(a) Simplicity

Under the cannon of simplicity, the idea is that a good tax system should be simple and straight forward. The benefits of simplicity include the encouragement of voluntary tax compliance[viii] and the elimination of the opportunity for tax officials and tax practitioners to take undue advantage of taxpayers, through interpretations and applications of highly technical jargons. A major advantage of simplicity is that it reduces cost of compliance through self-assessment by the taxpayer. Simplicity also reduces the need for and the cost of litigation. In this case, both the cost of administration and compliance will be reduced.[ix]

(b) Flexibility

The tenet of flexibility of the tax system is that tax laws should be responsive to the realities of the moment. Specifically, a tax law should be reviewed regularly so that it can deal with current business realities and practices. Flexibility should be a major feature of tax trends in the future in that tax laws have to be adapted regularly to deal with changes in technology.

(c) Fiscal Adequacy

The canon of fiscal adequacy posits that the yield from a tax should be adequate to cover government's expenditure. This is similar to the canon of economy of tax administration processes. Specifically, fiscal adequacy has translated into the measurement of the performance of a tax system, in terms of its contribution to gross domestic product (GDP).

(d) Impartiality

The tenet of impartiality of the tax system holds that it should not be discriminatory between taxpayers under similar circumstances. An example of impartiality is tax waivers and exemptions that are granted to favour specific taxpayers to the disadvantage of others in the same sector or industry.

(vi) Recent Additions to Canons of Taxation

With the growing importance of taxation, political economists and Multi-Lateral Institutions(MLIs) have propounded more canons of taxation. They are discussed in chapter two.

1.1 Method of Projection into The Future

On account of the background given above, I will discuss issues, Institutions and Organisations that will shape and determine what taxation will look like in the next ten years.

While preparing for the projection into the future, I will discuss the foundation (where we are) and the tools that will be used to get to the future trend of tax. The foundation is the research and technological development being made now, especially by the MNEs, in the competition for the dominance of the global business and the economy.

The tools are like the familiar building-blocks in setting a vision[x] for an organisation, the attendant strategic direction and goals. The vision in this case is: To be in a competitive position globally, using appropriate technology, to develop a robust and active data base that will provide, in real-time, all the information required to determine the fair tax payable by every taxpayer. Note that the taxpayer referred to here includes MNEs. In the case of information on MNEs, it includes every data on business transactions carried out in every tax jurisdiction that has a link with the Relevant Country and Tax Authority. Developing this robust and active data base will require collaboration and working in synergy with MLIs and Relevant Tax Authorities, connected to and sharing the same vision of tax revenue maximization, under a unified global tax system, based on fair share of taxes to appropriate tax jurisdictions.

CHAPTER TWO

EMERGING TAX TRENDS AND THE ROLE OF MULTI-NATIONAL ENTERPRISES(MNEs) IN SHAPING THEM

Multi-National Enterprises/Corporation contribute a lion share of taxes paid in most countries in the world. However, contemporary literature shows that in spite of the sizes of the taxes paid by MNEs, they are not up to the appropriate taxes due on account of issue of morality, which is now topical. In this regard, it has been noted that; ''taxes are a reflection of our values, to the extent that the tax we pay and how we pay and apply it says a lot about the society.[xi] The issues of tax morale and morality have big influence on tax policy and administration.[xii] Whereas there is need for voluntary tax compliance, there should be deliberate motivation for compliance, for example, benefits from government for the purpose of building trust. Put another way, these benefits drive voluntary tax compliance and tax morale.[xiii] This is without prejudice to the theoretical concept of tax not being requited. These non-legal issues have moved to the front burner of fairness of the tax system. It impacts on MNEs in terms of benefits derived from paying taxes (such as infrastructure). These days MNEs talk about the total tax picture, meaning all of the different taxes they pay to the coffers of government. The issues of tax morale and benefits derivable will influence future trend of tax compliance. After all, there is the benefit principles of taxation which is favoured by notable economist such as Paul Samuelson.[xiv]

The main purpose of tax is to raise revenue to finance government expenditures; to provide social services, infrastructure, defence, etc. Other purposes of tax include income re-distribution, setting the direction of investment and control of consumption. As noted above, payment of tax is not requited and therefore not tied to any of these.

