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Comparative Analysis of Tax Harmonization in Economic Community of West African States, African Union and European Union

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Comparative Analysis of Tax Harmonization in Economic Community of West African States (ECOWAS), African Union (AU) and European Union (EU)

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Abstract
This paper is to investigate a comparative analysis of tax harmonization in ECOWAS, AU and the EU. It examines the key issues in the tax harmonization efforts across these regional blocs. It highlights the components of tax harmonization carried out so far in the ECOWAS and the driving factors of tax harmonization in the EU, including the success attained so far in some of the regional blocs in Africa, as well as the constraints to tax harmonization efforts, particularly within the context of a broader regional context like the AU. It goes further discussing the prospect for result-oriented tax harmonization in the ECOWAS and AU, against the backdrop of the success achieved in the EU as a model. The paper recommends good governance, efficient tax harmonization treaties and protocols, political will to implement and institutional reforms to enable the coordination and harmonization of tax in order to foster a more prosperous business, trade and investment environment in the ECOWAS and AU.

Keywords: Tax harmonization, Non-cooperative tax regimes, tax legislation

Introduction

Tax harmonization is the process of fine-tuning tax systems across various jurisdictions/countries in search of common policy objective. It is the removal of tax distortions in order to encourage business, trade and investment (IMF, 2015b). Harmonization of tax refers to an equalization of tax bases and/or tax rates across various jurisdictions/countries in a regional setting for the purpose of expanding business, finance, trade and investment. It is usually hinged on the need to bring about better and improved efficient allocation of resources, through the implementation of harmonized tax structures and policies. The overriding aim for tax harmonization is to attain synchronicity and convergence in tax issues in order to promote regional business, trade and investment. The widely putative argument for harmonization is in terms of convergence in the definition of product value or income for tax purposes (Pirvu, 2011; Bénassy-Quéré, 2014; Florin, 2016).

Tax base harmonization, for instance has the capacity to encourage transparency and better financial and economic decision-making, and improved efficiency in resource allocation. At the sub-regional ECOWAS level, tax harmonization has achieved some measures of success, particularly in the French-speaking West African Economic and Monetary Union (WAEMU) countries, where there have been long history of the

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effort of tax coordination and harmonization as far back as 1994. The process has been a progressive decades of coordination and harmonization process and efforts, patterned after the European model. For the ECOWAS English-speaking countries, a move geared towards the coordination and harmonization of tax, through recourse to WAEMU countries experience. This is in addition to the objective of tax revenue mobilization, creation of a better investment climate in the region, as well as tackling injurious tax competition, specifically, with respect to taxes on indirect consumption, following the ECOWAS Ministerial Council Meeting in Abuja in 2017 (Quak, 2018). However, at the African union (AU) regional level, tax harmonization is yet to take a full and holistic course, due perceptibly to institutional and legal constraints and the binding unanimity to embark on such move (Ozekhome & Oaikhenan, 2019).

In the European Union (EU) for instance, tax harmonization grew considerably with attempts to foster greater regional trade and investment. The European model to tax harmonization offers a discernable example, involving a multi-decade process that began with policy harmonization with respect to trade, followed by harmonization of standards and creation of institutional and legal structures, as well as a long period of policy coordination. For the ECOWAS and AU, this archetypical may not immediately work, given the existence of heterogeneous conditions, arising from individual country fiscal peculiarities, as disparate to those that existed when Europe embarked on its grand enterprise. The focus should, however be to implement the optimal policy that will fast track policy harmonization. Apart from creating a hostile trade, business and investment environment in the ECOWAS and AU region, tax regime conflict obstructs trade, business and investment growth, in addition, tax competition or tax war increases the transaction cost of business, trade and investment.

Research Problem

Largely, one of the most important challenges facing regional tax harmonization is tax competition and the inability by individual countries' government to implement the needed policies and strategies aimed at regional tax harmonization (Quak, 2018). For the fact that business, trade and investment at the regional level are significantly influenced by tax, the importance of converging tax systems, structures and policies become imperative. For instance, intra-regional business and trade and investment depends largely on international taxes in the form of tariff, advalorem taxes, custom clearance charges and other boarder payments and charges. As a result, efforts to harmonize the tax system would invariably promote business, trade and investment. In a globalized world characterized by increased capital mobility, trade and

investment, a well-designed and administered tax system can have a strong impact on growth and regional integration. In fact, greater regional cooperation in terms of trade and investment is facilitated by less complicated, competitive and multifarious tax that are synchronized for mutual benefits (IMF, 2016).

Non-cooperative tax regimes (tax competition) also creates uncertainty that tend to deter financial transactions and results to regional asymmetries (Quak, 2018). While some studies have examined the effect of individual tax reform on business, trade and investment, there is scarcity of literature on comparison of tax review efforts at the ECOWAS, AU and EU. This study is therefore relevant for promoting regional integration and cooperation through the harmonization of common tax structures.

