



**CHARTERED INSTITUTE  
OF TAXATION  
OF NIGERIA**

*(Chartered by Act No. 76 of 1992)*

**POSITION PAPER ON THE LAGOS  
STATE YEAR 2014 BUDGET  
CONSULTATIVE FORUM**

## **YEAR 2014 BUDGET CONSULTATIVE FORUM**

The Chartered Institute of Taxation of Nigeria was established in 1982 and Chartered by Act No. 76 of 1992 to regulate Tax Practice and Administration in the country.

The Chartered Institute of Taxation of Nigeria has over the years always been an advocate for reforms in the Nigerian tax system. The Institute was part of the 2002/2003 Study Group on the Review of the Nigerian Tax System which was inaugurated by the then Federal Minister of Finance on 6th August, 2002. Further to the report of the Group, a private-sector driven Working Group was constituted in 2004 to review the recommendations of the 2002/2003 Study Group which invariably gave birth to eight tax reform bills, some of which had been passed into law while the remaining are still going through the legislative processes at the National Assembly. It also led to the formulation of the National Tax Policy document which was approved by the Federal Executive Council and National Economic Council in January 2009 and March 2010 respectively.

Furthermore, in order to have a forum for technical and educational development, information sharing and enhancement of tax practice and administration, The Chartered Institute of Taxation of Nigeria (CITN) and The Chartered Institute of Taxation of Ghana (CITG) in collaboration with Revenue Agencies in the West African Region have formed the West African Union of Tax Institutes (WAUTI) which was a platform for the formation of the Association of African Tax Institutes (AATI).

In line with the Institute's statutory objective, we forward herewith the recommendations of our Institute on the Lagos State year 2014 budget consideration as follows:

### **1. ENUMERATION GENERATED REVENUE SOURCES**

It is important that all sources of revenue, inclusive of new revenue sources that have been added by legislation, are properly enumerated. Currently, we are aware that the existing sources include:

- a. Distributions from the Federation Account;
- b. Distributions from the Excess Crude Account;
- c. Distributions from the Value Added Tax Pool Account;
- d. Personal Income Taxes (inclusive of Withholding Taxes);
- e. Capital Gains Tax revenue paid through the Ministry of Lands (or Lands Registry or as the case may be);
- f. Stamp Duties;

- g. Business Premises Registration Levies;
- h. Development Levies;
- i. Land Use Charges (inclusive of Tenement Rates)
- j. Permit Fees for Private Entertainment and Merriment in Public Places;
- k. Street Naming Registration Fees;
- l. Public advertisement Fees;
- m. Fees and fines chargeable by all Government Ministries, Departments and Agencies (MDAs) including: Ministries of Lands, Justice, Public Works, Transportation (including LASTMA) etc. which represents their incomes

## **2. PLANNED NEW SOURCES OF REVENUE**

The next issue of concern with is that, any planned new sources of revenue projected by the Government for the year should be unveiled so that we can begin to provide input into those plans. For instance, what services will be rendered to the Public that will attract a fee?

## **3. REIMBURSEMENT FROM FEDERAL GOVERNMENT**

There should be a clear plan on how to get reimbursement from the Federal Government for federal projects undertaken by Lagos State, including how to meet the conditions set by the "FG" for such projects going forward.

## **4. CENTRALISATION OF APPROVAL FOR NEW TAX LAWS**

With effect from 2014, all new tax bills from Federal, States including the ones for the Local Government MUST be considered by the Central Tax Agency - the Joint Tax Board before such bills are presented to the Houses for debate. This will eliminate conflicts to a great extent after such laws would have been passed.

## **5. EARMARKED TAXES**

Earmarked taxes which is prior allocation and allocation of revenue from a particular tax to a specific purpose, when accompanied with a new tax or increase in existing rate surreptitiously increases the burden on taxpayers. In effect, the tax has been appropriated even before it is collected and thus avoids normal budgetary process. The growing practice of earmarked tax should be stopped as such taxes truncate and avoid the process which is supposed to expose all proposed expenditure to detailed scrutiny by the approved authorities. At CITN, we strongly wish to discourage the continuity of earmarked taxes as such reflect the lack of discipline in the nation's budgetary system. It leads to multiplicity of taxes and an

unacceptably high incidence of taxation with attendant discouragement of economic activity.

