Explorative Analysis of Effect of Tax Havens on Revenue Generation in Nigeria

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Abstract:
The study was conducted to examine the effect of tax havens on revenue generation in Nigeria. The explorative research design was adopted in the study and thus, data were not collected from both primary and secondary source. The researcher relied on evidence drawn from the various companies that have relocated from Nigeria to other jurisdiction for tax purpose. Literature was reviewed in relation to tax havens and revenue generation. From the findings, it was discovered that companies whose branches were scattered around Nigeria had relocated to other countries of the world. Companies that had relocated from Nigeria to Ghana included Dunlop Nigeria Plc, Michelin Nigeria Plc and Patterson Zochonis (PZ) Plc. These entities would have added to the economy growth and development of Nigeria from the income taxes paid. It had been observed that some of the quoted entities in Nigeria are planning to move some of their branches to other nations of the world. This will continue to affect the revenue stream of Nigeria negatively. It was concluded that tax havens had negative effect on revenue generation in Nigeria. It was recommended, from the findings, that government of Nigeria should put in place some mechanisms or policies that will discourage the effect of tax havens on revenue generation in the economy of Nigeria.

Keywords*: Tax haven, revenue generation, government, Nigeria, economic growth, economic development*

1. Introduction

There are many factors that affect revenue generation either positively or negatively in any country of the world. One of such factors is known as tax haven. Tax havens are countries, states or territories in which at national level a low tax rate is levied or where tax is exempted (Blanco and Rogers, 2011). The issue of how to raise adequate revenue by government called for examination of the effect of tax havens by researchers around the globe. Issues concerning tax haven have moved from minority interest to an issue of global concern. Both the industrialized and

developing nations are hurt by tax havens. According to (Macek, 2014), while most of the developing countries are poor and have a more significant demand consequently to secure most of their country tax base, the most part have weaker foundation and less open door for authorizing the regulation and laws adopted by them accordingly. As a result of this, tax system in many developing countries are less effective because of arrangements between developing nation and tax havens recurrently (Dharmapala and Hines, 2009). Moreover, impact of tax havens has made some developing nations fundamentally experienced similar events. Small nations having great political and ecological structure; that made tax havens to increase the huge amount of foreign reserve which in turn will help in their financial improvement with the proposition to charge lower tax so as to quicken their investment can be regarded as tax havens nations. According to Christensen (2011), it is reported that 0.8 per cent of the globe population is contributed by tax havens and at the same time records income of 2.3 per cent. However, there are number of other components, for example, bank secrecy laws, that are similarly more vital. The arguments for and against the existence of tax havens, as a hub for illicit financial flows and ultimately evasion of tax or otherwise, lingers on. Tax havens may be described as a harbour for tax avoidance which are deemed not illicit. However, financial secrecy provisions make it harder for tax authorities to obtain their fair share of taxes (Samuel and Tyokoso, 2014). This is then said to reduce the government revenue for developmental projects, which then impedes any effort to bridge inequality gaps and improve the standards of living in developing countries like Nigeria. The issue here is to understand how the existence of tax havens and low tax areas deprive developing governments of revenue to self-sustainability. Nigeria is one of the developing countries whose expenditure and responsibilities are growing at a very fastest rate (Chigbu, Akujuobi and Appah, 2012). The ability of the government to provide the needed facilities to the citizens or the masses requires adequate revenue generation. Tax haven is seen as a technique where taxpayers evades from paying taxes. Studies have been conducted to ascertain the effect of tax haven on tax revenue and they have concluded that tax haven affect revenue generation by government (Dharmapala and Hines, 2009; Al-taie, Flayyih, Talab and Hussein, 2017). How far has tax haven affected revenue generation in Nigeria? This is why the study is carried out. The objective of the study is to examine the effect of tax havens on revenue generation in Nigeria.

2. Review of Related Literature

2.1. Conceptual Review

2.1.1 Overview of Tax Haven

There is no definition agreed upon for tax haven. However, the term Tax Haven implies; self-promotion as an offshore centre generally (Obafemi, 2014). A tax haven is a state, country or territory where certain taxes are levied at a low rate or not at all. Individuals or corporate entities can find it attractive to establish shell subsidiaries or move themselves to areas with reduced or nil taxation levels relative to typical international taxation. This creates a situation of tax competition among governments (Adebisi and Gbegi, 2013). Different jurisdictions tend to be havens for different types of taxes, and for different categories of people or companies. States that are sovereign or self-governing under international law have theoretically unlimited powers to enact tax laws affecting their territories, unless limited by previous international treaties.

