

**Nigeria's Tax Regime: Federal, States
and Local Governments with
perspective on IGRs and tracking role
of Civil Society Groups**

By

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- Difference between Taxation and Internally Generated Revenue (IGR)
- Social Contract Theory
- Nigeria's Tax Regime
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Introduction

- ❖ When the word tax is mentioned people don't celebrate. The tax collectors are living up to their responsibilities. The tax collector has become a psychologist. In other words, he wants people to take him serious. If you were all invited here to give account of your various businesses for the sake of taxation, I do not know how many of us would have been here now. Some will be here if the penalty for absence cannot be tolerated.
- ❖ Even the pastors who help to appeal to dissuade their congregation from common Vices, wrong doings, crime and sin against God, find it difficult to accept that they ought to pay tax. They would rather justify why offerings and tithes meant for the work of God shouldn't be subjected to tax.

❖ Tax in the Bible and Quran

➤ Matthew 17:24-26

➤ Matthew 22:15-21

➤ Romans 13:1-2; 6-7

➤ Exodus 30:13-16

➤ Quran 9: 29

Difference between taxation and internally generated revenue{IGR}

- ❖ Taxation is basically the process of collecting taxes within a particular location. In this regard, we can define tax as “a monetary charge imposed by the Government on persons, entities, chargeable assets; and transactions or properties to yield revenue”. It can also be defined as 'the enforced proportional contributions from persons and property, levied by the State by virtue of its sovereignty for the support of Government and for all public needs’.
- ❖ Modern definition of tax
 - A compulsory contribution to state revenue levied by government on workers’ income and business profits and added to cost of some goods, services and transactions.
 - ✓ Synonyms: levy, tariff, duty, toll, excise, impost, contribution, assessment, tribute, tithe, charge, fee etc.

Difference between Taxation and IGR Contd.

- ❑ A charge usually of money imposed on persons or property.
- ❑ An amount paid to government that is based on your income or other cost of goods or services you have bought.
- ❑ An amount of money that you pay to the government so that it can pay for public goods and services.
- ❑ Taxation is the process by which the government collects money from people to use for government purposes.
- ❑ Revenue on the other hand is defined as income received from all activities engaged in by the receiving entity. In Governmental terms, revenue (IGR) is the entire amount received by the Government from sources within and outside the Government entity (tax revenue inclusive) through its efforts as against allocation from federally generated revenue.

Social contract theory

- Contemporary societies are bound by social imperative which requires the citizens to pay tax so that government can apply whatever is raised to provide public goods and services.
- Kantilya, an ancient Indian Philosopher and a contemporary of Aristotle, had said:

when there was no order in the society and only the law of the jungle prevailed, people(were unhappy and desirous of order) made Manu the son of Vivasvat, their king and they assigned to the king one-sixth of the grains grown by them, one-tenth of the other commodities and money. The king then uses these to safeguard the welfare of the subjects. Those who do not pay their taxes take on the sins of the king and the king who fails to provide for his subjects takes on the sins of the subjects.

➤ Social Contract Theory Contd.

- The problem with Africa is that taxation contributes on the average between 8-15% of their GDP whereas in advanced countries, it is between 30-40%. The advanced countries take interest to seeing the improvement of the situation in Africa because it will reduce the pressure African countries put on them for foreign aids and grants.
- Jean-Jacques Rousseau: Discourse on the origin and foundation of inequality among men:

man had lived in a state of nature, with simple needs: food, shelter and security. The natural resources which he needed were in abundance while the population was sparse. With time, the population increased, giving rise to competition which was not there before, furthermore, there arose inequality in the affairs of men; as a result of ownership of property. This inequality brought about a class structure and exacerbated social inequality which the philosophers and modern day scholars try to find solution to by way of social contract theory.

Nigeria's Tax Regime

- Government at all levels require funds to finance their activities and programmes which benefits the citizens. Government must find ways of raising revenue to prosecute its programmes and activities. One source of finance available to government is taxation.
- Individuals resident in Nigeria are taxable on their worldwide income, whereas a non-resident is only taxable on the income earned from business activities performed in Nigeria; subject to double taxation agreement with his home country.
- Employers deduct due tax at source from the earnings of their employees and transfer directly to the appropriate tax authority on a monthly basis, while individual workers and beneficiaries of additional income file their tax returns.

Nigeria's Tax Regime Contd.

- The annual income tax rates are as follows;

- ◆ First N300,000: PAR 7%
- ◆ Next N300,000: PAR 11%
- ◆ Next N500,000: PAR 15%
- ◆ Next N500,000: PAR 19%
- ◆ Next N1,600,000: PAR 21%

Above N3,200,000: PAR 24%.

- Company income tax is generally levied at 30%, but reduced to 20% for small companies-turnover not exceeding N1m.
- Resident companies are also charged 2% tertiary education tax.
- Petroleum profit tax is charged between 50% and 85%- determined by NNPC.
- VAT is 5%
- CGT is 10%

Challenges of Nigeria Tax System

- According to the National Tax Policy (2016), despite the potentials of taxation as a dynamic tool for sustainable national development, Nigeria tax system has been unable to achieve its objectives due to the following challenges, among others:
 - ✓ the need to grow internally generated revenue which has led to the arbitrary exercise of taxing powers;
 - ✓ lack of clarity on taxation powers of each level of government and encroachment on the powers of one level of government by another;
 - ✓ insufficient information available to taxpayers on tax compliance requirements thus creating uncertainty and non-compliance;

Challenges of Nigerian Tax System Contd.

- ✓ poor accountability for tax revenue;
- ✓ insufficient capacity which has led to the delegation of powers of revenue officials to third parties, thereby creating complications in the tax system;
- ✓ use of aggressive and unorthodox methods for tax collection;
- ✓ failure by tax authorities to honour refund obligations to taxpayers;
- ✓ the non-regular review of tax legislation, which has led to obsolete laws, that do not reflect current economic realities; and
- ✓ lack of strict adherence to tax policy direction and procedural guidelines for the operation of the various tax authorities.

