TAX SOVEREIGNTY: A DEBATE ON THE ACCEPTABILITY OF HARMFUL TAX COMPETITION

Ngozi Asomadu*
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Abstract

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Tax sovereignty requires independence without outside interference, but in a practical sense, this seems otherwise. Global actors have come up with many tax policies, both for harmonization of tax system into a single or uniform tax rate and elimination of harmful tax competition. This paper examined whether or not the rights conferred on individual sovereign states are absolute. It further examined the push towards harmonization of the tax system into a single or uniform tax rate by international organizations driven by efforts to combat tax competition, tax base erosion, and or tax avoidance. The paper adopts a doctrinal methodology; wherein primary and secondary sources of materials were examined. It concluded by stating that though the rights of the sovereign states are not completely absolute, global actors should come up with a tax policy or strategies that will convince all states to submit to her without coercion or any form of force.

Keywords: Tax sovereignty, Tax competition, Uniform tax rate and Globalisation

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1.0. INTRODUCTION

With tax sovereignty, individual states are empowered to design tax system that generates revenue and funds their public services. They can make tax policy that would influence economic behavior and promote social justice. However, globalization becomes a challenge on tax sovereignty due to increase and or rise of digital economies which create intense competition among states. Regrettably, it has potential of leading to tax base erosion. States that are yet to be digitally advanced and still operate traditional system would struggle to keep pace with shift towards digital goods and services. Hence, the need to create an improved or advanced tax system emerged. Globalization presents an acute challenge to tax sovereignty. This may undermine substantive tax sovereignty. Electronic commerce is also a factor limiting tax sovereignty. This is one of the reasons why global actors like the EU (European Union) sought for

a uniform tax rate as a way to eliminate tax evasion which may arise through digitalization or any form.

More so, OECD (Organisation for Economic Co-operation and Development) through her report recommends that harmful tax and unfair tax competition such as tax haven, tax base erosion etc should be curbed. Though the sovereign states could make decision on choice of tax system to regulate their affairs, but international competition could constrain it. The restraint or control of tax system by OECD has been criticized as being a barrier to achieving tax sovereignty. The members who benefit from tax competition rejected the move towards eliminating harmful competition. The developing states revolted it on account that it attracts investors and brings increase in revenue. This is not a situation of win - win if it is true that OECD makes rules that favors her members without considering non- members. Therefore, there became a need for global actors to come up with tax practice that captures the interest of all states whether members or not while making policy. This will bring about voluntary compliance and boost international economy.

2.0. TAX SOVEREIGNTY

According to Pendovska, there is no single definition for the term "sovereignty," but the main focus is on three elements which one sovereign country should possess: territory, people, and government. From a traditional perspective, a country's sovereignty exists if it is conferred with exclusive tax legislative powers to maximize welfare efficiency and justly redistribute it.[1] Such a country would have full

[1] Pendovska et al 2021: Kjoseva, Elena Neshovska,'Taxation in Era of globalization and digitalization: challenges on national tax sovereignty ' *Lustinianus Primus Law Review* Vol 12 Special Issue (2021) Pp 1-9

supremacy to create and implement its own national tax system as a set of rules, regulations and procedures that:

a) Defines what events trigger tax liability (tax base and rates)
b) Specifies who or what entity must pay that tax and when
c) And details procedures for ensuring compliance, including information reporting requirements and the consequences (including penalties for not remitting the legal liability in a timely fashion.

Sovereign status seems to include a right to tax in a way that infringing on the right of taxation amounts to infringement on sovereignty itself.[2] Defining what right to tax entails is thus embedded in the concept of sovereignty, and is as susceptible as that term to differing-and evolving-interpretations. [3]In the traditional view, states were said to have "supreme... and exclusive rule" within their own territorial borders and over their own people, as they defined them[4].

At international level, there are over 200 tax sovereigns that compete with one another for investments, residents, and tax revenues. As a result, competition has transformed the world of sovereign-controlled tax

[2] There is possibilities of nations not adopting international law unless their tax sovereignty is preserved. This is the view of Cockfield, at 167: Li Jinyan,' Tax Sovereignty and International Tax Reform: The Author's Response', 52 CAN. TAX J. 141, 144 (2004) (arguing that "any tax reform that requires a high level of international coordination or cooperation must deal with the sovereignty hurdle," and suggesting that nations "give up" their tax sovereignty when they enter into treaties or respond to market forces). However, defining sovereign right and infringement is subject to broad and varied views. for a discussion, see Ramon J. Jeffery, The impact of state sovereignty on global trade and international taxation 43 (1999).