As important as tax is, it can only be imposed on profits (and income), especially taxable profits. ***This assertion is with respect to income tax, both corporate and personal***. *There are also the theoretical premises that all taxes, including those on properties and on consumption, are ultimately borne by the individual(s).* Therefore, tax authorities strive to maximize tax revenue collection *by ensuring the accuracy of taxable profits, earnings and declarations*. The amount of taxes collected depend, *to a large extent*, on total profits within the economy. This is a function of the level of business activities and investments. Consequently, countries are known to seriously pursue economic policies that aim to attract investments as a means of boosting tax revenue, amongst other objectives. This scenario plays a lead role in the determination of contemporary tax trends.

A key point in this discussion is that taxes are imposed on profits, *earnings and investments.* Profit, of course is the motive for investment. Put another way, the drive for profit is the motivation for firms to operate so as to maximize their profits.[xv] Some economists insist that profit motive makes for efficient allocation of resources, all things being equal.

In the pursuit of profits, businesses moved across national boundaries. Some businesses have grown to the level of multinational corporations

(MNCs) and multinational enterprises (MNEs). The MNCs/MNEs operate across the globe. They are to a large extent more sophisticated, in terms of technology and modern business practices, than host countries. They deploy their global spread in business activities and real-time connectivity to their advantage, in the areas of profit maximization and tax minimization. The end point for MNEs is profit maximization so as to accumulate capital for investment and to meet the expectations of their shareholders.

The fierce competition amongst the MNEs pushes them to the tendencies to control the global market/economy and ultimately more capital accumulation. The drive for capital accumulation and generous return on investment most of the time are carried out at a risk to availability of taxable profits. The two are mutually exclusive. In the zero-sum-game between capital accumulation/generous return on investment and payment of fair taxes to host countries, MNEs are known to deploy enormous resources at their disposal to get the better of the two. After all, they are in a better position to employ the best professionals to get around regulatory matters and to get the best for them, in the management of their tax affairs. With the advantage of technology and a global network of operations, each of the MNEs has a 'single-view' of laws of various countries and are in a position to work around them or even to influence their amendments to suit their business purposes. In this regard, in view of the fierce competition amongst the MNEs, they often hold back sensitive information which may be of assistance to the tax authorities in determining fairness of tax paid/payable, but that is detrimental to their competitiveness.

It is necessary therefore to find out how we got to 'globalisation of taxation', to the point of predicting future trends in field. International trade created globalisation of taxation; from purely a domestic matter to the point of being nearly dependent on the dynamics of international businesses. In this regard, I note that the classical theory of international trade posits that the division of labour and production/trading based on comparative advantage may improve the productivity of countries engaged in international trade.[xvi]While theoretically it is countries that engage in international trade, in reality it is the MNEs that effectively transact international businesses and trade. The talk about unfavourable terms of trade against developing countries is actually with reference to terms of trade between taxable entities involved. Also, the issues of unequal exchange,[xvii] and unequal competition[xviii] are largely about international trade between local entities(taxpayers) and MNEs (the real executors of the trade).

There are concepts such as integration of global economies through world trade, financial flows, exchange of technology and information, and movement of people.[xix]All of these concepts were derived from consequences of international trade by MNEs. With superior technology, which in any case is nearly exclusively in the hands of MNEs, the balance of advantages tilted (and still tilt) in favour of MNEs. This is the background to the competition that plays out in the tax arena, now and in the future.

2.1 Practices of MNEs That Have Tax Implications

It is re-iterated that the reason entrepreneurs are in business is because of

profit motives. Basic economics teaches that businesses get more profitable when they operate on large scale. This is because the unit cost of production falls. This is one of the benefits that motivate businesses to go into more markets and search for areas where cost of production will be low. As the name implies, multi-national enterprises operate globally and they do so primarily for purposes of enhanced profits. The drive for mass production/activities and internationalisation exposes MNEs to competition. MNEs engage in this competition with the expectation to increase the return on investment which will guarantees re-investment. It is instructive to note that an important reason for the investment is dividends that accrue to shareholders. This bare fact spurs profit maximization actions and eventually leads to tax reduction practices. In the light of this, I discuss below profit maximization practices of MNEs that amount to tax avoidance but that impacts on shape of tax trends:

2.1.1 Tax Planning

More than a decade ago tax minimization practices such as tax avoidance and evasion were popular in the literature on tax administration. In the case of tax avoidance, the taxpayer takes advantage of loop-holes in the tax laws to reduce tax liability. Tax authorities and commentators did not frown seriously at this. However, reservations began to be raised when/if tax avoidance practices involve/involved deliberately shopping for loop-holes in the tax laws. On the other hand, tax evasion is the practice of outright refusal to comply with the provisions of tax laws. Put another way, tax evasion is outright default of tax laws. With time the line dividing tax evasion and avoidance became thin. This happened with the development of concepts of ethics and morality in carrying out tax obligations. There is also the issue of justification of the fairness of taxes paid. It is recalled that equity (or equality) is a canon of taxation, as noted in chapter one. Therefore, the idea of relative harmful tax reduction practices became unacceptable as it undermined the quantum of tax revenue collectible by tax authorities.