Small countries having the population nearly and usually below one million is one of the characteristics of tax haven (Nzotta, 2007). Moreover, tax havens are extremely well featured across the country with quality of governance measures that fuse measurements rule of law,

effectiveness of government, political stability, accountability, and for defilement control. Practically, there would be inadequate legislated tax havens. Dharmapala and Hines (2009) stated that, the inadequacy of the legislated nations where the world has a lot became Tax Haven. In addition to becoming tax haven over others is the possibility of returns over prominent, where international investment streams and the economic benefits that go as inseparable with are slanted with Tax Reduction in overall governed countries. The Tax declines over under-developing countries are the essential motivation behind better-governed nations (Macek, 2014). Particularly, tax havens are described as the nations that usually and unlikely to share information with different nations for the main reason of taxes, inadequate transparency. In another vein, application is more general and perhaps more generous in characterization of tax havens as tax havens are small and operate with great legislated nations of low tax rates Dharmapala and Hines (2009).

2.1.2 Causal Factors of Tax Havens

The organization for economic co-operation and development (OECD) identifies three key factors in considering whether a jurisdiction is a tax haven:

i. Nil or Only Nominal Taxes: Tax havens impose nil or only nominal taxes (generally or in special circumstances) and after themselves, or are perceived to after themselves, as a place to be used by non-residents to escape high taxes in their country of residence.

ii. Protection of Personal Financial Information: Tax havens typically have laws or administrative practices under which businesses and individuals can benefit from strict rules and other protections against scrutiny by foreign tax authorities. This prevents the transmittance of information about taxpayers who are benefiting from the law tax jurisdiction (Ogbonna and Appah, 2012).

iii. Lack of Transparency: A lack of transparency in the operation of the legislative, legal or administrative provisions is another factor used to identify tax havens. The OECD is concerned that laws should be applied openly and consistently (OECD, 2014), and that information needed by foreign tax authorities to determine a taxpayer's situation is available (Modugu and Omoye, 2014). Lack of transparency in one country can make it difficult, if not impossible, for other tax authorities to apply their laws effectively. Secret rulings negotiated tax rates, or other practices that fail to apply the law openly and consistently are examples of a lack of transparency. Limited regulatory supervision or a government's lack of legal access to financial records are contributing factors (Olabisi, 2010).

2.1.3 Classification of Tax Havens

Corporations, in order to achieve effective tax avoidance, use multiple types of tax havens.

i. Primary Tax Havens: The location where financial capital winds up. Subsidiary shell companies have obtained rights to collect profits from corporate Intellectual Property (IP) by transfers from their parents.

ii. Semi-Tax Havens: Location that produce goods for sale primarily outside of their territorial boundaries and have flexible regulations to encourage job growth. Such as free trade zones, territorial-only taxation, and similar inducements (Ibadin and Eiya, 2013).

iii. Conduit Tax Havens: Locations where income from sales, primarily made outside their boundaries, is collected, and then distributed.

2.1.4 Possible Determinants of Tax Havens

A country may use its tax jurisdiction to address the issue of tax competition from a tax haven in any of the following ways:

i. Reduces its tax rates for local and foreign investors without resulting to harmful competition.
ii. Granting relieves or improving the existing available relieves with the aim of reducing the tax base which tax will levied.
iii. Making policies that enhance the ease of tax administrative system and tax payment.
iv. Sign treaties and double taxation agreement with more countries.
v. Granting incentives, special credits, exemptions and deductions
vi. Supporting information sharing through exchange of information with competent authority of the other country.
vii. Reducing the level of tax charged in respect of certain types of income commodity or activity to the levels prevailing in other countries.