The role of Stakeholders in Tax Administration

The Federal and State Ministries of Finance are charged with the primary responsibility for tax policy matters, including initiating proposals for amendments to tax Laws to foster an orderly and sustainable development of the Nigeria tax system . Ministries of Finance are expected to collaborate with relevant Stakeholders in carrying out their tax policy responsibilities. Some of the key stakeholders in the Nigeria tax system can be broadly categorised as follows:

❖ The Government

All levels and arms of Government, Ministries, Extra-Ministerial Departments and Agencies are required to:

- implement and regularly review tax policies and laws;

The Role of Stakeholders in Tax Administration. Contd.

- provide information on all revenue collected on a quarterly basis(i.e. accountability and transparency)
- ensure adequate funding, administrative and operational autonomy of tax authorities; and
- ensure a reasonable gestation period of between three and six months before implementation of a new tax.

❖ **The Role of Stakeholders in Tax Administration: Contd.**

The Taxpayer

- A taxpayer is a person, group of persons or an entity that pays or is liable to tax. The taxpayer is the most critical stakeholder and primary focus of the tax system. The taxpayer shall consider tax responsibilities as a civic obligation and constant duty that must be discharged as and when due. The taxpayer shall be entitled to:
 - relevant information for the discharge of tax obligations;
 - receive prompt, courteous and professional assistance in dealing with tax authorities;
 - raise objections to decisions and assessments and receive response within a reasonable time;
 - a fair and impartial appeal; and
 - self-representation or by any person of choice.

The Role of Stakeholders in Tax Admin. Contd.

❖ **Revenue Agencies**

- Any agencies responsible for the collection and administration of revenue shall:
 - treat the taxpayer as a customer;
 - ensure efficient implementation of tax policies, laws and international treaties;
 - facilitate inter-agency co-operation and exchange of information;
 - undertake timely audits and investigations; and
 - undertake tax awareness and taxpayers' education.

❖ **The role of Civil Society Groups in Tracking Taxes at the Federal, State and Local Government levels**

➤ Promote tax education and awareness

Tax education is necessary for citizens to understand the financial resources that government has at its disposal by making government financial information available. Public revenue reporting forms, one of the basis for public revenue monitoring which ensures that public revenues are properly managed thereby supporting citizens engagement with the government on issues of public finance.

➤ Articulate, protect and advance taxpayers right like citizen participation in budgeting.

Participatory Budgeting (PB) is a process whereby citizens directly participate in the allocation of a defined part of a government's budget. PB initiatives give citizens and CSOs a greater say in deciding how and where public resources should be spent.

The role of Civil Society Groups in Tracking Taxes at the Federal, State and Local Government levels ; Contd.

- Advance accountability and transparency in the utilization of tax revenue through public expenditure tracking

Public Expenditure Tracking involves tracing the flow of public resources for the provision of public goods or services from origin to destination. It can help to detect bottlenecks, inefficiencies and/or corruption in the transfer of public goods and resources and is a key tool for the government and CSO to guard against corruption and work towards ensuring transparent, accountable and effective public financial management.

- Ensure accurate, objective and balanced reporting in accordance with their professional code of conduct and ethics:
- ❖ Governments release or publish financial information through various avenues such as web sites, financial statements and reports, press releases, public bulletin boards, community radio etc.

The role of Civil Society Groups in Tracking Taxes at the Federal, State and Local Government levels; Contd.

- ✓ *A first step for concerned CSOs is to determine what types of revenue reports are publicly available*
- ✓ *Where access to revenue reports is limited, work towards the adoption of right to information legislation including access to public financial information.*
- ✓ *Partner and build coalitions with sympathetic government officials, concerned NGOs, relevant international bodies and the media to encourage revenue transparency/reporting.*
- ✓ *Find out and discuss how the government itself views its revenue base and what plans or strategies it has in place regarding taxes, revenues from natural resources, loans, grants, etc.*
- ✓ *If possible, take a deeper look at each slice of the revenue pie. Consider how important, effective and reliable each one is as a revenue source in terms of their sustainability and equitability.*

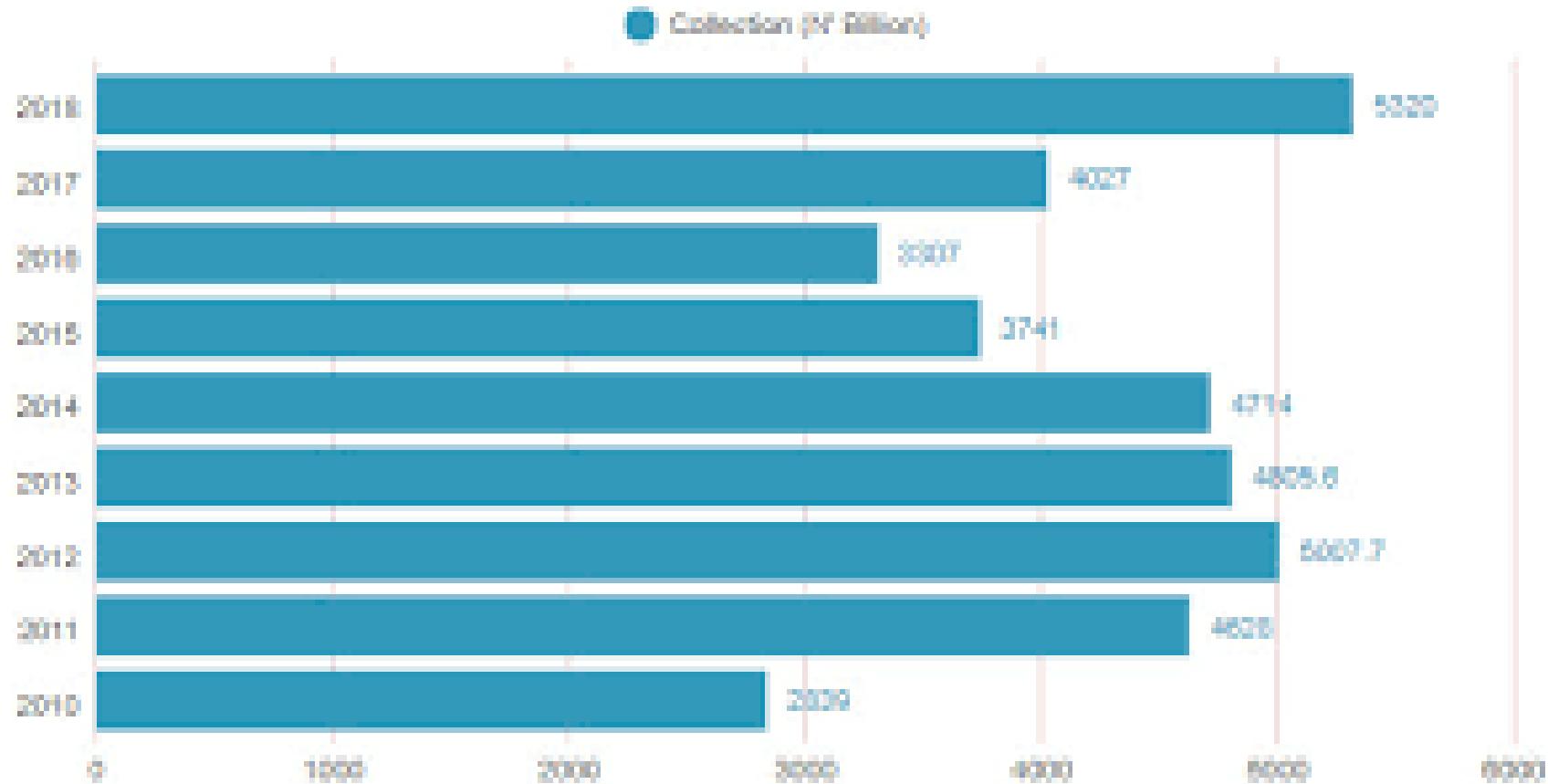
The role of Civil Society Groups in Tracking Taxes at the Federal, State and Local Government levels; Contd.

