

The background of the cover is a photograph of a tropical landscape. It features a river or stream in the foreground, surrounded by lush greenery and palm trees. The sky is a clear, light blue. The entire image is overlaid with a semi-transparent blue filter, and there are dark blue geometric shapes in the corners.

BOOK OF ABSTRACTS

2024

CONFERENCE

**ASPECTS OF TAX
ADMINISTRATION AND
ECONOMIC DEVELOPMENT**

5 - 6 November
Courtyard Bali Nusa Dua Resort, Bali, Indonesia

2024 ASPECTS OF TAX ADMINISTRATION AND ECONOMIC DEVELOPMENT

Organized by Emeritus Professor Chris Evans of UNSW Business School, Professor Richard Krever of University of Western Australia, Professor Kerrie Sadiq of QUT Faculty of Business and Law, and Professor Michael Walpole of UNSW Business School to mark the formal retirement of Professor Binh-Tran-Nam.

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Tax complexity and tax compliance costs of the personal income tax in Canada, 1985-2023: A synthesis

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The purpose of this paper is to synthesize the information available, on one hand, on the compliance costs incurred by Canadian personal income tax (PIT) filers and on the other on the complexity of the PIT. This has not been done before. The paper is divided in three sections. The first examine the evolution over time of compliance costs (time, expenditures, total resources) for all filers and for groups of particular interest such as self-employed filers. The second brings together evidence on indicators of complexity over time (number of standardized pages in tax code, number of tax expenditures). The third links the indicators of complexity and compliance costs to ascertain what relationships exist.

How CHAID can assist revenue authorities in analysing tax compliance costs

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Regression and simple descriptive statistics are used most for analysis in tax compliance cost (TCC) studies. This article explains how the Chi-square automatic interaction detection (CHAID), a decision tree modelling technique, was used in the analysis of the income TCC of 10 260 individual taxpayers in South Africa for the 2018 year of assessment. CHAID identified specific groups of taxpayers associated with distinct ranges of the determinants that were statistically significant predictors of TCC. This breakdown enabled a better understanding of the influence that the specific values of the continuous determinants, such as the service quality rating of the South African Revenue Service, and the categorical determinants, such as education level and employment status, have on TCC. Employment status and the income tax bracket of an individual had the strongest association with TCC (on average, self-employed taxpayers and taxpayers in the highest income tax bracket had the highest total TCC).

Unfinished business? Assessing and addressing the burden of the split tax code in Australia

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Australian tax professionals have had to deal with legislative provisions spread across two major statutes – the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 – since the discontinuation of the Tax Law Improvement Project (TLIP) in the late 1990s. As older professionals, who had to come to terms with the ‘double act’ retire, they are being replaced by those who have only ever known the income tax legislation in two statutes. There is little evidence or knowledge about the additional burdens imposed on tax professionals by this split, or on whether tax professionals have an appetite for the completion of the work, commenced by TLIP in 1994, through the consolidation of key tax legislation into one statute. This project seeks to explore and understand the views of key stakeholders on these issues by undertaking a major survey of those members of tax professional bodies and others who deal, on a regular basis, with the provisions of the two Acts.

The project will use a mixed quantitative/qualitative research methodology, surveying tax practitioners, including tax academics, in order to identify:

- the additional burdens that arise from working with two statutes; and
- whether there is support for further consolidation and the form this should take.

The rewrite was, and remains, an attempt to reduce complexity and enhance simplicity while operating within the constraints of existing inherently complex concepts and policy. This survey will clarify, even elucidate, whether this has, or is, being achieved; including analysis by demographic groups - some of whom have only worked with the two acts- and the type of work being undertaken by the respondents.

For other jurisdictions contemplating rewriting their tax legislation, this research will provide context for determining their approach and scope; for example, whether to embark on policy simplification or only drafting simplification.

Tax administrators' perception of Australian large business tax law complexity

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Tax complexity represents one of the most serious problems facing taxpayers and governments. Not surprisingly, tax simplification has consistently been articulated as a goal for tax reform around the world including, most recently, the OECD's BEPS 2.0 Project. However, despite the repeated calls for tax simplification, there is international evidence indicating that tax complexity may be getting worse. The effect of this complexity involves a significant cost for both taxpayers and the government, by increasing the annual tax compliance and administrative costs, respectively. The most important cost engendered by tax complexity may be the frequent errors by taxpayers and governmental employees, as well as the somewhat related non-compliance ('tax gap') with the tax law. There has been much academic research on tax complexity. Most of the past research concentrated on individual taxpayers and small businesses. The current study concentrates on issues related to large Australian businesses with an annual turnover of more than A\$250 million.