2.1.2 Aggressive Tax Planning

Tax planning (discussed above) progressed to aggressive tax planning through its use to deny some tax jurisdictions of their taxing rights in addition to gross reduction in tax payable. A notorious means of doing this is the transfer pricing technique and base erosion profit shifting(BEPS). An overview of how they operate is given below:

(i) Transfer Pricing

This is the method used for pricing transactions within and between enterprises under common ownership and control.[xx]The pricing for transactions is not done at arms-length. The Organisation for Economic Cooperation and Development(OECD) notes that there are five (5) methods of 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.

(ii) Base Erosion Profit Shifting(BEPS)

OECD describes BEPS as tax avoidance strategy that exploits gaps and mismatches in tax rules to artificially shift profits to low or no tax locations. The consequence is that profits are not taxed where the economic activities that generated them took place and where value is created.[xxi]

Some of the issues that emerge from BEPS, from point of view of actions to counter them include;

(a) Deliberate arrangement for double non-taxation, double deduction of expense items and long-term deferrals. This applies mostly where global(world-wide) tax system is in operation and where taxes are levied on incomes derived by companies registered in a country. MNEs may frustrate this taxation arrangement by deferring the remittance of profits to their home countries where they will be taxed.[xxii]In this circumstance, profits made from no tax jurisdiction may end up not being taxed anywhere.

(b) May use their technological advantage to abuse digital transactions; and

(c) Creation of controlled foreign companies: In this case shell companies and foreign subsidiaries are registered for the purposes of transactions that are not carried out at arm's length. The company/enterprise that is in control uses the foreign/offshore subsidiary as conduit to divert taxable profits. The tool is effective because of the lack of independence of the controlled company.

(iii) 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 are 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 MNEs 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.

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

Technology is 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 developed. 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 competition and secrecy. Tax authorities are reactive in the procurement of appropriate technologies and are not developing or 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.[xxiii]

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 Multi-Lateral Institutions (MLIs) and Regional Economic Blocs. In any case, the MLIs are the ones that have the global reach that nearly matches the MNEs. MLIs are also the ones developing most of the anti-tax evasion/avoidance rules and strategies. MLIs 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 MLIs. 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.[xxiv]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.[xxv] 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. 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.

CHAPTER THREE

STABILIZING INFLUENCE OF MULTI-LATERAL INSTTUTIONS IN THE TAX ARENA NOW AND IN THE FUTURE

In chapter one I discussed the traditional canons of taxation. In recent times, scholars and Multi-Lateral Institutions (MLIs) have continued to propound more theories and principles of taxation. This is in an attempt to improve tax revenue collection processes in various countries. This will enable Tax Authorities to collect sufficient revenue to funds for socio-economic development. This will reduce their dependency on others for funds.[xxvi]The MLIs on focus here include, International Monetary Funds (IMF); the World Bank (WB); United Nations (UN), and Organisation for Economic Cooperation and Development (OECD).

The theories and principles of taxation propounded by MLIs include;

(a)the need to institutionalise a self-assessment tax regime;

(b)the promotion of risk-management in tax administration;

©the development of organisational structure typical of a Tax Authority, that is, with focus on specific functions such as taxpayer service;

(d)the segmentation of taxpayers so as to tailor taxpayer enablement to the specific needs of every taxpayer segment; and

(d) ensuring that the benefit and ability to pay principles are applied in the tax system.[xxvii]

2.1 Global Approach to Taxation

In the taxation of profits on the global level, two tendencies have emerged namely, the world-wide and territorial tax systems. However, in reality there is the use of a hybrid of the two by many countries. This is in an attempt to maximize tax revenue collection. In the course of getting around the two systems, MNEs adopt profit shifting and aggressive tax planning strategies. At the end of the day, some countries loose out in terms of tax revenue take.[xxviii]This constitutes a threat to social development objectives of countries.

