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Pearce, E. and Onyejekwe, C.

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Emo Idornigie Pearce and Chisa Onyejekwe

Introduction

SDGs serve as an outline to realise a better and more sustainable future for everyone. It is projected that by 2030, global challenges like poverty, inequality, climate change, environmental degradation, peace, and justice would have reduced to a bare minimum.[1] The agenda does not only provide for the goals and targets, but it also contains the challenge of implementation and most importantly, a framework for follow up and review.[2] A major hurdle for implementing these goals is financing. Countries rely significantly on taxation to enable them generate funds required to meet financial needs (Kusi 1998).[3] Taxation is seen as a tool used by government in generating public funds (Popoola *et al* 2017).[4] Past studies have demonstrated the effect of tax policies on economic growth in various economies (Barro and Salai-i-Martin 1995).[5] Unmistakably, Nigeria has had an exceptionally long history of taxation abuses and the inability to maximise acquired resources to deliver on their commitments. It has become imperative to promote and adopt an effective tax system in Nigeria to end the socio-economic inequality that has resulted from unfair fiscal policies. Brautigam *et al* (2018) suggests that an effective taxation system will aid governments in prioritising their spending, ensure the availability of stable institutions and most importantly improve accountability.[6] It can also be for the purpose of redistribution of wealth to ensure social justice (Ola 2001).[7] However, the declining level of tax revenue generation in developing countries makes it difficult to use tax as an instrument of fiscal policy for the achievement of economic and sustainable development (Musgrave and Musgrave 2004),[8] evidently, taxes play a powerful ongoing role in reducing economy-wide distortions. Irrespective of the various reforms such as the establishment of Federal Inland Revenue Service and setting up of revenue services apparatus at the state and local levels compliance in Nigeria is still exceptionally low (Alabede *et al* 2011).[9]

The aim of this study is not to propose a new wheel in appraising the various tax reforms in Nigeria, sufficient literature is available in that area. Instead, the focus is on institutional and governance strategies that can best be used to support tax systems and enhance tax administration Nigeria.

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Taxation and economic growth

The need for tax compliance has been a phenomenon of global significance as it affects every economy irrespective of national differences.[10] Kaldor (1963) opines that, 'taxes provide the most appropriate instruments for increasing savings for capital formation out of domestic sources.'[11] Precisely pinpointing the lack of resources from taxation as a key constraint to more spending on areas like health, education, and social protection and the achievement of the SDGs which include but not limited to good health and well-being, decent work, and economic growth.[12] It is evident that many developing countries have been able to revive their economies through a well-structured tax system.[13] Furthermore, there is clear indication that successful implementation and monitoring of tax policies generate sufficient funds for the government. The cautious spending of tax revenue will in turn generate employment and growth in any country (Niculae and Ciupitu 2013).[14] That being said, it is important that the quality of life be the primary objective of States as pushed by the SDGs, as improved education, adequate healthcare, availability of jobs, security of life and property, and a clean environment are ways to determine the quality of life of people. Furthermore, accessibility of these social amenities must be in the interest of the public. Sanni (2012) while examining the justification for taxation holds that members of the public or citizens who enjoy or desire to enjoy the benefits of security of lives and property, provision of water supply, roads, electricity, and allocation of land, among other things, have to pay for them in certain ways, hence, taxation was devised to provide government with regular, dependable, and continuous source of revenue.[15] Omoigui-Okauru gave more insight into the essence of taxation when she noted that 'revenue from taxation should be applicable in a manner that will ensure that taxation is a means to achieving the various goods and services which the Government commits to provide for the entire citizenry.'[16] It is a certain and an expectable means of revenue that can enable Government adequately finance its development while ensuring the needs of people are met effectively to enable them participate in the world economy.[17] This clearly shows that inadequate capacity is a clear symptom of under development. As Besley and Persson (2014: 99-100) note, 'poor countries are poor for certain reasons and these reasons can also help to explain their weakness in raising tax revenue.'[18]