The present study is motivated by the importance of knowing the specific tax issues that give rise to tax law complexity for large businesses. We also hope for the reader to gain some knowledge about the complexity of the Australian tax system. This study follows the model in the US study by Burton and Karlinsky. In the present study, we surveyed tax administrators from the Australian Taxation Office (ATO) to get their perception of tax complexity across 39 different Australian tax issues. To the best of our knowledge, this is the first study in the world to survey tax administrators. The results are generally consistent with those obtained from the Burton and Karlinsky study of US tax law complexity. This study also tested the differences in perception based on a number of demographics including professional licensure, experience, education and job level.

An empirical analysis of strategies for enhancing tax compliance: The case of Indonesia

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Performance management in tax administration, with a focus on tax compliance and revenue collection, necessitates a multifaceted approach that encompasses improving efficiency, effectiveness, and stakeholder engagement. The performance of tax administrations is critical for ensuring adequate revenue collection, which is essential for the government and public services. A delicate balance between service, supervision, and enforcement is crucial for optimising tax compliance and revenue mobilisation. However, finding the optimal balance within these categories is challenging because it depends on operational context. This study aims to bridge this knowledge gap by examining the extent to which service, supervision, and enforcement affect tax compliance in Indonesia. This study evaluates the effectiveness of three strategies (service, supervision, and enforcement) implemented in Indonesia to improve compliance and revenue collection. Using a quantitative approach, this study analysed comprehensive administrative key performance indicator data from 352 tax offices across Indonesia, yielding two key findings. First, supervisory activities appear to be the most influential factor in improving tax compliance. Second, the relationship between tax compliance and revenue collection is inconclusive, indicating a need to refine the strategy map. The implications of this research are twofold. First, it provides evidence-based recommendations for Indonesian policymakers seeking to enhance tax compliance and increase revenue collection. Second, it contributes to the broader literature on tax compliance in developing countries by offering insights that may be applicable in similar contexts. This study underscores the importance of adopting a multifaceted approach to tax compliance that considers the unique challenges and opportunities present in developing economies. This suggests that a combination of strategies tailored to Indonesia's specific cultural and economic context is needed to enhance tax compliance.

Analysis of the pre- and post coronavirus pandemic voluntary tax payments of small taxpayers in Indonesia

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The coronavirus pandemic brought down most economic activities in Indonesia. This paper collects voluntary tax payments data from 319 small tax offices, represented by 43 cities, in Indonesia to estimate how the capacity to submit tax payments voluntarily changed during the period from January 2016 to February 2023. It applies Seasonal Auto-Regressive Integrated Moving Average (SARIMA) to predict the expected amount of voluntary tax payments in 2020 without the presence of the pandemic (pre-pandemic) and in 2022 in the presence of the pandemic (post-pandemic). The predictions from the analyses then compared to the actual amount of tax payments during the period from March 2020–February 2021 and March 2022–February 2023. There were significant changes in the capacity of voluntary tax payments in both pre-pandemic and post-pandemic. These findings can be used to make improvements for tax administrations to better administer capacity difference of taxpayers across various regions in Indonesia.

Considerations in developing a circular fiscal policy to achieve sustainability and economic resilience - a case study analysis of Australia and Malaysia

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As national and regional economies around the world strive to achieve sustainability and economic resilience, the circular economy (CE) offers the potential to decouple economic growth from virgin resource use. It does so by proposing to move our traditional linear system to a circular one by designing out waste and pollution, keeping products and materials in use and regenerating natural systems.

To enable such a paradigm shift, fundamental change will be required in the architecture of the taxation system. In developing circular fiscal policy, it is important to distinguish between resources flowing through the economy and fixed assets and infrastructure that facilitate that flow. In a recent report by Retamal, Stoianoff, Liaros, Tran Nam and Edwards [1], it was proposed that to support the CE fiscal policy should be applied at three different levels: product or micro level, precinct or meso level and state/national or macro level.

