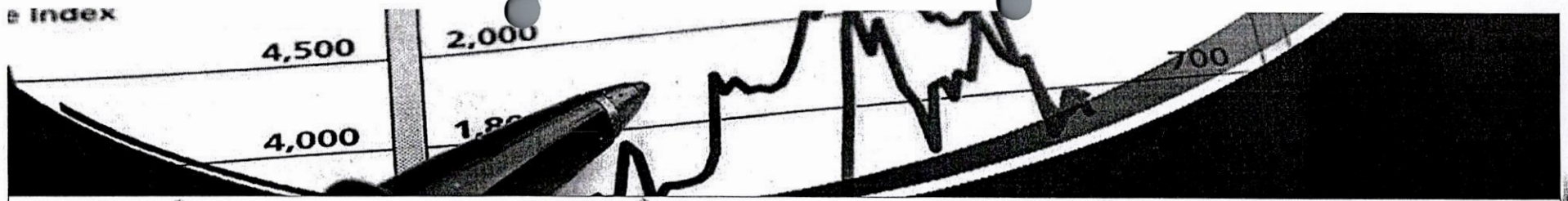


e Index



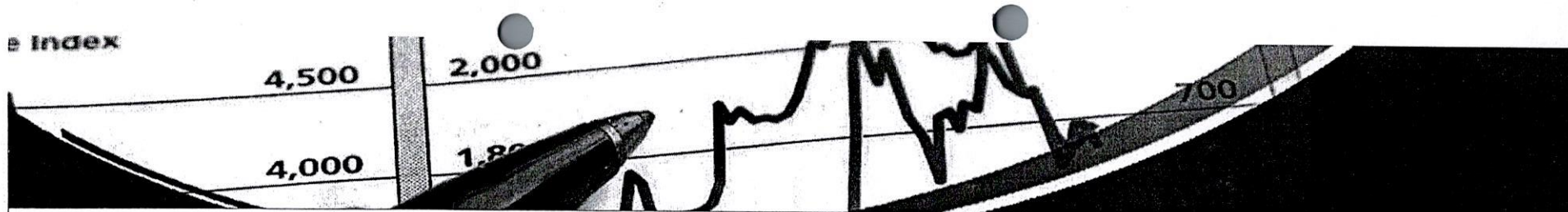
# Use of Digital Solutions to Enhance Compliance – Use of Fiscal Devices for Tax Compliance

A presentation at the 139<sup>th</sup> JTB Board Meeting in Sokoto State

**Presented By: Paul Omoregbee**  
**Prepared By: Wale Shonekan**

December 18, 2017

52



# Outline

- **Introduction**
- **Driving Compliance Through Technology: The FIRS Experience**
- **Driving Compliance Through Technology: Benefits to FIRS**
- **Future Technologies: FIRS Up and Coming Technology Projects**
- **Future Technologies: The Use of Fiscal Devices – A Deeper Look**
- **Types of Fiscal Devices (FDs)**
- **Current Electronic Fiscal Device Implementation in the World**
- **Technology Adoption: Challenges**
- **Technology Adoption: Success Factors**

53

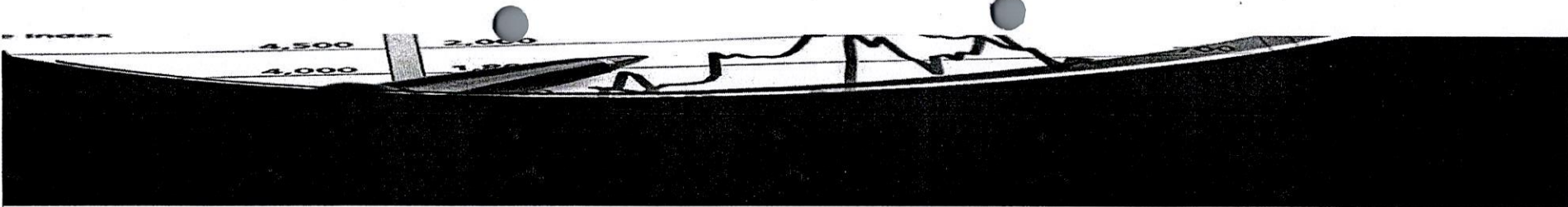


# Introduction

- The primary mission of a tax administration is to collect the revenue that is due from taxpayers and needed by the government, under the country's tax laws, without hindering economic activity.
- The greatest challenge for any tax administration is achieving and maintaining a high degree of self-assessment and voluntary compliance by taxpayers. Studies however show that the extent to which an economy is able to grow sustainably and develop depends to a large extent on its ability to generate tax revenue to finance its expenditure and the efficiency of its tax system.

