BASE EROSION AND PROFIT SHIFTING IN DEVELOPING COUNTRIES: THE NIGERIAN EXPERIENCE

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ABSTRACT
Cross-border tax situations arising as a result of international business transactions have led to Base Erosion and Profit Shifting (BEPS) where gaps and mismatches in tax laws are exploited to shift income, profits, and assets from one jurisdiction to another. Using MNCs listed on the Nigerian Exchange Group as its population and sample using the census method, the study carried out a content analysis of audited published financial statements between 2015 and 2022. Anchored on the theory of globalization, descriptive statistics was used in achieving the research objectives which were concerned with determining the extent of implementation of specific OEC/G20 BEPS Project requirements in the published financial statements. The study found that the financial services sector has the highest level of implementation while country-by-country reporting requirement is the most implemented. The study concluded that MNCs should continue implementation of the requirements while Nigerian tax authorities work hand-in-hand with international bodies to ensure that the nation's peculiarities are taken into consideration while formulating BEPS policies.

Keywords: Base Erosion and Profit Shifting, Multinational Corporations, OECD BEPS Requirement.

JEL Classification: L21, F23, F30

1.0 INTRODUCTION

Globalisation has led to increased frequency of cross-border economic and trading activities (Wu & Yen, 2019), which are usually characterized by at least three parties - multinational corporations (MNCs), tax administration agency of both the domestic and the foreign country (Olaoye & Aguguom, 2017). Cross-border tax situations thus arise as a result of the involvement of at least two different countries in these transactions. However, the national tax laws of individual countries may not necessarily have the wherewithal to keep up with these situations characterized by seamlessly fast movements of capital, thereby leading to situations where gaps and mismatches in tax laws are exploited for double non-taxation purposes (Gupta & Mittal, 2015). Thus, base erosion and profit shifting (BEPS) situations where organization(s) shift income, profits, and assets from one jurisdiction to the other could occur.

MNCs' tax avoidance strategies, such as BEPS, have a detrimental effect on national tax bases, eroding the tax base of the nation where value is created through economic activities generating profits and by shifting tax incidence to locations where no or low taxes are payable (Gupta & Mittal, 2015). BEPS is broadly defined as tax strategies that serve to exploit gaps or loopholes in global tax systems, allowing organisations to shift profits to lower tax jurisdictions (Mohs, Goldberg & Buitrago, 2017). Organisations achieve this by either shifting income or deductible expenses to a lower tax jurisdiction, thereby exploiting multiple tax legislations with the goal of paying no taxes or lower than optimal level of tax (Herzfeld, 2017; Bird & Davis-Nozemack, 2018; Vlcek, 2019).

The Organisation for Economic Co-operation and Development (OECD, 2014) posits that BEPS implies a situation of tax avoidance that exploits any created gaps and mismatches in tax rules to move profits to another low or no tax environment or locality. Some of these practices are legal, though a higher percentage of them are not, but the effect of such actions on the fairness and integrity of tax systems is quite large and detrimental (Lupi, 2020). BEPS create distorted incentives for the allocation of foreign direct investments (FDIs) and can be used by MNCs to achieve a competitive advantage against both small and large domestic companies, thereby altering market dynamics (Degli, 2016). Thus, BEPS by MNCs has become a source of concern, particularly in developing countries, due to high reliance and substantial dependence on corporate tax revenue (Gupta & Mittal, 2015; Olaoye & Aguguom, 2017). This action reduces tax revenue thus public infrastructural development that can boost the economy is severely underfunded (Brown, 2017; Herzfeld, 2017; Hearson, 2018).

BEPS poses a significant threat to tax revenues, tax sovereignty and tax fairness for OECD member and non-member countries alike because it compromises the integrity of the tax system, deters tax morality, and fosters the perception that the tax system is unfair (OECD, 2013; Oguttu, 2016). Various strategies used by MNCs include transfer pricing “mispricing”, thin capitalization, intangible assets, interest stripping, treaty shopping, digital economy maneuverings, and supportive expenses (Breslin, 2013; Gupta & Mittal, 2015; Matsuoka, 2018; Mills, 2019; Abu, Bello & Mohammed, 2020). These MNCs' intention is to reduce their global tax liability by artificially transferring profits, income, and assets to tax havens, resulting in the erosion of the source nation's tax base (Alm & Finlay, 2013; Kudrle, 2017; Dover, 2016).

BEPS significantly affects developing economies because developing countries' tax revenue represents approximately 13% of GDP compared to OECD countries with approximately 35% tax-to-GDP ratio (Hearson, 2018; Vlcek, 2019). Poor tax collections in developing countries make it difficult to obtain funds needed for the citizenry's basic necessities such as healthcare, clean water, sanitation, and education (Hearson, 2018; Mills, 2019). Thus, the government frequently increases debt and seeks aid (Chowdhury & Jomo, 2016; Fung, 2017; Cnossen, 2018).

