



•Osun State Governor Rauf Aregbesola flanked by his Chief of Staff Gboyega Oyetola (right) and Emir of Borgu Muhammad Sani Dantoro when the emir visited the governor at the Government House in Osogbo...yesterday.



•From left: Leadway Pensure PFA Executive Director Olusakin Ladeodan, Lagos State Ministry of Tourism, Art and Culture Director of Administration & Human Resources Mrs Olubisola Olunloyo, Nigerian Film Corporation Managing Director Dr. Chidia Maduekwe, Leadway Assurance Company Limited Executive Director Miss Adetola Adegboyi and Pinewood Medicare Managing Director/Chief Executive Officer Dr. Olasimbo Davidson at the launch of Nolly Health Insured and Memorandum of Understanding (MoU) signing in Lagos.



•Nigerian Stock Exchange (NSE) Chief Executive Officer Oscar Onyema (middle) presenting a gong to Africa Prudential Registrars Plc Chairman Mrs. Eniola Fadayomi at the Closing Gong at the Exchange in Lagos. With them is Africa Prudential Registrars Plc Managing Director/Chief Executive Officer Peter Ashade.



•From left: VFD Microfinance Limited Managing Director Azubuike Emodi, Super Falcon Defender Onome Ebi, Female Champion Rasheed Ajibade and Feet 'n' Tricks Chairman Valentine Ozigbo at the grand finale of Nigeria Freestyle Football Competition organised by Feet 'n' Tricks Limited in Lagos.

# Taxation: Endless games...endless controversies (I)

**Many Nigerians dodge taxes. Despite the government's appeals over the years, there has been no improvement. They believe that tax revenues are misapplied. But the launch of the Voluntary Assets and Income Declaration Scheme (VAIDS) could create a new tax culture. COLLINS NWEZE examines the intricacies of the new tax regime.**

**A**S 45-year old lawyer Gabriel Martins waited outside the courtroom for her colleagues, his smartphone beeped with the familiar Facebook message alert. That was another reminder for him to take advantage of the Voluntary Assets and Income Declaration Scheme (VAIDS) and pay all his outstanding taxes.

"You're not going to have another opportunity to clear all your tax arrears after March 31, 2018 deadline for utilising the VAIDS opportunity," the message from his wife, Angela Martins warned. With his phone, Martins quickly logged on to the Tax247 App which gives users access to tax information on his android phone, and was further educated on how to settle his tax arrears worth N400, 000.

Two hours later, he was to locate an agent of Federal Inland Revenue Service (FIRS), who assisted him to calculate his tax liability. This was followed by payment in a commercial bank and the issuance of a receipt for the transaction.

A few years ago, Martins could only have imagined being able to pay his taxes without moving from one tax office to another and filling of numerous tax forms.

But for Kelvin Okon, a Lagos-based entrepreneur, there was no justification for the VAIDS project. He believes that the government has not accounted for the trillions of naira it collects annually from taxes.

"I have already paid all my taxes because I built my own road, powered my home, supplied water to my home and even paid security fees in my neighbourhood. There is no point paying more taxes because I see this expenditure as tax payment", he claimed.

Yet, for every Martins who is willing to leverage the VAIDS window to clear his tax arrears, there are 20 Okons, and millions of companies, that are frustrated by the poor state of social amenities. They see no reason to pay taxes.

The VAIDS is a time-limited opportunity for taxpayers to regularise their tax status relating to previous tax periods. In exchange for full and honest declaration of assets and income that were hitherto undisclosed, tax payers will get pardon for overdue interest and penalties. They also have the assurance that they would not face criminal prosecution for tax offences or be subject to tax investigations. The VAIDS gives the government opportunity to increase the nation's general tax awareness and compliance.

Also, Michael Obi, a Lagos-based banker has a clearance certificate for

each year showing tax payment of N350, 000 per annum based on Pay As You Earn (PAYE) deductions. But the land registry documents showed he owns property in Lagos and Abuja where she earns N6 million as combined rents, annually. Obi has not paid tax on his N6 million additional income in the last five years. But, with the introduction of the VAIDS projects, such income will now be taxed.

Abiodun Stephens, a businessman resident in Lagos, owns a property in Switzerland, where his family lives. He also earns \$100, 000 as rental income from the property annually. The

## The ways

**Text of former All Progressives Congress (APC) Interim National Chairman Chief Bisi Akande's speech at the presentation of the book: "Nigeria: The path we refused to take", written by Basorun Seinde Arogbofa. The APC chief-tain chaired the occasion in Akure, the Ondo State capital, yesterday.**

**W**E gather here today to present a book titled: "Nigeria: The Path We Refused to Take" by Basorun Seinde Arogbofa. To me, it is a pleasure and a privilege to be asked to chair this occasion and I have, therefore, chosen to talk, not on the path we refused to take, but on the path of misadventure that led Nigeria to the present ugly crossroads.

