


NIGERIA VOLUNTARY ASSET AND INCOME DECLARATION SCHEME

CONCEPT NOTE FROM THE FEDERAL MINISTRY OF FINANCE

MAY, 2017



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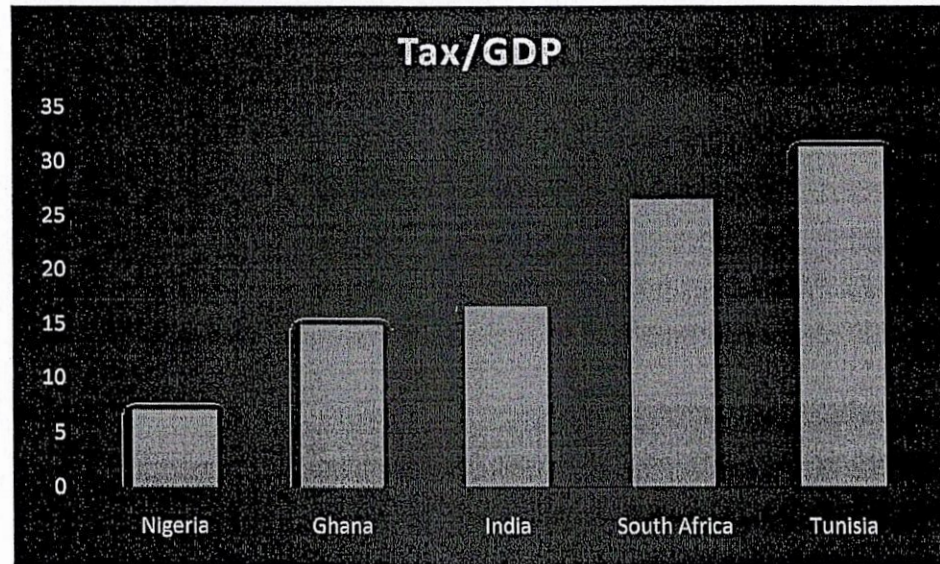
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Introduction

- The underpayment of tax via the use of Tax Havens and other evasion strategies has been debilitating to Nigeria. This practice has been principally perpetrated by multinational companies and high net worth individuals.
- At 6% Nigeria's non-oil tax to GDP is one of the lowest in the world.
- The proposed Nigeria Voluntary Asset and Income Declaration Scheme (VAIDS) will capitalise on the considerable international goodwill built by President Buhari in his mission to rebuild Nigeria and the current global movement against tax evasion and illicit financial flows. It will offer a window for those who have not complied with extant tax regulations to remedy their position by the provision of a limited amnesty to enable voluntary declaration and payment of liabilities.
- This will be supported by the recent establishment of the Asset Tracing Team within the Ministry of Finance. This team will engage the services of International Asset Tracing and Investigations specialists who will work alongside local teams to trace assets held by Nigerians who have evaded tax. The data obtained will be used to cross check the accuracy of declarations made under the scheme or to prosecute those not participating in the scheme when the programme expires.

Motivation for the Voluntary Asset and Income Declaration Scheme

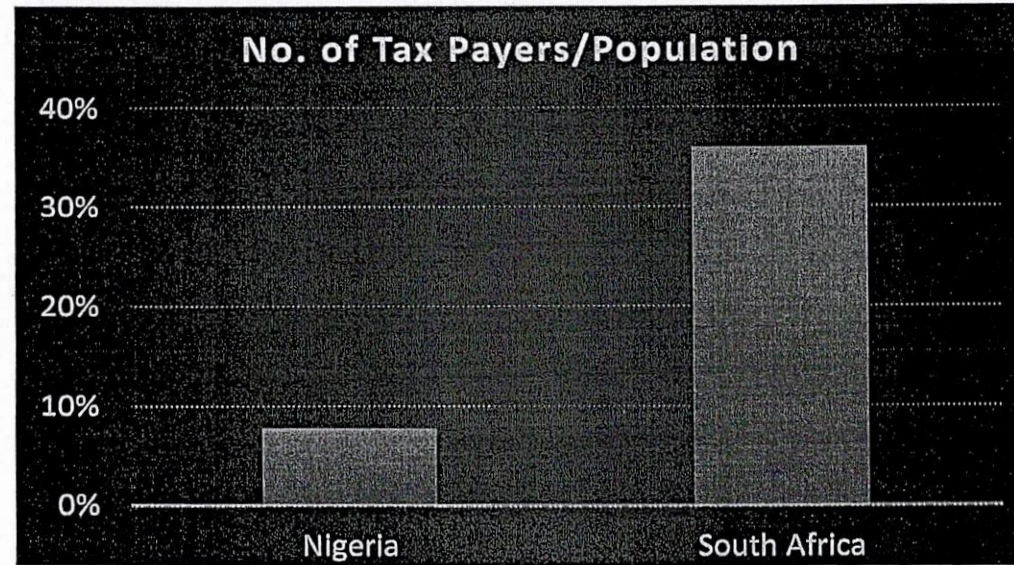
- Nigeria has one of the lowest tax to GDP ratios in the world at just 6%