2.1.5 Advantages of Tax Havens

These include the following:

i. Personal residency since the early 20th century, wealthy individuals from high-tax jurisdictions have sought to relocate themselves in low-tax jurisdictions. In most countries in the world, residence is the primary basis of taxation. Almost no tax haven assesses any kind of capital gains tax, or inheritance tax. Individuals who are unable to return to a higher-tax country in which they used to reside for more than a fewer day a year are sometimes referred to as tax exiles.
ii. Corporate residency corporate persons, in contrast to natural persons, can own subsidiary corporations in many countries. That allows them to take advantage of the variety of laws, regulations, and conventions in multiple countries, without overtly engaging in any questionable activities. Only in extreme cases will they move their formal corporate headquarters.
iii. Asset holding: Asset holding involves utilizing an offshore trust or offshore company, or a trust owning a company. The company trust will be formed in one tax haven and will usually be administered and resident in another. The function is to hold assets, which may consist of a portfolio of investments under management, trading companies or groups, physical assets such as real estate or valuable chattels. The essence of such arrangements is that by changing the ownership of the assets into an entity which is not tax resident in the high-tax jurisdiction, they cease to be taxable in that jurisdiction.

2.1.6 Disadvantages of Tax Havens

These include the following:

i. Tax havens often result in the accumulation of idle cash which is expensive and inefficient for companies to repatriate.
ii. The tax shelter benefits result in a tax incidence disadvantaging the poor.
iii. Many tax havens are through to have connections to fraud, money laundering and terrorism.
iv. Tax haven supports and sustains harmful tax competition and tax evasion.
v. Activities in tax haven facilities practice of Base Erosion and Profit Shifting (BEPS).

2.1.7 Overview of Nigeria Tax System

The tax system in Nigeria is made up of tax policy and tax laws, stratified into tax assessment, tax collection and tax administration. According to the Fakile and Adegbie (2011), the principal objective of the Nigerian tax system is to contribute directly to public finance and governance through improved policy formulation, collection and appropriate utilization of tax revenue for the benefit of the Nigerians. Besides, the Nigerian tax system is expected to Fagbemi, Uadiale and Noah (2010), encourage economic growth and development, generate stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people, Provide economic stabilization, pursue fairness and distributive equity and Correction of market failure and imperfection. Prior to the Presidential National tax policy reform of 2008, about 40 different taxes and levies were in operation (in the informal and formal economic sectors) by all three levels of government, characterized by complexity, multiplicity, distortion and unjustifiable laws. This can lead to movement of resources from Nigeria to other jurisdictions where there is low or no tax policies.

2.1.8 Categorizations of Tax Havens

Tax havens are grouped into four main parts (Christensen, 2011) and they are:

i. Western Possessions: There is variation in the ultimate reason why nations may be named tax havens. Those nations frequently experience a kind of commercial musing and those type of government that have the ideology which should by all means have a huge cash deposit at their local bank while those governments begin a competitive tax race.

ii. Sovereign Nation: In order to attract foreign capital inflow into their economy, most capitalist nations reduce taxes in their countries and negotiation of tax rates (Almustapha and Hamza, 2016). The nations under this category hide the financial information from other countries and supranational agencies.

iii. Countries Control by Cartels: Those nations have a propensity to be used to siphon fund. However, the procedure through which this happens is exceptionally intricate and hard to standardize. These unique types of tax havens are obtained from currencies that are printed from non-official markets like: drugs, arms, other criminal activities in a simplified form; and instills that cash using the global financial system by the use of local deposits (Chigbu, Akujuobi and Appah, 2012).

iv. Emerging or Developing Economies: The tax havens are also seen as the economy benefitted from diverse rewards. While there are likewise helpful externalities for the entire population, the levies received have a tendency to be occupied by authority in the system of rents.

2.1.9 The Negative Impacts of the Tax Havens

The negative impacts of tax havens can be categorized into damaging tax competition, effects of secrecy, financial crisis, inadequate allocation of investment, illegal transfer pricing and more unequal division of tax income or revenues.

The effects are further clarified below:

i. Damaging Effects of Tax Haven: By offering mystery rules and invented domiciliary positions joined with zero tax regimes, tax havens have helped stimulating tax rivalry. Nevertheless, tax haven makes the national tax fainter.

ii. Insufficient Allocation of Investment: Tax havens will simply be changed by the investors' behaviour in order to build the differentiation between private returns and that of socio-economic. By providing them through the system of tax havens, the profitability of some investment in speculations would be updated.

iii. Effects of Secrecy: When tax havens become a through-pass area in which the investors' secrecy from the relevant tax administrations in their state of origin and from likely creditors is implied as confidential rules.

iv. Tax Havens and Financial Crisis: This is the new sorts of monetary mechanisms and derivative controls of the financial crisis in which money deposited are located in confidential authorities.

v. Illegal Transfer Pricing: This is the methods that are available for multinational Industries to move profits from the higher-tax nations to a lower-tax nation.