Research Objectives

To this end, the core objective of this study is to carry out a comparative analysis of tax harmonization efforts in ECOWAS, AU and the EU. Such comparison has important policy implications for tax harmonization geared towards promoting regional business, trade and investment promotion, particularly, as it will enable ECOWAS and AU draw important lessons from the EU tax harmonization success story/model.

Literature Review

Theoretical Framework

The theoretical literature on tax coordination, following Oates (2001) and Zodrow (2003) focused majorly on the welfare-enhancing effects of tax coordination as compared to competition. The literature that originated from the ground-breaking works of Zodrow and Mieszkowski (1986), is hinged on the argument that tax competition is detrimental, as it leads to a "race to the bottom" of tax rates and threatens the financing base of the welfare state. Thus, a coordinated approach to tax is welfare-enhancing. Zodrow (2003) opined that the standard tax competition model suggests the need for the harmonization of tax rate in a union. Brennan and Buchanan (1980), argue the positive welfare- improving capacity of tax harmonization on the ground that competition counteracts the tendency to overspend (Edwards & Keen, 1996, cited in (Osterloh & Heinemann, 2013).

Empirical Review

On issues of tax harmonization, Letete (2012), IBFD (2013), World Bank (2013), Mansour, and Rota-Graziosi (2013) finds regional efficiency effects. Others are Banderlipe (2015) that investigates taxation

coordination policy in ASEAN Regime, the Economic Commission for Africa (2015), which carried out an assessment of regional tax in the ECOWAS and the International Monetary Fund (2015b) that examined the effect of effective and efficient use of tax harmonization and incentives for investment in Central American countries.

Nnyanzi Babyenda and Bbale (2016) finds strong connection between regional integration and harmonization of tax in the East African Community. Bossuyt (2016) examines the political and fiscal dimension of policy harmonization. Diakité et al. (2017), Azuka (2017), Manriho and Mutava (2017), Velayos (2017), Clausing (2018) are other studies that have carried out a review of tax harmonization. The United Nations Conference on Trade and Development (UNCTAD) (2018) examines the impact of the institutional development of non-tariff measures in the ECOWAS sub-region. The study finds that regulatory fiscal frameworks lead to faster harmonization. Speedier harmonization of regulatory frameworks that limit proliferation of procedural obstacles serve as a catalyst for reform process. In addition, the harmonization of regulatory activities is significant for uniform and efficient policy harmonization through the political negotiation, functioning reporting mechanisms, regulatory convergence, international standards and capacity building.

On studies that found negative effect of tax harmonization in empirical debate, Simms and Simms (2017) finds that member states in an economic bloc are only willing to relinquish some of their economic, political, fiscal and tax autonomy in favour of economic integration when beneficial prospects are higher. Other studies that found harmful effect of tax harmonization are Boss (2016), and Gastaldi, Liberati and Sciala (2015). The study by Gastaldi, Liberia and Sciala (2015) finds that tax harmonization engenders tax erosion and loss of fiscal decentralization. According to these studies on the opposite side of the debate, the harmonization of tax breeds inefficiencies, regional weakness and concentration.

Baldwin and Krugman (2004\ examine the nexus between agglomeration, integration and tax harmonization. Based on the contemplations that agglomerations reverses the standard theoretical propositions in international tax competition, they find that greater economic integration lead to a ‘race to the top’ instead of a race to the bottom. In addition, split the difference’ tax harmonization could be injurious, a consequence that explains why actual tax harmonization is uncommon. Invariably, industrial concentration produces ‘agglomeration rent.’ A higher tax rate can be generated by the core’ region’

without losing capital, with the rent having a bell-shaped function of the degree of integration, making tax gap to widen first before contracting as integration intensifies

Hageman and Schmitt (2014) examine the institutional and political antecedents of inter-jurisdictional tax harmonization in terms of the lessons based on three states within the US. They show that the prevailing sales and use tax (SUT) system was riddled with complexity, partly due to lack of coordination between jurisdiction. Specifically, the study utilized an in-depth qualitative analysis of three states to investigate the institutional and political influences on a state's decision to implement legislation conforming to the provisions of inter-jurisdictional tax agreement (i.e. tax harmonization), in addition to the political strategies and tactics adopted by supporting and opposing interest groups based. Anchoring on the interest group as well as institutional theories, the results of the case study show that strong institutional settings, as well as normative pressures play significant roles in inter-jurisdictional tax policy changes, with important implications for the adoption of consolidated tax base across member states, tax agreement and potential tax harmonization efforts by the European Union.