To ensure fairness in the global tax system, major multilateral institutions such as OECD, IMF, UN and WB as recently as February 14, 2018, called on governments across the world to ensure they strengthen their tax systems. This is with a view to making them more effective in order to generate more revenue to meet Sustainable Development Goals (SDG) and to improve inclusive economic growth.[xxix]

Other initiatives aimed at determining the way forward for taxation is the Global Conference of the Platform for Collaboration on tax (PCT), anchored by OECD, UN, WB and IMF. The first conference was held at the UN Headquarters on February 14-16, 2018. The objective of the Conference is to determine how taxation can be used to end poverty, protecting the planet and ensuring prosperity for all. A sub-objective is for appropriate tax policies to be developed to enable the mobilization of domestic resources for development.[xxx]

Part of the agenda of the Conference, with theme: 'Taxation and the SDGs', was the debate on the key directives needed for tax policy and administration to meet the SDGs by 2030.

Key statements made during the conference include;

(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''.

2.2 Role of MLIs in Global Tax Administration

The role of MLIs 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 Tax Authorities for bigger share of tax revenue, the MLIs 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 Tax Authorities. The competition for tax revenue maximization has been described as ‘race to the bottom’, as Tax 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, MLIs namely, OECD, UN, WB and IMF 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.[xxxi]

2.2.1 Contributions of MLIs to Global Tax Administration

It is in the light of the above that the role of Multilateral Agencies 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.[xxxii]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.[xxxiii]Double taxation is 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;[xxxiv]

(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;[xxxv]

(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, Tax 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 MLIs to determine the course of taxation, in terms of fairness.

© The World Bank (WB)

The WB is a major financier of tax policy and administration reforms. It also works in collaboration with other major MLIs 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.

Project aim;

- 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;

Component

- 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.

Operational Development

- Re-engineering of business processes to make the self-assessment tax system work more effectively

Information Technology Infrastructure and Modernisation of the Tax System

- This should lead to the automation of routine processing of tax returns, calculation of taxes, desk audit and automation of risk management

Change Management

- This will enable transition from the old to the new system.[xxxvi]

In addition to the above, the World Bank is working on tax policy and administration strategies including enforcement that tackle will 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.[xxxvii]

(d)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.[xxxviii]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. Thus it has the opportunity to shape tax in the future

2.3**Complementary Role of Regional Economic Blocs 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.[xxxix]

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.[xl]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.

2.4 The Role of Activists and Non-Governmental Organisations 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 socio-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, migration in contemporary times results from poverty induced search for 'greener pastures.' To this extent Activists and Non-Governmental organisations have joined in the push for a fair tax compliance and effective tax system that will mobilize enough tax revenue for economic development and for the eradication of poverty. I am persuaded to repeat the statement made by the Secretary General of the UN the Conference of the Platform for Collaboration on Tax, that is,'' 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''.

In response to the clarion calls for transparency and fairness in tax compliance, Activities and Non-Governmental Organisations have formed themselves into strong global stakeholders' group for the purpose of tax revenue maximization. They also demand disclosure of all financial and tax information. The case of paltry tax payment by

SABMiller's in Ghana exposed by ActionAid is an example.[xli] These stakeholders impliedly support the country-by-country reporting of business activities prescribed by the OECD[xlii].

CHAPTER FOUR

FUTURE TREND IN TAX IN NIGERIA: 2018-2023 VIS-À-VIS GLOBAL TAX TREND

A subtitle in KPMG's Tax 2025 of August, 2016, reads ''The future is already here, but for a small number of us''. This subtitle underscores the fact that the future trend in taxation will come to pass at the appropriate time. It is pleasing to be among the small number that is consciously discussing it with a view to shaping it.

4.1 Nigeria's Background in Tax Matters

Nigeria is a federation with three tiers of government; federal, state, and local government. Each of these tiers has its own tax authority. There is a Federal Capital Territory (FCT). Although FCT is not a State, it is treated as if it were a State. Therefore, it has its own Tax Authority. The issue of fiscal federalism makes it imperative for every tier of government to strive to generate its own revenue. The implication is that there are thirty-eight tax authorities in Nigeria, in addition to quasi tax authorities at local government level. Fortunately, the power for the imposition of taxes rests with the National Assembly, thus reducing conflicts of multiple taxation. Also, there is a Joint Tax Board (JTB) with membership drawn from the Federal Tax Authority and those of each of the States/FCT. The JTB uses its endeavour to harmonise tax decisions of its members.