The military involvements in politics for 29 years out of Nigeria's 57 years of independence has drawn back and miniaturised the sense of democracy and good governance among Nigerian political leaders so much that political discussions are no longer issue-based or interesting. This situation becomes very dangerous for the future of our society - particularly among the growing youths on whom the likes of Seinde Arogbofa are labouring so much to restructure intellectually.

A cardinal point in teacher education is that adolescence represents life's transition when youths want to be like adults but they lack the



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rent is credited to his foreign account in Cayman Island, but tax records show payments to Lagos State of N5 million per annum from 2012 till date.

The investigation by tax authorities showed that Stephens declared income was at variance with his assets and lifestyle. That is the starting point for VAIDS.

The FIRS puts the total number of tax payers in Nigeria at 14 million with 96 per cent of them having their taxes deducted at source from salaries under the PAYE system. Only four per cent comply under direct assessment.

That explains why Nigeria's tax to Gross Domestic Product (GDP) ratio of six per cent has been rated as one of the lowest globally compared to India's 16 per cent, Ghana (15.9 per cent) and South Africa (27 per cent). Most developed nations have tax to GDP ratios of between 32 per cent and 35 per cent.

Worried by the figure, the Federal Government is taking strategic steps to improve tax payment.

Acting President Yemi Osinbajo believes the citizens must pay taxes and hold their government accountable where the funds are not well utilised.

He said: "When people pay taxes, they pay attention to what the government is doing. There's a level of social and political consciousness which people have when they pay taxes because they are able to question government and their representatives on government programmes. Taxation makes the people to hold the government to account."

Osinbajo, who spoke at the launch of VAIDS in Abuja, explained that with the decline in oil revenues, tax revenues must be shored up.

He said: "We are just not making as much money from non-oil revenues and today, we are faced with a situation where if we don't ensure that people pay taxes, we will certainly not be able to sustain social services or any kind of services for the growing population."

Describing as unfortunate that the vast majority of Nigerians have not been paying taxes, the Acting President said: "That's just the sum and substance of this. This is at variance with the structure of our economy where we are estimating that almost 70 million Nigerians are economically active. This means that just 20 per cent of people engaged in one form of business or the other are registered and paying taxes."



• Acting President Osinbajo



• Mrs. Adeosun

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He described as alarming the statistics on tax payers. Despite having some

of Africa's wealthiest people whose lifestyles attract global admiration, only 214 Nigerians pay taxes of N20 million or more each year. A personal tax bill of N20 million implies a personal income of N80 million, which does not represent the reality. The 214 unnamed Nigerians are all based in Lagos State.

Further statistics show that another 914 Nigerians are those who pay N10 million as taxes, with all except two, are from Lagos State while the other two are from Ogun State. The figures are indications that there is a fairly equal spread of high net worth people across the country.

Besides, many Nigerians have multiple income sources but declare just one even as tax is not supposed to be a tip given to government according to how one feels, but is an obligation and a civic duty.

According to Osinbajo, tax evasion is also prevalent in companies. Many firms have distorted the ancient accounting concept of double entry and now maintain two or three sets of books: one for the tax man showing low revenues and high expenses, another set showing the reverse for internal views.

He disclosed that other firms collude with corrupt tax officials over the years to fraudulently understate their obligations to government.

The Acting President said: "Some have charged Value Added Tax (VAT) and not remitted it to the FIRS. Others have deducted taxes from employees' salaries and have pocketed the funds. Tax evasion is not a uniquely Nigerian practice, some multinationals have used profit shifting to rob Nigeria of its share of the revenues generated from within this nation."

Osinbajo went on: "A million generators instead of a single power plant are inefficient. A thousand jeeps instead of a road repair programme are also not the answer while several bore holes instead of pipe borne water are equally not the solution. However, I fully understand that the call for improved tax compliance must be accompanied by accountability and service delivery."

"I am certain that there will be more consultations concerning VAIDS the most important consultation must take place in our quiet moments of self-reflection when we consult with our conscience. We must ask ourselves candidly whether we have been fair to our country; whether the nation on which we have generated our wealth has received its fair share, whether we have contributed to the welfare of our fellow Nigerians by paying our fair share of the funds needed to develop this country."