Wasserfallen (2014) adopts a political economy framework to analyze the factors that led to the initial rejection of tax harmonization proposals in the intergovernmental conferences in EU, particularly from low-tax capacity countries, based on the Maastricht, following the limited transfer of tax authority to the EU. He finds that the resistance against the harmonization of tax emanated mainly from low-tax countries on account of the accession of the central and eastern European countries (i.e. failure of political and fiscal integration), which starkly decreased tax harmonization policy prospect. The study shows that tax heterogeneity as well as the enlargements have negative effects on tax integration. In view of the empirical findings, the study concludes that the creation of the monetary union led to the restructuring of the politics of tax Europeanization and fiscal integration.

Tax Harmonization in the EU

Consistent with the willingness to create a well-functioning single market, the EU agreed on harmonized rules in the area of indirect taxation. Furthermore, by the end of 1991, agreement was reached in Maastrciht on the Economic and Monetary Union (EMU) Amendments to harmonized tax. In 1990, the Parent-subsidiary tackled the issue of double taxation of repatriated profits by a mother company to its subsidiaries. From a conceptual, legal and rational perspective, tax harmonization in the EU is hinged on adjustment of

national fiscal policies necessary for the effective functioning a single market (Pirivu, 2018). It is therefore a prerequisite for the creation and effective functioning of a single market. However, the Single European Act of 1987 constitutes, perhaps the most significant step and initiative towards the harmonization of tax and removal of fiscal barriers (border controls, including double tariffs).

In the EU, the tax system rapprochement (harmonization) involved in the integration association, which was predicated on enlarging business, trade and investment prospect. This was hinged on the notion that integration of markets is impeded by tax rate differentials, particularly, the VAT and excise taxes since tax competition is harmful. In July 1996, the EU Commission published a proposal for a new VAT framework. The main elements include; the formal abolition of the destination principle; the introduction of a clearing mechanism that sought to compensate countries losing tax revenue due because of the new switch, and a smoothing of the VAT rate differentials that existed in the EU. The EU has also seen the harmonization of corporate income tax, capital income and interest income to encourage capital mobility (Boss, 2016).

The harmonization/cooperation of tax in the EU seeks to reduce distortions such as high compliance costs, tax planning and funding distortions, as they constitute impediments to a smooth functioning of the single market. In addition, an important issue of tax harmonization/cooperation in corporate taxation in the EU was to shift a collection of 'small' countries in the grip of fiscal competition into one 'big' player, which has the capacity to stimulate the flexibility of tax policy. In addition, the absence of a harmonized tax regime, the European banking union incomplete. For instance, a harmonized tax regime on all specific taxes as regard systemic banks covered by the Single Supervisory Mechanism (SSM) were transferred to the central level and merged into a financial activity tax (FAT). The FAT has the capacity to fastrack the building of a credible fiscal backstop. This step would also move banks in the area of taxation to the European level corresponding to a single and holistic supervision (Benassy-Quere et al., 2014). The success of the harmonization of tax (domestic commodity tax), particularly export and import duties in the EU led to a rise in the total level of trade in goods (exports and imports) from an initial level of EUR 1,526 billion to EUR 3,646 billion, excluding intra-EU trade, which stood at EUR 423billion, as at 2020 (EU Trade Commission, 2021).

Bettendorf et al, (2010) explores the economic consequences of EU reforms for a common consolidated corporate tax base. The reforms replace separate accounting with formula apportionment as a way to

allocate corporate tax bases across countries. To assess the economic implications, a numerical computable general equilibrium (CGE) model was used for Europe that encompassed several decisions margins of firms, such as marginal investment, FDI decisions and multi-national profit shifting. The simulation suggest that consolidation does not yield substantial welfare gains for Europe. The variation of effects across countries is large and depends on the choice of apportionment formula. Consolidation with formula apportionment does not weaken incentives for tax competition.

Tax competition, instead, offers a rationale for rate harmonization, in addition to base harmonization. Although member states have, in principle, he freedom to set their rules regarding national tax systems, this freedom is conditioned by observance of priority objectives of the founding treaties. The harmonization of tax in the EU is hinged on promoting larger single market, encouraging unfettered regional trade business and investment. The individual member countries are thus enjoined through the policy of harmonization, to avoid discriminatory tax measures (which can lead to disadvantageous treatment of people, goods, services or capital from other member states). In the EU, harmonization of tax was made possible through the following structures (mechanisms): Institutional reforms that brought about sound institutional quality and legal basis to ratify and implement agreement and protocols; Fiscal policy coordination, Existence of homogenous states and comparable level of structural transformation, Action of the European Court of Justice, which prohibited certain national tax rules that violate EU rules and Government effectiveness, willingness and the will-power to implement binding agreements.