- Ensure that aspiring political office holders clearly understand the Tax Policy and are able to articulate their plans for the tax system to which they will be held accountable. This can be done by:
 - ✓ *Forming strategic alliances with government on budget formulation and other legislative issues. Government authorities can also work strategically with CSO partners to pursue policy initiatives which may otherwise be undermined or blocked by vested interests. For example, a government considering reallocating funds from underperforming public enterprises to its basic education budget could enlist the support of CSOs to present some data to support its case*
 - ✓ *Getting Involved in budget monitoring. Finally, CSOs can serve as an important asset in monitoring the implementation of government budgets particularly when decentralized units are implementing projects in remote parts of a country. In this regard, CSOs can serve as whistleblowers to alert government officials of any improper practices.*

Illustrations

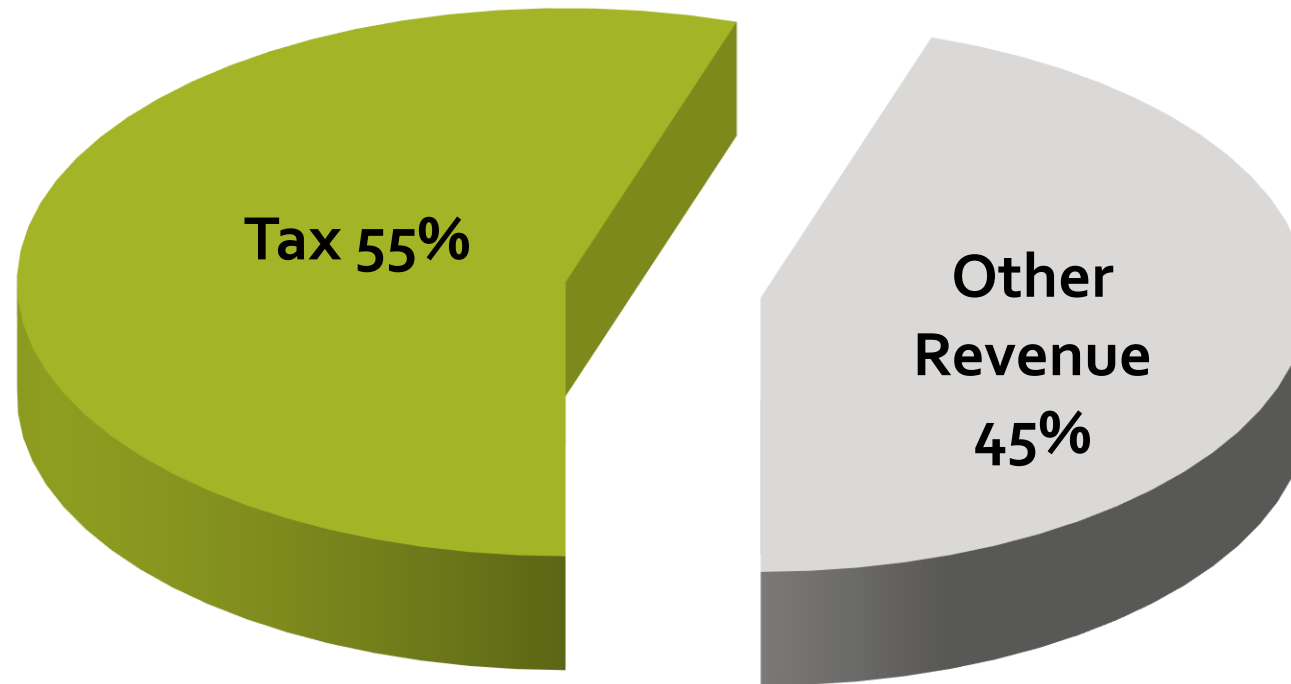


FIRS Revenue Collection