[3] Allison Christians,' Sovereignty, Taxation and SOCIAL Contract' (2009). *Minnesota Journal of International Law*. Vol 18:1 245 Pg 106. https://scholarship.law.umn.edu/mjil/245>accessed on 12th Oct., 2025

[4] JAN AART scholte, Globalization: A Critical Introduction 135, 135- 37 (2000)

policies. Notwithstanding the existence and recognition of tax sovereignty, yet, one of the international bodies like OECD came up with different means to regulate tax policies internationally. One of the ways is through her report on harmful tax practices which includes regulation of harmful tax competition and unfair competition. It has been revealed through report that harmful tax competition which leads to tax evasion by taxpayers of other countries may be encouraged if one country will not enforce the tax claims of another country. This is as a result of failure to reciprocate and lack of procedural fairness which became concern about the extra-territorial enforcement of tax claims. The OECD Report on Harmful Competition amongst many recommendations called for and or encouraged tax treaties as it would aid in tax enforcement. This is because domestic courts will not entertain an action for the enforcement either directly or indirectly of a revenue of a foreign state.[5] This rule was explained by Lord Keith in the UK case of *Government of India v Taylor*[6], where it was stated that it may be thought to be that enforcement of claim for taxes is but an extension of the sovereign power which imposed taxes and that an assertion of sovereign authority by one state within territory of another, as distinct from a patrimonial claim by a foreign sovereign, is (treaty or convention apart) contrary to all concepts of independent sovereignties. In a more recent time, UK government stopped to place reliance on whether she has jurisdiction or not rather when a court is confronted with such issue that involves states at which she lacks jurisdiction, she should decline jurisdiction. This was the view of Lord Guff in the case of *Re state of Norway's Application*[7].

[5] Oliver j. David B. ,'Tax Sovereignty' Intertax Vol. 28 Issue 4 (April 200) Pp 146-147
[6] (1955) AC 491 @ Pg 511
[7] (Nos 1 and 2) (1990) 1 AC 723 @ 806

Market forces, pragmatic concerns, treaty negotiation, regulatory emulation and external influences are factors that limit countries tax sovereignty. The existence of treaty network which is based on OECD Model Convention implies that the countries have agreed to a common set of international tax rules irrespective of the differences in their domestic laws. External forces can also make a country give up its sovereignty for instance the OECD led harmful tax competition campaign. Tax haven jurisdictions that are considered to have engaged in harmful tax competition are urged to mend their ways.

It is not in doubt that states sovereignty is recognized at international level. Therefore, sovereign states can make decision of their choices on whether or not to engage in tax competition. However, the perturbing question on whether the international bodies or organization could come up with a policy on harmful tax competition and impose on non - members states has been resolved in affirmative. This was why Van Avendonk, hank stated '… sovereignty is not absolute as the way in which they exercise it has to comply with EU law.[8] Charles Mclure Jr, [9] also stated that 'national tax sovereignty is not absolute, complete sovereignty is impossible except perhaps a country that is totally isolated from external influences such as Burma'.

This position is subject to acceptability as most states would not submit in totality to global actors and or international tax system especially where it is perceived to cause disadvantage or reduction to their revenue. Whether

[8] Van Avndonk, Hank, 'The European Cooperation Project, Tax and Sovereignty 'EU *Tax Review* (November, 2016) Vol 25 Issue 5-6 Pp 242-246

[9] Charles Mclure Jr,' Globalization, tax rules and national tax sovereignty' *Bulletin for International Docu,mentation* (2001) Vol. 55 No 8 324-41@ 329

international bodies could mandate both members and non – members to submit to uniform tax rate and tax sovereignty would be ascertained in the later subheading.

3.0. DEBATE ON ACCEPTABILITY OF TAX SOVEREIGNTY VIZ A VIZ MANDATORY SUBMISSION TO GLOBAL ACTOR'S POLICY

It is undisputable that international bodies are powerful and influential. However, their usage of force is constrained by the nature of their legitimacy which differs from that of sovereign states.[10] The arguments pertaining tax sovereignty and tax competition are not confined to an efficiency framework but extend beyond to encompass ideas of international political structure and global society. Some states resist efforts to change harmful tax practices on the grounds that these practices are valuable from their sovereign perspective (even if potentially inefficient globally). In line with this, Havens and other advocates of competition resisted it and contended that it infringed upon the tax sovereignty of the poor haven nations.