Other fundamentals that will come into play in the prediction of the future of tax in Nigeria in the next ten years include;

(i) It has a huge population estimated, as at April, 2018, at 198(one hundred and ninety-eight) million. This estimation was done by the National Population Commission (NPC). Up to sixty per cent of the population fall below the age of 30(thirty).[xliii] The preponderance of young people in the population has implication on employment, now and in the future. In the next 10(ten) years this population of young people will still be active, in addition to those between the ages of 30 (thirty) and 40(forty) now. The overall huge population has an implication on consumption and investment decisions, even the structure of investment.

(ii) In the area of taxation, the challenge is how to get the large number of taxable persons into the tax net. Surely, only an automated tax system can handle this efficiently. There is even the prediction by the United Nations that Nigeria will be the third largest country in the world by the year 2050. Thus, automation of tax processes will become even more imperative.

(iii) Another feature of the economy and the tax system is that the informal sector accounts for up to 60(sixty) per cent of economic activities in Nigeria. A lot of efforts will be required to bring these informal businesses into the formal sector where they can be more realistically incorporated into strategic plans. Getting the businesses in the informal sector into the formal sector will require incentives. In addition to incentives for formalisation, a collaborative digital based approach is necessary to get such large number of businesses into a robust data base at the first point of contact. This underscores the need for complete automation of the tax system and its interface with relevant organisations for purposes of information sharing. The conclusion here is that going into the future, a complete digital tax administration system is imperative more so as a result of circumstances imposed by unimaginable difficulties in the processing of very large numbers of taxpayers.

4.2Tax Reforms in Nigeria in Relation to Future Tax Trend

Tax reforms, re-engineering and capacity building are means of improving the tax system for greater efficiency and to enable it cope with the dynamics of the larger society and specifically the business environment. To this extent, Nigeria has implemented many tax reforms over the years. These tax reform initiatives have brought about an increase in the share of tax revenue in total government revenue. In this regard, as at 2015, tax revenue accounted for about 70(seventy) per cent of Federal revenue, while non-tax revenue contributed 30(thirty) per cent. This is in contrast to the figures in 1999 when non-tax revenue accounted for 60(sixty) per cent of Federal revenue while tax revenue contributed 40(forty) per cent.[xliv]This is a clear indication of the growing importance of tax in Nigeria. This is in line with global trend.

It is expected that the trend, of increased contribution of tax revenue to federal revenue, will continue into the future. It is not just the increase in proportion that is desired but an exponential increase in quantum to meet the Social Development Goals(SDGs) as desired and to meet the objectives of the promoters of the Platform for Collaboration in Tax (PCT), discussed in chapter three. With this as a background, I will discuss recent tax reform initiatives aimed at tax revenue maximization and at the same time encouraging ease of doing business. This is with the background of the fact that tax revenue is currently contributing less than 10(ten) per cent to gross domestic product (GDP). This performance is against the backdrop of the fact that developing countries (of which Nigeria is one) need at least 15(fifteen) per cent of their GDP to provide basic services such as road infrastructure, healthcare, and public safety. Unfortunately, in spite of the increased contribution of tax revenue to Federal revenue, Nigeria's tax-to-GDP ratio is still less than 15(fifteen) per cent required for these basic needs.[xlv]

Before this time, the United Nations Development Programme had in 2010 said that the threshold required to meet Millennium Development Goals (MDGs) was 30(thirty) per cent of tax-to-GDP.[xlvi]Nigeria did not meet this goal, tax-wise. The fact that there was the First Global Conference of the Platform for Collaboration on Tax, held February 14-16,2018, in New York, underscores the urgency required to shape future tax trend. It is re-iterated that the

PCT members and partners include WB, IMF, UN, and OECD; they are expected to influence future tax trend.

4..2.1 Measures Aimed at Improving Tax Administration

The Federal Inland Revenue Service (FIRS) is the apex Tax Authority in Nigeria. It accounts for up to 60(sixty) per cent of tax revenue collected by the federation. In the recent past it commenced the automation of the tax administration processes through the Integrated Tax Administration System (ITAS). In the last one year, it has started the implementation of some of the modules of ITAS through the introduction of 6(six) electronic tax services (e. services) namely:

(i)e. Registration of taxpayers;

(ii)e. Stamp duty;

(iii)e.TCC (tax clearance certificate);

(iv)e. Filing of tax returns;

(v)e. Tax payment through Nigeria Inter-Bank Settlement System (NIBS), Remita and Interswitch; and

(vi)e. Receipt; for receiving and verifying e.receipts generated for taxes paid through the e.tax payment.[xlvii]

