NIGERIA GOVERNORS' FORUM

JOINT TAX BOARD

STATE ACTION PLAN ON REVENUE GENERATION

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STATE ACTION PLAN ON REVENUE GENERATION

Objective 1: Ending Double/Multiple Taxation

1. Establish a Consolidated Revenue Code

A consolidated revenue code (sometimes called a harmonised tax law) is a type of legislation passed by the State legislature that purports to exhaustively cover a complete system of laws or a particular area of law as it existed at the time the code was enacted, by a process of codification. The consolidated revenue code ensures that the focus of increasing IGR does not lead to proliferation of arbitrary and duplicative taxes, which damage the business environment.

Actions	***Stakeholders***	***Driver***	***Timeline***	***Available Technical Resources***
i. Set-up a CRC committee in consonance with the State Joint Revenue Committee (SJRC)[1] to develop the consolidation plan and checklists – may include representatives of the Ministry of Finance, Ministry of commerce and industry, Ministry of justice, key MDAs, SIRS, State Exco, and LGA. *ii. Consider if MDA harmonization law is appropriate, where the State Revenue Administration law is not encompassing* *iii. Consider if a joint State MDA and LGA law is appropriate* *iv. Consider if harmonised LGA levies and charges law is appropriate.* *v. Collate all existing IGR-related laws/regulations and rates. Even where taxes, levies and fees are in the TLFC there are many of*	*Ministry of Finance, State Internal Revenue Service, Ministry of Commerce and Industry, Ministry of Justice, Ministry of Local Government and Chieftaincy Affairs, Ministry of Agriculture, Ministry of Lands and Housing, State House of*	*Ministry of Finance and State Internal Revenue Service*	*4 – 9 months*	• *NGF HelpDesk advisory support on harmonization* • *NGF knowledge guide on developing a consolidated revenue code* • *GEMS 3 knowledge guide on harmonized tax law* • *DFID-PERL ARC ease*

[1] Where non-existent, the SJRC should be established and headed by the SIRS Chairman (PITA Section 87)

these revenue sources that require domestication. vi. Review laws and rates for obsolescence, legality, lacuna, duplication and practicality. vii. Look at where the power to change rates by regulation lies and draw up protocols to make this more transparent and ensure gazetting of changes, especially where these are done by delegated regulations. viii. Identify and initiate consultation/sensitization with key stakeholders – public hearings/dialogue etc. ix. Pass the law x. Communicate and publish the law xi. Develop processes for implementation and train members of staff of the SIRS, relevant MDAs, LGAs and contracted collection agents.	Assembly etc.			of doing business support to end double taxation[2] • JTB support on Revenue Law

[2] Support only available in Lagos, Ogun, Oyo, Osun, Ondo, Ekiti, Osun, Enugu, Imo, Anambra, Abia, Ebonyi, Kano and Jigawa State

2. Establish effective collaboration with all revenue-generating MDAs and collecting agents

It is important that revenue-generating and collecting agencies collaborate with the SIRS, being the sole revenue collecting and accounting agency in the State. Equally, the SIRS should carry relevant MDAs along in its operations, especially where it deploys new initiatives, technology or compliance processes that may alter existing administrative systems for assessment/collection by MDAs.

Actions	***Stakeholders***	***Driver***	***Timeline***	***Available Technical Resources***
i. Clear identification of all stakeholders and their role(s) in revenue collection ii. Consult stakeholders to establish framework guiding their role(s), including a central collection strategy *iii.* Hold regular review meetings to maintain adherence to established guidelines and administrative processes for assessment/collection.	*Ministry of Finance, State Internal Revenue Service, Ministry of Commerce and Industry, Ministry of Justice, Ministry of Local Government and Chieftaincy Affairs, Ministry of Agriculture, Ministry of Lands and Housing, etc.*	*State Internal Revenue Service*	*3 months*	• *NGF HelpDesk advisory support* • *JTB technical services*

Objective 2: Making the most of the State Internal Revenue Service (SIRS)

3. Establish Administrative and Financial Autonomy for the SIRS

Administrative and financial autonomy for the SIRS positions the Service to professionalise its workforce, improve performance and maintain sustainable funding.

Actions	***Stakeholders***	***Driver***	***Timeline***	***Available Technical Resources***
i. Review status of SIRS in the current law and establish that it provides for full autonomy*. **If autonomy is not provided by law, implement actions a – d.* a. Develop a case for an amendment of the law b. Establish Governor and SEC approval c. Transit draft bill to State legislators d. Pass Law ii. Consider the HR and financial implications of full autonomy a. Ensure organisational structure being considered is functional (including field offices). b. Ensure indicative cost of collection/state funding is adequate for effective operation. iii. Develop transition plan from State funding to self-funding from cost of collection[3] iv. Present plan to Governor and Executive Council v. Set up transition committee/change management team vi. Implement transition plan	*Ministry of Finance, State Internal Revenue Service, SEC, Ministry of Justice and State House of Assembly etc.*	*State Internal Revenue Service*	*3 – 6 months*	• *NGF HelpDesk advisory support* • *Knowledge guide on preparing for autonomy* • *JTB technical services on autonomy*

[3] Appropriation rules apply.