- Target to increase the level to 15% by 2020

Motivation for the Voluntary Asset and Income Declaration Scheme

- Tax compliance in Nigeria remains a major challenge



- Only 214 individuals in the entire country pay N20 million (c.\$65,000) or more in tax annually
 - Implied salary of N80 million (c. \$260,000) or more per annum

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Reforming the Shadow Economy

- Significant “Shadow Economy” with neither regulation nor accurate taxation
- Formalisation of the shadow economy is a key economic reform being pursued by this administration
- VAIDS will simultaneously generate revenue and encourage investment and economic activity

Scope of Programme

- Time-limited opportunity for taxpayers who are in default with their Nigerian tax liabilities to pay the tax due from them relating to previous tax periods
- The programme will embrace all Federal and State taxes such as Companies Income Tax, Personal Income Tax, Petroleum Profits Tax, Capital Gains Tax, Stamp Duties, Tertiary Education Tax, Technology Tax
- The scheme is intended to cover all back taxes without any limit of time
 - No time limit on how far back a tax assessment can go where a taxpayer has wilfully defaulted or neglected to file a tax return or has filed a fraudulent return

Eligibility

- VAIDS is open to all persons who are in default on their tax liabilities including taxpayers who:
 - (a) have not been fully declaring their taxable income/assets
 - (b) have not been paying the tax due at all and or
 - (c) have been underpaying or under remitting.

- The programme is open to both new taxpayers who are yet to register with the tax authorities and the existing registered taxpayers who have new disclosure to make

- The scheme applies to tax defaults on undeclared assets within or outside the country

Implementation Plan

- The scheme is targeted to run from July 1st, 2017 for up to 9 months
- Incentives will be put in place to encourage early participation

Month	Liability	Interest	Penalty
Jul 1 st – Dec 31 st	✓	✗	✗
Jan 1 st – Mar 31 st	✓	✓	✗