2.1.10 The Positive Effects of Tax Havens

Tax haven could have positive effect on economic growth in two nations: The nations that are not tax havens and those nations that are tax havens. These include:

i. Beneficial Tax Complex: There is tendency for political system to set the level of taxation excessively high. This conceptualized idea is derived from the prospect that elected legislators; they are not mainly worried to serve the needs of the voter, rather they have personal interest in raising the abnormal high stage taxes (Dalu, Maposa, Pabwaungana and Dalu, 2012). The tax havens discipline legislators have the goal and the idea that does not increase the taxes above normal levels and desirable for the voters by considering all things.

ii. Increased Investment in High-Tax Countries: In nations with high-tax, tax havens will help to contribute to increase in financial activity; in this way, they don't swarm out investment there. Tax havens can significantly help to influence the level of investment if the financiers can be able to move taxable incomes from a high-tax nation to a tax haven. This will make further striking for more investment and extend the effective return rate on investment in high-tax nations.

iii. Economic Development in the Tax Havens: These are institutional bodies which ensure for the manner of financial transactions that can be imperative and the wellbeing of investment. Dharmapala and Hines (2009) stated that tax havens are to be well organized while the oppositions are ready to take over capital practices essentially for institutional advantage and great governmental issues. The rivalry opposition over capital among tax havens enhances the developmental solutions since institutional excellence is a foremost element for economic development.

2.2 Theoretical Review

Numerous economic theories have been proposed to run an effective tax system according to its importance. Taxes are generally classified under different theories as stated in ability to pay theory, benefit received theory and socio-political theory.

2.2.1 Ability-to-Pay Theory: As the name indicates, it states that tax should be levied according to an individual's ability to pay. It also states that public expenditure should come from "him that hath" instead of "him that hath not". This principle is indeed the basis of progressive tax as the tax rate increases by the increase of the taxable amount and most equitable tax system and has been widely used in industrialized economics. The usual and most supported justification of ability to pay is on grounds of sacrifice (Ordu and Anele, 2015). The payment of taxes is viewed as a deprivation to the taxpayers because they often surrender money to the government which he would have used for his own personal use.

2.2.2 Benefits-Received Theory: This assumes an exchange or contractual relationship between the state and the taxpayers. Certain goods and services are provided by the state and the cost of such goods and services are contributed in the proportion of the received benefits, thus, the benefits received present the basis for distributing the tax burden in specific manner. This theory overlooks the possible use of tax policy for bringing about economic growth or stabilization. Chigbu, Akujuobi and Appah (2012) saw the cost of service theory as very similar to the benefits-received theory. The theory emphasis on semi commercial relationship between the state and the citizens to a greater extent. The implication according to Chigbu *et al*. (2012) was that the citizens are not entitled to any benefits from the state and if they do receive any, they must pay the cost thereof. In this theory, costs of services are scrupulously recovered unlike the benefit-received theory where a balanced budget is implied.

2.2.3 Socio-Political Theory of Taxation: Ogbonna and Appah (2012) affirmed this reasoning justifies the imposition of taxes for financing state activities and for the provision of a basis for apportioning the tax burden between members of the society. They see the theory that advocates for a tax system which is not designed to serve individuals but one that cures the ills of the society as a whole. The society is made up of individuals but is more than the sum total of its individual members; consequently, the tax system should be directed towards the health of the society as a whole, since individuals are integral part of the broader society (Chigbu *et al.*, 2012).

This study adopted the ability-to-pay theory of taxation stated and as explained above. This is because of the fact that it is more related to prevention of effect of tax havens in an economy like Nigeria. This is to say that movement of economic resources by individuals and corporate entities in Nigeria to other countries or jurisdictions with low or no tax policies can be reduced if the tax policies of Nigeria is favourable to them as to the amount that are payable as taxes. This support the argument by Akujuobi and Appah (2012) who stated that one factor that encourages compliance in payment of taxes is when the government of any country imposes taxes on individuals and corporate entities based on their ability to pay and not the one that will reduce the income of individuals and corporate entities to almost zero.