4. Improve SIRS administration

A tax authority is only as effective as its operations and people. A professionalised and standardised revenue service will be positioned to effectively engage with taxpayers to maintain tax compliance.

Actions	*Stakeholders*	*Driver*	*Timeline*	*Available Technical Resources*
i. Develop taxpayer charter a. Outline the rights and obligations of the tax authority and taxpayers based on existing legislations and policy b. Consult with the public to get buy-in c. Disseminate charter d. Ensure strict adherence of the tax authority and taxpayers to the charter ii. Set up key units for taxpayer management, including a taxpayer services unit and taxpayer compliance management unit. a. Develop a strategy/plan for each unit e.g. communication plan, HNWI strategy, etc. b. Map out operational processes and identify medium term initiatives and programmes for each unit c. Conduct a skill gap analysis of workforce in line with outlined processes, initiatives and programmes d. Assign or re-assignment roles and responsibilities e. Conduct recruitment to fill gaps f. Develop a performance management framework including KPIs and assign targets/milestones to members of staff g. Conduct periodic performance appraisal and training needs assessment h. Develop and execute training plan	*State Internal Revenue Service*	*State Internal Revenue Service*	*3 – 8 months*	• *NGF HelpDesk capacity building training and advisory support* • *NGF knowledge guide on taxpayer management* • *NGF knowledge guide on human resource management* • *NGF process maps for HNWI, Direct Assessment, PAYE, contracted collections, presumptive tax, etc.* • *GEMS 3 knowledge guide on sensitization*

iii. Develop standard operational procedures/processes that can be automated

   a. Map out all administrative and operational processes of the SIRS, including tax revenue collection, accounting, taxpayer management, taxpayer audit, assessment and principal HR procedures – recruitment, performance management and disengagement)
   b. Develop standard operational guidelines/desk guidance
   c. Identify, assess and adopt/adapt technology to support effective delivery of these processes, including e-filing, e-payment, e-receipting, e-reporting, electronic issuance of Tax Clearance Certificates etc.

iv. Develop a robust taxpayer database

   a. Develop Standard classification for taxpayers.
   b. Deploy and migrate all paper records on taxpayer information to a taxpayer information system
   c. Integrate taxpayer identification system with existing unique national identification databases.
   d. Develop/review standard forms for various tax types to include a mandatory field for identification, which can be either BVN/National ID Card number/CAC registration number/Drivers' License number/Passport number. For informal sector taxpayers, trade association/union membership number.
   e. Develop checklist for enumeration including guidance notes for filling standard forms.
   f. Deploy standard enumeration forms and checklist to all taxpayer enumeration centres including field offices.

- *GEMS 3 knowledge guide on complaints process*
- *GEMS 3 knowledge guide on training*
- *JTB modules on Capacity Building for Tax Professionals*
- *JTB national consolidated taxpayer database*

g. Train enumeration officers on how to effectively engage with taxpayers.
h. Conduct regular database audits across relevant databases to identify unregistered taxpayers/existing taxpayers with inconsistent identification information.
i. Communicate nudge messages to update taxpayer information (this can be carried out across enumeration centres or online).
j. Conduct regular taxpayer enumeration campaigns and road registration exercises using mobile registration kits.
k. Assign details of taxpayers by classification to relevant units for compliance engagement.

5. Establish a strong social contract with taxpayers

It is crucial that the government maintains a strong social contract with its taxpayers. Just as taxpayers are expected to meet their tax obligations, the government should also be accountable to its people by provide public services. Tax-for-service is a modern initiative adopted by some tax authorities to bring service-provision closer to the people in order to strengthen the social contract between the government and taxpayers.

Actions	*Stakeholders*	*Driver*	*Timeline*	*Available Technical Resources*
i. Conduct survey across taxpayer groups on public service supply gap ii. Consult with stakeholders including trade unions and associations on priority services to form tax for service initiative iii. Formalise the commitment of trade unions and associations to ensure compliance of members. iv. Consult with relevant MDAs with mandate to deliver priority services to get buy in on implementation of tax for service initiative. v. Develop and present an implementation strategy for the tax for service initiative to SEC. vi. Get governor to champion advocacy campaign on initiative vii. Ensure adequate publicity on activities and accomplishments of the initiative.	*Ministry of Finance, State Internal Revenue Service and other relevant agencies depending on priority services*	*State Internal Revenue Service*	*4 – 8 months*	• *NGF HelpDesk advisory support* • *GEMS 3 knowledge guide on tax for service* .