At the level of State Tax Authorities, there is automation of some of the tax/revenue administration processes. Another level of tax reform started in 2017.It came up with a new tax policy direction. The main tax policy direction is to shift emphasis from income tax to consumption tax. Although this policy direction is not new, the fact that it is being restated underscores the importance of the direction. It is rationalised on the premises that it is easier to collect consumption tax, due to its relative less technical nature. It was also justified on account of being more difficult to evade. A good example for effective administration of consumption tax for a huge population, in this case, Value Added Tax(VAT) is the use of automation as is done in China. In China taxable persons are expected to enter transaction details into the 'Golden' Tax Software when issuing invoices.[xlviii] With this, there is real-time link-up to tackle fraud. Nigeria should adopt this model, more so as consumption tax is raking in a lot of revenue, as much as 30(thirty) per cent, for OECD countries. This was reported by OECD consumption tax trend 2016.

The Tax policy direction has been followed up by a tax administration and legislative reform initiative in 2018.The vision of the reform initiative is; ''A tax system that yields the desired revenue to support national development in an efficient, equitable, and credible manner''.

The Latest Reform Sets Out to;

(a)review the existing tax laws/regime in Nigeria with a view to identifying challenges and suggest appropriate changes thereon;

(b)rationalise and simplify the tax system with a view to minimizing exemptions, removing anomalies and improving equity;

(iii)suggest measures for improving taxpayer services so as to reduce compliance cost, impact transparency and facilitate voluntary tax compliance;

(iv)propose procedures for strengthening enforcement so as to improve compliance with tax laws;

(v)propose measures for improving government revenue;

(vi)draft Bills/amendments to tax laws relevant to achieving tax reform in Nigeria; and

(vii)any other matter related to the above

One of the recommendations of the tax reform committee is downward review of the corporate tax rate. The rationale is that it will encourage investments in Nigeria. This is part of the competition for foreign direct investment through tax incentives.

4.3 Looking into Future Tax Trend from Nigeria's Perspectives.

While many activities aimed at improving tax administration are ongoing in Nigeria, efforts at tax simplification with accompanying design of tax enforcement measures and improvement in taxpayer service, are testimonies that Nigeria wants to improve voluntary tax compliance going into the future. These efforts are complimented by actions aimed at improving the ease of doing business so as to encourage investment and to expand the tax base. The challenge however, is how to cope with massive digital operations being introduced and that will continue to be introduced by MNEs. For example, the use of robots in performing operations hitherto carried out by human beings. The exponential digital technologies will change the requirements for effective tax administration and tax professional practices.

Fortunately, the pressure being mounted by multilateral institutions for fairness in payment of taxes, fair share of taxes and for tax transparency through appropriate disclosures will shape tax trend in the future, and into 2028. Nigeria and other countries will leverage on rules and guidelines provided for compliance by the multilateral institutions to design tax structures for the future that builds in the use of exponential technologies to match MNEs. On the whole, tax trends in the future, as far as Nigeria is concerned will rely on collaborations, cooperation, information sharing and intelligence gathering, with Multilateral Institutions, Activists, Non-Governmental Organisations, Relevant Tax Authorities, Regional Tax Bodies across the globe. It will be a case of dependency on others for tax information that will enable and support effective tax system. Of course, all tax operations, local and foreign will be highly automated so as to be in a position to handle the heavy flow of information from across the world. Tax Officials must be experts in the use of information technology. Even at this, the automation and digitalisation of the tax system will lag behind the more sophisticated business technology that will be deployed by MNEs to foster their tax minimization schemes. Extra efforts will be required because the tax reduction schemes will be carefully clothed behind sensitive competitive information and trade secrets. Therefore, there will always be efforts (preferably proactive) to catch up with new business processes and technology being introduced by MNEs.

In the circumstances above, it is the use of technology to improve domestic revenue mobilization (DRM) efforts, with heavy reliance on consumption taxes, that will shape tax trend in Nigeria in the next ten years, 2018 -2028. This position takes into account the fact that it will require this period to bring the largely informal sector to the formal sector, where it will become easier to impose income tax on them. With various infrastructural developments being put in place between 2018 and 2028, coupled with social-economic development initiatives of the multilateral institutions, the standard of living will improve and income levels will rise. In this scenario, tax on the income of individuals will begin to contribute more meaningfully to the share of tax revenue that will accrue from income tax generally (including tax on corporate bodies). This will begin to happen from 2028 going forward, at which period Nigeria's population will be about 259 million people, at a growth rate of 3.2(three point two) per cent. Thus, the benefits of huge consuming population will be one of the most influential factors that will attract investment. The Revenue Service will run digital tax compliance and taxpayer services as a consequence of environmental factors.