54





# Introduction

- The questions that arise from these simple statements include how to identify areas of non-compliance; how to measure the level of non-compliance; and how to address the non-compliance.
- FIRS has put in place various strategies and initiatives to cushion this effect and ensure that we are able to improve tax revenue collection on a sustainable basis. Well-designed taxpayer services, education programs, and creative measures can facilitate self-assessment and compliance. But, the **USE OF TECHNOLOGY is one** strategy amongst others that is vital for exponential and sustainable revenue **increase; improved efficiency and blocking of leakages.**



# Tax Regime & Revenue Collection Strategies

FIRS has taken bold steps aimed at broadening our tax base and increasing our tax collection. The specific strategies for increasing tax collection have been driven by the collection targets set for FIRS. The strategies are namely:

<b>ICT: Innovation, Convenience &amp; Transparency</b>	<b>Amnesty: Waiver of Penalty and Interest:</b>	<b>Intensive Registration Of Taxpayers:</b>
<b>Extensive nationwide tax audit exercise</b>	<b>Innovation &amp; Revision of Tax Laws &amp; Regulations</b>	<b>Filing of tax returns by taxpayers to the tax offices nearest to their companies' domiciled addresses</b>
<b>New National Tax Policy</b>	<b>Voluntary Assets and Income Declaration Scheme (VAIDS)</b>	<b>Thursday Declared as a Tax Thursday</b>
<b>Multilateral/Bilateral Taxation Agreement: such as Nigeria-Singapore Double taxation Agreement</b>	<b>Nigeria to sign OECD's Multilateral Instrument that will automatically amend its existing tax treaties</b>	<b>National Assembly Passes Petroleum Industry Governance Bill (PIGB)</b>



# Driving Compliance Through Technology: The FIRS Experience

- The Federal Inland Revenue Service (FIRS) has brought Innovation, Convenience and Transparency (ICT) to the doorsteps of Taxpayers, in order to facilitate Monitoring and Enable Ease of Compliance.
- ICT initiatives are aimed to optimize FIRS revenue generating efforts by creating an efficient tax system and providing quality service to taxpayers for increased tax yield.
- The FIRS ICT initiatives address the challenges experienced by both the taxpayers and the tax administration.



# Driving Compliance Through Technology: The FIRS Experience

FIRS has adopted various technology initiatives as a medium to achieve Innovation, Convenience and Transparency of its operations. Thus, reducing the taxpayers burden and every effort is made to improve FIRS efficiency in collections and tax administrations.

## e-Services

- \*e-Registration
- \*e-Filing Solutions
- \*e-Payment
- \*e-Receipt
- \*e-Stamp Duty
- \*e-Tax Clearance Certificate

## VAT Automation Programme

\*Automatic tracking and deduction of VAT payments from key economic sectors and ensuring prompt remittance to FIRS designated accounts in CBN.

\*Key sectors include Aviation, Power, Telecoms, E-commerce, Financial Services, Oil and Gas, Insurance, Major Hotels, Malls, and Hospitality

\*Operational In Aviation Sector; Banking Sector to go Live by Q4, 2017

## E-Payment Channels

\*Providing flexible channels to facilitate easy remittance of taxes by taxpayers

\* The current payment channels are Interswitch, e-Tranzact, Remita and Nigeria Inter Bank Settlement System (NIBSS)

## Information Exchange with 3<sup>rd</sup> Party Databases & Government Agencies

\*FIRS-JTB-States Boards of Internal Revenue: Four million additional Taxpayers added to the tax net

\*FIRS-Corporate Affairs Commission (CAC) via e-Stamping platform

\*FIRS-Nigeria Customs Service (NCS) via Trade Portal and the Joint Tax Board (JTB)

## Social Media Platforms

\*Taxpayer education, Sensitization and FIRS Brand management.

\*FIRS Communication Department uses Facebook and Twitter to engage with Nigerian taxpayers.

58



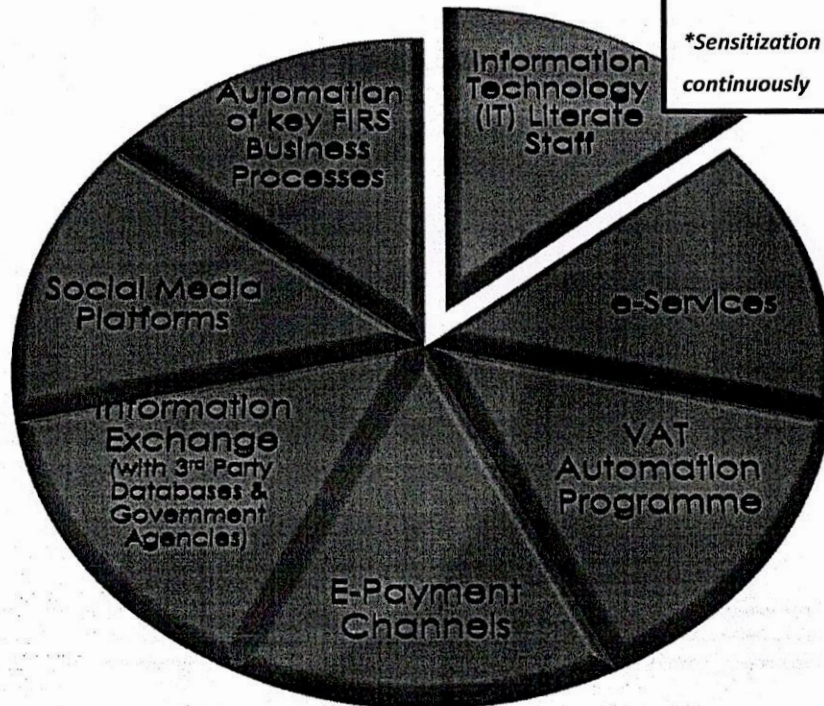
# Driving Compliance Through Technology: The FIRS Experience