Finance Minister, Mrs. Kemi Adeosun, said the Federal Government has engaged the services of asset tracing companies to investigate tax payment status of 150 high net-worth firms/individuals.

The investigators, according to him, are relying on information derived from Bank Verification Number (BVN), records of property ownership, records of foreign exchange allocation, records of company ownership from the Corporate Affairs Commission (CAC), among others to ascertain the income status of the companies/individuals vis-a-vis their lifestyles.

The minister spoke at PWC's Business School with the theme: "Voluntary Assets and Income Declaration Scheme (VAIDS) interactive session for executives and business owners".

She said: "We are using some firms to trace assets internationally. We are working alongside projects we have locally like the Bank Verification Number (BVN), records of property ownership, records of property allocation, records of company ownership from the Corporate Affairs Commission (CAC) among others. It is from these projects that we look at how much tax such companies or individuals should be paying based on his lifestyle."

Mrs. Adeosun said that the statistics are computed, and compared with how much tax the person/company is paying and know if the right taxes are being paid or not.

**To be continued**

## to Nigeria's present criminal revolution

### • Akande writes off 1999 Constitution

confidence and the experience of selecting options among changing circumstances and for confronting challenges arising from varying universal problems.

Apart from relatively few science students who perform token experiments of knowledge in their science laboratories, all other youths, including those having no advantage of going to school now, in Nigeria, largely find themselves inadvertently doing experiments of their knowledge among the societies of 'yahoo-yahoo boys', drug pushers, '419 advanced fraudsters', 'boko-harams', 'badoo ritual killers', cults, militant terrorists, and several other gangs of hoodlums.

This situation of violent criminality and insecurity with the incidences of waves of armed robberies, kidnappings, ritual killings, cattle rustlings, suicide bombings and treasury looting has exerted so much pressures on our security agents that cases like pick-pocketing, shoplifting, knife crimes, raping, burglary and other common misdemeanors have totally become trivialised as mere pranks or jokes too insignificant for police attention.

Already, the military that brought those situations to Nigeria have moved back to their barracks. Nigeria is left helplessly choosing new breed leaders from among the youths who are struggling out, directly or indirectly, from the influence of the various societies of criminal gangs.

All other emerging gentleman professionals, who are not in politics, are fast becoming grumblers and self-declared 'misfits' in most Nigerian societies, wondering if the country can

**The 1999 Constitution can never be beneficially reviewed and the ongoing piecemeal adjustments or amendments can only totally blot the essence of national values and accelerate the de-amalgamation of Nigeria. All the angels coming from heavens cannot make that constitution work for the progress of Nigeria.**

ever return to its old glories and workable attractions. They, in the meantime, are imagining where would be the place for their own children being presently brought up from elite environments.

The Nigerian new breed elected and selected leaders, judging from their societal backgrounds described above, find it difficult to be aware that Nigeria is 10 years backward in road assets: it has 193,000 kilometers of bad roads instead of 300,000 of well-paved roads; it requires not less than N1 trillion annually to probably catch up by 2025. Some of the new breed elected leaders do not even appreciate that the 60,000 kilometers of roads that are being claimed to have been paved out of Nigeria's present 193,000 kilometers of bad roads have already been taken over by pot-holes. Such leaders are crowded in states' capitals and Abuja, bluffing the rest of us at our roadless villages with fleets of exotic cars under their control.

These new breed psychedelic elected and selected leaders need to listen

attentively to the Nigerian Institute of Quantity Surveyors (NIQS) who recently declared that the Federal Government alone would need some N3 trillion annually to fix its infrastructural deficits. With the zig-zag production and fluctuating prices of crude oil, these new breed elected and selected leaders have not convinced themselves as to where this huge money would be found to define Nigeria's future economic trajectories, but they are constantly and breathlessly battling for constituency project allowances.

The country representative of UNICEF in Nigeria, Mr. Muhammed Fall, was reported, recently by Freedom Online media, to have put Nigerian children who are not attending Primary school at 10.5 million. At 35 pupils per classroom, 300,000 classrooms and 300,000 additional teachers are needed if their parents can be convinced to send them to schools.

Many of Nigeria's elected and selected new breed leaders come from such cultures where sending children to school is abhorred and they remain

comfortable with that.

In our days, Western Nigerian parents' resistance to sending children to school was resolutely battled and degraded by the Obafemi Awolowo administration. Awolowo's government thoughtfully opened technical schools, schools of agriculture, farm settlements and marketing board for farm produce price stabilisation.