Overall, institutional reforms aided tax harmonization in the EU, just as the harmonization of tax necessitated several institutional reforms in both trade and fiscal environment (Wasserfallen, 2014).

Tax Harmonization in ECOWAS

Differences exist in tax harmonization in the ECOWAS due to imposing limitation in the execution of powers and regional institutional resources (Mansour & Rota-Graziosi, 2013). While the West African Economic and Monetary Union (WAEMU), which consist of the French-speaking ECOWAS countries has had a long history of tax harmonization, the English speaking countries of ECOWAS in the region have had less history of explicit tax policy coordination and harmonization. In current years, however, there have been shifts of policy in efforts towards tax harmonization, following the success achieved by WAEMU countries and Europe. The aim is to create unfettered and better trade and investment environment in the

region, mobilize tax revenue and deal with the challenges of harmful tax competition in certain indirect consumption tax. In the case of the French-speaking ECOWAS member countries, over than 80% of tax in member countries' tax (with the inclusion of revenues from tariffs) emanate from taxes, which are subject to regional policy directives or regulations. The WAEMU Treaty was signed by member states in August, 1994, following the CFA devaluation. The creation of customs union through a common external tariff was finalized in 2000. In the year 2009, a set of policy harmonization directives pertaining to capital income taxation was concluded.

The WAEMU Treaty goes farther than the EU as regard tax policy; including the setting of the tax rates and bases coordination aimed at the main taxes by means of regional directives and policy harmonization. For instance, through policy convergence and synchronization, it directs the convergence of the ratio of tax revenue to GDP to be at least 17%, including tax revenue structures convergence (Mansour & Rota-Graziosi, 2013).

Harmonization of Indirect Taxation in ECOWAS

Trade Duties

As a far-reaching step towards the harmonization of international tax, the WAEMU member countries of ECOWAS in 2000, agreed to common external tariff (CET) in four rates- social goods, 0%; primary goods, 5%; capital and intermediate goods, 10% and final consumption goods, 20%. Beginning from January, 2015, the CET of the 15 ECOWAS member countries, which the West African Economic and Monetary Union (WAEMU) is part of, became operative, thus, liberalizing trade in the ECOWAS and invalidating the common legislation on the CET of the WAEMU countries. The intent was to engender increased regional trade market. The framework in use in ECOWAS is similar to that of the WAEMU as it pertains to an expansion of the CET framework, in the same four tariff classifications. For the fact that the member countries of WAEMU have intra-regional trade that is limited within the members of the non-WAEMU ECOWAS, the impact on tax revenue has been limited.

The Value-Added Tax (VAT) Harmonization

The value added tax (VAT) harmonization began in 1998. A key objective for the introduction of the directive of VAT was to render assistance to countries in compensating the loss of revenue caused by tariff

rates minimization on trade. The coordination framework has allowed some convergence of countries' tax systems (notably, statutory tax rates) which have contributed to the performance of positive revenue. The harmonization covered the following items (bottled and powder milk, wheat and other grains; all types of pasta, sugar, rice, flour, agricultural equipment (which include rental and maintenance services); computers; food for livestock and poultry; tourism-related services, including restaurants and solar energy equipment, education services, health services and medications; newspapers, books, banking, magazines, and other periodicals; insurance and re-insurance services.

For instance, a single positive tax rate was introduced which stipulated that member states can set between 15 and 20%; to be expanded with the introduction of a lower positive value added tax rate in the year 2009 between 5 and 10%. The harmonization framework also established registration threshold for value added tax for all member states, with the upper limit for the registration threshold was raised for both goods and services. The ECOWAS countries has a VAT coordination framework, but there is no common legislation in place to institutionalize it. Therefore, member states have a variation of value added tax from Nigeria (7.5%) to Liberia (10%) to Togo (18%). The Economic Community of West African States member states are working on the harmonization of the exemptions of VAT on the items of basic food in their raw states, pharmaceutical products and medicaments to ensure the treatment of all economic operators are equal in the community.

Excise Taxes Harmonization

Excise tax harmonization began in the French-speaking WAEMU countries of ECOWAS in 1998, with the aim of harmonizing specific taxes in order to ensure greater transparency and creating a business, trade and investment friendly environment. Three policy amendments were made. They include minimum and maximum rates on tobacco and alcohol, which were raised by 5% (to enable alcoholic beverages to have an excise tax that hovers around 15 - 50%; tobacco products was to hover around 15 - 45% after the year 2009); and five substances were included to the optional list; and member states were limited only to excise taxes for six items from the optional list. The key argument for harmonizing excise taxes in a common market with fiscal borders is to considerably reduce intra-community cross-border smuggling and shopping (Mansour & Rota-Graziosi, 2013, cited in Quak, 2018).