The challenge against tax competition by states is on account that the practice is harmful from their sovereign perspective. It has also been argued that rather than searching for the tax practices that would be the best for everyone in the world and not just for its member states, the OECD is perceived by some as an institution dedicated solely to achieving advantages for its member countries, even at the expense of non-member states[11]. However, since the OECD cannot expressly purport to determine

[10] Diane ibid

[11] See, e.g., Vaughn E. James, Twenty-First Century Pirates of the Caribbean: How the Organization for Economic Cooperation and Development Robbed Fourteen CARICOM

policies and dictate their implementation by member countries, let alone non-member countries,[12] its official rhetoric may simply reflect what insiders think will either encourage compliance or provide a palatable justification of the imposition of consequences in the event of non-compliance. The further debate is that though the OECD is not law yet it has coercive possibilities. Failure to comply with its terms and standards results to real consequences like economic sanctions. It therefore became worrisome how a mere rule which is not in any way a law carries heavy degree of consequences for non-compliance.[13] The OECD report was therefore criticized on the ground that it endorsed economic coercion rather than voluntary association[14]. The threat which the OECD presented has been identified by commentators as real and unprecedented with the potential to unplug offending countries "from the global financial grid."[15]

Countries of Their Tax and Economic Policy Sovereignty, 34 U. MIAMI INTER-AM. L. REV. 1 (2002): Allison Christian (n 4)

[12] Allison ibid: See, e.g., 2000 REPORT, supra note 49, at 5 (stating that the OECD works through mechanisms such as persuasion and peer pressure to convince countries to adopt particular positions). It is of course arguable that by using its collective economic and political resources, the OECD does in fact decide and dictate, and its lack of power to make binding law is only nominal or formal rather than actual.

[13] See, e.g., Richard Bilder, Beyond Compliance: Helping Nations Cooperate, in Commitment and Compliance: The Role of Nonbinding Norms in the International Legal System 65 (Shelton ed., 2000)

[14] See, e.g., Bishnodat Persaud, The OECD Harmful Tax Competition Policy: A Major Issue for Small States, in International Tax Competition: Globalisation and Fiscal Sovereignty: Allison Christain (n 4)

[15] See Richard Hay, OECD Report on 'Level Playing Field' Imminent, 9 Managing Partner 1, 1 (2006) (stating that the OECD's project threatens to "shut non-cooperating international financial centers out of the world's banking and securities markets" in violation of "[a] longstanding principle of international law [that] limits taxing rights to those which a country can enforce without the need for assistance from others.").

If the issues raised against OECD is true, it would be then be stated that it is susceptible to a charge of violation of what would be recognize by many as a major tenet of sovereignty, i.e., the right states have against intervention by other states, or, stated in terms of duty, the obligation states have not to intervene in the affairs of other states.

One may wonder how tax sovereignty would be possible, given that international cooperation is based on states' consent. Arguably, no state should consent to a cooperative accord that undermines its own (substantive) sovereignty. In other words, it could be imagined the circumstances whereby states were forced or tricked into a cooperative accord which inflicts costs on them against their (sovereign) will [16] (e.g., reduction of the tax revenues collected from cross-border investment when compared to a non-cooperative regime). Cases where states are forced to give up some of their rights or benefits for others in this way, either without their consent or where their consent is being circumvented, are surely ones in which their sovereignty is undermined. And indeed, a lot of criticism in this area is focused on how weaker states can be empowered in the negotiation process—by providing them with greater

[16] Indeed, consent-based cooperation was criticized in the past for reasons that had to do with the biases of the international process: many have criticized the power imbalances of the negotiations, the lack of true voice for some countries, or the lack of capacity of their negotiators. See e.g., Rasmus Corlin Christensen, Martin Hearson and Tovony Randriamanalina, 'At the Table, Off the Menu? Assessing the Participation of Lower-Income Countries in Global Tax Negotiations' (2020) ICTD Working Paper 115 accessed 7 October 2024; Yariv Brauner, 'Serenity Now! The (Not So) Inclusive Framework and the Multilateral Instrument' (2022) 25 Florida Tax Review 489; and John Vella, 'The OECD/G20 Inclusive Framework's Two-Pillar Solution' (2021) 5 British Tax Review 515. Other reasons may include the strategic positions of developing states vis-a-vis one another and the differing cooperative abilities among groups of countries (specifically OECD countries and other groups of countries). For an analysis, see Dagan, International Tax Policy: Between Competition and Cooperation ch 5.

expertise and opportunities to be adequately heard so as to support their free consent. The presented cases or situations may not be the only way where cooperation threatens substantive tax sovereignty. Indeed, tax sovereignty may be jeopardized even where cooperation seemingly benefits all participants.