A basis for imposing tax is given a thoughtful elaboration in the National Tax Policy wherein it was submitted that 'in its basic form, taxation is simply a means of generating revenue for the Government' (National Tax Policy 2017).[19] The tax framework in Nigeria and other economies is based on tax policy, tax law, and tax administration (Bhartia 2009).[20] All the mechanisms for an effective tax framework are highly interrelated and ought to be monitored and implemented. The revised Nigerian National Tax Policy outlines the necessary framework for a sustainable tax system that would guarantee sources of revenue for the government and support the economic development plan. It can be seen that the aim of this policy was to generate economic actions in the country, thereby decreasing poverty level and stimulating sustainable economic growth (Azubuike 2009).[21] Interestingly, Bird (2015:23) opined that, 'the tax system constitutes one of the major interfaces between citizens and state in any country so how taxes are administered may affect not only the political future of the government of the day but also, more fundamentally, public trust in government.'[22] Tax administration may thus play a critical role not only in shaping economic development but in developing an effective state. Furthermore, Moore (2007) was of the opinion that reliance on taxation, as opposed to revenues from aid and natural resources can lead to the emergence of a more responsive, accountable, and capable state.[23] For instance, Gadenne (2016) finds that increases in taxation by Brazilian municipalities were used to improve both the quality and quantity of education infrastructure, while increases in federal grants had no impact on infrastructure spending at all.[24] In analysing the relationship between taxpayers and government, Levi (1989) opines that tax compliance is influenced by vertical contracts.[25] According to Levi, the contract between taxpayers and government is a vertical contract, which she refers to as 'quid pro quo' of taxation.[26] Vertical contract is concerned with whether taxpayers get public goods in exchange for taxes paid. According to the argument of *quid pro quo*, complying with tax law provision depends in part, on whether the political goods provided by the government are sufficient in return to the taxes they are paying (Dreyer 2003).[27] This has equally increased the poor attitude to tax compliance in Nigeria. Although the problem of tax evasion is a challenge all over the world, developing countries seem to be more affected.

From the above, it has been highlighted that taxation is not just a means of raising revenues but also a channel for providing social services. This reiterates the position that governance is a social contract between the government and its citizens. Where the citizens pay tax, and the government uses the revenue generated to implement social structures. It is evident that taxation is a price paid for the enjoyment of social services. This is the end which taxation seeks to justify.

The need for an improved tax law reform in Nigeria

Taxation is seen as a fiscal policy measure used by most countries to finance their economic objectives. Since financing SDGs seems to be the assured means for actualising the goals, to this end, it is pertinent to improve the tax regime in Nigeria.[28] According to UNDP, between 50 percent to 80 percent of what is required to actualise the SDGs will come from domestic resources.[29] The emphasis on domestic resource mobilisation, however, stems from the research that shows that developing countries have the potential to increase their tax revenues[30] and also because taxation is the most sustainable way of actualising the SDGs.[31] Consistent low tax revenue inflow is characterised by government laxity, tax evasion, record distortions, gross ineffectiveness, and leakages, these have greatly affected the amount of revenue generated from taxes. The incidence of tax evasion and avoidance by taxpayers is high, leading to low level of government revenue which further reduces the level of government expenditure, culminating into a reduction in the income savings and expenditure of households and firms, leading to low level of economic activities and economic growth (Ojong *et al* 2016).[32] Nigeria is still struggling to amass adequate tax revenue to fund the realisation of the SDGs, all of which come with some financial cost.

Similarly, regressive taxes have been a feature of austerity, even though the Committee on Economic, Social, and Cultural Rights recommended that in the event of an economic recession, taxation could aid in the 'support of social transfers to mitigate inequalities that can grow in times of crisis and to ensure that the rights of the disadvantaged and marginalised groups are not disproportionately affected.'[33] The Tax Justice Network have equally identified that the loss from corporate tax income increasingly replaced with other taxes tend to hit the poor hardest,[34] this is so because the tax generated is used to boost the economy and most importantly finance their economic goals. If overlooked, would deteriorate plans to eradicate poverty. At this point, impartial tax regimes are necessary to fund and enable state governments to provide basic services.[35]

The former South African President, Thabo Mbeki chaired a panel of illicit financial flows where it was concluded that major firms are the biggest culprits of Illicit outflows valued to cost the continent US$50 billion annually.[36] As it is evident that these illicit financial outflows typically end up in other countries, the panel emphasised a duty on the part of receiving countries, to stop illicit flows and to equally support prosecution and the repatriation process.[37] The illicit financial flows are usually sent to developed countries. A former Special Rapporteur on extreme poverty and human rights Philip Alston had suggested that tax guidelines that permit companies to evade tax are 'especially harmful' to developing countries who depend on foreign investments.[38] When developed countries accept measures that encourage companies to successfully evade taxes that ought to be utilised by developing countries, they do a huge damage.[39] Countries that are low income naturally produce a lower percentage of GDP in revenue generated from tax in comparison to high-income countries.[40]