In 2001, another attempt at policy harmonization in excise tax as well as other taxes on petroleum products (such as premium fuel, aviation gasoline, butane, kerosene, regular gasoline, fuel oil, and gas oil) was launched. It was hinged on the need to harmonize prices, guarantee greater level of transparency and create a business-friendly environment. The fundamental aim, according to Diakité et al., (2017) was to eliminate subsidies, which had overbearing impact on member states' fiscal performance as well as the consolidation of a plethora of specific taxes. ECOWAS is on the process of harmonizing excise duties on unhealthy products like tobacco that geared towards increasing revenue and reducing the consumption of these various products in the sub-region. The ECOWAS Financial Council of Ministers meeting in Abuja, November 2017 brought this as part of her decisions. The draft directive to harmonize excise duties in line with international best practices is on.

Corporate Income Tax Harmonization

Corporate income tax harmonization (CIH) in the French-Speaking ECOWAS covers two aspects: Common corporate tax base and specification of the range for a single rate of (25% and 30%). Tax harmonization of tax rates as well as tax base has been fully applied across the countries of the WAEMU. Consequent upon this, a holding corporate firm regime was introduced in the year 2011 that exempted company income tax from the holding company's profits and their various dividends distribution (beginning from the level of individual tax, as well as capital gains tax realized from the sales of their shares). The regulation became necessary to provide and ensure stability in the tax regime, both for taxes that are collected at the national level (insuring against rising taxes but enabling reductions of taxpayers benefit), including the royalty fixed regionally. The key provision for incentives are accelerated depreciation as well as tax holiday of three-year from profit and payroll taxes. Fundamental to tax base competition are the flexibility in setting the rules of tax depreciation; and transfer pricing flexibility and thin capitalization rules designs. While the WAEMU countries has made significant progress in the harmonization of the tax rates and tax base, the focus of ECOWAS countries' is on indirect coordination and harmonization of tax rates and is yet to make significant progress on direct taxation. Although, the initiative was articulated at the ECOWAS Ministerial Council Meetings in 2018.

Tax Harmonization in African Union (AU)

The African Union (AU) is continental union made up of 55 member states in the African continent with the objective of accelerating political and socio-economic integration of Africa through the cooperation of

member states. The AU has just only 2% of world's international trade, unlike the EU members that account for over 16% of world exports and imports. Unlike the EU, harmonization of tax has not been achieved at the AU level, due to structural, political, institutional constraints. However, several regional economic communities in Africa are in the process of tax harmonization. The efforts attained so far by some of these regional blocs are discussed hereunder.

The East-African Community

The EAC member states - Burundi, Kenya, Rwanda, Tanzania, and Uganda, which constitutes the East African Community (EAC), has built a strong legal framework aimed at harmonization of tax. The EAC Treaty provides for the harmonization and the rationalization of investment incentives, as well as issues pertaining to taxation of industries. The avoidance of double taxation is also explicitly stated. The accord obliges member states to fiscal cooperation, harmonized macroeconomic policies within taxation and adjustment of fiscal policies to ensure monetary stability, in addition to the harmonization of taxation of capital market tax transactions. Based on the framework, member states are requested to harmonize their tax policies to remove the distortions in tax. The progressively harmonization of tax policies, laws and administration are predicated on the need to eliminate distortions, with a view to facilitating the free movement of goods, capital mobility and trade via the harmonization of trade and, consumption taxes such VAT and Excise Duties (World Bank, 2013).

The scope of the tax harmonization and co-operation is not restricted to indirect taxation, as it permits a wider perspective as well as a widespread harmonization of tax and integration among the various tax systems. In a bid to do away with distortions that were created by variations in tax, the East African Community Customs and Management Act (EACCMA) was adopted by the EAC member in 2005. Under the Act, a uniform application of customs treatment with respect to movement of goods into and within the community with a common external tariff was provided. The importation of raw materials, capital goods, agricultural inputs, as well as few medical equipment into the EAC, under the Customs Union Protocol, attracts no duty. A 10% tax is applicable to importation of intermediary goods, as well as other essential industrial inputs, while a 25% duty is imposed on finished products; a lower limit duty (i.e. above 30 %) of 30 % is applicable to Sensitive Items lists.

In terms of regional integration-within the context of trade liberalization, the EACCMA implementation has been one of the successes. The implementation has greatly led to a coordinated development of customs policy across the region providing investors certainty, in addition to having far-reaching impact in obtaining the free movement of goods and services across the EAC. Nevertheless, differential customs procedures apply in the case of intra-community trade, making goods go through the same customs procedures like those imported from outside the community. Discussions are still going on currently among the EAC member states domestic tax harmonization, particularly with respect to VAT (The East African News, 2015). As regard excise tax, there is still lack of proper harmonization policy, resulting to situations where member states still impose different tax and different rates (Manriho & Mutava, 2017).