Consider cases where stronger states benefit more than weaker ones. Such cooperation, which benefits all participants, may seem like an unobjectionable pareto improvement. From the short-term perspective of states' decision makers, it is understood that state might consent to such an accord. But where it appears to benefit all participants in the long run, there might be risk of undermining states' substantive tax sovereignty.[17] The reason for this is that moves which disproportionately benefit stronger countries persistently increase the gaps between states. This asymmetry engenders further detrimental consequences down the road.

Despite the debates and critics against OECD's reports which were regarded as affront to tax sovereignty, yet one can confidently state that OECD has expressed commitment to sovereignty and was only against harmful practices. By way of curbing same, it reminded governments to severe link with tax haven that contribute to tax competition. That was why OECD argued that tax havens "potentially cause harm to the tax systems of other countries as they facilitate both corporate and individual income tax avoidance and evasion.

[17] For a recent example of how a progressive allocation of the benefits of cooperation to developing countries might look like, see Mitchell Kane and Adam Kern, 'Progressive Formulary Apportionment: The Case for 'Amount D'' (2021) 171 Tax Notes Federal 1713: Tsilly ibid

4.0. A CASE FOR RECEPTION OF TAX COMPETITION AND UNIFORM TAX RATE

Regulation of tax competition by international organization could be seen as attempt to hinder individual states sovereignty. Whether or not to sustain tax competition gave rise to debate and criticism. While some members of OECD welcomed it others didn't. The debate concerning tax competition emerged in the aftermath of the OECD's 1998 project on "Harmful Tax Competition." ,. The OECD sought to identify and address harmful tax competition and not all tax competition. The OECD expressed a commitment to the view that "there are no particular reasons why any two countries should have the same level and structure of taxation". She encouraged countries to be free to design their own tax systems once they align with internationally accepted standards.[18] The OECD project on tax competition was not only criticized on the account of harmonization in EU but on the ground of uniform tax rates[19]. The two organizations (ie

[18] Diane Ring,' Democracy, Sovereignty and Tax Competition: The Role of Tax Sovereignty in shaping Tax Cooperation' *Florida Tax Review* Vol 9 issue 12 (2009) Pp 555-598 hhtps: www.heonline.org: https://lira.bc.edu/files/pdf?fileid=e78e7933-c06f-4457-a080-65bef09f7e6b>accessed on 6th October, 2025.: OECD 1998 Report, Harmful Tax Competition: An emerging global issue at 15. For some readers, the OECD statements in both the 1998 Report and the 2000 Progress Report provided no adequate acknowledgement of the benefits from tax competition, although the 2001 Progress Report did include an explicit recognition that competition contributed to the desirable base broadening and tax rate reductions of the 1990s. See, e.g., Easson, supra note __ at 1054. The OECD in recent years has expressly stated that it does not aim to create a system of uniform rates. See, e.g., TNI Interview: Jeffrey Owens, TAX NOTES INT'L 913, 917 (May 28, 2007) ("the OECD favors competition and that includes tax competition," and "I believe that in the longer term, having countries compete on the basis of tax rates and the business friendliness of their tax environment (e.g., the consistency and certainty surrounding the application of tax rules) is probably healthier than competing by means of "niche" regimes").

[19] See, e.g., Eileen O'Grady, United Kingdom Holds Its Ground in Opposing EU Tax Harmony, 31 Tax Notes Int'l 1121, 1122 (2003) (quoting a British government

OECD and EU) believe that there is a gap between stated goals and ultimate desires.

Some of the higher income countries with significant infrastructure, social welfare benefits, multinational corporations and wealthy investors called for limit to be placed on tax competition. This is because of the advantage or benefit they get or derive from tax. Some of the competitive tax features like nondisclosure of information (tax and financial), "taxpayer-friendly" administrations, and special regimes (investment, headquarters, "fictitious" location/activities) were factors within the ambit of the OECD harmful tax competition category. On the other hand, some developing countries want tax competition in order to retain or attract "real" business investment.[20] Such countries would prefer a system in which they could both collect reasonable tax revenues and maintain investment in their economy. They argued that benefit derived therefrom outweighed the foregone revenue.