6. Conduct periodic tax audit

Audit is a key function in the tax assessment process, especially where taxpayer compliance is low. This function has become particularly important since the introduction of the self-assessment tax-filing regime in 2012.

Actions	*Stakeholders*	*Driver*	*Timeline*	*Available Technical Resources*
i. Assess and train audit officers on tax audit and investigation. ii. Identify non-compliant taxpayers and pending assessment cases in taxpayer database iii. Triage cases based on value and available information iv. Assign cases to audit officers/team for assessment/reassessment v. Conduct database audits across relevant databases to get additional information to strengthen assessment or re-assessment for best of judgement vi. Conduct audit visits or investigation where necessary to establish appropriate best of judgment assessment.	*Ministry of Finance, State Internal Revenue Service, Federal Inland Revenue Service, Joint Tax Board, trade associations and unions, other relevant MDAs (FG & SG) etc with credible information*	*State Internal Revenue Service*	*3 – 5 months*	• *NGF HelpDesk capacity building training and advisory support* • *Knowledge guide on practical approaches to tax audit and investigation.* • *JTB audit training modules*

7. Develop healthy tax amnesty programmes

A healthy tax amnesty programme will help improve taxpayer compliance while providing time for the government to implement remedial actions. If well-designed and properly implemented, an amnesty programme can be a quick win to drive compliance on poor performing tax types.

Actions	*Stakeholders*	*Driver*	*Timeline*	*Available Technical Resources*
i. Map out taxpayer compliance by tax type(s) ii. Review causal factors for non-compliance across tax types and identify remedial actions iii. Develop amnesty programme for tax type(s) based on enforceable timelines and extant laws iv. Consult with stakeholders including trade unions and associations viii. Present amnesty programme to SEC and get the Governor's approval ix. Conduct adequate publicity and sensitization campaigns on amnesty programme. x. Carry out enforcement post amnesty	*Ministry of Finance, State Internal Revenue Service, Federal Inland Revenue Service, Joint Tax Board, trade associations and unions, other relevant MDAs etc. State House of Assembly*	*Ministry of Finance, State Internal Revenue Service*	*6 months*	• *NGF HelpDesk advisory support* • *VAIDS framework* • *JTB Technical Services and Legal Services advisory support*

Objective 4: Blocking Revenue Leakages

8. Automate payment and financial reporting systems

Adoption of technology will ease payment of taxes, ensure real-time monitoring/reporting, curb leakages and boost taxpayers' confidence in the tax collection process.

Actions	***Stakeholders***	***Driver***	***Timeline***	***Available Technical Resources***
i. Map out all revenue collecting agencies and points of collection ii. Identify suitable technology infrastructure for payment and receipting iii. Contract competent technology partner(s) and payment gateway provider(s) with proprietary right of information belonging to the SIRS. iv. Deploy technology hardware and grant access to payment gateways to revenue-collecting MDAs and payment agents for processing of payments and issuance of receipts. v. Sensitise and train stakeholders including collection agents and taxpayers on payment processes and receipting guidelines. vi. Introduce a cashless policy to guide implementation vii. Ensure adoption by all revenue-generating agencies	*Ministry of Finance, State Internal Revenue Service, State House of Assembly other relevant MDAs, technology partner(s) and partner bank(s) etc.*	*State Internal Revenue Service*	*3 – 5 months*	• *NGF HelpDesk advisory support* • *GEMS 3 knowledge guide for improved payment system* • *GEMS 3 knowledge guide on point of sale (POS) payment* • *JTB technical services*

9. Establish Treasury Single Account (TSA)

Establishing a TSA will help block revenue leakages, which may occur in the circumstance where too many revenue accounts are operated by MDAs and direct spending from revenue accounts is permitted.

Actions	***Stakeholders***	***Driver***	***Timeline***	***Available Technical Resources***
i. Map out all revenue collecting MDAs and their revenue accounts ii. Assign a consolidated revenue account for TSA iii. Draft financial regulation to guide TSA operations including periodicity of remittances to consolidated account, framework for exemptions and deterrence measures. iv. Ensure MDA compliance by enforcing sanctions	*Ministry of Finance, State Internal Revenue Service, Accountant General and all revenue-generating MDAs, partner bank(s) etc.*	*Ministry of Finance, State Internal Revenue Service, State Accountant General*	*3 – 5 months*	• *NGF HelpDesk advisory support*

Objective 5: Unlocking New Revenue Sources

10. Exploit potential revenue opportunities

The Taxes and Levies (Approved List of Collection) Act, Cap T.2, LFN 2004 and the Amendment order 2015 makes provision for the collection of taxes, levies and charges that may not be appropriately collected. Existing provisions in the law may present potentially new revenue sources.