FIRS has also undertaken massive organizational reforms aimed at building staff capacity in Information Communications and Technology (ICT).

*\*Information Technology (IT) literacy is a requirement for all FIRS Staff*

*\*All Staff are required to have at least a Desktop Computer, and over 90% of the workforce have already been issued laptops*

*\*Sensitization and training programs on technologies deployed are conducted continuously*



59





# Implementation of the E-stamp Duties

- The FIRS Integrated Stamp Duties (ISDS) Solution is a purpose built, web-based Stamp Duty Portal that facilitates online assessment and payment of Stamp Duties payable based on figures inputted in the relevant fields by Nigerian Taxpayers.
- The solution went live on **1<sup>st</sup> March 2017**. It can be accessed at <http://stampduty.gov.ng> and Won the ATAF Innovation Award for the e-stamp duty portal.
- The stamp duty collection for 2017 (in 10 months) has already surpassed total collection in 2015 and 2016

Inf/In

**STAMP DUTY TREND  
(In Billions)**



TAX TYPE	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	(=N=)	COLLECTION
Stamp Duty 2017	679,969,303.57	645,044,908.35	1,693,643,294.23	671,243,036.30	748,895,839.98	707,323,322.23	617,951,054.73	998,930,575.27	913,560,684.17	735,561,490.06			8,412,123,508.89
Stamp Duty 2016	363,159,647.65	21,563,997.00	400,759,569.06	587,872,923.47	445,161,369.25	443,712,134.27	514,650,097.30	462,063,582.80	488,081,426.47	400,200,179.79	806,781,567.05	697,933,665.84	5,631,940,159.95
Stamp Duty 2015	489,711,160.24	915,111,715.19	583,639,798.25	414,188,138.46	636,099,389.17	516,395,030.14	823,132,796.93	493,500,788.67	766,237,813.32	458,836,836.48	383,343,867.71	604,713,781.28	7,084,911,115.84

60



# Implementation of the E-stamp Duties

## PAST

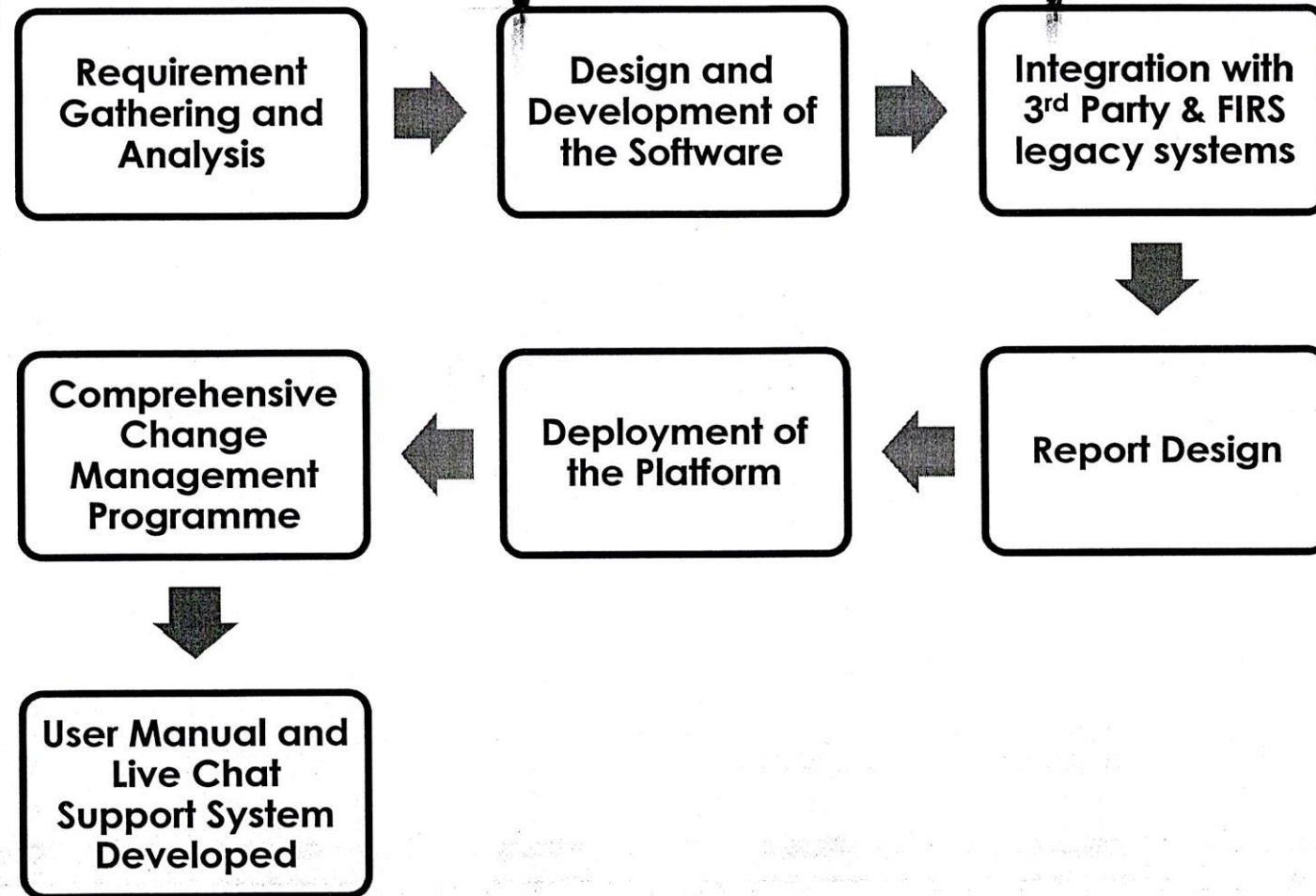
- Manual calculation and assessment of stamp duties at the stamp duty office
- Taxpayer must pay at Bank
- Taxpayer must present payment evidence to Stamp Duty Office
- Slow processing time
- Manual Stamping of Instruments
- Tedious for Taxpayers
- More storage required for paper copies of instruments  
No visibility management
- visibility on number of stamp duties stamped and distributed