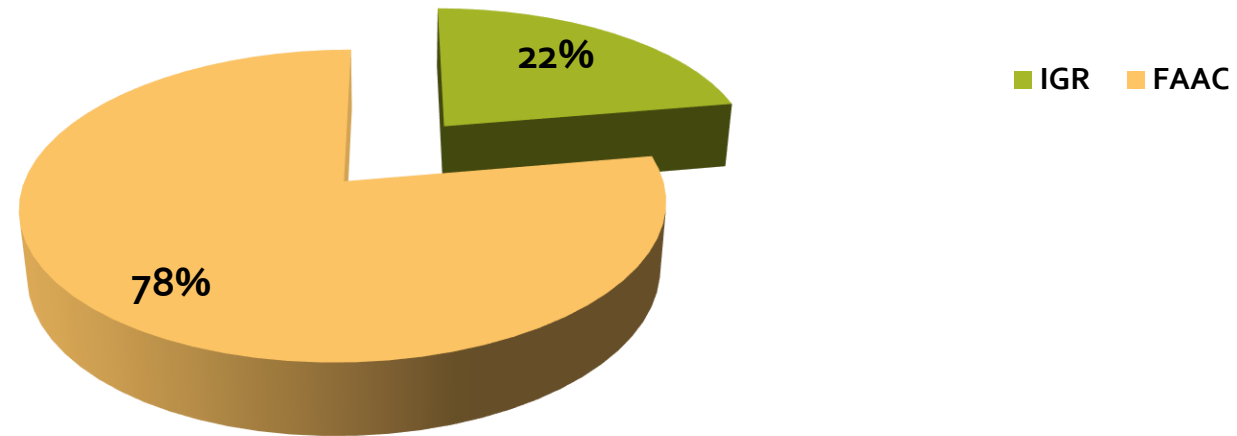
FIRS Revenue Collection Since 2010

2013 CHART OF IGR CONTRIBUTION

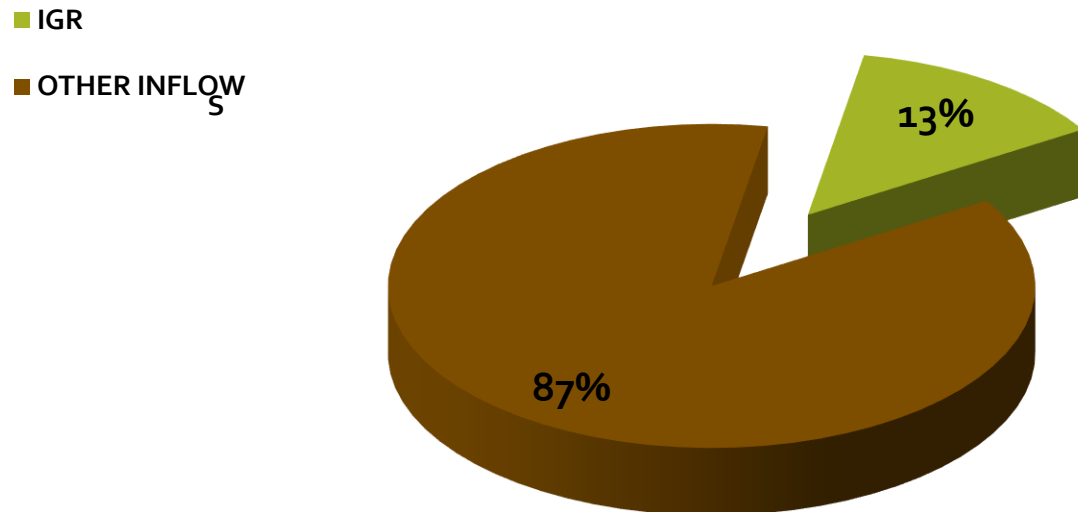


tax contribution to IGR has risen from 31 % in 2012 Q1 to 55 % in 2013 Q1

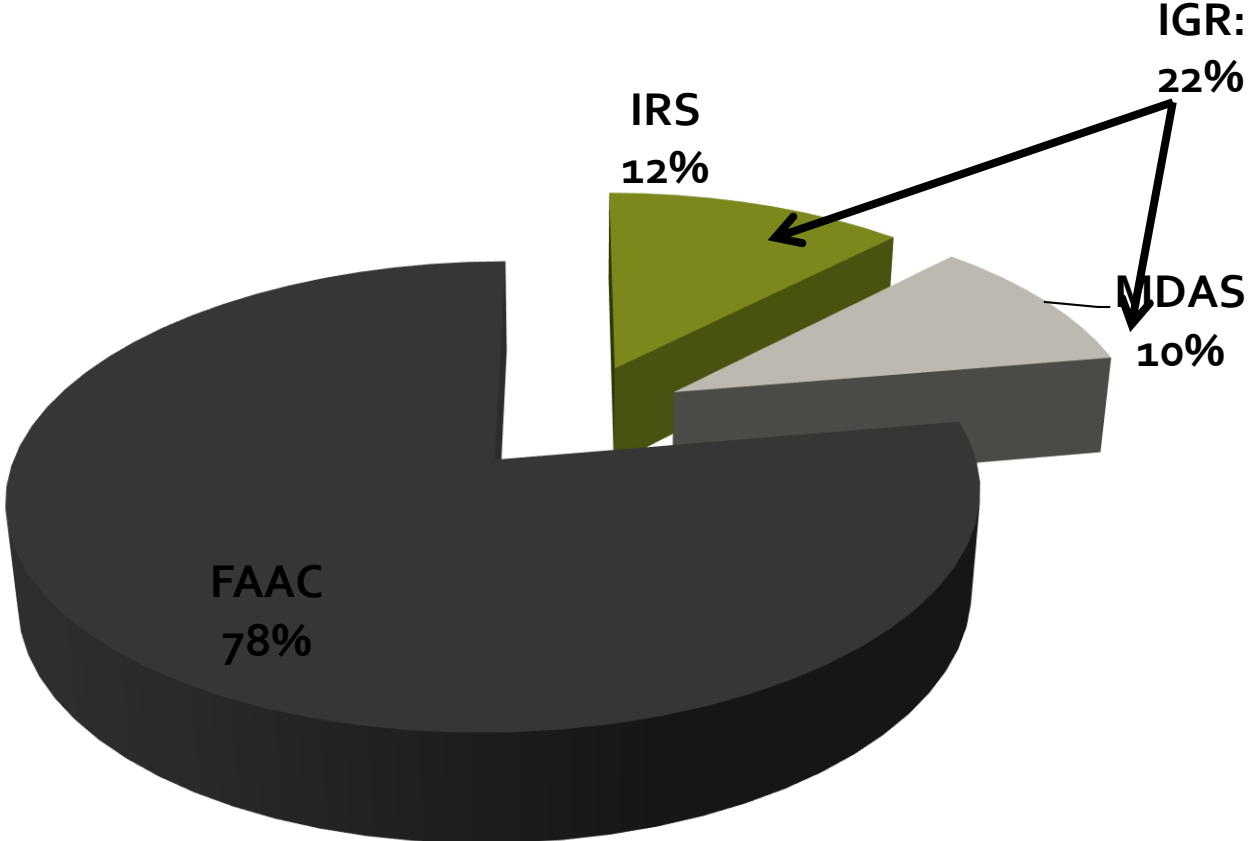
% CONTRIBUTION OF IGR TO RECURRENT REVENUE



% CONTRIBUTION OF IGR TO TOTAL INFLOWS



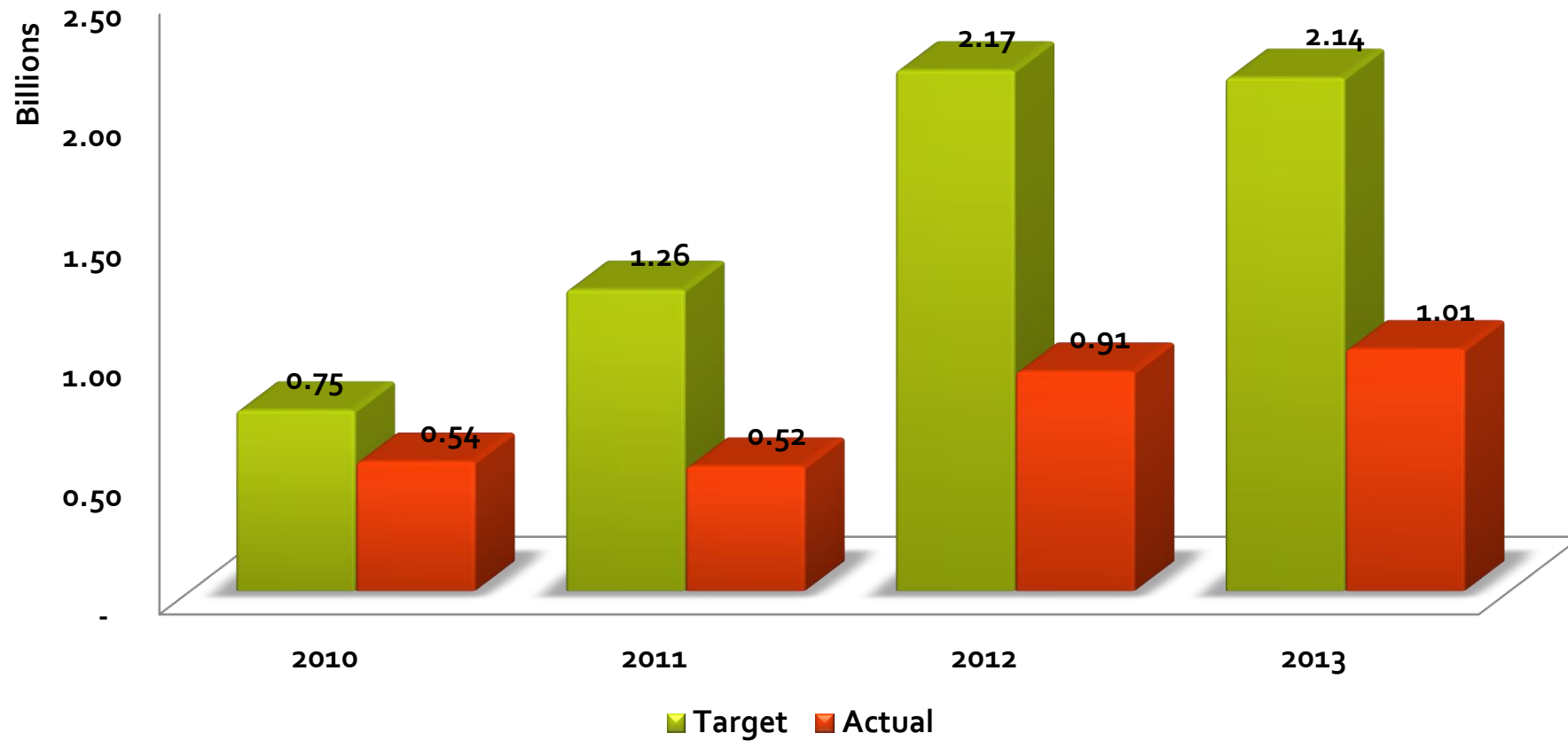
2013 Q1 AGGREGATE RECURRENT % INFLOW DISTRIBUTION



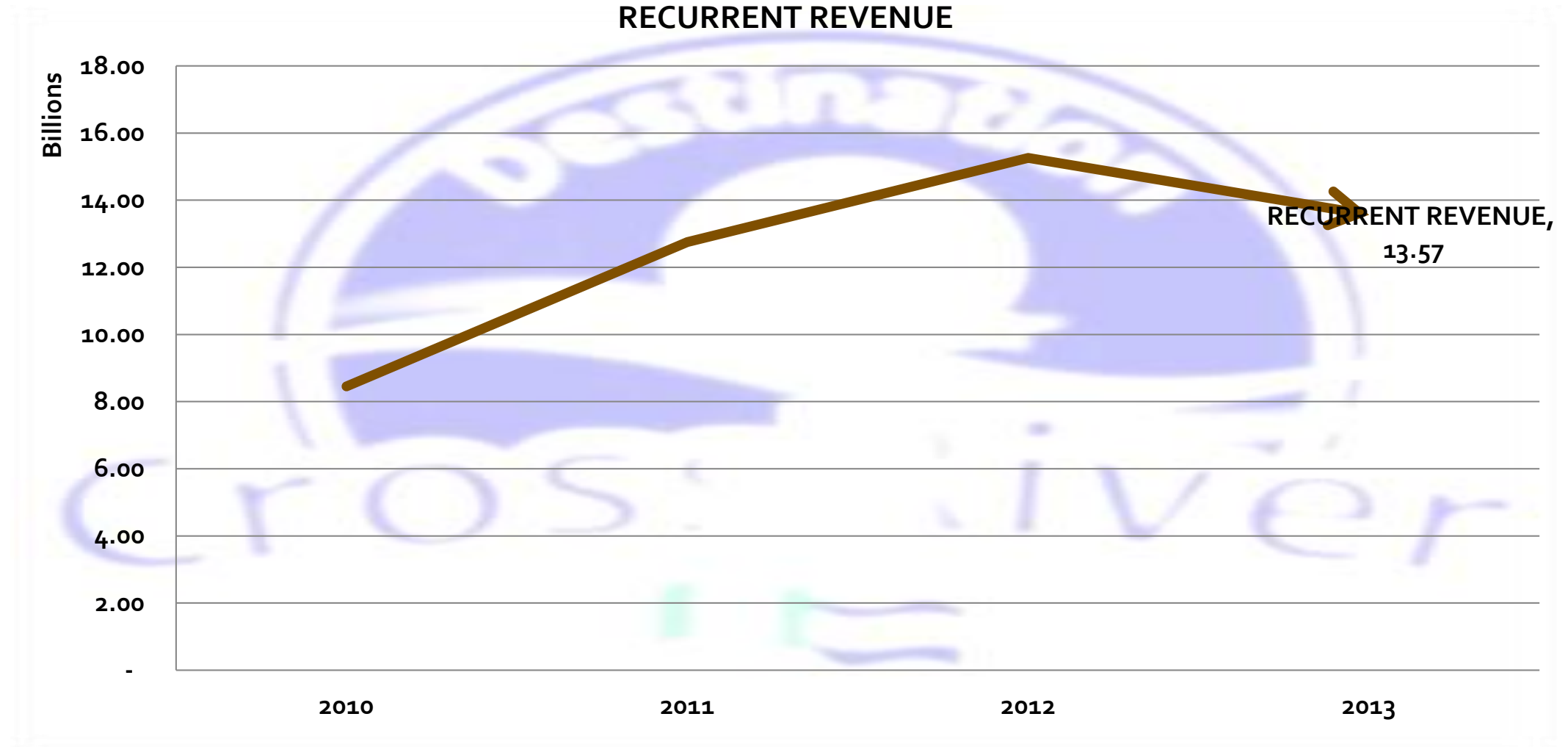
4 -YEAR Q1 RECURRENT REVENUE PERFORMANCE				
	2010	2011	2012	2013
IRS	1,004,305,419	1,015,978,974.69	1,887,671,758.95	1,657,370,252.00
MDAS	614,311,716.00	541,465,734.00	860,821,143.06	1,366,093,100.00
IGR	1,618,617,135.00	1,557,444,708.69	2,748,492,902.01	3,023,463,352.00
STATUTORY	6,834,632,302.00	11,197,403,873.43	12,511,850,290.66	10,542,062,593.00
RECURRENT REVENUE	8,453,249,437.00	12,754,848,582.12	15,260,343,192.67	13,565,525,945.00

SOURCE:BMED DATABASE 2013

2010-2013 Q1 AVERAGE MONTHLY PERFORMANCE OF IGR



2010-2013 Q1 RECURRENT REVENUE TREND



2013 Q1
MINISTERIAL REVENUE