The inadequacy of national legal tax systems in addressing the aggressive tax strategies of some MNCs has been exacerbated during the last decade, thereby transforming the problem of double taxation to that of double non-taxation (Lupi, 2020). According to the estimates from the BEPS project, revenue losses is estimated at between $100 and $240 billion a year (88 - 211 billion Euros) or between 4 and 10 percent of global corporate tax revenue (Clausing, 2011). This has resulted in reduced tax revenue to the source nations which has been estimated to amount to 200 billion U.S. dollars annually for non-OECD countries which is about 1.3% of their GDP (IMF, 2011).

The impact of MNCs profit shifting activities thus results in a huge tax revenue loss for the nations involved however developing nations bear a disproportionate burden as they lose more triple of amounts received as aids due to their inability to check MNCs aggressive tax practices in their jurisdiction (Swank, 2016). The United Nations acknowledges that differences and uniqueness in the legal and administrative tax frameworks of developing countries could predispose them to greater risk from the use of BEPS despite having same issues in relation to BEPS as developed countries (OECD, 2013). Furthermore, BEPS has a considerable influence on domestic resource mobilization (DRM) in developing countries because they rely heavily on tax revenue from MNCs. However, the impact of BEPS extends beyond these countries revenue generating ability and affects confidence in effectiveness of the tax system as its credibility becomes questionable because high profile taxpayers avoid their tax liabilities (Oguttu, 2016).

Nigeria is a lower-middle-income resource-rich country as its Gross National Income (GNI) per capita is within the 2nd 25th percentile according to the World Bank Atlas Method (IMF, 2011). Countries classified as low-income (least 25th percentile) or lower-middle-income (next

25th percentile) have an average tax-to-Gross Domestic Product (GDP) ratio of about 15 percent, which is less than half of the average tax-to-GDP ratio for OECD countries of about 34% (Commonwealth, 2016). It is, therefore important that a more effective taxation system is developed towards achieving economic growth, development, and Millennium Development Goals (MDGs) for these set of countries.

Towards achieving the MDGs, low-income and developing countries may be required to increase their tax-GDP ratio by around 4 percent (United Nations, 2005), however the means through which this would be achieved is also important as it would be unfair if readily compliant taxpayers are further taxed which could worsen distortion and perceived inequalities (IMF, 2011).

Curtailing BEPs requires reforms in international tax laws and enacting anti-avoidance measures towards solving the challenge of global tax rules by BEPS activities of MNCs (Christian & Apeldoorn, 2018; Herzfeld, 2017; Burgers & Mosquera, 2017; Oguttu, 2016). The OECD has thus stipulated a comprehensive set of measures which countries are expected to agree to and also consistently implement towards tackling the issue of BEPS (Bradbury, Hanappi & Moore, 2018), which is referred to as the OECD BEPS action plan. This study thus examines the extent of implementation of the OECD BEPS requirements by the listed MNCs on the Nigeria Exchange Group (NGX) with specific emphasis on the country-by-country reporting (CbCR), transfer pricing, interest expense, digital economy, and multilateral instrument.

This study would thus assist the Nigerian government in adopting policies that would move the country further away from the BEPS problem, thereby increasing government revenue generated through tax by ensuring compliance with global best practices. It would also serve as a springboard for further research on BEPS as it is an ongoing issue which is significant and relevant to many countries around the world.

The rest of the paper contains a literature review that discusses the study's focus OECD BEPS package requirements, an empirical review of similar studies and an explanation of the theory underpinning the study. the next two sections include a description of the materials and methods adopted by the study and the study's results. The study makes its conclusion and recommendations in its last section.

2.0. LITERATURE REVIEW

2.1 Base Erosion and Profit Shifting (BEPS)

Tax Compliance

MNCs are involved in varying sectors including but not limited to retail, commodities, and technology and account for a large proportion of international trade with intra-firm trade running into more than a third of the total international trade (Van Apeldoorn, 2019; Cobham & Janský, 2018; Janský, & Šedivý, 2019; Brugger & Engebretsen, 2020). These organisations are, therefore, able to employ various aggressive tax practices, which cost the government a loss in revenue of up to an estimated $500 billion annually, with a greater proportion occurring in developing nations (Cobham & Jansky, 2018; Pogge & Mehta, 2016). The adoption of these various strategies, which include BEPS, is aimed at ensuring that the tax paid is as minimal as possible.