- Tax payers will be allowed up to 3 years to settle their liabilities

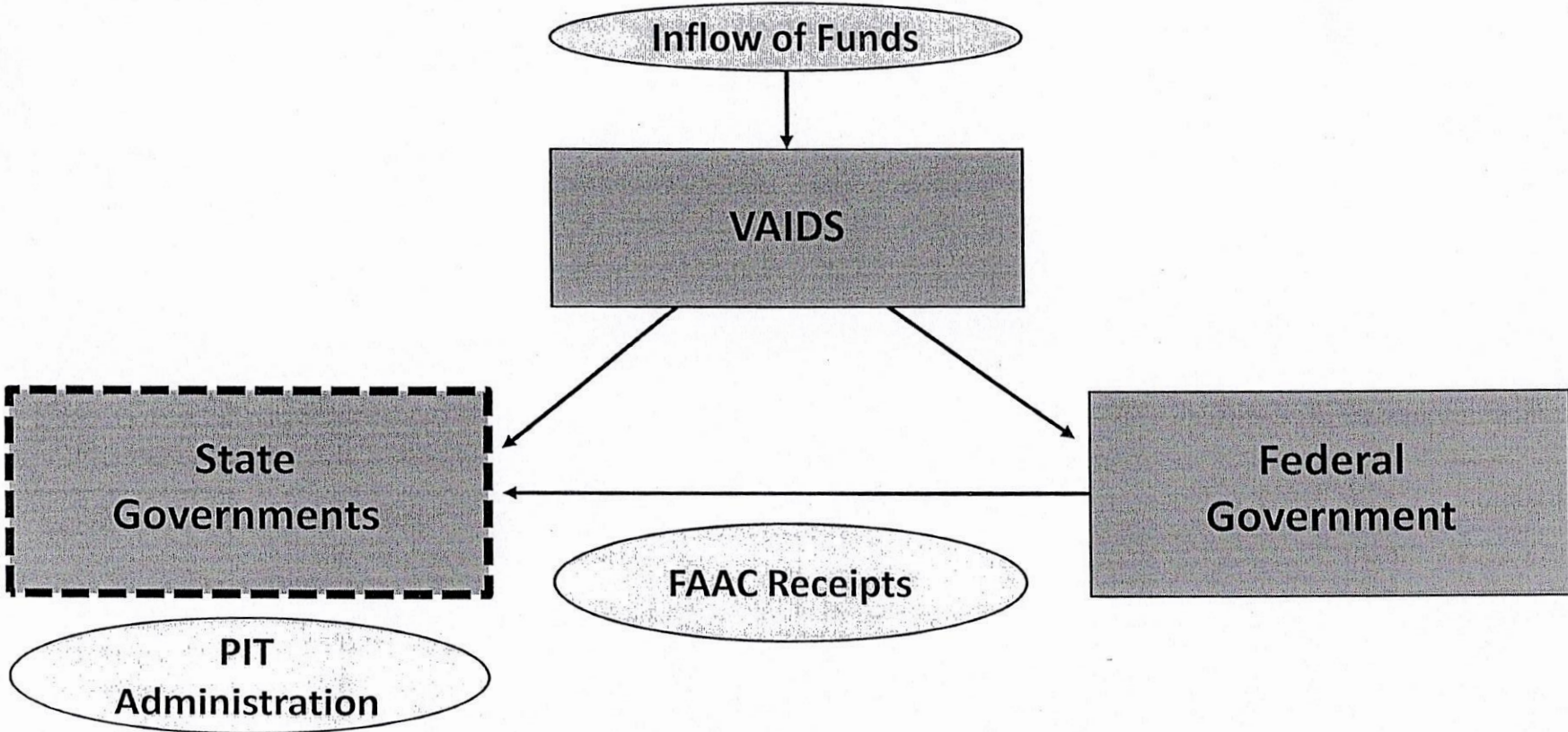
Revenue Expectation

- The expected revenue from the exercise has been conservatively estimated at US\$1Bn. However recent amnesties in other countries have attained the following:

Country	Date	Period (Months)	Amount Raised (US\$bn)
Argentina	2016	8	\$21.9bn (for first 4 months) Ongoing
India	2016	4	\$9.8bn
Indonesia	2016	9	\$12.5bn target
South Africa	2016	6	Ongoing
Turkey	2016	4 (extended for further 6 months)	Ongoing

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Relationships



Role of State Governments

- Based on initial estimates, it is anticipated that at least 50% of the funds that will be recovered will belong to State Governments who are the ultimate collectors of personal income taxes.
- However to facilitate asset tracing internationally and co-operation agreements with other sovereigns, the Federal Government would need to centrally co-ordinate the international administration of the scheme.
- **Memoranda of understanding to be gazetted would need to be signed with each State Government** under which:
 - FIRS would be given authority, under regulation of the Honourable Minister of Finance, to tax all taxpayers subject to Personal Income Tax Act (PITA)
 - Funds collected under PITA would be collected on behalf of each state and would be credited to each state annually upon completion of a reconciliation and when payment has been completed
 - Federally collectible taxes would be credited to the Federation Account when received in full
 - Cost of collection of 4% due to FIRS would need to be enhanced to cover the costs of the programme including International tracing Agents and other professionals. Such costs should not exceed 20% of the revenues collected
 - States would formally agree not to allow local agreements on back taxes within the period without the clearance of the ATT to prevent collusion and underpayment
 - Data on targets would be freely shared through the Joint Tax Board. Each state will have access to participants from their state
 - An oversight committee of Chairmen of State Internal Revenue Boards would be established to monitor the scheme

