2017 Tax & Fiscal Policy Prospects

Death, taxes and childbirth! There is never any convenient time for any of them. – **Margaret Mitchell**

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By Taiwo Oyedele

Now that 2017 is here

We often have new hopes and high expectations at the turn of new events including the turn of a new year regardless of past experiences and notwithstanding our current reality.

As a country Nigeria has expectations for tax and so are individuals and organisations. To a large extent and under normal circumstances, tax should be relatively more predictable given that the rules, and administration are totally within the control of appropriate authorities. Unlike attempting to predict the weather for a whole year or other natural and supernatural events.

In any case, here are my key predictions for the tax environment in 2017 based on instinct, observable trends, behaviour of key actors in the tax system, and analysis of past patterns.

Tax Policy

There is a revised National Tax Policy awaiting government approval for implementation. It is expected that the Policy will be approved and implementation will commence but with very little traction due to vested interests and insufficient buy-in from those who need to make the required changes.

The 2017 Budget of the Federal Government of Nigeria and the 2017-2019 Medium Term Expenditure Framework have no specific proposals to increase tax rates or impose new taxes in 2017. The budget speech was silent on key tax policies but stated a commitment to align fiscal, monetary and trade policies. There are plans to revive the Export Expansion Grant scheme.

Government will focus on measures to discourage imports which suggests that import duties and waivers may be revised. Already we have seen a revision in some duty rates announced towards the end of 2016 partly designed towards the implementation of the new ECOWAS Common External Tariffs regime.

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The ongoing review of tax incentives will be completed and should have a positive impact on government revenue if it addresses current abuse and plug existing leakages.

Tax Administration

Government is less bullish about non-oil revenue in 2017 compared to 2016 given the recent abysmal performance. It is expected that due to losses being reported by many companies in addition to other tax attributes such as unutilised capital allowances, the government tax take will be lower than anticipated especially from Companies Income Tax.

VAT collection is likely to improve partly due to the impact of the government social welfare scheme of conditional cash transfer and increased enforcement of compliance by FIRS but will still perform much below its potentials.

The aggressive stance by government at all levels will continue and intensify. In addition to imposition of stiff penalty and interest there is likely to be criminal prosecutions. Guidelines from the FIRS will continue to be hazy and request for rulings and direction by taxpayers may not receive prompt attention.

Internally generated revenue drive will continue to be on the front burner but still only an insignificant progress will be made due to the haphazard approach and the prevailing harsh economic condition.

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The FCT Internal Revenue Service will make some progress towards the full implementation of its mandate. Adoption and implementation of e-tax systems by various tax authorities will continue to be slow and ineffective.

More stakeholders will trigger the necessary provisions of the Freedom of Information Act to request for relevant information on tax administration, spending and expenditure control.

Some of the initiatives by the FIRS such as joint audit and use of consultants will continue to face implementation hurdles and unlikely to yield any major results. A number of tax authorities will introduce tax amnesty in order to expand the tax net and encourage voluntary compliance.

Tax Regulation

There will be some progress with the restructured Petroleum Industry Bill (PIB) with a high possibility for the governance framework being passed into law but other aspects of the Bill which are more controversial including the fiscal regime, derivation formula and host community issues will remain unresolved.

The proposed 9% Communication Service Tax will not see the light of day in its current form due to public resistance, bad timing which may be considered as insensitive and poor articulation of the justifications for the tax.

There will be some efforts to begin a comprehensive tax law review in 2017. The attempt to broaden the scope of stamp duty to cover savings account deposits, among others, will not yield any positive result as well as the plan to charge VAT on international passports.

Nigeria will sign more tax treaties for the avoidance of double taxation but ratification at the National Assembly necessary to domesticate the treaties will continue to be slow.

Tax Justice

The Tax Appeal Tribunal will be reconstituted. The aggressive level of tax audits by tax authorities especially the progress being made by the FIRS regarding transfer pricing reviews will lead to more disputes and hence a rise in tax appeal cases.

More tax disputes will be resolved in favour of taxpayers due to untenable positions taken by the tax authorities. The judiciary will generally continue to struggle with proper and timely dispensation of tax cases due to lack of in-depth tax knowledge especially in more complex situations and evolving areas.

The Global Tax Space

The OECD's Base Erosion and Profit Shifting (BEPS) action plan will continue to be a major area of focus for tax authorities around the world. Many countries will enact new laws or amend existing ones to provide a legal framework for its implementation. However, there will be very little progress in Africa including Nigeria as many countries will be unable to make the necessary legal changes. Many more countries will subscribe to the Common Reporting Standards and join the multilateral treaties for collaboration, and exchange of information but implementation will be sketchy.

There will be some tax leaks but not at the same level and magnitude of the 2016 Panama Papers. The scrutiny of tax havens will increase and tax 'sweetheart deals' will be challenged both legally but more importantly from a morality standpoint.

The new ECOWAS Common External Tariff scheme will continue to experience poor implementation by member countries thereby undermining the regional integration efforts.

2017 Tax Resolutions

Just in case you do not have any New Year resolutions for tax, you need to commit to paying your taxes correctly and on time. Tax will not just be a compliance matter but a business continuity and sustainability issue. More importantly, as a taxpayer you must hold government accountable for the taxes paid. This will create more tax awareness and citizen engagement.

Overall, the tax journey in 2017 will be bumpy but I am cautiously optimistic that it will end in safe landing albeit with some bruises.

Visit my blog to read my past predictions and my review of major tax events of 2016 **www.pwcnigeria.typepad.com.**

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