By making agriculture very profitable and beneficial for the developments of his people in the West, the late Awolowo made it so attractive that there was full youth employment. Even at a time, the Federal Government was owing Awolowo's administration in the old Western Region a huge debt from the proceeds of farm commodities. That was why demands for revenue allocation by derivations (now being compared with 'resource control') was melodious in his political music.

Robert Mugabe was somewhere quoted to have said: "How do you convince the upcoming generations that education is the key to success when we are surrounded by poor graduates and rich criminals?" This aptly describes the situation the military's involvements in politics and the 1999 constitution have hoisted on Nigeria too.

Nigeria began as a controversial state of many nations. The 1999 Constitution is Nigeria's greatest misadventure since Lugard's amalgamation of 1914. The constitution puts emphasis on spending rather than making money, thereby intensifying the battles for supremacy between the legislature and the executive while the judiciary is being corruptly tainted and discredited.

The constitution breeds and protects



• Akande

corrupt practices and criminal impunities in governance. The 1999 Constitution can never be beneficially reviewed and the ongoing piecemeal adjustments or amendments can only totally blot the essence of national values and accelerate the de-amalgamation of Nigeria. All the angels coming from heavens cannot make that constitution work for the progress of Nigeria. It should only be scrapped as bad relics of military mentality; and it ought to be temporarily replaced with the 1963 Republican Constitution to enable a transition for the writing of a suitable constitution.

Otherwise, the 1999 Constitution would continue to dwarf Nigeria's economy and stifle the country's social structure pending a disastrous and catastrophic bankruptcy.

Ladies and gentlemen, the search for a better future has now become a function for every Nigerian because criminal revolution can lead to chaotic revolution over which no one has control.

It is my prayer for us all to fare well on our way out of the country's present sorry pass.



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•Lagos State Governor Akinwunmi Ambode (second right), Special Adviser to the Governor on Education Obafela Bank-Olemoh (right), Massachusetts Institute of Technology (MIT) Sloan School Executive Director Georgina Campbell Flatter (middle), TechPreneur Africa Chief Executive Officer Bolaji Finnih (second left) and MIT Technological Innovation, Entrepreneurship & Strategic Management Doctoral student Caroline Viola Fry when the MIT delegation visited the governor at the Lagos House, Ikeja.



•Osun State Governor Rauf Aregbesola flanked by his deputy Mrs. Titi Laoye-Tomori and Australian High Commissioner to Nigeria Paul Lehmann when the envoy visited the governor at work in Osogbo...yesterday.



•From left: Vodacom Business Nigeria Managing Director Lanre Kolade, Communication Technology Minister Adebayo Shittu, Lagos Chamber of Commerce & Industry (LCCI) President Mrs. Nike Akande, LCCI Trade Promotion Board Chairman Sola Oyeyayo at the Information Communication Technology & Telecommunication (ICTEL) Expo 2017 at the Eko Hotel & Suites, Victoria Island, Lagos.



•Glo subscribers Joyce Amwe (left), Vivien Bamidele Maxwell (second right) and Julian Iberi (right) with comedian Princewill Odeh Ayiri at the Abuja edition of the Mega Comedy Show Glo Laffta Fest in Kubwa.

# Taxation: Endless games...endless controversies (II)

**Not a few Nigerians have resisted the government's appeals to pay taxes. This is due to an age-long distrust between the government and the citizenry on the application of tax revenues on the provision of social amenities. But the launch of the Voluntary Assets and Income Declaration Scheme (VAIDS) by the Federal Government could create a new tax culture. COLLINS NWEZE examines the complexities of the new tax regime.**

FINANCE Minister Mrs. Kemi Adeosun said: "The investigators' findings will enable us compare the income and how much tax the company/person is really paying, and that gives us lots of information. But, we encourage people to come up and pay their taxes willingly."

Besides, she said the government has also been looking at vehicle registration about your income. So, we look at your tax returns. If you registered Mercedes E-Class and you are paying N100,000 tax, then something is wrong. Those are red flags. We now have the capacity to assess people accurately," she said.

The minister said no one would be left out in the campaign to enlarge the tax net, adding that the response being received so far, has shown that people are embracing the tax policy. Mrs. Adeosun described the trend as a good omen for the nation.

She said that some beggars are earning millions, and government will even look at their lifestyles and tax them, adding that "even proceeds from begging are taxable. You are supposed to pay taxes even if your means of income is begging."

Adeosun said that tax is a matter of law and that Nigerians should continue to pay taxes. "We are trying to build an economy where we have oil and other things. It is going to be oil plus and wider economy," she said.