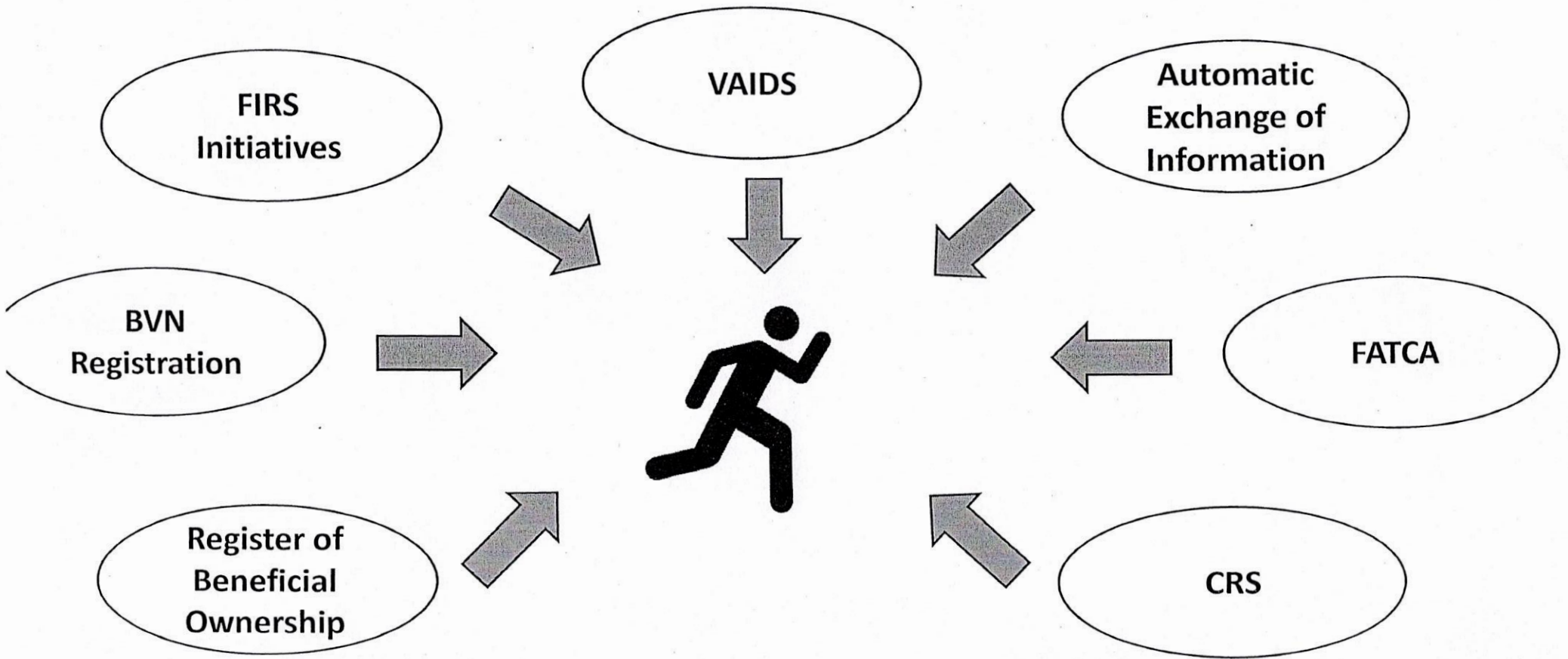
Publicity

- The programme will be well publicised in Nigeria and internationally with a media strategy and functional interactive website.
- There will also be training seminars for journalists, tax payers and professional advisers (lawyers and accountants) to guide them through the process.
- The programme will be flagged off with an announcement by His Excellency Mr President and solicitation of commitments to co-operation from the targeted partner nations.
- Adverts about the programme as well as a tailored media campaign will be used to elicit mass public support for Nigerians to “Come Clean” and do the right thing.
- Periodic updates of amounts collected and invested in projects shall also be provided throughout the programme.

International Cooperation

- The Multilateral Competent Authority Agreement (MCAA) is a framework that provides a standardised and efficient mechanism to facilitate the **automatic exchange of financial information for tax purposes**.
- The standard on automatic exchange of information was developed by the OECD, with G20 countries, to tackle tax avoidance and evasion as well as improve tax compliance.
- The agreement supports international tax compliance by leveraging on country relationships with respect to mutual assistance on tax matters.
- **Parties to the convention will be able to exchange a wide range of financial information including information about beneficial owners of entities and controlling interests.**
- This will be instrumental in gaining access to information that will aid asset tracing and verification as assets held abroad through entities in which Nigerians are beneficial owners can be identified.

Convergence of Financial Enforcement



FATCA stands for Foreign Account Tax Compliance Act
CRS stands for Common Reporting Standard

Asset Tracing and Verification

- To demonstrate the seriousness and commitment of the Government to the programme, it is important for world class experts in asset tracing and investigations to be engaged.
- This would also improve the efficiency of assessments and help maximise the level of recovery under the programme.
- The scope of work for the engaged specialists would include:
 - Verifying and cross-referencing the accuracy and validity of asset declarations by participants in the scheme
 - Identifying and locating any additional undisclosed assets held by the participants in the scheme and not included in their declarations
- Based on their international reputation and extensive experience in recovering assets overseas, the proposed firm to be engaged to support the programme is Kroll.

Next Steps

- Appointment of advisers
- Sensitisation of relevant stakeholders including tax authorities, journalists, and professional advisers (lawyers and accountants)
- Roll-out of implementation plan
- Launch