BEPS refers to tax planning strategies that exploit loopholes and inconsistencies in national tax laws to make profits disappear for tax purposes or artificially shift profits to jurisdictions with low or no taxes where there is little or no economic activity, resulting in little or no corporate tax paid (Gupta & Mittal, 2015). BEPS strategies focus on application of varied tax legislations with the aim of achieving double non-taxation or less than optimal amount of tax through shifting of profits from jurisdictions where activities creating profits are carried out to other low tax jurisdiction where it is reported as earned (Herzfeld, 2017; Bird & Davis-Nozemack, 2018; Vlcek, 2019; Burgers & Mosquera, 2017; Christian & Apeldoorn, 2018). Statistical studies have continually shown that MNCs report higher profits in low tax jurisdictions than high tax jurisdictions which is a pattern that is consistent with the practice of BEPS.

2.1.2 The OECD/G20 BEPS Project

BEPS challenge was first officially addressed on June 18th -19th 2012 G20 Summit at Mexico where a commitment was declared to "prevent base erosion and profit shifting" with a mandate to deepen the theme during the 19th - 20th July 2013 G20 Summit. This led to the presentation of the Action Plan on BEPS containing 15 action plans on 16th September 2014, which analyses and addresses the BEPS issue on an international scale, while formal publication of the entire BEPS project was done on 5th October 2014 in Lima (Cerioni, 2015). The acronym BEPS was thus first coined by the OECD to reflect the phenomenon and OECD/G20 BEPS Project was launched in 2012 to address BEPS (Bradbury, Hanappi & Moore, 2018).

No single rule or provision can be identified as the source of BEPS as it is due to a series of weaknesses in international tax rules, gaps and mismatches in domestic tax laws, and lack of coordination across borders (OECD, 2013). However, government losses revenue of $100 to 240 billion (4 to 10 percent of the global corporate income tax revenue) annually through BEPS Thus, OECD in conjunction with G20 countries took a decisive action towards curtailing the incidence of BEPS through the BEPS Project developed which birthed the BEPS package with 15 actions aimed at realigning taxation with the substance of economic activity, improving transparency and reinforcing coherence between national tax systems. The BEPS problem leads to double non-taxation, but addressing the problem should not lead to double taxation (OECD, 2015), thus, the BEPS package of measures is expected to tackle not just symptoms but also the underlying root causes towards eradicating the problem.

These measures are to be put in place domestically by individual countries and jurisdictions and also through treaty provisions aligned with targeted monitoring and strengthened transparency.

Though the BEPS package was created in order to tackle and curtail the BEPS problem, which has been identified to require coordinated responses due to its nature, it is expected that a number of countries and jurisdictions might fail to adopt the measures outlined. Thus, the OECD stipulated a number of standards as a minimum to be adopted by any country or jurisdiction towards curtailing the problem in order to avoid negative spillover effects on other countries as a result of non-adoption (OECD, 2015). The implementation of the minimum standards is also to be subjected to targeted monitoring in order to ensure compliance. However, it is expected that beyond the design of these measures, every country would join in protecting their tax base, thereby leveling the playing field.

A mutual agreement procedure (MAP) was established to facilitate the effective and timely resolution of cross-border tax disputes related to the interpretation and application of tax treaties. Ongoing improvements to MAP will be overseen by the Forum on Tax Administration (FTA) in collaboration with the OECD, G20 countries, and other interested countries and jurisdictions. Also, arbitration will be included as an optional provision in the multilateral instrument developed to implement the BEPS treaty-related measures. These are geared towards ensuring that dispute resolutions are carried out in an effective and timely manner. The study thus focused on five aspects of the BEPS package as described below in carrying out its analysis, making findings, and drawing conclusions.

2.1.3 OECD Country-by-Country Reporting (CbCR)

MNCs are required to report their trading activities, revenues, pre-tax profits, retained earnings and tangible assets on a country-by-country basis in order to give tax administrators a global picture of location of profits, taxes and economic activities of the reporting MNCs. This requirement is however restricted to MNCs with annual consolidated group revenue of more than or equal to €750million by the BEPS package (OECD, 2015).

The Federal Inland Revenue Service (FIRS) in line with the requirements of the BEPS package also published its country-by-country reporting (CbCR) regulations in the year 2018. This regulation requires the filing of the report by MNCs with headquarters in Nigeria with consolidated revenue of ₦160 billion or above (KPMG, 2020). However, MNCs with headquarters outside Nigeria must inform FIRS of the identity and tax jurisdiction of the entity responsible for filing the report if the group's consolidated revenue is €750 million or its equivalent in the domestic currency of the jurisdiction of the parent entity (KPMG, 2020).

