



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

KWAREVE*News*

A monthly publication of Kwara State Internal Revenue Service

December 2015, Volume 1 Issue 1



07 MSMEs Info
08 Natural Resources
09 KW-IRS Events

**Emir of Ilorin
endorses KW-IRS**

pg 47



A New Beginning in

KWARA

Revenue Mobilization

Governor Abdulfatah Ahmed

20

Financial Market: Ethical Values in Financial Market Performance...

27

Tax System in Nigeria: Issues and Challenges

39

African Capital: Tax Issues and The Capital Market

44

Community Impact

25

Tax Personality - Dr Olateju Somorin



Let us Light Up the City

Support the State Government

PLAY YOUR PART

PAY YOUR
TAX



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng



EDITORIAL COMMITTEE

Muritala Awodun, PhD, ACTI *Executive Chairman*
Isaac Gbenle, PhD *Director, Operations, Processes & Research*
Adenike Babajamu *Director, Admin & Corporate Affairs*
Omolara Ojulari, *Principal Manager MDAs*
Habibah Kamaluddeen, *Assistant Manager, Corporate Affairs*

EDITORIAL CONSULTANTS

Professor Kenneth Adeyemi, FNES
Professor Sunday Otokiti, FCIA
Professor Taofik Abdulrasaq, FCTI
Dr (Mrs) Olateju Somori, FCTI
Dr (Mrs) Hafsat Saadu, ACTI

MANAGEMENT TEAM

Muritala Awodun, PhD, ACTI *Executive Chairman*
Isaac Gbenle, PhD *Director, Operations, Processes & Research*
Adenike Babajamu *Director, Admin & Corporate Affairs*
Iyabo Abubakar, *Director, HNI & Corporate Organizations*
Nuhu Mohammed, ACTI *Director, Tax Assessment & Audit*
Segun Olaniyi, *Director MDAs*
Rotimi Olalekan, *Deputy Director, Informal Sector*
Rufai Mohammed, *Senior Manager Accounts, Finance & Reconciliation*

Published by:

KWARA STATE INTERNAL REVENUE SERVICE
Corporate Head Office: 27 Ahmadu Bello Way, Ilorin Kwara State
Email: info@irs.kw.gov.ng
Website: irs.kw.gov.ng
Telephone: 0700MYKWIRS (07006959477)



facebook.com/KwaraIRS



twitter.com/KwaraIRS



CONTENTS

A New Beginning in

KWARA

Revenue Mobilization

05

COVER STORY

The Executive Governor of Kwara State, Governor Abdulfatah Ahmed, announced on Tuesday 20th October that the birth of the Kwara State Internal Revenue Service (KW-IRS) was a new beginning for Kwarans. He said this while receiving a delegate of tax men led by the National President, Chartered Institute of Taxation of Nigeria (CITN), Dr Mrs Olateju Somorin at the Government House.



06

SPECIAL FEATURES

13 TAX LAWS

A Review of Nigerian Tax Laws

- Okoronkwo Ijeoma

27 TAX POLICIES

Tax System in Nigeria: Issues and Challenges

- Asuquo Richard Gregory

35 TAX ADMINISTRATION

Taxation as Citizen Obligations

- Mark Hirnyam



09



10



CONTENTS

EVENTS

07 MSMEs INFO
6 Simple Steps to Starting a Business

20 FINANCIAL MARKET NEWS
Ethical Values in Financial Market
Performance in Nigeria:
Recent Issues and Progress
Lucy Surhyel Newman

39 AFRICA CAPITAL MARKET
Tax Issues and The Capital Market

44 MANAGEMENT PROFILES
The Strategic Change Team of the
New KW-IRS

TAX PERSONALITY **25**

DR OLATEJU SOMORIN



She is the author of “TEJUTAX, Reference Book on the Nigerian Tax System”, President and Vice Chairman of Council of the CITN Retired as Ag.

Coordinating Director from FIRS and was the first female to attain the position of Director and Coordinating Director of FIRS in service. Dr. Teju Somorin, Associate Membership No 87 and the 24th member to be conferred with the status of a “Fellow of the CITN” has contributed significantly to the growth of tax education and practice in Nigeria, Africa and beyond.



10



16



28



47



49

KWARA REVENUE: A NEW DAWN

The Kwara State Government, in its efforts to increase and diversify its revenue base for financial freedom and bolstered efficacy in governance, on June 22nd 2015 signed the Kwara State Revenue Administration Law, 2015 (Law No.6 of 2015). With the signing of this law, the Kwara State Internal Revenue Service was given birth to and old Kwara Board of Internal Revenue became defunct.