Furthermore, low-income countries are generally more dependent on corporate income tax, which usually accounts for about 16 percent of its revenue as compared to 8 percent from high income countries (Crivelli *et al* 2015).[41] This over dependence makes it difficult for governments to raise revenue from individual income taxes and consumption taxes because domestic economic activities are not properly recorded. As a result of this, corporate taxation, proceeds of foreign-owned firms, characterises for a significant quota of their revenue base. Countries like this, are unable to afford losing enormous amounts of their corporate tax bases through tax evasion as it poses a substantial hardship for their economy. With this in view, tax evasion, alongside other unlawful financial flows, will further root the dependence on aid from donor nations, which are not predictable and inadequate.[42]

Kofi Annan, the former UN Secretary General, had referred to tax avoidance by companies as 'like taking food off the table for the poor.'[43] During the third international conference on financing for development held in Addis Ababa in 2015, the role of taxation was recognised in the outcome of the document released. In the framework of strengthening national resources, states decided to obligate themselves by 'enhancing revenue administration through modernised, progressive tax systems, improved tax policy, and more efficient tax collection.'[44] The outcome document equally made particular reference to the support required from relevant initiatives such as Organisation for Economic Co-operation and Development (OECD)s' 'Tax Inspectors without Borders'.[45] The document equally projected that sub-Saharan African countries would require more tax officials to enable them maintain an average per capita ratio in the OECD.[46] With respect to illicit financial flows, the document contained an improved obligation in regard to tax avoidance by combating tax evasion and corruption, as well as reducing 'opportunities for tax avoidance.'[47] The sole outcome document was to enhance global tax collaboration, boosting country-by-country reporting by multinational firms, and 'progressively advancing towards' spontaneous exchange of valuable details between tax authorities.[48] In promoting a transparent and an effective tax system, the signatories decided to support global efforts aimed at improving capacity-building especially in developing countries.[49] A former rapporteur on extreme poverty and human rights, Magdalena Sepúlveda Carmona, opined that tax is 'critical to finance development' and 'a powerful tool for stimulating poverty reduction.'[50] Though not the only means of generating revenue, the former Special Rapporteur however noted the importance of taxes, being that it provides a predictable source for actualising funds for the realisation of rights and equality, improving discrimination, and reinforcing governance and accountability.[51]

Considering the definition of taxation by Olukoshi (2005)[52] and Olabiyi (2005)[53], suggested that taxation can motivate economic growth with any system that encourages compliance. Harrison (2002)[54] on the other hand, espoused that, taxes are unable to achieve their economic objectives without reforms to reduce tax evasion. Magdalena Sepúlveda Carmona was of the opinion that tax avoidance 'insofar as they have a negative human rights impact' amounts to a breach.[55] Juan Pablo Bohoslavsky, the former UN Independent Expert, deliberates that firms should be transparent in order to validate responsibility and compliance by implementing 'a greater degree of transparency, in particular by publishing on a country-by-country basis their sales, profits and taxes.'[56] John Christensen (2015:4), the Director and chair of the Tax Justice Network further stated that 'being transparent about tax planning needs to be a key component of corporate citizenship reporting under the Ruggie framework.'[57] A balanced tax regime can serve as a means for promoting economic goals and eradicating poverty and inequality.[58]

From the ongoing, it is pertinent for states to ensure that they uphold their duty by not only recommending firms to disclose information but assert that it be made accessible as means of reducing tax abuse. It is evident that lack of adequate funds by tax evasion is a major setback that adversely affects the fulfilment of SDGs. Taxation plays an active part in restructuring resources. Failure to allocate sufficient financial resources can thwart its enjoyment and hinder economic development. Evidently, it may be the only way to guarantee the future of developmental goals.

A call for strengthening taxation

One of the most important policy concerns in most countries is the effect of taxation on economic growth and development. This chapter is important at this level of economic development when efforts are being made to reposition the tax system to enable it play key roles in implementing SDGs. The adoption of the 2030 Agenda for Sustainable Development brought about an obligation from all countries to a set of universal, integrated, and standard goals, and targets collated in the 2030 Agenda. However, translating the vision of the SDGs into action is a major challenge.