This lack of harmonization implies that goods coming into the region from a country other than a member state as a matter of necessity is subjected to excise duty, thus implying a long wait at the border points as the goods are verified and customs duty imposed (Manriho & Mutava, 2017). As regard direct tax harmonization, efforts have so far been made to reduce harmful tax competition in order to promote investment, Critical to achieving this; the coining of ‘investment Area’ is done to harmonize investment incentives. By adopting a common code of conduct, the EAC member states seeks to ratify an existing framework under which finance ministers in the individual countries meet prior to budget speeches in order to coordinate fiscal incentives, particularly to deter member states where they propose any new tax incentive that could be detrimental to other member countries. (IMF, 2015b).

While a move toward the coordination of direct taxation policy harmonization is in vogue, investment incentives are continuously been given to drive investment (Manriho & Mutava, 2017). The EAC member states have also made frantic efforts to eliminating double taxation in the sub-region, given that countries in the region are net importers of capital machineries, and in addition, desire to guard their revenue bases without having to discourage foreign investment. The EAC tax policy identifies the international tax norms that the EAC should follow with respect to scope, distributive rules, elimination of double taxation, non-discrimination, mutual agreement procedures, and exchange of information.

Tax Harmonization in Southern African Development Community (SADC)

The SADC is made up of Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and

Zimbabwe) and has the objective to lessen and ultimately remove tax competition that adversely affects revenue mobilization drive in the region. The Protocol, hinged on 'Finance and Investment' initiatives is intended to bring about regional cooperation and coordination on tax incentives. In line with the protocol guidelines, as well as the "Memorandum of Understanding, the coordination seeks to eliminate harmful tax competition or bring about common tax legislation framework that will enhance business, trade and investment in the region (IMF, 2015b). Nevertheless, on account of the fact that varying tariff structures exists in the Member States' tax system, many of them belong to other trade blocs (such as EAC and COMESA), in order to reap the benefits of a harmonized fiscal union. With the exception of Angola, the rest SADC countries have individual VAT systems. Similarly, aside Seychelles, all other member states have payroll taxes corporate taxes on profits.

Nevertheless, tax base definition are largely heterogeneous in the region various initiatives have been made in the sub-region to remove double taxation, harmonized tax and facilitate mutual and multilateral cooperation (Deloitte, 2015). The SADC is working conscientiously at present to fully become a common market through excise tax harmonization (SADC Website, 2017). The framework and guidelines for the harmonization were ratified in November 2016. Stipulated in the guidelines are the design, administration and exchange of information, as well as mutual assistance in the field of VAT and Excise. Overall, the region's objective is to nurture a common fiscal policy via the following: VAT and excise tax harmonization, administrative harmonization, in addition to definitions, incidence, exemptions, coordination and quality standards; Harmonization of VAT and Excise rates across SADC countries; and production prohibition on export goods to non-member states who violates the required standard in that member state.

The stipulated guidelines also give vent for the indirect tax harmonization that gradually will replace international trade revenues on trade in goods and services through the extension of indirect tax base. The guidelines and protocol in the SADC also promote the adoption of ad valorem taxes on excise taxation on goods, by removing multiple rates VAT rates. Despite the several reports on the benefits of tax coordination and harmonization, the heterogeneous nature of member states in the SADC does have implications for the enhancement of regional tax harmonization. Some fall-outs of the heterogeneity that impinges on harmonization efforts include differential tax base and capacity in members states, the difficulties of

implementing an optimum tax across the region that drastically reduces the magnitude of politically motivate VAT, particularly act of using VAT to sway canvass for votes during elections.

Others include the overlapping regional membership of the countries of the SADC countries, which has the potential to suppress additional initiatives at tax harmonization, which could necessitate appropriate intervention policies. Given these influences, the development of additional policy considerations in the direction of improved tax harmonization and tax revenue would require a benchmarking process that are in line with other regional formations e.g. economic groupings in pursuit of tax harmonization such as the EU and the EAC. As suggested by Letete (2012), the process of harmonization is critical to ensure that the same conditions that exists for competitors are not distorted by discriminatory tax systems, in addition to mitigating the tax competition disadvantages across the SADC.

In Africa, the Common Market for Eastern and Southern Africa (COMESA), comprising of Burundi, Comoros, D.R. Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe, is the largest regional economic community in Africa, despite the pronounced heterogeneous among the Member countries. The member states, seek to fully harmonized tax and fiscal imperatives. The SADC has a common external tariff that is similar to the EAC), devoid of unambiguous directives or other legislatives towards the coordination and harmonization of tax, in addition to revenue mobilization. In its Regional Integration Reports in 2016 and 2017, the COMESA highlighted the critical importance of revenue mobilization in addition to the tackling of harmful tax competition. Nevertheless, it has not been able to advance the issue much like ECOWAS and EAC. At present, infringements to and non-implementation of the binding Treaty, protocols, by individual member states have gone un-penalized, making the implementation instruments ineffective.