CHALLENGES

**ACTION/
WAYFORWARD**

CHALLENGES

ACTION/WAYFORWARD

DEPARTMENT OF EVENTS
MANAGEMENT

The Sub-Consultant is yet to remit N23.9m being amount collected from occupants of shops at 2012 Christmas Village .

Special Adviser, Events Management is to cause the Sub. Consultant to remit amount based on Contract Agreement

TOURISM BUREAU
(MARINA RESORT)

The Facility Manager is yet to comply with terms of MOU.

The matter is before Privatization Council.

CUDA

LOW Rent paid by tenants occupying State Government Kiosks supervised by CUDA

Executive Secretary to convene stakeholders' meeting for review of rates in 2nd quarter 2013.

MIN. OF ENVIRONMENT

Most Revenue heads of MDA do not have legal backing for their collection.

Revenue bill is before Governor for assent.

Another component awaiting Environmental Policy

CHALLENGES

ACTION/WAYFORWARD

MINISTRY OF LANDS
& HOUSING

Re-certification of C of O.
Harmonization of Revenue heads of GIA with Revenue items of Ministry of Lands and Housing.

CRGIA should enhance the process of recertification of C of O.

Meeting held and roles clearly defined

MINISTRY OF
AGRICULTURE

N10m debt by Mr. PI

New Sub-Consultant

MOJ informed

DEPARTMENT OF
CULTURE AND
HERITAGE

Arrears of over N8m to be paid by Facility Manager, XY Limited

MOJ commencing legal proceedings

**2013 Q1
MINISTERIAL
REVENUE**

**BREAKDOWN OF
SOME MDAs**

- IRS
- Ministry of Lands and Housing
- Ministry of Agriculture
- Department of Public Transportation
- Secondary Education Board
- Ministry of Education

2013 Q1 INTERNAL REVENUE SERVICE NON TAX REVENUE

S/No	NAME	2013 Q1 TARGET	ACTUAL	%PERF
1	IDENTIFICATION OF MOTOR VEHICLE FEES	10,500,000.00	1,659,875.00	15.81
2	DRIVERS LICENSES	6,300,000.00	5,050,066.15	80.16
3	MOTOR VEHICLE LICENSES	25,000,000.00	9,756,575.05	39.03
4	POOLS BETTING LICENSES	1,053,756.19	266,250.00	25.27
5	TOURISM DEVELOPMENT LEVY	150,000,000.00	16,575,331.67	11.05
6	INDUSTRIAL DEVELOPMENT LEVY	247,500,000.00	1,056,400.00	0.43
7	OTHER UNSPECIFIED REVENUE	140,998,030.43	7,598,482.31	5.39
8	INFRASTRUCTURAL DEVELOPMENT LEVY	150,000,000.00	145,901,236.88	97.27
	TOTAL	752,518,893.11	187,864,217.06	24.96