Though the regulation specifies penalties for defaulters, monitoring is equally important, and having a database of MNCs that is updated regularly by the FIRS would go a long way in reducing the risk of BEPS occurring in the country. There is also a very large gap in the revenue threshold required for MNCs with headquarters within and outside Nigeria.

2.1.4 Transfer pricing as a tool for BEPS

The BEPS package also addresses the issue of transfer pricing which has been used over the years as a tool by MNCs to carry out BEPS. The Transfer Pricing Tool refers to methods, guidelines, and documentation used in determining prices charged for goods, services, or intangible assets in transactions between related entities located in different countries (Gupta & Mittal, 2015).

This OECD requirement ensures that transactions between related entities comply with the arm's length principle such that they are priced as if they were between independent entities. The updates to the Transfer Pricing Guidelines are intended to help align the taxation of profits better with the economic activity of MNCs. These changes relate to intangible assets, information asymmetry as well as identification of the location of economic activity.

Nigeria has been proactive by making revisions to the transfer pricing compliance requirements relating to intragroup services, intangibles, commodities transactions, and procurement arrangements in the Income Tax (Transfer Pricing) Regulations 2018 and imposed penalties for different types of compliance infringements (KPMG, 2020). The country also requires that connected taxable persons maintain contemporaneous documentation for transfer pricing including Master and local files (KPMG, 2020). This is expected to go a long way in bringing the attention of MNCs to the fact that the country frowns at transfer pricing as a tool for BEPS and any organisation found wanting would be punished severely. However, the country should put in place various monitoring mechanisms to ensure that defaulters are identified and adequately punished.

2.1.5 Interest Expenses as a Tool for BEPS

The Interest Expense Tool refers to methodologies and documentation used by MNCs to manage and report on interest expenses and deductions related to intercompany financing arrangements. BEPS recommendations include rules to limit excessive interest deductions by setting a benchmark net interest to Earnings before interest, tax, depreciation, and amortization (EBITDA) ratio aimed towards preventing BEPS through the use of interest expenses (Crivelli, de Mooij & Keen, 2016). These tools help companies comply with the interest deductibility rules and provide transparency in their financial reporting.

A common approach of national practices towards reducing BEPS through interest expenses such as intra-group and third-party loans has thus been established by the BEPS package. This is being achieved by making recommendations for the design of domestic legislation along with providing guidance based on international best practices regarding disclosure of aggressive tax practices, arrangements, or structures that serve as a foundation for effective Controlled Foreign Company (CFC) rules.

Without specifying ratios, the BEPS package makes recommendations for the use of fixed interest to EBITDA over which interest deductibility would not be granted to an MNC as well as a group ratio rule that places a threshold over which deductible interest in a particular country would not be allowed (PwC, 2015).

In Nigeria, interest deductible on related party loans is restricted to 30% on EBITDA in a particular accounting period (KPMG, 2020). However, these provisions do not affect the foreign companies in the banking and insurance sector which the country should work on towards eliminating the risks of BEPS by such organisations.

2.1.6 The Digital Economy

This pertains to economic activities and transactions carried out via digital channels such as e-commerce, online advertising, cloud computing, and digital services. The OECD BEPS package addresses challenges posed by the digital economy, including issues related to the allocation of taxing rights and preventing profit shifting by digital businesses through various measures, including the introduction of new rules and guidelines (Álvarez-Martínez, Barrios, D'Andria, Gesualdo, Nicodème & Pycroft, 2021).

The digital economy increases the risk of BEPS thus, this was addressed through some measures developed to reduce the incidence of BEPS after taking into account the main attributes of such an economy. These measures relate particularly to the: update of Transfer Pricing Guidelines, the definition of a permanent establishment, and guidance of CFC rules. Guidelines were also developed and implementation mechanisms were identified to ensure the collection of Value Added Tax (VAT) in the consumers' country of residence. Although options to address broader tax challenges raised by the digital economy were considered, none were made mandatory at the initial phase of implementation as it is expected that other BEPS measures in the package would mitigate some of these challenges. However, countries or jurisdictions that wish to implement these options may do so to additionally safeguard against BEPS while respecting existing treaty obligations.

In response to this, the Nigerian Government, through the Finance Act 2019 and 2020, introduced the concept of significant economic presence (SEP) in the Companies Income Tax Act and Personal Income Tax Act. This is to ensure that all organizations and/or persons deriving profits from Nigeria, regardless of the physical location, remit taxes on profits generated to the Nigerian government. However, the power to define SEP resides with the Minister of Finance of the country, who may decide to adopt the definitions stipulated by the BEPS package to ensure consistency and alignment with international standards.