## PRESENT

- Online assessment and payment of Stamp Duties
- Web-based Self-service tool: done from the comfort of the taxpayers' location
- Payment is online and made easy
- Increased Speed and Accuracy of Assessment Calculations
- Multiple payments channels: Debit/Credit cards, Internet banking platforms, Online payment systems, Banks
- Reduction in report generation time
- Reduction in required physical document storage space
- Improved visibility into stamp duty operations for FIRS Management planning.



# E-Stamping: Implementation Process Map



62

# E-stamping: Features of the solution

**E-STAMPING**

**Online Stamp Duty  
E-Certificate Generator**

**Mobile ready:  
suitable for Desktops,  
Laptops, Tablets, and  
Mobile Phones**

**Customizable  
Stamp Duty  
Rule Engine**

**Seamless  
Integration  
with 3<sup>rd</sup> Party  
& FIRS legacy  
systems**

**Integrated  
Online e-  
Payment: 3  
online & 1  
offline  
payment  
options**

**Quick  
Response  
(QR) Code:  
for verifying  
authenticity  
of the e-  
Certificate  
through a  
mobile  
device**

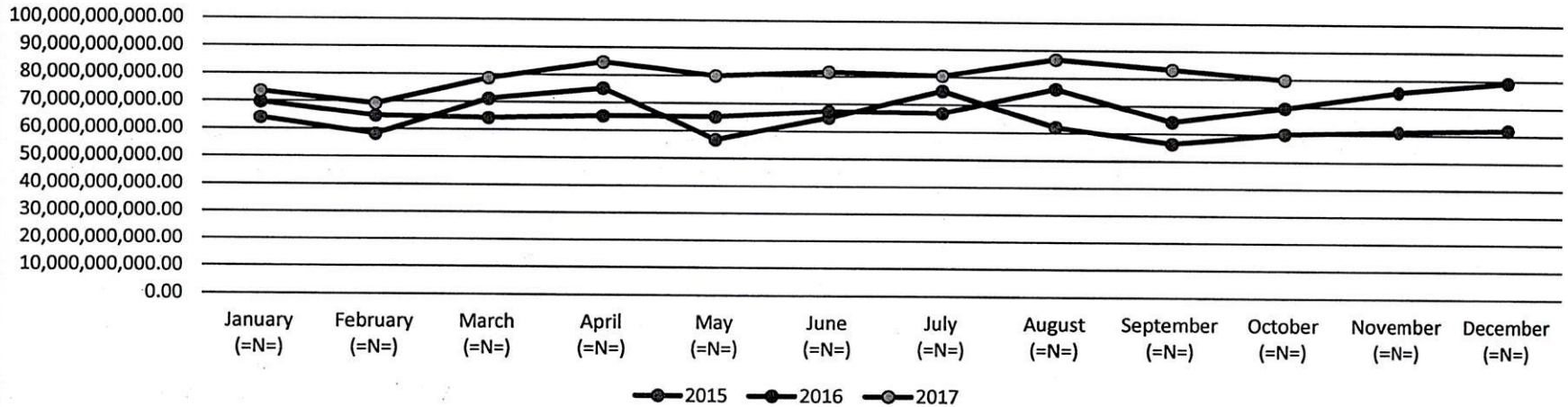
**Email  
notifications  
to Taxpayers**