2.3 Empirical Review

Related studies conducted both locally and internationally were reviewed to ascertain the gap that necessitated the conduct of the present study. Few of the previous studies were reviewed:

Dharmapala and Hines (2009) conducted on Which Countries Become Tax Havens*?* From the analysis of the study, they concluded that most of the developing countries in world are tax havens.

Blanco and Rogers (2011) carried out a study on competition between tax havens: Does Proximity Matter? They concluded that competition between countries brings about tax haven.

Afuberoh and Okoye (2014) investigated the impact of taxation on revenue generation in Nigeria by using regression analysis. The results showed that taxation had a significant effect to revenue generation and taxation has a significant effect on Nigeria GDP.

Ilaboya and Ofiafoh (2014) on their study of tax ratio and output volatility in Nigeria sand significant show that tax ratio has a positive and significant effect on output volatility and they suggest to increase Nigeria taxes to improve the tax to GDP ratio.

Samuel and Tyokoso (2014) conducted a study on taxation and revenue generation: An empirical investigation of selected states in Nigeria. The study aimed at the assessment of taxation on revenue generation in Nigeria, attention is given to FCT and some selected states. The study also aimed at highlighting the concept and nature of taxation, objectives of taxation, classification of taxes, Nigeria's major taxes and other issues that relate to taxation. In achieving the objective of the study, the researcher adopted primary and secondary sources of data to present and analyse the information for the study. The testing of hypotheses was done using regression analysis via SPSS version 17.0. The research discovered among others that, taxation has a significant contribution on revenue generation, taxation has a significant contribution on Gross Domestic Product (GDP) and tax evasion and tax avoidance have a significant effect on revenue generation in Nigeria. The researchers recommended among others that well equipped database on tax payers should be established by the Federal, State and Local Governments with the aim of identifying all possible sources of income of tax payers for tax purpose, the tax collection processes most be free from corruption and embezzlement and stringent penalties should be meted by the federal, state and local governments to people who evade and avoid tax payments in order to discourage tax evasion and tax avoidance. Ordu and Anele (2015) examined the problem of using tax havens to maximize after tax profits: A study of multinationals (MNCs) in Nigeria. The main objective of the study was to analyse the problem of Tax havens used by multinationals in Nigeria to maximize their Net profit and its effect on economy, The study also drew from examples of the study in the US economy as most multinationals based in Nigeria are either from US or Europe as well as Asia – how they use Tax havens – other nations with loose law on taxation, do profit repatriation and ultimately reduce the tax payable to Nigerian Nation. Explorative design was adopted in the study. From the literature reviewed, it was discovered that tax havens had a negative implication on revenue generation of nations of the world. Olaniyi (2016) carried out a study on comparative analysis of tax haven, tax evasion and tax avoidance on tax revenue in Kwara state, Nigeria. Tax haven, tax evasion and tax avoidance practices are problems bedevilling the Nigerian tax system and revenue generation for some years now and it seems to have defied various forms of solutions. While some had blamed the situation on tax authorities for failing to live up to expectation as regards tax administration, others associated it to the unpatriotic attitude of taxpayers. The study examined the effect of tax haven, tax evasion and tax avoidance in Nigeria, it specifically examined individual effect of tax haven, tax evasion and avoidance on tax revenue on a comparative basis in Nigeria. Survey research design was adopted, and fifty-five (55) copies of

