Press release

DIVERSIFY NOW, CITN ADVISES FG

The Federal Government of Nigeria has been advised to, as a matter of urgency, put machinery in motion to revitalize the Nigerian tax system. This advice was given in the wake of the recent speech of the United States President Barrack Obama in South Africa that his Country does not need energy from Africa.

Speaking recently at a 3-day Joint District Societies' meeting of the Chartered Institute of Taxation of Nigeria, the President of the Institute, Mr. Mark Anthony Dike said the speech of the American President, if critically examined, portends grave danger to the Nigerian economy whose development had all along depended heavily on oil revenue. In his words, "the United States President Barack Obama has ultimately confirmed the fears in some quarters that the days of crude oil importation from African oil producing countries, including Nigeria, were numbered, as oil export from Nigeria is on a downward trend."

Dike posited that the United States President was only speaking on an obvious fact which the Institute has always reiterated to successive Nigeria governments from time immemorial. "America has made several successful advances in oil and gas production, as well as clean energy production springing up at a rapid rate in the United States," he said.

"Over the years" Dike continued, "statistics have shown that the US, Nigeria's biggest oil customer, has been slashing down its oil imports from the country amid surging output and refinery closures in North America, prompting Nigeria's oil marketers to find alternative markets in Asia, an equally politically unstable continent as Africa. It is saddening that Nigeria's dwindling oil exports to the United States (U.S.) have crashed further to the lowest in 15 years, noting that it was high time the government seized the opportunity of revamping the country's tax system which has proven to be a better alternative to revenue in other climes."

The Institute helmsman urged the Federal Government to be cautious of its negative impact as the Nigerian economy relies mainly on proceeds from crude oil sales to generate foreign exchange and proceeds from crude oil represent over 85 per cent of foreign exchange earnings. This, in turn, would translate into increased government borrowing and fiscal deficit.

Citing a recent report of the International Monetary Fund (IMF), the CITN President said that the persistent decline in oil export and the fluctuating crude oil prices which is at an annual average of $97 per barrel may not only translate to lower oil revenue for Nigeria but would also eat into Nigeria's Excess Crude Account (ECA) balance, while a further fall to between $80 and $85 per barrel would wipe out ECA balances within a year. The Federal government of Nigeria derives its revenue mainly from the sale of its crude oil, taxes, customs and excise duties and earnings from stamp duties. Of all the sources the largest revenue is from oil.

Providing a panacea for averting this obvious danger, the Institute's President suggested a drastic shift from oil to non-oil sector which in most oil producing nations of today is a serious trend.

He reiterated the need to expand the fiscal policy legislations in order to cover areas of our economy that are still lacking in enabling policy measures. For instance, it has been severally said and proven that the potential revenue derivable from indirect taxation far out-weighs that of direct taxation majority of which comes basically from workers' meagre salaries.

The CITN President added that the Institute, as usual, is always willing and ready to collaborate with various government agencies, like the Federal Inland Revenue Service (FIRS), the Joint Tax Board, Economic and Financial Crimes Commission (EFCC), The Nigerian Police Force, Nigeria Custom Service, e.t.c., to ensure that appreciable success is achieved in the discharge of their taxation obligations or duties.

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