More so, some of the EU members like Denmark, Sweden, and Finland resisted harmonization efforts in taxation. They are characterized as

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spokesman in Brussels, "The Commission talks about moving to majority voting only on issues of tax administration in Europe – but that is a slippery slope."); David Cay Johnson, Former I.R.S. Chiefs Back Tax Haven Crackdown, N.Y. TIMES, June 9, 2001, at C1 (following then-Treasury Secretary Paul O'Neill's rejection of the OECD project on the grounds that the U.S. does not support harmonization of tax systems, a "bipartisan group of tax commissioners suggested that Mr. O'Neill was misinformed about the purpose of the [tax competition] campaign," and that the "project explicitly rejects harmonizing tax codes," and that any effort to "unify tax rates would not work," given the variety of tax systems.).

[20] See, e.g., Yoram Margolioth, Tax Competition, Foreign Direct Investments & Growth: Using the Tax System to Promote Developing Country Growth, 23 VA TAX REV. 161 (2003) (exploring how developing countries might benefit from engaged in tax competition for real, direct investment).

"high-tax and high-welfare states."[21] Maintaining their social welfare systems is their priority as such considered efforts towards tax harmonization as a threat that would in the future force them to lower their tax rates. To this effect, where there is a step that is perceived to lead to surrender of tax sovereignty and control over tax decision making there would be a strong resistance.[22] The position of the Nordic members or states revealed that aligning with tax sovereignty does not necessarily need be a "cover" for tax competition strategies; it can embrace a broader set of concerns about regulating the system of taxation and expenditure in a state.

The OECD issued a guideline encouraging members to examine their domestic tax practice regime that are harmful, amongst all her members, the Switzerland and Luxembourg were only members that resisted and or abstained from it.[23] United States on her part had a shift in support of OECD Project Report in May 2001. This was due to the fact that US does not support efforts to dictate to any country what its own tax rates or tax systems should be, and will not participate in any initiative to harmonize world tax systems. The standard for what constituted cooperation with the project changed to consist of a commitment to improve transparency of

[21] Chuck Gnaedinger, EU Parliament President Discusses Tax Veto Under Draft Constitution, 30 *TAX NOTES INT'L* 1312, 1312 (2003) (quoting European Parliament President Cox).

[22] See, e.g., Julie Roin, Taxation without Coordination, 31 J. LEGAL STUD. 61 (2002) (considering the reluctance of states to harmonize on tax issues, and discussing the EU work on savings taxation).

[23] Both countries abstained from the report and provided written statements outlining their concerns, including those based on the information exchange proposals in the OECD plan. OECD 1998 REPORT ON HARMFUL TAX COMPETITION: AN EMERGING GLOBAL ISSUE 73-78.

the tax system and to exchange information. These measures were made to curb competitiveness like evasion.[24]

5.0. GLOBALIZATION

In the decentralized global realm of international tax, states' independence is often considered a stand-in for sovereignty, and thus presumed to fully protect and empower states in making their own tax decisions.[25] It is on the strength of the states' independence and sovereignty that it is insisted that no state should be forced to act without their consent by international organization. States are entitled to make their own independent choices and decisions without interference.[26] This standard has been jeopardized

[24] Diane Ring ibid

[25] See e.g., Benvenisti describing and criticizing the traditional view of states' sovereignty as the freedom to be left alone and suggesting that '[s]overeigns that seek to ensure the "freedom to" to their citizens need to engage proactively with foreign actors, public and private'; Eyal Benvenisti, 'The Future of Sovereignty: The Nation State in the Global Governance Space' in Sabino Cassese (ed), Research Handbook on Global Administrative Law (Edward Elgar 2017). For a review of literature describing the changing views on sovereignty in the context of international tax see Diane M Ring, 'What's at Stake in the Sovereignty Debate?: International Tax and the Nation-State' (2008) 49(1) *Virginia Journal of International Law* 155.