**e-Certificate  
Verification  
Engine**

# Driving Compliance Through Technology: Benefits to FIRS

**Enhanced generation of Value Added Tax (VAT):** Monthly and aggregated collection of VAT has increased by 25% from 2015 from N644 bn to N805bn

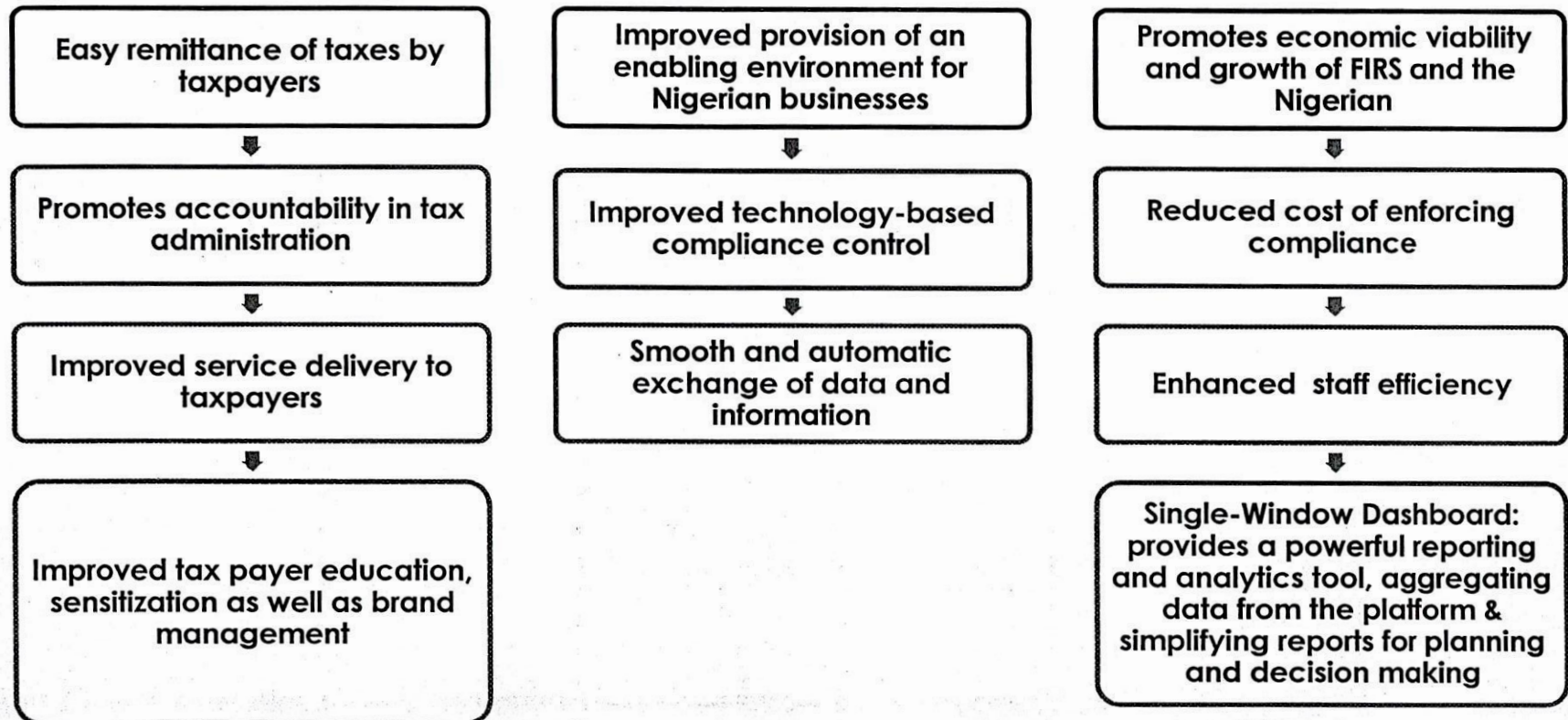
**Enhanced VAT generation capability by MONTH in 2017**



64



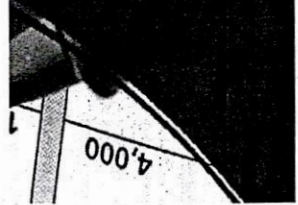
# Driving Compliance Through Technology: Other Benefits



65

# Future Technologies: FIRS Up and Coming Technology Projects

- **Use of Fiscal devices** for deduction of Tax at source
- **Mobile-based tax payment solutions.**
- **FIRS Contact Centre project** for a comprehensive tax knowledge base and multi-channel interaction points for taxpayers.
- **e-Profile:** customizing FIRS electronic services such as its website to the needs of the respective taxpayer.