Noting that tax payment would enhance the democratic process, the minister said: "As our tax revenues go up, governance will improve. We have many projects we want to execute and I think if we have the funds, they will be executed. I think we are seeing improved budget performance. That will lead to getting the roads done, and improve the condition of our schools. Progressively, what we should look out for are improvements in the standard of living, and lifestyles of Nigerians as we get more tax compliant."

She said that government has set a preliminary tax target of \$1 billion annually, but believes that the target can even be surpassed.

Her words: "I think we can get more, and let's see how it goes. For me it is not about how much money we recover, it is about getting more people to pay their right taxes continuously. How much we recover from taxes is not as important as getting people into the tax net and paying the right taxes."

"Prosperous nations have high lev-

els of tax compliance whilst poor nations have low rates. Nigeria aspires to be a prosperous nation, so this problem must be solved."

To Mrs. Adeosun, tax administration and technology can be deployed to widen compliance and encourage more individuals and companies into the tax net. In line with this objective, the government is investing in tech-

She explained that some of the recent initiatives in her have made it virtually impossible to get obtain a payment from the Federal Government without being fully tax compliant.

Therefore, tax payment is part of the social contract between the government and the people and the most effective measure to enhance compliance is the knowledge that tax revenues are being utilised effectively for the development of the people.

## Views from other stakeholders

The International Monetary Fund (IMF) had earlier directed Nigeria to begin a new tax reforms to shore up revenues and wriggle out of the economic crisis triggered by tumbling crude oil prices.

According to the IMF African Department Director Abebe Selassie, Nigeria's economic circumstances remain difficult, despite being a nation of tremendous wealth. He said the government has to reform its tax system, but reduce the impact of such reforms on the poorest.

To Selassie, the government has to urgently decide on the particular tax handle it wants to use, but must protect the poor from the impact of such policies. He said that without such reforms and huge investments in infrastructure, the government's objective of addressing poverty may not be achieved.

He said: "Government needs to build more schools, invest more in health and education. All of this requires resources. So, it is imperative for government to be able to address its long-term development agenda including tax handles that will be able to generate revenues. But there are ways to mitigate the impact on the poor, without which, you cannot have the development that the country seeks."

The Executive Chairman, Lagos Internal Revenue Service (LIRS), Ayo Subair, said that Lagos State remains a good example of where taxpayers'



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money is being put to work. He said: "We have seen the positive impact taxpayers' money can make at the state level in terms of social services, administration of government and infrastructure development. So, we are fully supportive of this initiative and we are ready to assist as many taxpayers who would like to take advantage of the scheme to remediate their tax affairs."

The immediate past President of the Chartered Institute of Taxation of Nigeria (CITN), Mrs. Olateju Somorin, urged Nigerians to voluntarily pay their taxes, even as he sought transparency and judicious use of tax resources by government.

She warned that any government that fails to show evidence of tax revenues risks losing legitimacy, mandate and authority as sovereignty resides with the people.

"When taxpayers demand to know how public funds are being utilised, this should be provided, as it is the given right of such taxpayer to try and make sense of government priorities and how those priorities affect them", she said at CITN annual tax conference held in Abeokuta, Ogun State.

Also speaking at the event, the Director-General of the Budget Office of the Federation, Ben Akabueze, said that although tax compliance has become abysmally low, tax payers believe that the government has serially failed its development tests as contained in the social contract. For instance, infrastructure has been a recurring word in national plan for the last 17 years.

"From the taxpayers' perspective, the issue of transparency and judicious use of revenue is *sine qua non* for payment of tax, as there is the belief that if amenities are put in place, trust in government would lead to increased voluntary compliance", he said.

Within these years, government has brokered debt deals now worth more than \$57 billion. It has also generated from tax collection - a revenue worth more than N40 trillion, averaging yearly about 2% per cent of its capital expenditure. This means that government generates almost three times its capital expenditure estimates from tax collection since 17 years ago. Unfortunately, the country is still in the list countries in the world with huge infrastructure constraint.

The President, Manufacturers Association of Nigeria (MAN), Frank Jacobs, said the gains of an effective tax system to the economy are limitless.

Jacobs, who spoke on the theme: "Psychology of the tax payer and voluntary compliance", said the manufacturing sector has been driving the economy.

Jacobs said: "It has been contributing significantly to government revenue, employment creation and reduction in human misery brought about by poverty. MAN has continuously encouraged its members to be tax compliant, which they have strictly adhered to. In fact, the manufacturing sector is the most taxed sector in the economy and is scourged by multiple taxes and levies coming from the three tiers of the government," he said.

