



2017 National Peer Learning Event

SUMMARY

Background

On October 30, 2017, the Nigeria Governors' Forum Secretariat organised its second IGR peer learning event with the theme *Achieving Effective Tax Administration in Nigeria*. The event provided a platform to share major lessons learnt since the 2015 IGR peer learning event, including findings from the IGR Dashboard and HelpDesk programmes. It also leveraged on revenue-linked recommendations of the fiscal sustainability plan, and key decisions of the Joint Tax Board (JTB).

The meeting was attended by 20 Commissioners of Finance¹ and 31 Chairmen of the States' Boards of Internal Revenue². Other delegates were the Executive Chairman of the Federal Inland Revenue Service (FIRS), Babatunde Fowler, the Executive Secretary of the Joint Tax Board, Sir Oseni Salawe Elamah, President of the Chartered Institute of Taxation of Nigeria (CITN), Chief Cyril Ede, and representatives of the World Bank, and the Department for International Development (DFID).

The meeting was opened with a welcome address by the Director General of the Nigeria Governors' Forum, Mr. Asishana Okauru.

The structure of the meeting followed a presentation of findings of a background paper prepared by the NGF Secretariat on *Raising the Internally Generated Revenue of States – Lessons and Opportunities* presented by Dr. Mark Abani; a technical paper on *Legitimate Taxation – Building Public Support for IGR in Nigeria* by Mustapha Ndajiwo; State case presentations of commendable practices from the Chairmen of the States Boards of Internal Revenue of Bauchi, Benue, Cross River, Kaduna, and Ogun; and a group breakout session to share experiences and potential solutions to revenue

¹ Adamawa, Benue, Delta, Ekiti, Enugu, Jigawa, Kaduna, Kano, Katsina, Kogi, Kwara, Lagos, Nasarawa, Ondo, Osun, Oyo, Plateau, Sokoto, Taraba and Yobe.

² Abia, Adamawa, Akwa Ibom, Bauchi, Bayelsa, Benue, Borno, Cross River, Edo, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Ogun, Ondo, Osun, Oyo, Plateau, Rivers, Sokoto, Taraba, Yobe and Zamfara.

challenges in the country. The activity led to an action planning exercise in which States recommended short, medium and long-term actions for their Governors, as well as actions they would implement to improve the effectiveness of their SBIRs.

Major Findings

A number of States have started to address these challenges while others have lagged behind.

1. **Obsolete Revenue Laws:** Many States are yet to review their tax laws to provide a modern enabling law for tax administration to domesticate the potential revenue sources now provided for in schedule II of the 2015 amendment of the Taxes and Levies (list of approved collections) Act CAP. T2 L.F.N 2004 or to harmonize their tax and revenue laws to minimize the incidence of double taxation.
2. **Lack of Autonomy:** Most States, even where there is an enabling law, have not delegated full administrative and financial autonomy to their SBIRs. This has left many SBIRs ineffective, understaffed and without skilled staff.
3. **Inadequate Funding:** States that are autonomous or semi-autonomous also face funding issues, as they are often reimbursed below the percentage mandated by law for cost of collection. Other States that receive their cost of collection in full, experience delays in remittances. Findings suggest that this slows and impedes the operations of the SBIR as it is unable to confidently embark on strategic capital expenditures needed to deliver its mandate.
4. **Poor Planning:** Lack of a clear strategic plan leaves operations running on a reactive rather than proactive framework. Lack of manpower and clarity to execute and implement these plans have also put pressures on their ability to meet set goals, such as institutional processes to manage key categories of taxpayers such as the informal sector and high net worth individuals (HNWIs).
5. **Poor Taxpayer Database Management:** Some States are yet to integrate their TIN database with other relevant databases as suggested by the 2017 National Tax Policy. This is worsened by poor inter-agency collaboration between the SBIRs and data agencies such as Banks (BVN), Corporate Affairs Commission, Ministry of Lands, Survey and Planning. While the JTB has taken the lead in this regard,

providing States with collaborative opportunities, some States are yet to fully engage and exploit the benefits therein.

6. **Non-institution/designation of Revenue Courts:** Only a few States have instituted or designated revenue courts to prosecute tax offenders and recover debts more effectively. The absence of revenue courts continues to undermine the efforts of SBIRs in debt recovery, with cases spanning years unresolved.
7. **Poor Adoption of Modern Technology:** Many States still lack basic ICT infrastructure to facilitate efficiency in the SBIR. More predominant and disturbing is the inefficient manual process of documentation and assessment still being employed by SBIRs who are yet to adopt digitalized and electronic systems for tax administration.

Key Recommendations

The following recommendations remain key to ensuring effective tax administration and sustainable revenue. They are grouped under five (5) major themes including:

1. **Strong Political Drive:** A common driving force for the States that recorded remarkable growth in 2016 is the strong political support from Governors, who ensure that appropriate enabling laws are presented and passed by the State House of Assembly, while providing adequate funding for effective administration of the SBIR. The NTP 2017 advocates similarly, that tax related laws be periodically reviewed, and adequate funding be provided to ensure that revenue authorities execute their mandate effectively and efficiently.
2. **Autonomy:** It is evident that granting administrative and financial autonomy to SBIRs is positively correlated with improved revenue performance. This is because the SBIR is better positioned to implement necessary reform actions to address challenges that characterize poorly structured Services. In addition, SBIRs should be made sole revenue collectors for States, to reduce the incidence of double taxation. An understanding between the State and local governments can be reached, based on a revenue sharing formula.
3. **Professionalization of the Revenue Authority:** To address skills and process gaps in the SBIR, many will have to undergo restructuring, including standardizing the organizational structure and recruiting professionals to execute the mandate of the

Service more effectively. This should be complimented by periodic capacity building training for tax officers and strategic planning on taxpayer engagement. States with high revenue growth were all characterized by having addressed skills gap, following the recruitment of professionals and implementation of capacity building programmes.

4. **Technology:** States should ensure the provision of basic ICT infrastructure across their SBIR offices – with internet connection to facilitate real-time reporting and documentation. Electronic solutions for both case management and revenue collections should be deployed to drive ease of paying taxes. More importantly, the deployment of innovative technologies like POS machines and e-billing and e-receipting systems will boost taxpayer confidence in the integrity of the collection system, while curbing leakages.
5. **Taxpayer Engagement and Education:** SBIRs should begin to employ innovative strategies such as the tax-for-service initiative and the presumptive tax regime to manage the informal sector. The overall strategy should link tax revenues to development and the provision of government services/utilities. This will help boost voluntary compliance and reduce administrative costs borne by the Service on enforcement. Also, SBIRs should make greater use of their mobile TIN kits as they embark on enumeration and awareness drives. The best opportunity for taxpayer sensitization is during registration.