Actions	***Stakeholders***	***Driver***	***Timeline***	***Available support Resources***
i. Review the Taxes and Levies (Approved List of Collection) Act No. 21 CapT.2 Cap T.2, LFN 2004 and the Amendment order 2015 for legal sources that are not currently collected or inefficiently collected, such as land use charge, property tax, hotel/event centre entertainment tax; mining, milling and quarrying fees, produce sales tax etc.[4] ii. Draft and transmit relevant bills and regulations with appropriate schedules to the State assembly/ministry of justice for legislation/gazetting as may apply. iii. Ensure that the inclusion of collection schedules in the new legislation(s) or regulation(s) are referenced in an updated version of the consolidated revenue code iv. Sensitize stakeholders including taxpayers on new legislation/regulation v. Enforce collection by relevant MDA	*Ministry of Finance, State Internal Revenue Service, Ministry of Justice, State House of Assembly, Joint Tax Board, Trade Unions and Associations, other relevant MDAs etc.*	*State Internal Revenue Service*	*3 – 6 months*	• *NGF HelpDesk advisory support* • *JTB Technical and Legal Services*

[4] There are other revenue sources that are not covered in the TLA. These are usually charges related to services such hotel registration, fishing licensing and penalties for illegal fishing, and rates for cooperative registration among others.

11. Domesticate and Operationalise the Presumptive Tax Regime

The presumptive tax regime as prescribed by the Personal Income Tax Act (PITA) (as amended 2011) allows for taxation of individuals whose income by all possible or practical accounting techniques cannot be ascertained.

Actions	*Stakeholders*	*Driver*	*Timeline*	*Available support Resources*
i. Establish a technical working committee ii. Classify informal sector by size, structure and rates iii. Consult with taxpayers through trade unions and associations etc. iv. Formalise agreements/MoUs with all collecting agents v. Capture approved rate schedules in the Consolidated Revenue Code vi. Carry out public enlightenment campaigns vii. Engage actively with all stakeholders	*Ministry of Finance, Ministry of Trade, Commerce and Industry, State Internal Revenue Service, Trade Unions and Associations, etc.*	*State Internal Revenue Service*	*3 – 6 months*	• *NGF HelpDesk advisory support* • *GEMS 3 knowledge guide on presumptive tax regulation implementation*

Objective 6: Improving Revenue Budgeting and Reporting

12. Develop a revenue budget and reporting template

Adopting a comprehensive template to guide IGR budgeting will strengthen revenue performance management. Complementing this with a single reporting template will enhance standardisation of revenue reports from MDAs for better accountability.

Actions	*Stakeholders*	*Driver*	*Timeline*	*Available Technical Resources*
i. Develop a revenue budget and reporting template to guide revenue target setting by MDAs based on underlying data and government policies ii. Train MDA budget officers on estimation and report template iii. Ensure all revenue generating MDAs adopt template iv. Establish an IGR revenue committee chaired by the Governor or a nominated representative v. Committee should review budgeted revenue lines for long term viability – permanent vs. temporary revenue sources vi. Committee should review dependent factors for revenue performance to ascertain remedial actions vii. Committee should present recommendation for improvement to SEC	*Ministry of Finance, State Internal Revenue Service, State Bureau of Statistics, Ministry of Budget and Planning and all revenue-generating MDAs*	*Ministry of Finance, State Internal Revenue Service, Ministry of Budget and Planning*	*3 – 5 months*	• *NGF HelpDesk capacity building training and advisory support*

Notes:

The NGF HelpDesk is a technical support programme launched in March 2017 to provide demand-based technical assistance to the 36 States of the federation in areas such as public financial management and domestic revenue mobilization. The HelpDesk process is designed to be participatory, evidence-based, credible, consistent and reform triggering.

The Growth and Employment in the States (GEMS3) was a joint DFID and World Bank (WB) programme which implemented investment, land and tax interventions, starting at the federal level and in four focal states of Cross River, Kaduna, Kano and Lagos. In July 2013, it began to support other states, including Jigawa and Kogi. The programme closed in July 2017.

Financial Resources available to State to support IGR Reforms

1. World Bank States Fiscal Transparency Accountability and Sustainability (SFTAS) Programme for Results (ends 30th December 2022) – All States. http://projects.worldbank.org/P162009?lang=en
   a. State financing to the tune of US$2 million if a consolidated state revenue code covering all IGR sources is domesticated. The code should empower the SIRS as sole revenue-collecting and accounting agency for IGR.
   b. State financing to the tune of US$1 million for annual IGR growth rate of 20% - 39% and US$2 million for IGR growth above 40%.

2. World Bank States and Local Government Reform Project (ends 30th September 2019) – Anambra, Cross River, Jigawa, Kano, Osun and Yobe States. http://projects.worldbank.org/P133045?lang=en
   a. Investment project financing to the tune of US$3.6 million to support tax policy and domestic revenue mobilization