Jacobs said that expenses on multiple taxes, levies and fees constitute a chunk of the overhead costs of most manufacturing companies. If not for the resilience and doggedness of manufacturers, most firms would have closed shop as a result of multiple taxes, he said.

"It is important to note that the reason for the poor performance of tax in the country is not solely due to non-compliance of taxpayers but largely due to heavy tax burden, overtaxing and the inability of tax administrators to fully explore the vast potentials inherent in widening the tax net."

"A tax system should be robust and efficient. It should be a system that promotes equitable distribution of the tax burden, is easily understood and accessible to all, transparent with internal mechanisms that guarantee accountability in collection and utilisation of tax revenue."

The MAN chief said an efficient tax system should be driven by the quest to promote and respect human rights,



FIRS office



Prof. Eke

Already, the FIRS collected N1.782 trillion in tax revenue between January and July this year. The figure represents an increase in tax revenue of N224.14 billion when compared to the N1.558 trillion collected in the same period of last year



Prof. Eke

There is a limit to taxation otherwise the poverty of the citizens would be aggravated. If firms are taxed excessively, they would pass some of the burden to consumers through higher prices of goods and services

The citizens expect to see 'taxpayers' money in action' but they get the reverse in return. Records show that those in power including public servants deduct PAYE based on salaries instead of total emoluments



Eze

Roads are a shared resource that should be funded with the common-wealth. The same applies to healthcare. We cannot continue to have citizens constantly flying out of the country to receive good healthcare



Daniel

the need for social transformation and willingness to empower the public to understand public funds administration system.

#### Challenges hindering taxation

Subair listed some of the challenges hindering effective tax administration in the country. They include inefficiencies within the current tax system at the federal and state levels, cultural factors which result in subjectivity in the assessment of tax payers, fragmented database of citizens in the country, making it difficult to have a holistic coverage of financial activities, government not exercising the political will to restructure the current tax system whereby people within the informal sector and briefcase companies pay little or nothing as taxes over the years and government's failure to act on tax evasion matters as a deterrent to others because relevant sections of the tax laws are not being enforced.

Also on the card is the proper conduct of the national census exercise which government/authorities can leverage upon for data analysis and subsequent enhancement of tax gen-

eration and growth.

He explained that there is a relationship between adequate tax collection and development, adding that arguing which comes first remained a case of lack of understanding of the social contract, which rests on civic responsibility and transparency/judicious use of tax revenue.

Subair said: "Everyone that earns income or a company that is in operation must pay tax. Tax payers should ask questions on how the revenue generated is being expended. The government needs to show that the tax revenue is judiciously spent on infrastructures that are of immense benefit in order to boost the morale of tax payers."

"Tax revenue collection should be seen to be and must be fair, simple, flexible, convenient and at low cost to both the tax payers and administrators to boost morale of taxpayers and be sustainable in the long-run."

Former Dean of the Faculty of Administration, University of Uyo, Prof. Ntiedo Umoren, called on stakeholders to embrace practices where the fundamental principles of taxation is regarded as a social contract between the government and the people.

He instead that when tax is managed properly, the economy grows at an acceptable pace, while social programmes that benefit the poor receive boosts to enhance quality living standards for all.

"It is an organised system of tax collection, which serves as a means of not only funding government, but as veritable harbinger of good governance," he said.

According to him, there are significant challenges associated with tax administration, including the lack of sufficient political support, as many elites do not even pay tax. There are large informal sector outside the tax net; multiple taxation; leakage and diversion of tax revenue; lack of accountability for tax revenue and insufficient government impact on citizens.

Principal Counsel, Eze & Associates, Chukwuemeka Eze, said the quest to increase the revenue needed for national development is triggering the new tax debate. The government wants to improve the tax to GDP ratio by bringing more Nigerians into the tax net. It is now in the public domain that out of millions of taxable corporate entities in Nigeria, only very few of

them pay their taxes. The government needs capacity and collaboration in this regard and these discussions with the World Bank is a step geared towards achieving this objective.

"The government can rebuild the confidence of the citizens in the tax system by making representation a corollary of taxation. Transparency and accountability on the part of our leaders will increase voluntary tax compliance. Corruption with its concomitants constitutes the virus that has catalysed resistance to tax compliance. In saner climes, taxation is a bringer of development."

"The citizens expect to see 'taxpayers' money in action' but they get the reverse in return. Records show that those in power including public servants deduct PAYE based on salaries instead of total emoluments. This act is against the provisions of the Personal Income Tax Act (PITA), which regulates income tax matters in Nigeria."