One of the environmental factors that Nigeria faces is the exponential (digital) technologies. This will continue into the future, that is, 2028. Considering the high volume of data consequent upon its huge population of people and the informal sector, the use of digital technologies is imperative. According to Beth Mueller, exponential technologies are vital for the tax professions[xlix]. I agree with this assertion. The manner in which digital technologies will be used include;

(i)to extract tax sensitive data from contracts so that they can be correctly classified for tax purposes;

(ii) to analyse huge quantities of legislation, case law, and tax administration practices with a view to making them up to date;

(iv) To identify disallowable expenditure items for corporate income tax purposes. It is recalled that in the meeting of Economic and Finance Ministers of EU, one of the ''hallmarks'' in use for tax avoidance purposes is the hybrid deductions. Some of them may be claimed to be inadvertent but could be deliberate;

(v) The automation of repetitive tasks that have tax implications; and

(vi) To sort out and highlight misclassifications of taxable deductions as non-taxable deductions.

It is recalled that already, Brazil's tax authorities collect raw data on transactions by taxpayers and indeed audits such data. The data are used for validation of tax returns when they are eventually filed. Similarly, China, Malaysia and Mexico do digital tax audit[l].

4.3.1 Journey into Tax Trend in Nigeria in 2028

Nigeria has keyed into OECD's country-by-country reporting rule with a view to countering aggressive tax planning through base erosion profit shifting (BEPS). To this extent the Nigerian Revenue Authorities have gazetted the Regulation on country-by-country Reporting[li] by MNEs. The Regulation was published in January, 2018. In this regard MNEs that operate in Nigeria, including companies in oil sector both upstream, midstream and downstream; breweries, telecommunication, food processing, and manufacturing will henceforth make disclosures of their global transactions in relation to their Nigerian operations. This initiative is aimed at checkmating BEPS with a view to ensuring tax revenue maximization. This is in line with increased global compliance requirements as part of regulatory transparency initiatives.[lii] The country-by-country reporting requirement, which has just taken off in Nigeria, is a ladder for tax administration compliance management into the future, up to 2028.

Another global initiative that is ongoing and that will play a vital role in tax trend in Nigeria is seamless access to data of economic matters and those of taxpayers through electronic means. Data need to be procured in real-time.[liii]The tax administration of the future in Nigeria will have to devote a lot of resources, including time, on the procurement and analysis of data with relation to taxpayers. In this way, the Revenue Authority will be in a position to have a more detailed picture of the operations of major taxpayers, especially MNEs, vis-a vis with respect to tax returns filed. However, the Revenue Authority has to be proactive in making the investments required to handle digital technology and transactions. This will bridge the time-lag required to get acquainted with new technologies that will be introduced by MNEs. To this extent, the Revenue Authority will have to do tax administration as a business and consequentially develop in-house capacity in Information Technology and be competitive in the use of technology for sourcing and analysis of (relevant)data.

CHAPTER FIVE

SUMMARY AND CONLUSIONS

It is reiterated that taxation is the means by which government mobilizes financial resources and other developmental objectives for economic development. It is important to note that tax can only be imposed through laws for the benefit of the people. Therefore, tax is a public affair and is generally administered by government and its agencies. In administering the tax, the principle of taxation must be observed. To this extent, among others, the tax must be fair and equitable such that;

- ✓ People pay taxes according to their ability;
- ✓ Persons (including corporate bodies liable to tax) on the same level of income pay same or similar amount of taxes. This is synonymous with horizontal equity of taxation; and
- ✓ Similarly, those on higher levels of income should pay taxes commensurate with their income.

A basic tenet of taxation is that it must be imposed on profits, *earnings and investments*. Incidentally, the profit motive is what motivates investments. It is the reason for being in business and investments across the globe by MNEs. However, by implication, the more profit a business or enterprise makes, the more the tax imposed. There is a paradox of the fact that the investor wants to make more profits and higher returns on investment to the benefit of its owner/shareholders and for reinvestment for more profits. There is therefore a temptation of putting a check on how much tax is paid so that more funds will be available for reinvestment and for distribution to shareholders. In the pursuit of after- tax profit maximization, businesses are known to have devised what is known as tax planning with a view to reducing the amount of taxes payable. In some cases, avoiding payment of taxes completely.