Utilising the lens of that report, this paper considers the state of play in two economies, Australia and Malaysia. Both are federal constitutional monarchies of similar population size, and both have traditionally relied on their natural resources to drive their economies. Accordingly, as the trading partners of these two nations transition to a CE, there will be a substantial impact on export incomes of these economies but the responses will inevitably be different due to the distinctive characteristics of these two economies. Consideration will be given to what progress has already been made in developing a circular fiscal policy and what considerations are necessary to continue that progress.

[1] Retamal, M., Stoianoff, N.P., Liaros, S., Tran-Nam, B., Edwards, N., 2022, Rapid Review: Taxation and Fiscal Policy for a Circular Economy, Prepared for NSW Circular, University of Technology Sydney, University of Sydney, UNSW Sydney.

The role of environmental taxes towards environmental development: evidence from Qatar

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Qatar is an endowed country, and its economy is based on oil and gas as the main source of government revenue. This makes tax revenue less important, and consequently, there is a full-fledged tax system. Nevertheless, Qatar developed a long-term development plan called the Qatar National Vision, which is based on four pillars, namely, (1) economic development, (2) human development, (3) social development, and (4) environmental development. In order to achieve the objectives of environmental development, the Ministry of Environment and Climate Change approved the National Strategy for Environment and Climate Change in October 2021. It mentioned that Qatar has witnessed high levels of economic growth that influence consumption behaviour and increase the use of resources including water, electricity, and other resources, which have a negative impact on the environment (increasing the level of waste) and climate change as a result of increasing greenhouse gas emissions. In addition, Qatar has the highest level of CO₂ emissions per capita among Arab countries (31.7 in 2020 and 31.8 in 2019). In order to prevent this, many developed and developing countries are implementing various fiscal instruments to mitigate climate change and other environmental issues. Environmental taxes are one of the instruments. Their role is twofold. First, to collect tax revenue as another source of government revenue, which may replace other sources of taxes or minimize reliance on them in the future; and second, to overcome environmental issues by changing consumer behaviour. To be in harmony with other developed countries, the aim of this paper is to present the role of environmental taxes towards environmental development in Qatar. In addition, to implement environmental taxes, an analysis of the strengths, weaknesses, opportunities, and threats (SWOT) was applied. The results of the analysis should serve as a basis for providing specific policy recommendations with regard to using environmental taxes to overcome environmental issues.

New Zealand's tax reform experience: Parallels with Australia

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New Zealand's tax system has undergone significant reform during the last four decades, motivated by both domestic and international influences. From a domestic perspective, significant modernisation has ensured that it is 'fit for purpose' operationally. Alongside this focus, the foundational principles of equity, simplicity and efficiency have guided reforms. With an increasingly globalised and integrated world, New Zealand's tax system has needed to adjust to harmonise with standard international tax practices, and to deal with issues such as base erosion and profit shifting. Reforms have been gradual, interposed by significant developments in both structure and composition of taxes. Major contributions to the evolving tax system include 'Rogernomics' during the 1980s, along with significant administrative and dispute resolution reforms in the 1990s. Several major tax reviews were prominent in the 2000s and 2010s. More recently, the 2020s are highlighted by the successful completion of Inland Revenue's Business Transformation, and handling the government's fiscal response to COVID. In many respects New Zealand's tax reform has either led or followed developments in Australia. This should not come as a surprise given the close economic and social ties between the two countries. Thus, the aim of this paper is to critically examine New Zealand's tax system over the last forty years, focusing on significant changes in tax policy, tax law and tax administration.

Fiscal decentralisation in fiscally centralised states

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Fiscal relationships between national and subnational governments are a complex and intricate issue in many jurisdictions. In federal systems, part of the fiscal power is conferred upon the federal government with residual power being assigned to local governments. While unitary states with multi-levels of government generally adopt a fiscally centralised system, fiscal federalism theory and practice are relevant as fiscal arrangements impact on the division across regions and levels of government functions and social welfare.

The arrangements may be particularly challenging in large unitary states such as China. Centralisation and decentralisation have swung back and forth in the country since its formal establishment. Currently, the taxing power is centralised and most tax revenues are assigned to the central government. In practice, subnational decentralisation exists in terms of high local expenditure responsibilities and local discretion in informal financing. The mismatch between fiscal power and responsibility has echoes over China's long history. A hard question arises as to how, if formal fiscal centralisation is to continue, to tackle the misalignment of revenue and expenditure across the levels of government. Importantly, could a rule-based framework help improve the current imbalance to ensure comparative independence and accountability of central and provincial governments in fiscal affairs? The questions become acute considering the slowdown of the economy and the growing global challenges China currently faces. This paper considers these questions through an examination of rules and practices of taxation and government transfers in the country. It proposes that while there might be reasons for centralising fiscal power, it may be necessary to provide formal fiscal decentralisation to achieve sustainable development across regions in the country.