# Future Technologies: The Use of Fiscal Devices – A Deeper Look

- The term **Fiscal Device (FD)** can be used to describe a wide variety of technological devices that revenue administrations can use to help monitor business transactions.
- In simple terms, it is a way for the tax authority to catch the details about each sales transaction.
- A key element of these devices connected real-time, is the presence of a “fiscal memory,” a tamper-proof memory usually certified by a relevant government authority, that captures core tax information, typically the classification of goods, value of goods sold, rate of tax, and tax value.
- Its memory cannot be wiped or reset by loss of power and human interference. It can be accessed only by an appropriately authorized person with the relevant electronic key, typically by the tax administration, to download data for detailed verification and analysis.

67





# Future Technologies: The Use of Fiscal Devices – A Deeper Look

- Tax data can be sent simply through the every day mobile phone technology a layman utilises.
- They can be accessed remotely and allows the tax administration to access the data without the need for an official to be physically present.
- It is designed to suite every business environment and size, even for taxpayers with an already existing invoicing system
- It is currently a direct response by tax administrations to combat non-compliance (IMF WORKING PAPER, **Electronic Fiscal Device (EFD)**)



# Future Technologies: The Use of Fiscal Devices (FD) – A Deeper Look

According to IMF Working Paper on Electronic Fiscal Devices, about 20 countries have adopted electronic fiscal devices (EFDs) in their quest to combat noncompliance, particularly as regards sales and the value-added tax (VAT) payable on sales. With **Kenya, Tanzania, Rwanda & Malawi** as the first group of adopters in Africa.

The introduction of FDs typically requires considerable effort and has costs both for the administration and for the taxpayers that are affected by the requirements of the new rules.

Despite their widespread use, and their considerable cost, FDs can only be effective if they are a part of a comprehensive compliance improvement strategy that clearly identifies risks for the different segments of taxpayers and envisages measures to mitigate these risks.

However, “EFDs should not be construed as the “silver bullet” for improving tax compliance: as with any other technological improvement the deployment of fiscal devices alone cannot achieve meaningful results, whether in terms of revenue gains or permanent compliance improvements”  
***IMF Working Paper on Electronic Fiscal Devices.***



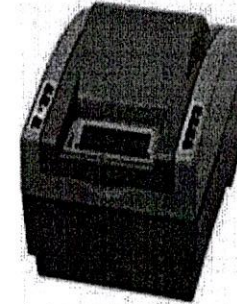
# Types of Fiscal Devices (FDs)

- Virtual Fiscal Devices
- Electronic Tax Register (ETR): SMEs
- Electronic Fiscal Printer (EFP): Large Enterprises
- Electronic Signature Device (ESD): Medium-Large Enterprises

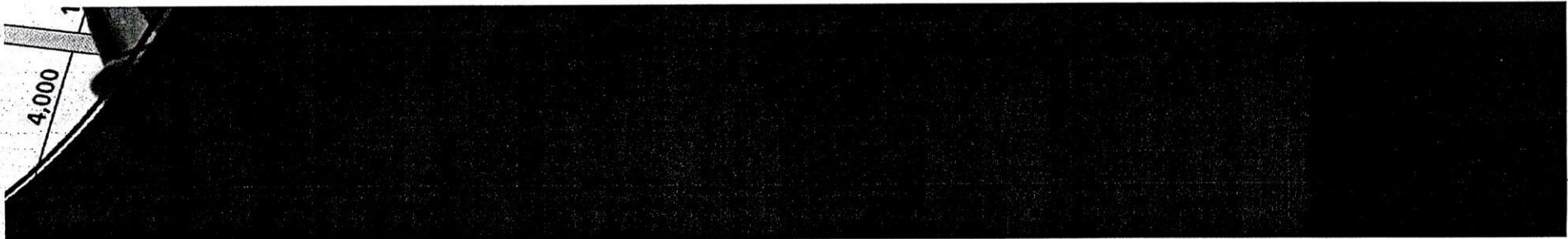
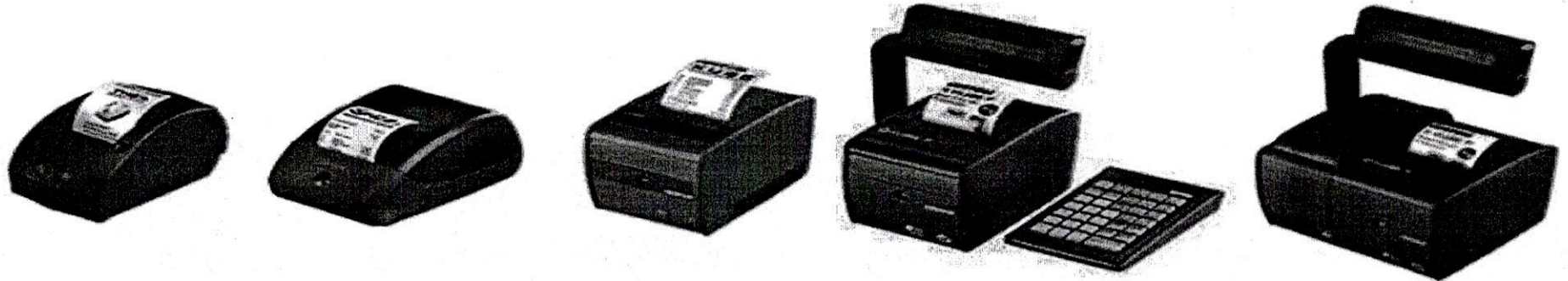
*Electronic Tax Register*