2.1.7 Multilateral Instrument

A multilateral instrument for the implementation of treaties related to BEPS measures was developed as an innovative mechanism for updating the existing bilateral tax treaties. Since this instrument is developed by a large network of countries, it is expected that modifications to bilateral tax treaties would be carried out in a synchronized and efficient manner without expending resources on the renegotiation of treaties by individual countries.

Nigeria became a signatory to this instrument in August 2017 but has not deposited her instrument of acceptance with the OECD (KPMG, 2020). However, in December 2019, FIRS published an information circular on tax treaty claims in Nigeria aimed at providing guidance and clarity on the determination of benefits and prerequisites and procedures for obtaining such benefits (KPMG, 2020). This is expected to go a long way in reducing tax treaty shopping, double non-taxation, and ultimately the risks of BEPS in Nigeria if complied with.

2.2 Theoretical Framework

Theory of Globalisation

The theory of globalisation describes the process through which ideas, knowledge, information, goods, and services spread around the world. Globalisation is a mega phenomenon shaping today's trends and is most visible in the economic sphere (Stephanovic, 2008) which makes the theory suitable for understanding the issues relating to BEPS in Nigeria. The Marxist theory of globalisation posits that world connectivity enhances opportunities for profit-making and surplus accumulation thus making organisations inclined to maximise profits as a result of globalization. The theory suggests that advancements in technologies have reduced barriers to exchanges across the globe which is replicated in global transactions carried out by MNCs in split seconds. This could therefore lead to situations where MNCs exploit loopholes in tax regulations to shift profits, income, and revenue. Also, tax competition as a result of the mobility of capital threatens to undermine corporate income taxes thereby leading to fiscal crises such as BEPS for the countries involved (Avi-Yonah, 2000).

Everrtsson (2016) also opines that the intervention of tax authorities, especially in writing economic rules in favor of the powerful to attract international investment in the era of globalization has led to increased exemptions for foreign organizations who therefore fail to pay fair taxes in the country of operation. The OECD BEPS package is developed as a means to centralize taxation on international transactions and eliminate instances of BEPS. The implementation of specific requirements of this package is the focus of this study.

2.3 Empirical Review

Findings from Abu, Bello, and Mohammed (2020) reveal that shifting of income and profits by MNCs out of low-income and developing nations is one of the major problems undermining their development. Teles, Riedel, and Strohmaier (2024), however, found that anti-profit shifting rules may help these countries to increase government revenue through taxation, although the benefit of such rules should be compared against the burdens of administration and enforcement of such laws. Roggeman, Aro-Sati, and Verleyen (2025) also found that compliance with anti-BEPS policies generates additional costs for MNCs, and policymakers should address concerns of increased compliance costs to encourage compliance.

Oguttu (2016) opines that BEPs result from perceived weaknesses in international tax laws and a lack of administrative capacity to fully assess and audit international tax risks exploited by MNCs. Crivelli, de Mooij and Keen (2016) assert that the current international corporate taxation framework is not in tandem with the changing business environment thereby encouraging MNCs to engage in BEPS by creating technically legal structures that exploit asymmetries in domestic and international tax laws. The United Nations in the same vein also opines that BEPS is due to (un)intended effect of asymmetry in international tax laws as historically countries have developed their international tax laws independently without recourse to the impact of such laws on other countries.

Ali and Ali (2018) find that a focus on domestic tax laws without recourse to the international tax law framework has led to reduced tax revenue mobilisation for developing countries. In the same vein, Morgan (2014) argues that international cooperation can help tackle tax avoidance in the global economy as unilateral arrangements by individual countries might be ineffective and counter-productive. Thus, a proposal of a multilateral universal approach for curbing the BEPS problem through the BEPS Action Plan by the OECD is applaudable (Goutam, 2014). Wu and Yen (2019) in their study carried out in Taiwan conclude that the expansion of the tax base is necessary for increasing the tax revenue and promoting economic development as higher income tax rates do not have a significant contribution to the economy.

Abu, Bello and Mohammed (2020) suggest that the MNCs should eliminate thin capitalization and transfer pricing as well as comply with the tax laws of the country in which they operate. Also, open market pricing of cross-border related party transactions should be carried out. Using a systematic literature review, Alfandia (2024) found that tax regulation could significantly influence the distribution of MNCs' profits, and relaxed enforcement leads to increased income shifting, especially within privately owned MNCs. Also, the adoption of a unitary taxation system has been suggested as a means through which BEPS can be curtailed among the MNCs (Kudrle, 2017; Brown, 2017; Morse, 2018), this approach towards curbing BEPS has attendant limitations including the definition of the MNCs global tax base and determining suitable formulas that would fairly split profits among the different jurisdictions (Abu, Bello & Mohammed, 2020).