A comparative analysis of UK and Australian approaches to the release of tax debts on grounds of hardship

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This paper will review the experiences of the clients of low-income tax clinics at University of New South Wales and University of Edinburgh respectively, and also of other taxpayers facing hardship within Australia and the United Kingdom. It will compare the availability of, and access to, relief from debt on the grounds of hardship on the part of vulnerable taxpayers who are unable to meet their tax payment obligations. The paper undertakes a comparison of the statutory rules of the two jurisdictions and then describes the experience of taxpayers in the two jurisdictions. Where the two jurisdictions can benefit from the experience of one another this is highlighted, and the paper identifies possible avenues for reform to the benefit of vulnerable taxpayers

Hindsight reveals insight: A retrospective investigation of large corporate taxpayer disclosures prior to a tax settlement with the Australian Taxation Office

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Tax disputes arise when a taxpayer disagrees with an Australian Taxation Office (ATO) decision in relation to a tax liability or entitlement. Where disputes occur, the ATO's intention is to resolve them in the most cost-effective, timely and efficient manner with the aim of treating taxpayers fairly and respectfully. If the ATO is not able to resolve a dispute with a taxpayer, the disputed matters will proceed to litigation through courts and tribunals. Settlements are one of the dispute resolution strategies used by the ATO. A settlement is an agreement between the ATO and the taxpayer to resolve matters in dispute where one of both parties make concessions on what they consider to be the legally correct position.

The 2022-23 Commissioner of Taxation Annual Report reveals that in the 2022-23 income year there were 251 settlements of which 74 related to public and multinational businesses. These cases resulted in an aggregate settled position of A\$3,078.7m compared to the ATO position of A\$5,497.6m giving a variance of A\$2,418.9m or 44%. The taxpayer secrecy provisions ensure details on individual cases remain confidential. However, some cases are publicly disclosed including around a dozen cases involving very large corporate taxpayers since 2015 such as the A\$991m settlement with Rio Tinto in 2022 regarding its use of a marketing hub in Singapore. Interestingly, in December 2021, an article in the Australian Financial Review included criticism by an ATO Deputy Commissioner of large corporates for refusing to publicly disclose tax disputes and settlements worth significant sums of money to investors. Indeed, large public and private corporates are subject to a variety of requirements in relation to the disclosure of material information regarding tax disputes and settlements ranging from ASX Listing Rules to disclosure requirements mandated by AASB 112 Income Taxes and AASB Interpretation 23 Uncertainty Over Income Tax Treatments for those firms preparing their financial statements in accordance with International Financial Reporting Standards.

This study is a comparative analysis of the disclosures actually made by corporate taxpayers in relation to the tax dispute and ensuing settlement relative to those that should have been made in hindsight given the balance of probabilities. Putting aside questions as to the efficacy and fairness of the tax settlement process, this study examines key disclosures such as audited consolidated financial statements, tax transparency reports, and press releases to determine whether corporates complied with their disclosure obligations regarding the tax disagreement and subsequent settlement. The results will be of interest to regulators, standard setters, policy makers and tax authorities charged with developing and overseeing mandatory disclosure requirements and those interested in the global trend towards increased tax transparency.

Determinants of Tax Level in Africa from 2004 to 2016: An Empirical Study

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African countries share, in general, many common characteristics such as a colonial heritage, low level of income, poor governance and less developed human development. In that context, African governments are required to raise adequate revenue to satisfy not only short-term population needs but also long-term developmental goals. Building on the previous studies, the principal aim of this study is to provide an empirical study on the quantitative impact of various economic and institutional determinants on tax level (tax to GDP ratio) in Africa. The main contribution of this study is that it incorporates measures of tax policy and tax administration variables as determinants of tax level and relevant control variables for Africa, such as the level of foreign aid and vulnerability. The generalised moments method (GMM) is applied to a panel data set containing 43 African countries from 2004 to 2017, which is derived mainly from the World Bank sources. The results obtained indicate that tax rate and tax compliance burden have a significant positive and negative impact on tax levels, respectively. The study also confirms the “sand-the-wheels” hypothesis, that is, corruption negatively affects tax revenue collection. Further, foreign aid is found to be neither a complement nor a substitute to tax revenue in the sense that foreign aid has no significant impact on tax revenue performance. The empirical findings imply that, other things being equal, tax simplification and anticorruption programs would benefit the tax level in Africa.