One of the main aims of the SDGs is to eradicate poverty, as it is recognised as the greatest global challenge with the ability to hinder development.[59] To this end, improving economic growth is a necessary driver to achieving this goal. Research has it that the world's population is projected to increase by 2050,[60] while the population of the developing countries is projected to double[61] by 2053, while in some countries even tripling.[62] Research also has it that by 2025 half of the world's population will be living in water-stressed areas.[63] With such projections, the need for large-scale investment to promote economic growth and increased development becomes unmistakably necessary.

The case for a new approach is overwhelming (Picciotto 2019).[64] With this in view, it is mandatory that enhanced tax policies would be essential in promoting investment, development, job creation, and economic growth. This is so as an enhanced taxation regime offers a predictable and constant flow of revenue to aid public expenditure and shape the investment environment (Mullins 2020).[65] In addition to an enhanced tax regime, it is important to have a balanced, fair, and effective revenue collection mechanism to promote economic and social development. The author is equally of the opinion that there are several obstacles that developing countries face in effectively responding to tax issues and the potential initiatives to address those issues and suggests that it is important to consider these obstacles before designing a response.[66]

Domestic resource mobilisation[67] (DRM) has been suggested to finance the SDGs, however, DRM can be hindered by complicated tax systems. It is apparent that economies with an effective tax system create an enabling environment which will in turn attract investment and support economic development and growth. Furthermore, effective tax policies are fundamental to ensuring that profits are taxed where economic value is created;

corporate income tax is levied according to where economic activity takes place and profits are earned. This principle is at the heart of the G20/OECD Base Erosion and Profit Shifting (BEPS) project.[68] It is imperative that governments agree on suitable forms of tax competition and businesses must equally adhere to rules and principles agreed between countries. Acceptable tax policies would in turn attract foreign direct investment (FDI), increase productivity to effectively increase the gross domestic product of countries. Financing is key to the success of the 2030 Agenda and sound investment and tax policies will play a critical role in eradicating poverty and ensure inclusive growth. To this end, effective implementation of the SDGs requires cooperation from the private sector and recognition of their key role to achieving these goals. Furthermore, the OECD Inclusive Framework allows countries to participate at par with the OECD and G20 countries in the accomplishment of the OECD/G20 BEPS plan. They first referred to this partnership 'as a relationship that favours collaboration over confrontation and is anchored more on mutual trust than on enforceable obligations' and 'a relationship with revenue bodies based on co-operation and trust with both parties going beyond their statutory obligations.'[69] Thereafter, the OECD characterised the concept as 'transparency in exchange for certainty.'[70]

Furthermore, tax harmonisation can also be seen as a desirable policy for promoting sustainable development in emerging economies like Nigeria (Aniyie 2015).[71] The author suggests that this strategy has the ability of ensuring an unbiased taxation system as well as providing for sustainable and predictable revenue for the financing of public expenditure required by Government, although it does come with its hurdles for proper implementation, the author opined that, clear strategies will need to be put in place where harmonisation is to be adopted.[72]

It is evident that the SDGs present an important roadmap which could guide policy makers at all levels, to redirect public and private investment flows to eradicate poverty and promote a more sustainable world for all. Clearly, the Government must put in place suitable measures to reinforce policies and legislations in mobilising and promoting economic growth.

Achieving the SDGs require massive investment in physical and human capital. It is important that tax policies are aimed at supporting sustainable economic development, reducing inequality, and promoting growth. Furthermore, it is equally vital that such policies are flexible enough to adjust to economic changes when necessary.

Conclusion

An improved taxation policy is a key component in promoting investment, economic development, and plays an integral role in facilitating the achievement of the SDGs. Such improved policies work in conjunction with investment policy as a key driver for FDI and economic growth.[73] Determining the right balance for an effective DRM is essential, particularly for developing countries like Nigeria. Through an organised tax system, Nigeria will be able to mobilise her national revenues, restructure capital, and equally deliver necessary goods and services.

This article has been able to portray that tax evasion can impede the ability of Nigeria to develop programs that can ensure the implementation of SDGs. This failure, in turn, can obstruct its economic growth. Therefore, it is pertinent for Nigeria to adopt and implement measures to limit tax evasion by scrutinising the current tax policies and practices. More scholarship is required to produce international standards and good practices for multinational businesses. Addressing all the tax issues currently faced in Nigeria may not be possible, at least in the short term; it is necessary, then, to identify which issues should be given priority. In the short-term, a DRM approach should be applied in greater detail in ensuring greater attention to this profoundly vital issue.

Notes

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72. Ibid 293.
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