## **6. STRATEGIES ON INTEGRATING THE INFORMAL SECTOR**

The informal sector, also referred to as informal economy or in tax parlance “the-hard-to-tax-group” is the part of an economy that is not taxed, monitored or included in any National Gross Product, unlike a formal economy. The self-employed that belongs to the informal sector are outside the formal economy and generally are not on anyone’s payroll. Tax Authorities are facing numerous challenges in taxing the informal sector and its size is growing day by day. There should be a strategy on how to integrate the informal sector into the tax system to improve tax revenue generation from the sector and also how to meet their specific needs.

## **7. PRESENTATION OF DRAFT OF APPROPRIATION BILL**

The importance of an Appropriation Bill is key to any budget process. It is the measure before a legislative body authorizing the expenditure of public moneys and stipulating the manner and purpose of the various items of expenditure. It is recommended that the draft of the 2014 Appropriation Bill is made available to the public for comments and criticisms. Importantly, the drafts should be presented to relevant professional bodies for their formal opinion and such opinions would be presented to the Legislators in order to influence or guide their debates on the Appropriation Bill. This would ensure increased participation of the citizenry in the budget making process. A public that is aware and involved in the Government’s revenue targets, would relatively be incentivized to contribute its quota (taxes) in the actualization of the revenue target.

## **8. COORDINATED TAX ADMINISTRATION VIA INFORMATION TECHNOLOGY**

Some of the initiatives to make different agencies (Land Registry, Vehicle Registration, Tax Offices etc) work together to improve tax revenue should be more coordinated. For instance, if someone registers a car in any location within Lagos State, the state must be able to determine if they have been paying adequate taxes relative to the value of the car. The information to do this must be accessible from every location within the Lagos Metropolis. The Lagos State has attempted to do this in the recent past but got it

wrong in most cases by wrongly assessing people who already paid taxes but whose records are with a different tax office.

The unique tax identification number should facilitate this and if funds will be required to upgrade the IT infrastructure, then it should be included in the budget.

## **9. LOCATIONAL ADDRESS OF TAXPAYERS**

It is important that the Lagos State Government steps up its investment materially in the proper identification of taxpayers so that every resident can be identified with his/her location.

It is high time the Government stops complaining about its inability to identify people with their locations. It is the addressing system that helps the UK and indeed the whole European Union as well as all advanced environments to track down every single individual or at least over 95% of its taxpayer population.

## **10. ENFORCEMENT OF SANCTIONS ON TAX EVASION**

Enforcement, the process of compelling compliance with a law, mandate or command has a symbiotic relationship enforcement powers. Enforcement is evoked in tax administration to correct anomalies arising when tax provisions have been violated, i.e., a taxpayer has knowingly or intentionally refuses to comply with the tax laws particularly in payment of taxes. Enforcement powers should be precise, and logically formulated, and should so far as practicable be harmonized over the whole direct and indirect tax field. Opportunities for successful concealment of facts relevant to tax liability should be reduced.

Effective criminal sanctions should be available to check the incidence of deliberate and serious frauds. Offences and penalties as specified in the Nigerian tax laws generally cover matters such as non-filing, late filing, non-payment /late payment of tax failure to withhold tax, fraudulent TCCs. These are already contained in sections 76(4), 94, 95, 97 and 97 of the Personal Income Tax Act LFN, 2004 as amended as well as in the Lagos State Revenue Administration Law sections 55to 59 and 60 amongst others.

It has all been a case of barking without biting as no high net worth person has been declared as a tax evader nor anyone been successfully prosecuted for tax evasion and jailed despite material evidence at the disposal of the tax offices. We caution that this

should not be made a political tool and thus render a very powerful economic tool as a perceived political tool.

## **11. DUE PROCESS**

Due process, a mechanism conceptualized to ensure that budget spending is not only based on authentic, reasonable and fair costing, but also appropriately geared to the realization of set priorities and targets. The process ensures fiscal transparency and strict compliance with contracting process. Lagos State should in conclusion, ensure that they follow due process in their revenue generation drive.

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

Yours faithfully

The Chartered Institute of Taxation of Nigeria

**M.A.C DIKE, FCTI**  
**President/Chairman of Council**