Other African Economic Communities

Very little literature exists currently on the progress of tax harmonization in other regional economic communities in Africa. This apparent lack of literature, in addition to lack of adequate information episode on the integration processes in these communities explain this. This is so because tax harmonization is usually hinged on integration efforts, at enhancing regional business, trade and investment cooperation. For instance, no significant developments exist on issues of tax harmonization in the African Maghreb Union

(AMU), the Economic Community of Central African States (ECCAS), and the Community of Sahel-Saharan States (CEN-SAD).

Concept of Tax Harmonization

Tax harmonization connotes the process of adjusting tax systems across various jurisdictions/countries in search of common policy objective. It entails removal of tax distortions that affects trade and investment to bring about a better and improved efficient allocation of resources that is surrounded by integrated market (Diakité et al., 2017; Quak, 2018). It entails a change from a non-cooperative tax game to a cooperative tax game (Bladwin & Krugman, 2004). Tax harmonization is subsumed, within the broader concept of 'fiscal harmonization' (Diakité, et al, 2017). In this context, the harmonization of tax pertains to simplifying tax assumptions relating to economic structure and fiscal policy instruments with a view to attain convergence toward a more uniform effective tax across jurisdictions. Convergence can be attained through the orientation or alignment of one or different elements that go into the determination of effective tax rates: the tax base and statutory tax rate as well as the practice of enforcement (Pirvu, 2011; Bénassy-Quéré, 2014).

For instance, a common income tax structure designed for member states in a regional grouping covering individual diverse jurisdictions would be instrumental not just to enhance efficiency, but likewise to prevents gaps or overlaps in tax claims by different countries (Kopits, 2017). The harmonization of tax is critical to tax convergence, especially in the case of statutory tax rates. Also, it has led to the convergence of the tax systems of some countries and in turn, stimulated revenue generation among member states. Tax harmonization, in the long-run can foster fiscal and monetary union, in much larger scale project, with fully harmonized legislation, fiscal transfers as well as long-run agreement, given that tax heterogeneity and the widening gaps have negative effects on tax integration.

It is the process by which a heterogeneous group of countries, federal states or even local governments mutually agree on setting a minimum and maximum level of their tax rates, in addition to greater synchronization of tax rates, structure, base through appropriate tax legislation to attract foreign investment, as well as local development and investments (Florin, 2016). Tax harmonization involves converging tax systems, particularly statutory tax rates. Such convergence reduces trade transaction costs and enhances regional trade, thereby promoting greater economic and trade cooperation (Diakité, et al., 2017). Tax

harmonization eliminates competition and stimulates interactions, interface and collaborations between countries. Mansour and Rota-Graziosi (2013), suggest three ways to tackle harmful tax competition, viz: First, tax harmonization, which has the capacity to eliminate interactions between countries. Three vital elements that describe the harmonization of tax include the national tax bases common definition, the equalization of tax rates, and agreed rules uniform application. The latter is mostly essential since the form of tax application can be taken by tax competition of tax rules, like the low audit rates. It designates the condition where countries only cooperate on tax issues and policy. Secondly, tax coordination, which is applicable when the set of countries that coordinate, is given, and in which the coordination concerns only some tax policy instruments. Thirdly, tax cooperation, applied when the set of countries is endogenously determined and applies to situations where only some countries cooperate on tax policy and issues.

Summary

A quick comparison of tax harmonization between Africa and their counterparts outside the continent shows a measurable level of coordination and harmonization in tax in the ECOWAS and other African regions such as the EAC, but that of the EU is ahead due to factors already stated, which encouraged the coordination and harmonization of tax. In the case of the WAEMU and EAC some kind of frontrunners, compared to that of others, like ASEAN existed (Banderlipe, 2015; Jogarajan, 2013). In the AU coordination and harmonization of tax aimed at uniform tax is yet to kick-start due to implementation guidelines and the lacking protocol. As a result, there is no significant progress on tax harmonization yet at the AU. Nevertheless, one of the key structural element in the facilitation of the African Continental Free Trade Area (AfCFTA), aimed at building an expanded African regional market is the harmonization of tax. The initiative is a critical effort aimed at discussing the adoption of a "Declaration of Good Practices" for trade and investment tax incentives, which covers a wide-ranging exercise to quantify the cost of existing tax incentives to make a stronger case for their harmonization. Discussions on a mandatory code of good practices remain ongoing (IMF, 2015b). Overall, there is a lack of literature that makes good comparisons of tax coordination and tax harmonization between different regional economic communities.