*Electronic Signature Device*



*Fiscal Printers*



of

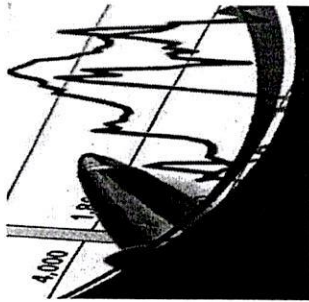
# CURRENT EFD Implementation in the World

Country	Year	Type	Scope
<b>Europe</b>			
Greece	1988	ETR, EFP, ESD	All VAT registered
Romania	Pre-2000	ECR, ESD	All VAT registered
Bulgaria	1993	EFP	All VAT registered
Hungary	2014	ECR-SCU	All VAT registered
Kosovo	2012	ECR, EFP, SCD	All VAT registered
Montenegro	2001	ETR, EFP	All VAT registered
Moldova	1993	ECR, EFP, ESD	All VAT registered
Sweden	2010	ECR	All VAT registered
<b>Asia-Pacific</b>			
South Korea	2005	ECR, EFP	All businesses
<b>North America</b>			
Mexico	Pre-2000	ECR, ESD	All VAT registered
<b>Central America</b>			
Dominican Republic	2009	EFP	All VAT registered
Panama	2012	ECR, EFP	All VAT registered
<b>South America</b>			
Argentina	1995	ECR, ETR, EFP	All VAT registered
Brazil (State level)	1994	EFP	All ICMS registered <sup>1</sup>
Chile	2003	ECR, EFP, ESD	VAT registered (optional usage)
Paraguay <sup>2</sup>	2008/9	ECR, ETR	Sector VAT registered
<b>Africa</b>			
Kenya	2005	ALL	All VAT registered
Tanzania	2010	ECR, ETR, ESD, SCD	All VAT registered
Rwanda <sup>3</sup>	2014		
Malawi <sup>4</sup>	2015(?)	To be determined	All VAT registered

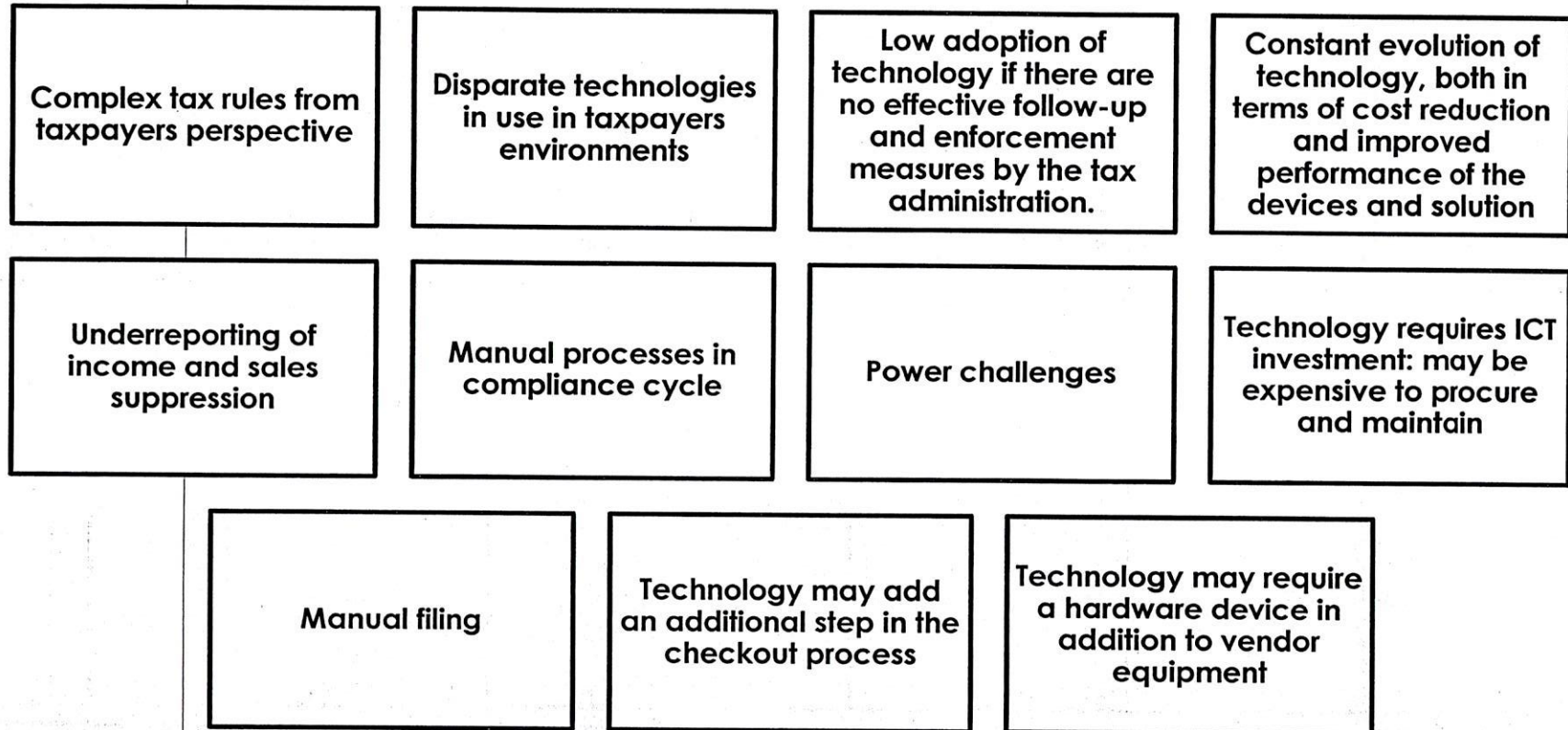
Source: IMF and survey responses from revenue administrations.