It is recalled that the reason government imposes taxes is to raise money to fund socio-economic development, and to provide defence for its citizens, among other functions of government. A situation of tax minimization by big businesses (large taxpayers) especially MNEs, who are major investors around the world and are the major profit takers, means that government(s) will be denied of the right amount of tax revenue required to fulfil its(their) objectives. As global competition for the control of economic resources increases, the pursuit of after-tax profit maximization and tax minimization increases. There then arises the zero-sum-game between tax minimization and tax revenue maximization. The MNEs use their global spread and connections, backed by superior technology, to get the better deal of achieving tax minimization. As if this is not bad enough, tax minimization and payment of no tax at all, is being achieved through shifting of profits to low or no tax jurisdictions. In this circumstance, countries are denied their taxing rights. With the danger of insufficiency of tax revenue to foster development, financial dependency of some countries sets in. Thus creating challenges for funding by other countries, multilateral institutions and donor agencies. To compound the challenge there is the issue of poverty of countries that cannot mobilize enough domestic resources to provide the basic needs of its citizens. This situation is susceptible to social upheavals, with a spiral effect across borders.

The threat of global crises of financial dependency and massive migration to 'greener pastures', of countries that cannot mobilize enough financial resources through taxation, has compelled multilateral institutions to push for a fair and transparent tax system. Fair tax system in the sense of appropriate taxes being paid in the place of economic activities that generated the income and profits. After all, there are negative externalities of economic development which a tax is expected to compensate for. The push for fairness and transparency in the global tax system has brought in its path the use of technology for profit maximization and tax minimization by MNEs, who in any case have a near monopoly over technology and therefore have an advantage over many countries in the use of technology. This has necessitated collaboration amongst Multilateral Institutions, Global

Activists in Tax Transparency, Non-Governmental Organisations etc, on the one hand, and Countries, Regional Economic Blocs, and Tax Regulatory Bodies, on the other, to make some combined efforts in controlling pervasive tax reduction activities of MNEs.

As a result of the growing importance of tax and the global implication of lack of transparency and unfairness in the payment of tax, and to assure that MNEs do not continue to pursue their inordinate goal of tax minimization, the initiative of ''Tax in the Future' is beginning to emerge in the study and research in the field of taxation. The expectation is that attention of Tax Authorities and their Governments will be drawn to the need for well-articulated strategic plans for tax revenue maximization in a sustainable manner into the future, at least 10(ten) years. It is also expected that various international bodies especially Multilateral Institutions will be collaborating across the world for the purposes of institutionalisation of fairness/fair share and transparency in global tax administration. It is obvious that a global tax administration system, hinged on information sharing and common rules of anti-aggressive tax planning, will emerge in the next 10(ten) years, for this purpose. In this context, the multilateral institutions will deepen the roles they play now in setting the rules for tax transparency with a view to ensuring 'fair share of tax' and transparency in line with level of economic activities that generated the profits. This is a clear signal to conclude that the emerging harmonised global/international tax system will be backed by global regulatory arrangement[liv].The fact that the UN is a member of the platform for collaboration on tax (PCT) gives credence to this speculation and prediction and indeed will facilitate the operation of a robust international tax system.

It is with regard to the above that chapter four of this paper was written with the tax system in Nigeria in perspective. This is because Nigeria is not insulated from global tax revenue compliance administration crisis. It is even more so because it is resource rich and therefore a victim of exploitation by MNEs. The low tax-to-GDP ratio speaks for itself. In addition, its huge population necessitates adequate tax revenue mobilization and maximization so as to foster economic development that will sustain the teeming population. Therefore, with the Regulation on country-by-country reporting, Nigeria, like many other countries, is on its way in taking more active part in the emergence of a global tax system. It has to collaborate and share information with other tax authorities both within the African Region and the rest of the world. This will assist it in getting more information on the activities of MNEs with respect to determining appropriate taxes payable from profits they generated in Nigeria. This scenario applies to other countries. The collaboration, cooperation and information sharing will enable recovery of taxes due in and to Nigeria but that (were)are shifted through BEPS to other tax jurisdictions.

In conclusion, I note that the unfolding events point to a highly automated and harmonised international tax system in the next ten years, 2018-2028. This system will be coordinated by the UN and major Multilateral Institutions. The UN is better positioned to provide the legislative and regulatory framework and environment. Most countries, including Nigeria, will subscribe to the international tax system on account of mutual benefits derivable, that is, reduction or elimination of harmful tax practices perpetrated by MNEs. The concept of fair share of taxes may translate to the use of the 'source principle' as the basis of the imposition of taxes.

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