[26] See, however, Yariv Brauner, 'BEPS, Sovereignty, and the Future of the International Tax Regime' in Sergio Andre Rocha and Allison Christians (eds), Tax Sovereignty in the BEPS Era (Kluwer Law International 2017) (criticizing the use of sovereignty arguments in the international tax context). See also Ring, arguing that '[t]he evolving meaning of sovereignty, with its increased focus on the state's responsibility for its citizens, is reflected in international tax arguments for sovereignty. The close link between taxing powers and the ability of the state to fulfill its obligations to its citizens explains why states articulate sovereignty as a defense to certain international tax overtures'; Ring, 'What's at Stake in the Sovereignty Debate?: International Tax and the Nation State'. Finally, see Christians arguing for 'an emergent vision of sovereignty that entails positive obligations or duties of nations in exercising the power to tax what I refer to herein as a nation's "sovereign duty" to other nations under an implied social contract'; Allison Christians, 'Sovereignty, Taxation and Social Contract' (2009) 18 Minnesota Journal of International Law 99.

by almost inevitably putting sovereign states in competition with one another. Digital economy has also posed as a challenge towards tax sovereignty. Lack of nexus under current international rules has encouraged multinational enterprises to have significant digital presence in the economy of another country without being liable to tax.[27]

Beyond theory and in practice, though states are conferred with powers to make their own decisions yet it is not sufficient to accord them protection from the forces of the market of tax competition. Actually, this fact facilitates competition. However, competition has tendency of weakening states' substantive tax sovereignty. This could be achieved by compromising their ability to adhere to their duties under their social contract. The mobility of taxpayers and resources is what boost tax competition. For some taxpayers, taxes are seen as a willing price to pay for residing, investing, and conducting their business in an attractive state, as opposed to a civil obligation they should fulfill. Hence, tax rules and rates have become, to a large extent, the currency of inter-jurisdiction competition. With tax competition, states could offer packages of public goods, tax rules, and tax rates as they deem fit since they can independently make their decisions. This implies that, to a reasonable extent, states are subject to the rules of supply and demand of the market for residents. Competition, despite its many virtues[28], might undermine tax sovereignty.

[27]ML, Gomes, 'Tax Sovereignty in the BEPS' Inter tax (2018) Vol 46 Issues 2 Pp 167-169

[28] For a detailed account of the virtues of competition see Tsilly Dagan, International Tax Policy: Between Competition and Cooperation (Cambridge University Press 2018) ch 4 and references there.

Although sovereigns insist on preserving their formal exclusive authority in tax matters, [29]which is presumed to accord protection in their ability to reflect the collective will of their constituents free from outside pressure.[30] The formal exclusivity has very little to do with substantive tax sovereignty. Thus, tax policies and competition are shaped by the international market of the states rather than individual sovereign states. In competing for residents, investments, and tax revenues, states often need to adjust their tax policies in ways that do not necessarily coincide with the norms that legitimize states' coercive power[31].

6.0. CONCLUSION

This work has revealed that sovereign states are empowered to make tax decision of their choices. However, a right is said not to be absolute as such if there is no control to it, there would be anarchy. While international bodies are there to regulate tax system for the common good of all, it has been criticized on the ground that some of the policies were made to favour their members at the detriment of non -members. This study though agreed that there should be a level of control over a right especially on the fact that most multinational enterprises evade tax

[29] See e.g., Brauner, 'BEPS, Sovereignty, and the Future of the International Tax Regime'.

[30] See Koskenniemi: 'In such contexts, sovereignty expresses frustration and anger about the diminishing spaces of collective re-imagining, creation, and transformation of individual and group identities by what present themselves as the unavoidable necessities of a global modernity. Against those, sovereignty articulates the hope of experiencing the thrill of having one's life in one's own hands'; Koskenniemi, 'What Use for Sovereignty Today?' 70.

[31] Tsilly Dagan,' Substantive Tax Sovereignty Under Globalization' Tilburg Law Review Journal of International and European Law (2024) 29(3) pp. 1–9. DOI: https://doi. org/10.5334/tilr.399>https://tilburglawreview.com/articles/399/files/6746fd3617268.pdf >accessed on 6th Oct., 2025

payment through tax haven and profit shifting, it advocated that international bodies like OECD, EU should strike a balance in policy making. They should consider the fact that non- members are always affected adversary in their policy as such should give room for their participation even though they are not members.

This paper recommended that compliance towards the policy should be voluntary and not by any form of coercion whether indirectly or directly. In addition, this paper recommended that the best way to curb tax base erosion, tax haven, harmful and unfair tax competition is through transparent tax initiative wherein states will agree to have a consolidated account where profits are paid into which at agreed period the profits would be shared amongst states. This would impliedly lay to rest tax haven since single and or uniform tax system has been adopted and to ensure complete compliance, software that will monitor states' transactions and businesses should be developed to aid in the smooth running of these affairs.