The effect of international trade on tax effort, tax ratio and tax inefficiency

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For many countries, especially developing and emerging market economies, international trade and foreign direct investment provide important sources of capital and technology crucial for sustained economic growth. At the same time, trade duties and taxes on foreign companies, which can deter investment and trade, provide needed revenue to fund public activities. The tension between these two mechanisms is especially salient today as the Global Minimum Tax on corporations takes effect while global trade alliances undergo significant reshaping.

In this paper we study the causal effects of international trade on tax performance while taking into account the effect that tax policy has on international trade and investment. International trade can affect tax performance through a number of channels. First, trade can be expanded through the reduction in tariff rates which directly affects tax performance. Second, trade facilitates economic growth which expands the tax base. Third, international trade can create impetus for institutional reforms that can enhance tax administration efficiency. As the literature on this topic illustrates, the challenge for a study we propose is the endogeneity of international trade and tax policy and tax performance.

A number of papers have explored the effects of trade liberalization on tax revenue (see Baunsgaard and Keen (2010), Mujumdar (2004), Khattri and Mohan Rao (2002), Haque and Mukherjee (2005)) while others have studied the effect of taxation on international trade (see Feldstein and Krugman (1990)) and on foreign investment (see Hines (2007) and Holzner et al. (2021)). We address the endogeneity of trade and taxes by using an instrument for a country's trade constructed from trade predicted by exogenous geographical determinants of bilateral trade via gravity model regressions (see Frankel and Romer (1999)). As our outcomes, we construct measures for Tax Effort, Tax Ratio and Tax Inefficiency as done by Tran-Nam and Le (2022). We propose to study these effects for rich, poor and middle income countries for the period 1990-2015 and discuss implications for current proposals for institutions governing international trade and investment.

Impacts of income inequality on taxes in the United States: Evidence from a quantile ARDL approach

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We examine the long-run cointegrating relationship between US taxes and income inequality – using urbanisation, trade openness, age dependency ratio, unemployment rate and per capita GDP as control variables. The application of ARDL methodology offers valuable insights that are consistent with the findings of the existing literature. We then utilise the quantile ARDL (QARDL) methodology to model the fluctuations in the cointegrating relationship (between chosen variables) across various quantiles of taxes. Using a US dataset for the period 1967-2018, we find clear evidence of nonlinearities in the aforementioned relationship, suggesting that the long-run relationship between taxes and inequality (and other variables) fluctuated across quantiles. Thus, the cointegrating coefficients in the long-run relationship between taxes vis-à-vis the regressors varied across different quantiles. Due to such fluctuations across quantiles, the traditional determinants of taxes are found to have little impacts on taxes. The findings have serious policy implications since it points to the need to reconsider the determinants of taxes in a democracy.

The democratisation of international taxation: Stemming aggressive tax practices for economic development

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On 23 November 2022, the groundwork was laid for a new United Nations Tax Convention, paving the way for a shift in leadership in international tax policy away from the OECD and towards a democratized approach that would provide developing nations with a greater voice. The move is likely to lead to a greater emphasis on sustainable development goals which have the largest impact on the global south where strategies are needed to improve health and education, reduce inequality, and spur economic growth. Concurrently, it is well documented that a significant form of revenue for developing nations is tax, however, collection is generally lower than in developed nations. Further, increasing revenue from the corporate income tax base is the most realistic approach to aid economic development through the tax system. Aggressive tax practices are one cause of low corporate tax revenue collection. This paper considers the effects of a formulary apportionment model on developing nations with the aim of investigating the potential increases or decreases in revenue collected using different apportionment formulas. Data contained in publicly available country-by-country reports are relied upon to estimate the likely revenue effects of these different formulas. The paper also demonstrates the likely simplification of such a model as well as its ability to stem aggressive tax practices such as transfer pricing and thin capitalisation.