questionnaire were administered to collect primary data for the study. Descriptive statistics and inferential statistics (regression analysis, ANOVA and Chi-square) were used in analysing the data. The study revealed that tax haven, tax evasion and tax avoidance greatly hinder tax revenue generation in Nigeria with tax haven contributing the greatest hindrance. Tax rate was also found to be a key factor determining the level of tax avoidance, tax evasion and shifting income to tax haven in the country. The study concluded that tax revenue is greatly reduced by all the independent variables, tax haven more devastating effect on revenue reduction while tax revenues were not judiciously used in the provision of social amenities to the benefit of taxpayers. The study recommended amongst others that government should efficiently utilize the tax revenue in the provision of public goods, and encourage tax payers through enlightenment and tax incentives to reduce the incidence of tax avoidance, tax evasion, and shifting of income to tax havens outside the country. Al-taie *et al*. (2017) empirically examined the role of tax havens in the tax revenue development and its reflection on the public revenues of the developing countries: An empirical study in Iraq (2004-2014). The aim of the study was to investigate the role of tax haven on tax revenue development and its reflection on public revenue in Iraq between 2004 and 2014. A review of tax haven literature revealed that there are different types of tax havens, categorizations, characteristics, effects of tax havens, socio-economic consequence and reaction to tax haven that requires analysis. An empirical analysis was done in the public revenue of Iraq from the period of 2004 to 2014. Descriptive statistics and evidentiary were employed as the analysis techniques. It was revealed that the importance of structure analysis of public revenues is connected with tax haven because the basic foundation for the State budget. Also, the growth rates of tax revenue for the period beyond the year 2003 which saw the Iraq regime change and more open to the world and draws from a socialist economy to a market economy, as well as the effect of the tax was havens with the direct tax income withholding tax, as well as the impact of tax revenue in the Public State revenues. With the analytical nature of the study reported in the study, there is still an opportunity for further work on larger populations to confirm the generalizability of the findings.

Karikari (2017) investigated the implications of tax havens on government revenue. The contribution of government expenditure to the level of economic growth cannot be underestimated. Unfortunately, resources for the governmental expenditure, though limited, find their way out of the coffers. The study tried to elaborate on the adverse effect of the existence of tax havens on government expenditure that seek to promote economic growth in developing countries. Literature indicated that high tax rates are a fundamental reason for the proliferation of government developmental funds-taxes, being syphoned to tax havens. Corrupt officials in government are also deemed to aid the intended government tax in reaching tax havens. In the end, international integration of tax bodies within governments and economies may lead to the strengthening of tax laws and downward review of tax rates can make tax obligations conducive and compelling, for economic growth.Folayan and Adeniyi (2018) conducted a study on the effects of tax evasion on government revenue generation in Oyo state, Nigeria. The study was designed to identify the effects of tax evasion on government revenue generation in Oyo State. A structured questionnaire was used to collect data from a sample of one hundred and sixty-five (165) respondents who were randomly selected across the state while secondary data were gathered from National Bureau of Statistics (NBS), Office of Budget and Economic Planning, and Internal Revenue Office using data from 2011 to 2016. Data collected were analysed using descriptive and inferential statistics tools with the aid of Statistical Package for Social Science SPSS, window 23. The findings showed that, the amount of Internally Generated Revenue (IGR)

between 2011 and 2016 did not meet the estimates revenue as it was expected. The results also revealed that, the tax evasion has adverse effect on government revenue generation in Oyo state which typically results in revenue loss. The implications of these results may cause inevitable distraction to the potential performance of government in the public sector; therefore, threatening its competence to finance public expenditure and undermining legitimacy of government due to non-compliance to pay tax become significant to substantial budget deficit. It was therefore, recommended by the researchers that, the government should embark on massive public enlightenment campaign and adequate utilization of tax revenues on public goods to discourage tax evasion and reduction in tax rate.

From the empirical work reviewed, much studies have not been conducted in this area as regards to tax havens and its effects on revenue generation in Nigeria. This study will add to the literature specifically, by describing the effect of tax havens on revenue generation in Nigeria.

3. Methodology

Explorative research design was employed in the study because data were not collected from both primary and secondary sources. However, the researcher of this study relied on evidence of previous studies conducted as well as the reality of relocation of companies from Nigeria.

4. Discussion

As stated earlier, the findings of this study was anchored on the realities observed in the economic environment of Nigeria where companies that are supposed to contribute to economy growth and development of Nigeria from revenue derived through taxation have been relocated to other countries and presently, some quoted companies in Nigeria whose branches were scattered around the state of the federation are planning to relocate most of their branches to other countries in the world. Dunlop Nigeria Plc and Michelin Plc had relocated to Ghana for some years now. Patterson Zochonis (PZ) had also relocated to Ghana. These companies that have relocated to Ghana for some years now was caused by the following reasons encountered in the economic environment of Nigeria. These factors include high cost of raw materials, political instability, low tax incentives for infant company and high cost of living. These factors are recognized as macroeconomic issues that could force an entity to leave a country and relocate to a country where these factors are less severe to the operations of companies (Macek, 2014). Every entity wishes to locate his business operations where raw materials could be accessible at lowest cost. this is because an entity the produce a new product that taking raw material to process cannot exist on its own and in an environment where the required raw materials are on the high side in terms of cost. When there is political instability in a country, companies are often affected in terms of the operation (Folayan and Adeniyi, 2018). This is because a particular government or regime could bring in different policies and adopted by companies for some years and after the regime, same policy is changed without due consideration of the effect on their adoption of new policies by the firms. Usually, it takes any existing entity some time to adopt a new policy stated by particular regime of government in a country. Some companies are usually affected to the point of shutting down their operations as a result of promulgation of new policies. This is because some policies usually affect the operations of companies negatively to the point of shutting down their companies.