Table 1: Comparison of Tax Harmonization Efforts in ECOWAS, AU and the EU

ECOWAS	AU	EU
1. Tax harmonization progressed at differential rate in the two regional blocs -the WAEMU and ECOWAS, due to economic and structural heterogeneities.	1. Harmonization at the AU regional level is non-existent at present but only at varying sub-regional groupings such as the East-African Community (EAC) and Southern African Development Community (SADC).	1. Tax harmonization progressed at uniform and homogenous level on account of the existence of homogenous states and comparable level of structural transformation.
2. Institutional reforms anchored on the credibility of regional institutional framework are weak at the ECOWAS level.	2. Lack of Institutional framework to attain harmonization at the AU level.	2. Existence of strong regional instructional that aid the coordination and harmonization of tax e.g, the Maastricht Treaty and Action of the European Court of Justice, which prohibited certain national tax rules that violate EU rules.
3. Existence of a VAT coordination framework, but lack of common legislation (legal framework) to actualized it. Hence, member states have a variety of VAT from 5% (Nigeria) to 10% (Liberia) to 18% (Togo).	3. No framework for such yet. Nevertheless, issues of a harmonized indirect tax regime to promote trade is subsumed in the African Continental Free Trade Area (AfCFTA).	3. Existence of a broad VAT coordination framework through the European VAT Directives at 15% to promote regional trade, business , investment (i.e. integration).
4. In the French-Speaking WAEMU countries, which are part of the ECOWAS, tax revenue to GDP is set at least 17%, in addition to tax revenue structures convergence.	4. None	4.Tax to GDP ratio is 41.3%
5. No harmonized tax regime to accelerate the creation of a credible fiscal backstop.	5. Non-existent	5. Existence of harmonized tax regime on all specific taxes covered by the Single Supervisory Mechanism (SSM), transferred to the central level and merged into a financial activity tax (FAT). The FAT has the capacity to fastrack the building of a credible fiscal backstop. This step would also move banks in the area of taxation to the

		European level corresponding to a single and holistic supervision.
6. Existence of a common corporate tax base and specification in WAEMU Countries of ECOWAS at range 25 and 30%.	6. None.	6. Corporate income tax base harmonization at 23.97%.
7. Excise tax harmonization is plagued by geographical challenges as the region is surrounded by large countries with very porous borders, Mauritania, Nigeria, and Ghana in particular.	7. Discussions on trade tax harmonization through the adoption of a common external tariff (CET) to promote trade is one of the structural elements of the African Continental Free Trade Area (AfCFTA).	7. Existence of Excise Tax harmonization.
8. Tax coordination and harmonization has not yet progressed to fiscal integration (fiscal convergence).	8. Not yet.	8. Harmonization of tax (structures, base and rates) has progressed to fiscal integration /convergence
9. Moderate regional policy directives and regulations on tax (i.e. coordination and harmonization) of tax rates and tax base, particularly the WAEMU countries and a further articulation of this at the ECOWAS Ministerial Council Meetings in 2018.	9. Absence of regional policy directives and regulations on tax at the AU level.	9. Existence of regional policy directives and regulations on tax.
10. Robust evidence on coordination and harmonization of tax.	10. Overall, there is lack of literature on tax coordination and harmonization at the AU level at present.	10. Rich plethora of evidence on tax harmonization.

Conclusions and Recommendations

The paper is a comparative analysis of tax harmonization in ECOWAS, AU and the EU. The key theoretical, empirical and policy issues and the state of play in the debate. The key theoretical, empirical and policy issues and issues and the state of play in the debate were considered It progressed by discussing the prospect for result-oriented tax harmonization in the ECOWAS and AU, against the backdrop of the success already achieved in the EU as a model. The paper finds that coordination and harmonization of tax is at varying levels across the regions examined, on account of institutional, political, legal and homogenous/heterogeneous considerations/differences. These factors play significant role in the extent and success of tax harmonization policy/efforts and thus dictates the pace of harmonization policies.

Several benefits hold for tax harmonization. Apart from eliminating tax competition and stimulating regional business trade and investment through the creation of a common ground for cooperation, it eliminates competition in tax, engenders regional resource mobilization, as well as tax equalization in rates and bases, common definition of tax bases and uniform application of agreed tax rules that fosters reforms.

For the AU, strong political will, legal and institutional framework and binding protocols are required to effectively coordinate and harmonize tax. Given the existence of differing conditions in the individual AU member states' financial and economic structure, as opposed the situation that existed in the EU, when the grand enterprise of tax harmonization was launched, there is need for greater unanimity of purpose. ECOWAS and AU could achieve greater shared mutual benefits that transcend business, trade and investment cooperation, by choosing to pool together through the coordination and harmonization of tax.

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