On the other hand, he said that tax legislation remain burdensome. For instance, it grants reliefs which make



## News



• A cross section of participants at a tax conference organised by the Chartered Institute of Taxation of Nigeria (CITN) in Abeokuta, Ogun State.

## Taxation: Endless games...endless controversies (II)

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a mockery of the reality on the ground. Many experts have described the Consolidated Relief Allowance (CRA) of N200, 000 contained in PITA as gross abuse of what an allowance should be in a tax system considering the double-digit inflationary rate besetting our beleaguered economy.

He said the government offensive will succeed in improving the tax to GDP ratio. "The government has gone far in getting it right in this regard. It has approved a new National Tax Policy (NTP). It has created an improving cashless economy. There is greater cooperation among the revenue agencies and especially between FIRS and those agencies that operate a biometric system in their service or business system."

Technology has made it seamless for this cooperation and it is almost becoming elusive to evade the taxman in the long run.

"We can achieve this by good governance, greater utilisation of tax proceeds for capital expenditure and reducing the trend of allowing recurrent expenditure to continue to take the larger percentage of our budget. Massive infrastructural development will promote voluntary tax compliance. A situation where a taxpayer is compelled by circumstances to use his funds to provide power, water, roads, and other infrastructural facilities, he will certainly prefer to evade payment of taxes on the presumption that the State has shirked its responsibility in providing these amenities."

According to him, "Section 14(2) of the 1999 Constitution (as amended) provides that security and welfare of the people is the primary purpose of government. Compliance with this provision is the surest way to improve voluntary tax compliance in Nigeria. For instance, between 2007 and 2009, during the first term of the Babatunde Fashola administration in Lagos State, the number of taxpayers in the State jumped dramatically and my enquiries showed that this was a consequence of the massive infrastructural revolution that ensued during the first three years of his first term in office."

He said: "The tax reforms and protecting or improving the welfare of the poor are not mutually exclusive. Nonetheless, it is not easily achievable in a presidential and corruption-infested political system. The cost of governance is too high and it is impracticable to depend entirely on the high profile individuals to bear the tax burden."

The Director-General of the West African Institute for Financial and Economic Management (WAIFEM), Prof. Akpan Ekpo, said Nigerians have lost confidence not only in the tax system but also in the government itself.

He said that to restore the needed confidence, the government must demonstrate that the current revenue cannot be properly managed and utilised in providing basic needs to Nigerians even at the level of cost recovery.

He explained that the country has decayed infrastructure, collapsed public school and health systems, among others. The government should fix, for example, the power (electricity) challenge, revamp the public school system, particularly at the primary and secondary school levels, then Nigerians would begin to have confidence in government. Taxation must be accompanied with quality service delivery, otherwise tax reform would bear no fruits," he said.

Ekpo, who was a former Central Bank of Nigeria (CBN) director, said incomes are generally low and poverty is well spread in the country, so it is difficult to determine who and what to tax.

"There is a limit to taxation otherwise the poverty of the citizens would be aggravated. If firms are taxed excessively, they would pass some of the burden to consumers through higher prices of goods and services. "The solution is to grow the manufacturing sector, generate more revenue as workers in the sector would pay taxes and provide services to encourage Nigerians to pay tax. Coercion would not solve the problem, so also empty campaigns without concrete evidence of the positive utilisation of taxes are not a long-term solution."

He said the success in the exercise

will be achieved by increasing the tax base and finding innovative ways of taxing the informal sector.

"The federal and states governments should learn and/or understudy the experience of Lagos state. The members of staff working in the various Inland Revenue Service need to be properly incentivised for them to show commitment to the collection of taxes and fees. The data for those who pay tax (outside of PAYE) in the country is disturbing. Hence reforming the tax system, especially tax administration, could change the situation," he said.

Ekpo advised that the naming and shaming of tax evaders must be approached with caution. It should be the last resort, he said.

"The government should distinguish between tax evaders and tax avoiders. The tax laws must be revised in such a manner that those eligible to pay tax are caught in the net. I do not know how those who have paid taxes on their properties in the UK can be made to pay another tax in Nigeria. It seems odd to me. There is need to avoid double taxation. Yes, the country needs money but if should be done with some finesse."

He recalled that recently, a top official of government talked about producing tax clearance before obtaining an international traveling passport.

"This is a ridiculous recommendation. The state must provide certain services to responsible citizens even with a fee. Hence, there is no need to become ridiculous just to increase gov-

ernment revenues. There is need to tax the consumption pattern of the elites (conspicuous consumption) heavily based on the law or approved tax reforms," he urged the government.

