

Nigeria's National Tax Policy: Any agenda for the new FIRS' Chair?

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It is no longer news that “a new Chief Tax Administrator” has been appointed for the nation. This is Mr. Tunde Fowler, acting executive chairman of the Federal Inland Revenue Service (FIRS). He has since settled down for business at the FIRS. One of his first major actions was the meeting with stakeholders to discuss the administration's mandate to significantly improve tax collection levels at the FIRS. Different options and strategies will be employed and deployed to actualize this mandate.

Given Mr. Fowler's antecedents as the immediate past executive chairman of Lagos State Internal Revenue Service (LIRS), there is reasonable confidence as well as expectation that together with his team, he will deliver. However, it needs to be emphasised that the drive to ramp up tax revenue collection capacity of FIRS would naturally occur within a defined system.

One of the primary essence of the National Tax Policy (NTP) is that it is expected to “provide a direction for Nigeria's tax system and establish a framework that all stakeholders would subscribe to and to which they would be held accountable.” This implies that whatever strategies and/or options adopted to deliver the mandate of the new executive team at FIRS, such must be reflective of the letter and spirit of the NTP.

Naturally, the adoption of the NTP in 2012 raised the following key questions around Nigeria's tax system given that there are existing tax legislation in operation within the polity. These are:

- Does the tax system show a synergy in tax policy, laws, and administration?
- How reflective of the tax policy are our tax laws? If not, what amendments are required and when will they be pursued?
- What are the areas of disconnect with tax administration?

The big objectives which the NTP seeks to drive include:

- No multiple taxation



- Elimination of double taxation by addressing provisions that make double taxation a fait accompli in our tax system
- No leakages arising from insufficient information and tax compliance requirements
- Accountability and transparency in governance
- Reduced tax compliance cost
- Stable tax collection methods
- Up-to-date statutory framework
- Access to tax refund without hassles

The NTP emphasises sustainable pattern of revenue generation which is able to meet the needs of present generation of Nigerians without

negatively impacting the ability of future generations to meet their own needs. Given the pressure on the government's financial position due to the sustained slump in crude oil prices, the prospects of tax as a sustainable source of government revenue are linked to the stability and certainty of the tax system.

Accordingly, the NTP demands clear, unequivocal and unambiguous response from the nation's economic and fiscal planning team on the above among others. A review of some tax legislation show that certain provisions contained therein are not in line with the spirit of the NTP. Indeed, some are considered disincentives and hinder the growth and development of the economy.

Examples include but not limited to commencement tax rules, change of accounting date rules, cessation tax rules, dividend tax rules, minimum tax rule, loss relief restrictions, and restrictions on recoverability of input value-added tax.

Further, certain provisions that impose penalties in these tax laws, which are aimed at discouraging non-compliance, do not reflect current economic realities. In other jurisdictions, such laws are revised on periodic basis to ensure that they remain relevant, serve their intended purpose and adjust for effect of passage of time.

Therefore, if the goal of this administration is to have a tax system

that is sustainable and promote overall economic growth and development, there should be a concerted effort to ensuring that our tax laws are reflective of the NTP. The administration should consider making appropriate amendments to ensure that the tax laws reflect current realities and reduce incidence of disincentives to the barest minimum.

The NTP has remained the first significant step to ensure that Nigeria's tax system looks like someone designed it on purpose (William E Shannon). The tax system should basically be simple and fair (Rick Perry). The NTP is a keystone in evolving a tax system that addresses the challenge of fiscal federalism, taxing rights and revenue sharing among other fiscal related issues that plague the Nigerian economy at both micro and macro levels. The NTP should not become a redundant policy document or reference tool only for academics. The NTP should be the “bible” that guides the thinking, formulation and execution of strategies relevant to taking tax administration at all levels (assessment, collection etc) and the tax system at large to optimum heights.

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