Crivelli, de Mooij and Keen (2016) assert that the current international corporate taxation framework has not kept pace with the dynamics of the changing business environment, thereby encouraging organisations to engage in BEPS by developing structures that are technically legal but take advantage of asymmetries in domestic and international tax laws. Thus, curtailing BEPs would require reforms in international tax laws as well as enacting anti-avoidance measures (Oguttu, 2016). Although, focusing on a 14-year period (200-2020) divided into pre- and post-BEPS periods, Tran and Xu (2024) found no significant difference in profit shifting out of Australia after the implementation of related BEPS countermeasures in 2013.

3.0 METHODOLOGY

The study adopts an exploratory research design as the concept of BEPS is relatively new, and very few studies have focused on it in Nigeria. The study carried out a content analysis of the financial statements of focus organisations by checking for compliance with existing pronouncements and regulations aimed at curbing BEPS globally.

The population of the study is the 35 MNCs listed on the NGX, and the census technique was employed to evaluate the population as the sample of the study. MNCs are identified as companies that have operations outside the borders of Nigeria and comprise only indigenous companies with operations outside Nigeria.

The contents of the financial statements of the sampled organisations for the years 2015 to 2022 were analysed using the dichotomous notation of “1” and “0” for the variables of interest. The study analyzed the content of the annual report to draw insight into the reporting of country-by-country reporting (CbCR), transfer pricing tools, interest expense tools, digital economy, and multilateral instruments and their implementation among the MNCs in Nigeria.

In carrying out the content analysis, MNCs that reported on the variable of interest are scored “1” while those who did not are scored “0”, thereafter, an average score of reporting is derived for each variable of interest to achieve research objectives and answer research questions. A sector-by-sector analysis highlighting the level of disclosure per sector is also carried out.
The methodology of this study is limited due to its non-quantitative nature but was adopted as a result of sparse public documentation in respect of BEPS implementation in Nigeria. Also, the organisations studied exclude MNCs not listed on the NGX despite their operations in

Nigeria, which might not reflect the true picture of BEPS package implementation among all MNCs in Nigeria.

4.0 RESULTS AND DISCUSSION

This section highlights the results obtained from the analysis of MNCs financial statements for reporting of specific OECD BEPS requirements in Nigeria.

Table 1: Descriptive Statistics

	COUNT. REP.	TRAN. PRIC.	INT. EXP.	DIG. ECN.	MULT. INS.	BEPS.REQ.
Mean	0.932143	0.925	0.928571	0.425	0	3.239286
Median	1	1	1	0	0	3
Maximum	1	1	1	1	1	5
Minimum	0	0	0	0	0	1
Std. Dev.	0.251951	0.263863	0.258001	0.495228	0	0.764274
Skewness	-3.436516	-3.227137	-3.328201	0.303433	0	-0.384655
Kurtosis	12.80964	11.41441	12.07692	1.092072	0	3.16145
Jarque-Bera	1673.788	1312.034	1478.146	46.76557	0	7.20887
Probability	0	0	0	0	0	0.027203
Sum	261	259	260	119	0	907
Sum Sq. Dev.	17.71071	19.425	18.57143	68.425	0	162.9679
Observations	280	280	280	280	280	280

Source: *EViews 10 Output Window (2024)*

Table 1 provides insight into the disclosure of the implementation of OECD BEPS requirements among listed Nigerian MNCs. The disclosure of BEPS package requirements on CbCR, transfer pricing, interest expenses, digital economy, and multilateral instruments is used as a basis for achieving the research objectives.

The CbCR is coded 1 for an organization that provides details of their revenue stream and other information on their geographical operations and 0 for non-disclosure of relevant information. The mean for COUNT. REP. is 0.932, which suggests that, on average, MNCs listed on the NGX tend to comply with CbCR requirements. The standard deviation is 0.252, indicating moderate variability in compliance levels. However, the CbCR showing a mean of 0.932 indicates that there are companies that are not complying with the reporting requirement to avoid profit shifting and base erosion.

The transfer pricing tool is coded 1 for organizations that provide a level of detail on their transaction and activities with related parties during the year and 0 is coded for non-reporting and compliance with the transfer pricing OECD requirement. The mean for TRAN. PRIC. shows 0.925, suggesting that, on average, MNCs are highly compliant with transfer pricing tool requirements and disclose a level of detail on their transaction with related parties such as their subsidiaries operating in other countries, and affiliated or sister companies. The standard deviation is 0.264 indicating a level of variability in the compliance level on the transfer pricing disclosure of MNCs in Nigeria.