According to him, any proper tax reform must protect the poor, saying: "The poor cannot pay tax, given their present status. However, if tax reforms result in increased revenue which is utilised to fashion programmes and projects that would move thousands or millions out of poverty, then those who have exited poverty and are gainfully employed would pay tax/levies fees to government," he said.

### REVENUE AGENCIES SET TO WIDEN

TAX agencies are set to widen the nation's tax net by capturing more people. They have taken strategic steps to ensure that more Nigerians pay their taxes.

According to the FIRS Executive Chairman, Mr. Tunde Fowler, the Service has projected N1.8 trillion VAT collections for this year's fiscal year, adding that the achievement of the N7.4 trillion Budget 2017 would be driven by VAT collection.

Already, the FIRS collected N1.782 trillion in tax revenue between January and July this year. The figure represents an increase in tax revenue of N224.14 billion when compared to the N1.558 trillion collected in the same period of last year.

The FIRS chief said the agency had also set tax revenue targets for 2017 based on the Federal Government's 2016-2018 Medium Term Revenue Framework of about N4.89 trillion.

To achieve the targets, the FIRS has not relented on its crackdown on tax-defaulting companies in Abuja and several other cities across the country. For instance, its FIRS enforcement team, led by Zubairu Usman, sealed the offices of Dayak Nigeria Limited located at Idu Industrial Layout, in Area One, Abuja over VAT liability of N41.53 million owed between 2013 and 2016.

Earlier last week, the FIRS shut Ace Products and Services located at Limited 20, Sanri Ashimu Close, Ologun Bus Stop, Awoyaya, Lagos, over a N157.562 million tax debt. The team also sealed off Finchglow Travels Agency at 25 Ademola Street, Ikoyi, Lagos, over a tax debt of N30.55 million. Other firms sealed include Westcom Technologies on 18A, Onikepo Akande Street, Lekki Phase I, Lagos, over a tax debt of N25.978 million and Globasure Technologies Limited at Plot 10B2, Lekki Phase I, Lagos, which owed a tax debt of N34.572 million.

Four others firms were shut in Lagos and Port Harcourt over their failure to meet their tax obligations totalling N630 million. The affected firms

are Charcoal and Spices Restaurant Limited, GRA, Port Harcourt and Cioscon Nigerian Limited on 14, Aba Road, Port Harcourt.

The leader of the FIRS enforcement team, Mrs. Anita Erinne, said her men sealed the companies after showing a warrant of distraint to officials of the company.

Charcoal and Spices Restaurant Limited owes N12.38 million tax debt while Cioscon Nigerian Ltd has a tax liability, amounting to N479.2 million from 2014 to 2016 which the firm has failed to remit.

Mrs. Erinne told the defaulting firms that the companies' premises would be unsealed when they clear their out-

She, however, noted that the firms have been officially notified of their indebtedness to FIRS, stating that all the companies' taxes should be paid before their premises could be unsealed.

In Lagos, the enforcement team of the FIRS sealed Joza Global Service situated at 18, Ribadu Road, Ikoyi, Lagos over a tax debt of over N30.6 million. The FIRS team also sealed-off Spog Petrochemicals Limited situated at 50d, Glover Road, Ikoyi, Lagos over a tax debt of N105.5 million.

### How tax revenues should be spent

The Acting President got an ally on the Managing Director of Taxaide, Bidemi Daniel. Agreeing with Osinbajo on the deployment of tax revenues, Daniel said the necessity of a strong, consistent and efficient tax system has always been there. He said every taxable person must contribute to the commonwealth for the common good.

He said: "For instance, every individual cannot begin to fix only the portion of the road that he or she plies. Roads are a shared resource that should be funded with the commonwealth. The same applies to healthcare. We cannot continue to have citizens constantly flying out of the country to receive good healthcare. It is a common need that a good government should provide. In summary, the government needs the revenue from taxation to settle costs of at least, our basic common needs."

"But then, come to think of it, I live in a part of Lagos which has recently seen the Jubilee Bridge in Ajah built over a period of about 20 months. That should inspire me to pay more tax. Sure, it should."

Other stakeholders insist that VAIDS remains a turnaround option for Nigeria to raise its tax to GDP ratio by getting more people into the tax net.

They also argue that it would let the government know that the people are vigilant and therefore ensure a judicious use of tax revenues for the benefit of the society.

**Other four firms in Lagos and Port Harcourt were shut over their failure to meet their tax obligations totalling N630 million. The affected firms comprised Charcoal and Spices Restaurant Limited, GRA, Port Harcourt, and Cioscon Nigerian Limited at 14 Aba Road, Port Harcourt**



• Naira notes being counted