



**CHARTERED
INSTITUTE OF TAXATION
OF NIGERIA**

(Chartered by Act No. 76 of 1992)

**MEMORANDUM ON THE
PROPOSED AMENDMENT TO
THE FEDERAL INLAND
REVENUE SERVICE
(ESTABLISHMENT)
ACT, NO. 13, 2007**

TO THE NATIONAL ASSEMBLY

THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA (CITN)

The Chartered Institute of Taxation of Nigeria (CITN) was established in 1982 and Chartered by Act No. 76 of 1992 to regulate Tax Practice and Administration in the Country. To this extent, the institute is a major stakeholder in the Nigerian tax system.

In line with the Institute's statutory objective, it has taken a detailed study of the Federal Inland Revenue Service (Establishment) Act, No 13, 2007 especially now that the bill is being reviewed and hereby state as follows:

OBJECTIVES OF THE AMENDMENTS:

- A. To strengthen the powers of the Accountant-General of the Federation to monitor the revenue being generated by Ministries, Corporations, Agencies and Government owned Companies;
- B. To enforce remittance of the revenues collected to the Consolidated Account or Federation Account;
- C. To strengthen the oversight functions of the National Assembly in monitoring the revenue generated by Ministries, Corporations, Agencies and Government-owned Companies; and
- D. To increase the penalty for under declaration of revenue generated from three to five years.

CITN'S RECOMMENDATIONS

- A. Under Section 24 (1) (2) "Consolidated Account or" should be deleted as "Consolidated Account" is specifically a Federal Government Account.

Section 162(1) of the 1999 Constitution specifically stated that all revenues of the Federation should be paid into the Federation Account. In as much as this section has not been amended, it would be improper to legislate that the revenue collected should be paid into any other Account.

It should be noted that there is a significant difference between the Federation Account and the Consolidated Revenue Fund. The latter belongs to the entire Federation while the Federal Government, albeit keeps it in trust on behalf of the three tiers of government. The Consolidated Revenue Fund on the other hand is one of the accounts of the Federal Government which is exclusively managed by it.

- B. In order to achieve the amendments proposed to Section 24 of the FIRS Act, CITN hereby recommends that the Act setting up the Office of the Accountant General of the Federation should have been amended provided the provisions are not stated therein. Also, there are other income of the Federal Government which would not fall within the jurisdiction of the Federal Inland Revenue Service making an amendment through the FIRS Act incomplete.

The proposal to increase the penalty for under-declaration of taxes by including a 5-year jail term on defaulters is laudable and may serve as a caution to the revenue collectors.

OTHER MATTERS ARISING

FIRS (ESTABLISHMENT) ACT 2007: CENTRALISATION OF TAX ADMINISTRATION IN NIGERIA

The review of the FIRS (Establishment) Act 2007 provides the opportunity to put forward other matters that have been genuinely brought up by major stakeholders in the interest of a smooth tax system. The effect of certain provisions mentioned

below is that the other taxing authorities in the other tiers of government (i.e. States Boards of Internal Revenue and Local Government Revenue Committee) are finding it difficult to comply with the FIRS Act unless amended. As it has been explained in several quarters, the FIRS Act was not to unify all tax laws under the administration of the Board, though, this cannot be said to be the literary meaning of Sections 2, 25 and 68. The Act may be said to have completely wiped out the division of tax administrative responsibilities that hitherto existed between the FIRS and other taxing authorities.

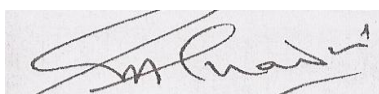
RECOMMENDATIONS

1. CITN proposes that the jurisdiction of the FIRS in respect of Sections 26, 27, 28 and 59 of the Act be limited to corporate organisations and individuals in line with the existing tax laws,
2. The inclusion of the Taxes and Levies (Approved List for collection) Act, 1998 in the list of legislations to be administered by the FIRS should be reviewed. The main objective of this legislation was to eliminate multiple taxations by specifying the relevant tax authority that can collect specified types of taxes and levies. It is not a tax law per se. Rather, it is a law that only identifies tax collection responsibilities among different revenue collecting agencies taking into consideration the federal nature of the country. Unlike other tax laws, its administration should not be under any agency.

We thank you for the opportunity to make this submission and sincerely believe that issues highlighted shall be given the necessary consideration they deserve.

While we give the assurance of the Institute's readiness to serve the National Assembly in its efforts to reform the Nigerian tax system, we remain,

Yours truly,



**Prince Rasaq Adekunle Quadri, FCTI, FCA, AMNIM
President/Chairman of Council**