When the operations of companies are shut down in a particular country as a result of new policies brought by new regime of government, tax havens could set in where these entities might relocate to other nation with less severe policies on the operation. Thus, political instability is a

major factor usually considered when setting up a company in a particular region. Low tax incentives usually affect the operations of entities especially the infant companies. in a country where tax laws do not encourage infant companies to spring up, tax haven is the next alternative (Christensen, 2011). Tax incentive is very important to the operation of companies so as to allow an entity to attain its maturity stage. So, relocation of Dunlop Nigeria Plc, Michelin Plc and Patterson Zochonis to Ghana could be attributed to the fact that there are low tax incentives in Nigeria. From these reasons, it could be stated that tax havens is the sole cause of relocation of these entities that should have contributed in one way or the other to the economic growth and development in Nigeria through income tax payable. High cost of living is one of the factors that causes entities to relocate from a particular country. This is because the pressure of high cost of living is usually felt by managers of companies in terms of the amount of remunerations to pay to their employees. In a high cost of living environment, the amount offered by entities to employees averagely are inadequate and this usually affect the productivity of companies in terms of the number of employees to engage. In Nigeria, between 2015 to 2021, the cost living is on the high side. The relocation of these entities could be attributed to the fact that high cost of living is a continuous phenomenon. The arguments surrounding the effects of the existence of tax havens are ongoing and gaining international recognition. Nevertheless, these effects are being felt adversely or otherwise by most developing countries. Some have argued and maintained the stance that tax havens are in existence to foster beneficial tax competitiveness among countries. This argument stems from the notion that the use of tax havens signal to governments about their tax levels, which when high, should be reduced to retain investments in the country. This is because other countries would lose part of their tax base to the tax havens if they set tax levels too high.
From the reasons stated, the relocation of these entities from the economy of Nigeria had a negative implication on revenue generation in Nigeria and thus, infrastructural facilities that could have been achieved are not attained because of inadequate revenue generated in the economy. This is why the debt profile in the economy of Nigeria is growing higher every year for the fact that the present government is acquiring more debts, both domestic and external, to finance infrastructural facilities (Ordu and Anele, 2015). From the quoted annual reports of selected companies in Nigeria, it has been observed by the researcher that some branches of these entities that scattered around the state of federation in Nigeria had been relocated to other countries between 2015 to 2020. Inclusion of these entities are Cadbury Nigeria Plc, Unilever Nigeria Plc, Cutix Nigeria Plc, Guinness Nigeria Plc and vita foam Nigeria Plc. One could argue that the movement of these entities to other localities is to occupy international market and increase their market shares. But however, other conditions are paramount such as relieving their tax burden which is regarded as tax haven. The study was in line with the study of Karikari (2017) who investigated the implications of tax havens on government revenue. The contribution of government expenditure to the level of economic growth cannot be underestimated. The study was in line with the study of Folayan and Adeniyi (2018) who conducted a study on the effects of tax evasion on government revenue generation in Oyo state, Nigeria.

5. Conclusion and Recommendations

The study was conducted to examine the effect of tax havens on revenue generation in Nigeria. The researcher used descriptive statistics to establish this effect. From the findings, it was concluded that tax havens had negative effect on revenue generation in Nigeria. However, the following recommendations were made from the findings:

i. Government of Nigeria should put in place some mechanisms or policies that will discourage the effect of tax havens on revenue generation in the economy of Nigeria.
ii. Nigeria should be part and parcel of the global exchange of information for tax transparency in order to reduce the negative effect of tax havens on revenue generation in the country.
iii. Government of Nigeria should create enabling environment for quoted companies in Nigeria to thrive through their policies including taxation and to encourage investors into the economy.

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