2013 Q1 INTERNAL REVENUE SERVICE TAX REVENUE

S/No	NAME	2013 Q1 TARGET	ACTUAL	%PERF
1	PAY AS YOU EARN (PAYE)	587,448,805.03	1,218,248,446.75	207.38
2	DIRECT ASSESSMENT	677,899,700.12	50,766,074.39	7.49
3	WITHHOLDING TAX	300,000,000.00	141,906,369.74	47.30
4	TAX ARREARS AND PENALTIES	156,750,000.00	56,126,469.22	35.81
5	POOLS BETTING TAX	625,000.00	153,625.00	24.58
6	REGISTRATION BOOKLETS	1,750,000.00	7,500.00	0.43
7	PENALTIES	375,000.00	500,000.00	133.33
8	URBAN DEVELOPMENT TAX	100,000,000.00	1,421,950.00	1.42
	TOTAL	1,824,848,505.15	1,469,130,435.10	80.51

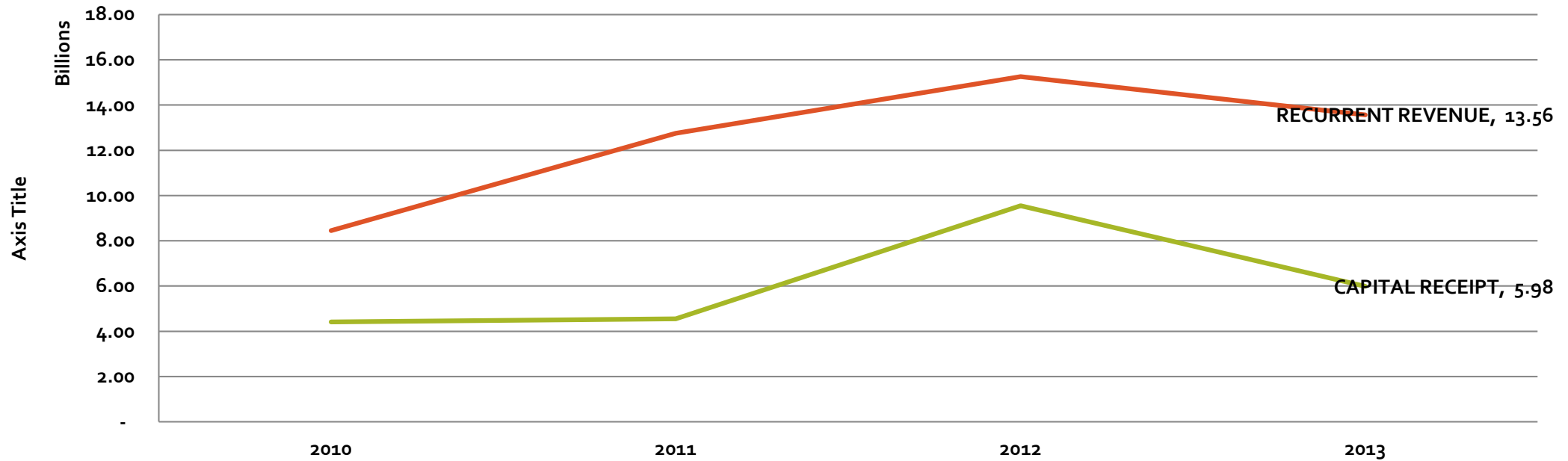
MINISTRY OF AGRICULTURE

DESCRIPTION	Q1 2013 TARGETS	Q1 2013 ACTUALS	%PERF
TOTAL REVENUE	35,175,225.00	20,621,286.30	58.62
Earnings and Sales	610,000.00		0.00
Sales of Oil Palm Seedlings	610,000.00		0.00
Fines and Fees	31,515,225.00	17,522,850.00	55.60
Vaccination Veterinary Clinic Treatment and Consultancy Fees	900,000.00	859,950.00	95.55
Produce Inspection Fees	29,500,000.00	12,978,900.00	44.00
Registration of Produce Store	242,475.00	80,000.00	32.99
Registration of Merchants (LBA)	872,750.00	604,000.00	69.21
Non - Compliance Cocoa Fees		3,000,000.00	
Licenses	250,000.00	299,400.00	119.76
Veterinary Licences	199,975.00	225,400.00	112.71
Fish Licences Fees	50,025.00	74,000.00	147.93

4 -YEAR Q1 RECURRENT REVENUE AND CAPITAL RECEIPT COMPARISON

	2010	2011	2012	2013
RECURRENT REVENUE	8,453,249,437.00	12,754,848,582.12	15,260,343,192.67	13,565,525,945.00
CAPITAL RECEIPT	4,418,892,584.00	4,547,967,923.14	9,552,608,692.22	5,987,786,158.13