# Technology Adoption: Challenges



72



# Technology Adoption: Success factors

## ALL TECHNOLOGY

- \*Management's buy-in: provision of financial and administrative support to key technology projects.
- \*Use of strong vendor management
- \*Dedicated internal project teams
- \*Adequate and early stakeholder engagement (revenue agency staff and taxpayers, associated representative groups and other government agencies)
- \*Mandatory use of device by the taxpayers
- \*Implementation time must be adequate.
- \*Legislative changes: May require changes to existing laws; enactment of new tax legislation, non-tax legislation and new regulations as applicable.
- \*Adequate Training

## FISCAL DEVICES

- \*Legislative changes: May require changes to existing laws; enactment of new tax legislation, non-tax legislation and new regulations as applicable.
  - \*Mandatory use of device by the taxpayers
  - \*Implementation time must be adequate.
  - \*Appropriate arrangements must be made for their installation, support, and maintenance.
- \*Enhanced audit skills to undertake computer-based audits using the newly available information obtained from the EFD devices.
- \*Need for computer forensic investigations in those cases where there is suspected manipulation of the recorded data.
- \*Establishment of more comprehensive reforms (such as taxpayer education, additional audit treatments, other technology options, and alliances with business associations ) to leverage the benefits of these devices.
- \*Several incentive options for taxpayers to be considered: cost of device subsidized partially or fully by government; Tax credit; Partial Tax rebate



# Conclusion

The use of technology and use fiscal devices has the potential to increase voluntary compliance tax revenue collections and ease administration of taxes.

Tax administrations have embraced many technological advances as a key enabler, and its importance continues to grow, as does the pervasive role of IT in everyday life.

The path to successful implementation of technology is complex, sometimes requiring legislative support, effective design of administrative and technical procedures, and extensive consultation processes with key stakeholders. However, tax administrations contemplating the implementation of these technologies can leverage the growing body of experience.



# Conclusion

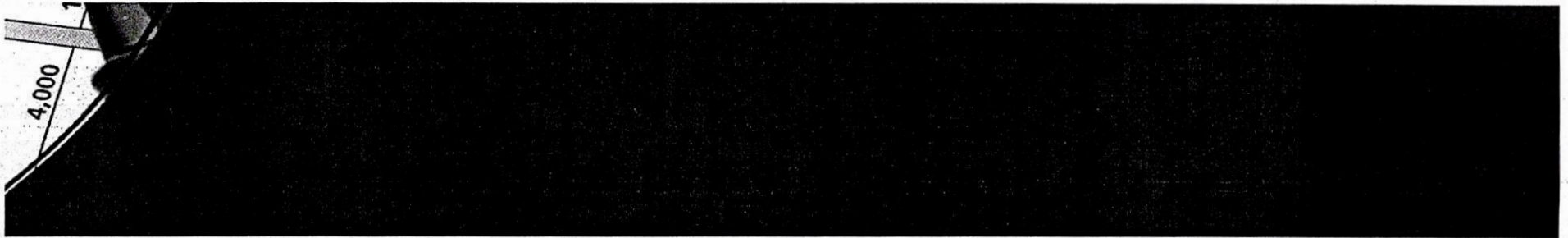
**It is clear that technology in and of itself will not change behaviour. Current trends in tax administration modernization suggest that to achieve effective voluntary compliance, implementation of these technologies must be complemented with the adoption of compliance improvement models.**

**In all, the introduction of technologies presents opportunities for the tax administration to rethink its approach to business processes by automating the collection of information, effective stakeholder engagement, as well as by leveraging the new arrangements to improve compliance approaches and strategies.**

25



**Thank you**



4,000

97