Organisations that reported the breakdown of their finance cost and the parties to which the interest is paid are coded 1 while an organisation that didn't disclose their compliance with the interest expense OECD requirement on BEPS is coded 0. The mean for INT. EXP. is 0.929, indicating that, on average, MNCs are largely compliant with interest expense tool requirements and the high disclosure of the interest expense parties in the annual report. The standard deviation of the interest expense tool showing 0.258 indicates a variability in compliance level among the multinationals as some organizations did not disclose on their annual report especially in relation to intercompany financing arrangements to prevent profit shifting through excessive interest expense deduction to the subsidiaries and other related organizations.

The digital economy is coded 1 for organizations that provide information on the use of digital channels in their operations during the year and 0 for non-reporting with the digital economy in the OECD requirement. The mean for DIG. ECN. is 0.425, and this indicate that on average, MNCs have a relatively low disclosure of their digital economy activities and their use of digital channels. The standard deviation is relatively high at about 0.495, indicating significant variability in compliance levels and disclosure of the use of digital channels such as online advertising, e-commerce, cloud computing for economic activities, or provision of digital services among the MNCs in Nigeria.

The multilateral instrument is coded 1 when multinationals provide information on their compliance with tax treaties and tax payments to all the countries of their operation, and it is coded 0 for non-disclosure. The MULT. INS. average disclosure and reporting is 0, indicating that none of the MNCs disclosed their compliance with tax treaties between the companies that they operate or their treatment of double taxation in their annual report. The MLI enables the implementation of tax treaties preventing tax avoidance, but no MNC disclosed their tax payments to all the countries of their operations and how they complied with the tax treaties to prevent BEPS.

Table 2 provides a detailed analysis based on the different MNCs' compliance with the OECD BEPS requirements on a sector-by-sector basis.

Table 2: Sector-by-sector analysis for OECD BEPS requirements

	Number of MNCs	Avg. Country by Country Reporting	Avg. Transfer Pricing Tool	Avg. Interest Expense tool	Avg. Digital Economy
Conglomerate	2	0.8125	1	0.5	0
Constructions	2	0.625	0.8125	0.9375	0
Consumer Goods	10	1	0.9	0.8875	0.425
Financial Services	10	1	0.9	1	0.8625
ICT	2	1	1	1	1
Industrial Goods	3	1	1	1	0
Oil and Gas	4	0.75	1	1	0
Services and Utilities	2	1	0.875	0.875	0

Source: *EViews 10 Output Window (2024)*

MNCs in the conglomerate, construction, and oil and gas sectors do not comply fully with the OECD requirement on CbCR. The consumer goods, financial services, ICT, and industrial goods have an average of “1” indicating full compliance with the CbCR requirement among the MNCs operating in these sectors. Overall, the average CbCR of 0.932 as shown in Table 1 tends to indicate the high level of compliance with the CbCR among listed Nigerian MNCs.

MNCs in the construction, consumer goods, financial services, and services sector exhibited a high but not full level of compliance on the disclosure of their transactions with related parties. Furthermore, MNCs in the conglomerate, ICT, industrial goods, and oil and gas sectors exhibited full compliance with the disclosure of their related parties' transactions with subsidiaries and sister companies in their annual report. The overall average of the transfer pricing tools as shown in Table 1 indicates a relatively high disclosure of the transfer pricing tool in the annual report among the focus MNCs.

The conglomerate MNCs exhibited a relatively lower level of reporting on their interest expense payment disclosure in their annual report. MNCs in the constructions, consumer goods and services sector have a relatively high level of disclosure on their interest expense payment and deduction while the financial service, Information and Communication Technology (ICT), industrial goods and oil and gas showed an average of "1" indicating that all the MNCs in these sectors provide a detailed explanation of interest expense deduction and payment. Overall, the average interest expense shown in Table 1 as 0.929 indicates the high level of disclosure of the interest expense tool in the annual report of MNCs in Nigeria.

MNCs in the conglomerate, constructions, industrial goods, oil and gas and services/ utilities sectors has no reporting on the digital economy based on OECD guidelines while MNCs in the consumer goods sector have a relatively low disclosure on the use of digital channels. MNCs in the financial services sector reported an average of 0.8624 and while MNCs in the ICT sector reported average of "1" indicating there is a high level of disclosure among the companies operating in these sectors. The overall digital economy average reporting index is 0.425 indicating there is a relatively low disclosure on the use of digital channels for the transaction of MNCs in Nigeria.