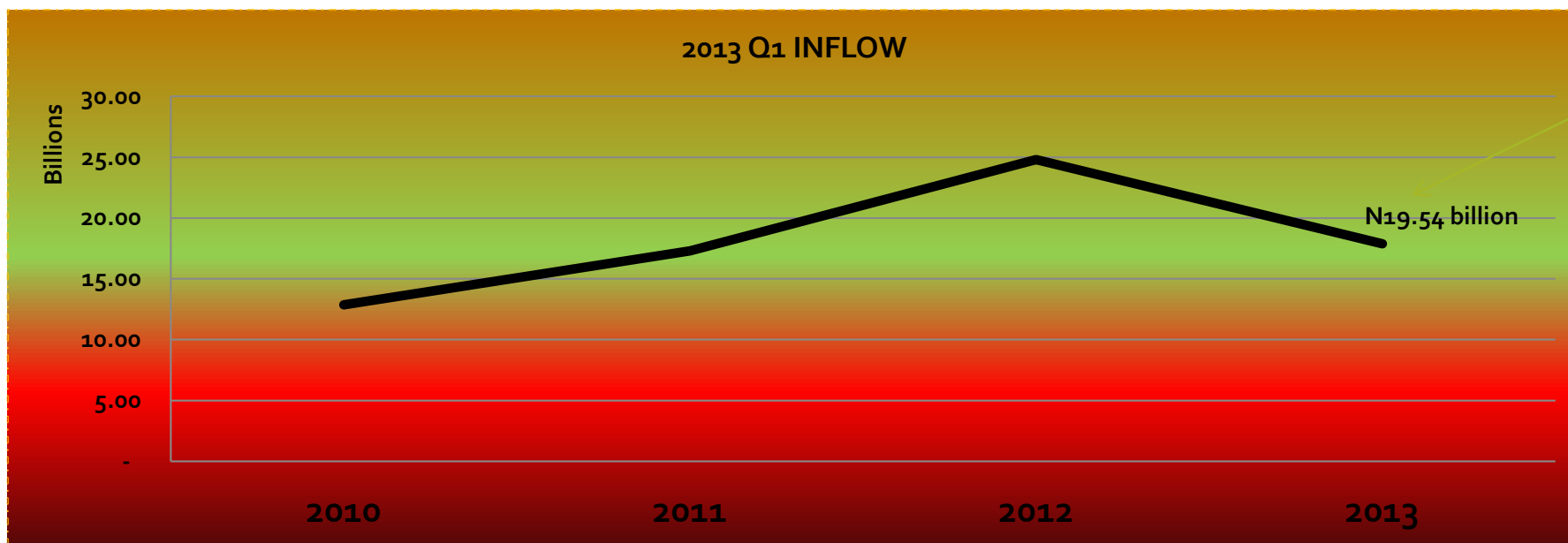
4 YEAR Q1 RECURRENT REVENUE AND CAPITAL RECEIPT COMPARISON



FIRST QUARTER INFLOW OUTLOOK

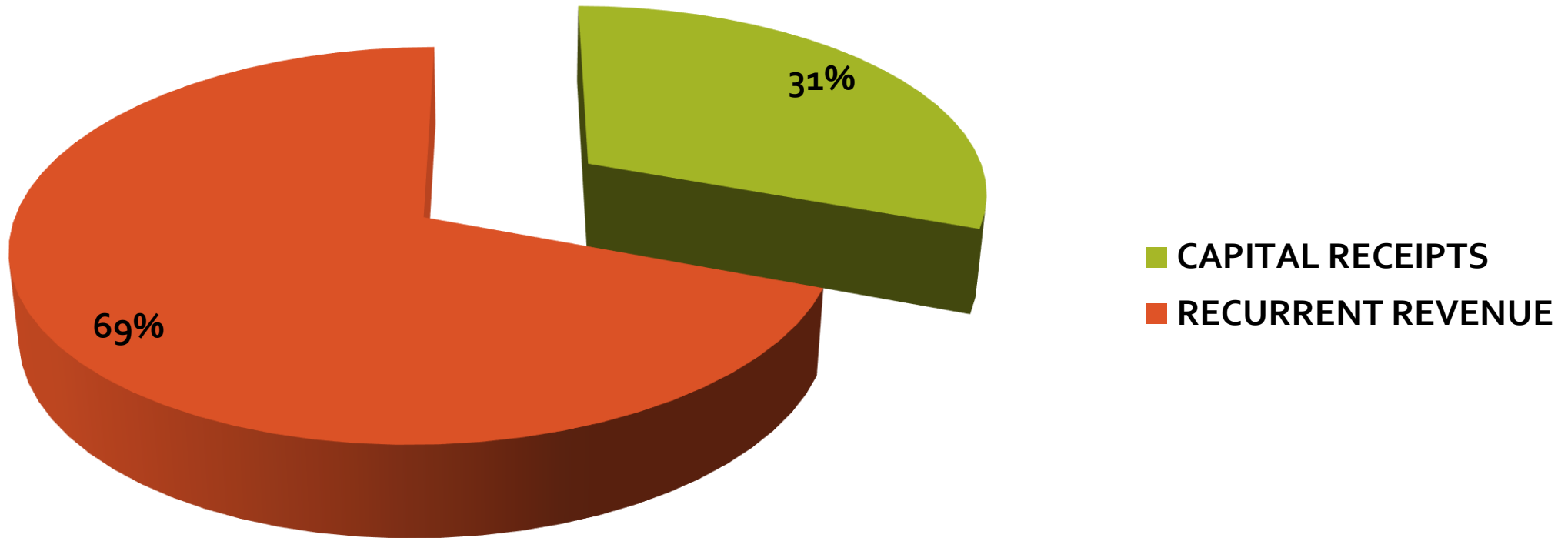
2013	APPROVED BUDGET	Q1 TARGET	Q1 ACTUAL	%PERF
RECURRENT REVENUE	70,677,468,422.00	17,669,367,105.50	13,565,525,945.00	76.70
CAPITAL RECEIPTS	77,241,262,891.00	19,310,315,722.75	5,987,786,158.13	22.47
TOTAL INFLOW	147,918,731,313.00	36,979,682,828.25	19,540,491,728.1	52.8

* SOURCE: BMED DATABASE 2013 ** % performance is based on quarterly target



drop caused by low receipts from excess crude oil and a drop in Statutory allocation revenue

2013 Q1 INFLOW DISTRIBUTION CHART



Conclusion and Recommendation

The main focus of this presentation is the tracking of IGR with a view to ensuring compliance and accountability. Beside the knowledge of Partnering in Budget formulation, Tax education, forming foundation of strategic alliance, CSOs should also undertake tracking the pronouncement and campaign promises of political office holders. There should be simple pictorial representation of actual with budgeted figures as this is simpler to comprehend and would spur improvement.

Thank You