The result shows there is a high level of disclosure and reporting on CbCR detailing the revenues generated and operations across the countries indicating the high level of implementation of the CbCR among the MNCs. The transfer pricing information analyzed using the disclosure of transactions with related parties including subsidiary companies and sister companies under the same parent also shows a high level of disclosure among the MNCs. This also indicates the high level of implementation of the transfer pricing requirement among MNCs in Nigeria. The Interest expense tool which is the reporting of interest payments to related companies on financing-related transactions, is also high among the MNCs in Nigeria. The digital economy is the disclosure of transactions through digital channels such as e-commerce and online advertising, and the provision of digital services has a relatively low disclosure among MNCs, while the multilateral instrument was not disclosed in the annual report of the listed Nigerian MNCs.

5.0 CONCLUSION AND RECOMMENDATIONS

The issue of BEPS has been heightened by the increase in international trade as well as the emergence of digital economies where physical trade barriers are eliminated. The implementation of OECD/G20 BEPS package is one key means through which it is expected that the menace of BEPS is eliminated. This is because the adoption of the BEPS package is expected to lead to the foundation of a modern international tax framework where profits would be taxed at the exact location of economic activity and value creation (OECD, 2015).

Nigeria as a country has adopted many recommendations of the BEPS package towards increasing its revenue as its government is highly dependent on tax revenue. However, it is expected that the BEPS package recommendations are tailored in such a way that it suits the peculiar needs of the nation. The disclosure level evidenced in published financial statements of listed Nigerian MNCs is the focus of this study.

The majority of sectors, including Consumer Goods, Financial Services, ICT, and Industrial Goods, show full compliance with CbCR requirements, indicating that MNCs in these sectors provide detailed country-by-country information on global operations. The CbCR index was high, indicating the high level of implementation and reporting in the annual reports of MNCs in Nigeria.

The sector analysis also shows that all the MNCs in each sector exhibit a high disclosure of their related parties' transactions with other subsidiaries and sister companies under the same parent or holding companies. The overall average for transfer pricing tools and their reporting is relatively high, indicating a strong commitment to complying with these requirements and providing transparency in annual reports among MNCs in Nigeria.

Furthermore, except for the conglomerates, other sectors exhibited a high level of reporting on their interest payments and deduction on financing activities relating to related parties as a means of preventing profit shifting through interest payments to other jurisdictions. However, none of the MNCs disclosed their compliance with tax treaties or the treatment of double taxation in their annual reports, resulting in an average disclosure and reporting index of 0. This suggests a lack of transparency regarding the use of the MLI to prevent tax avoidance.

The study thus identified how MNCs listed on the Nigerian Exchange Group have been able to report their compliance with specific OECD BEPS requirements as a means to reducing the incidence of BEPS in the Nigerian tax environment. This is a major contribution to the BEPS literature in Nigeria as the analysis has shed light on the level of implementation of specific BEPS package requirements and would serve as a basis for understanding how this implementation and subsequent reporting have enhanced the country's tax system.

MNCs in Nigeria should work towards enhancing their compliance with CbCR as enhanced transparency can help tax authorities and stakeholders assess the fair allocation of profits and taxes in each jurisdiction. Nigerian MNCs should also improve their reporting on the use of digital channels as the digital economy is becoming increasingly important and providing transparency on its use in transactions can align with global trends and expectations.

The regulatory authorities should encourage the development and adoption of standardized reporting and disclosure practices for BEPS requirements, and this includes sharing best practices and guidelines within and across sectors that can help companies achieve a higher level of compliance and transparency. Regulatory authorities in Nigeria can consider implementing measures to monitor and enforce compliance with BEPS requirements by conducting regular audits, imposing penalties for non-compliance, and providing clear guidance on reporting expectations.

Tax authorities including those in Nigeria should maintain an open and constructive dialogue with MNCs towards ensuring that organisations clearly understand the expectations and requirements related to BEPS compliance to ensure adequate reporting in their annual reports. Nigerian tax authorities should remain actively involved in the development process of frameworks developed towards addressing BEPS so as to ensure that the peculiar needs of the nation are adequately catered for in the international tax legislation.

The findings of the study are, however, limited due to the use of only qualitative information and focus on only MNCs listed on the NGX, which might not capture the true picture of all MNCs operating in Nigeria, as some MNCs operating in Nigeria are not listed on the NGX. Furthermore, the evaluation of the implementation of the OECD requirement on issues such as transfer pricing and interest expense tools is constrained to the information disclosed in the annual report but not the practical implementation of this requirement in their operations.

Further studies could extend the scope by making use of quantitative methods in evaluating the level of BEPS that goes on within the NGX. The financial statements could also be analysed side by side with their affiliates using sophisticated methodologies beyond the content analysis method to determine if MNCs reports truly reflect what it should.

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