Kwara State Internal Revenue Service (KW-IRS), as established by this Law, becomes the sole entity responsible for the effective and efficient administration of tax and related matters on behalf of the Kwara State Government with the following mandates:

- To maintain the integrity of the tax laws and processes by eliminating all instances of multiple taxation;
- To assist the State Government to attain specific economic and social policies, systems and targets; and
- To stimulate voluntary compliance so as to advance maximum representation of the populace in executive decision making.

In keeping with the mandate for the KW-IRS, and charged with the care and management of the taxes covered by the Internal Revenue Law, the KW-IRS set out to pursue the vision;

“to mobilize revenue for the strategic development of Kwara State”

with a mission;

“to serve the residents of Kwara State using the most convenient strategies that will add value and integrity to the revenue mobilization process and actualize the developmental objectives of the Government”

The question on the lips of most people is how will KW-IRS create, deliver and capture value as expected? The answer to this question is hidden in our Business Model canvass which captures the various segments of our stakeholders and set us up on the appropriate strategy for delivery of the expected value to the residents of Kwara. This model revolves around our ability to provide answers to the following 29 questions relating to these segments.

OUR CUSTOMER SEGMENTS; Who are our customers? What do they want from us? How will we deliver value to them?

OUR VALUE PROPOSITIONS; What are our customers' value expectations? What are we proposing as value to them? How do we ensure that we satisfy our customers through our value propositions?

OUR CHANNELS OF DISTRIBUTION; What means/medium of communication should we choose? What means/medium of distribution should we adopt? What means/medium of sales or point of sales should we use? What means/medium of feedback should we operate?

OUR CUSTOMER RELATIONSHIPS; How do we keep in touch with our customers? How do we show concern for our customers? How do we ensure our customers' satisfaction?

OUR REVENUE STREAMS; How do we assess our customers and price our products? How do we increase our customer base? How do we make payment convenient?

OUR KEY RESOURCES; What physical facilities do we require? What human facilities do we require? What financial facilities do we require? What technological facilities do we require?

OUR KEY ACTIVITIES; What are our key functions? What are our key departments? What are our key processes?

OUR KEY PARTNERSHIPS; What are our key partnerships? Who are our key partners? How will our key partners operate?

OUR COST STRUCTURE; What are the costs of our resources? What are the costs of our operational processes? How do we ensure that these costs are efficiently managed?

The strategy we have chosen to bring about the required change in revenue mobilization in Kwara State is built on a 'five-force' **PRESS** Framework namely;

- **PATRONIZING & PERSUADING** the populace to embrace KW-IRS and voluntarily come into the taxable base
- **RAISING & RECRUITING** support for KW-IRS from the various stakeholders and overcoming the anticipated societal resistance
- **ELICITING & ENERGIZING** commitment from the KW-IRS team towards realizing the targets/purpose of change
- **SELECTING & STAFFING** of the organization's change team fired up for performance and excellence
- **SEQUENCING & SYSTEMATIC** pursuit of the 10³ (10 by 100) day reporting strategy setting critical day by day targets and deliverables

The above strategy has been consolidated into the following broad goals and objectives;

- Maximizing the collection rates by eliminating existing leakages through improved tax collection strategies;
- Expansion of the taxable base by bringing in those not captured into the tax net;
- Developing a solid data base through critical data gathering and information dissemination using appropriate information technology; and
- Advising the government on tax and social policy measures responsive and supportive of the administration's developmental agenda and business/human welfare focus.

We all at KW-IRS pledged to be guided by our Core Values captured as the **SHIRT** of the organization, namely; **Service, Honesty, Integrity, Responsibility and Trust.**

With Kwara State Internal Revenue Service it is indeed a new dawn in Kwara Revenue as we begin the journey of service to Kwara residents.

Muritala Awodun, PhD



A NEW DAWN FOR KWARANS

GOVERNOR ABDULFATAH AHMED

The Executive Governor of Kwara State, Governor Abdulfatah Ahmed, announced on Tuesday 20 October that the birth of the Kwara State Internal Revenue Service (KW-IRS) is a new beginning for Kwarans. He said this while receiving a delegate of tax men led by the National President Chartered Institute of Taxation of Nigeria (CITN), Dr Mrs Olateju Somorin at the Government House. Dr Somorin whose primary assignment in the state was to declare open the annual Mandatory Professional Training Program (MTPT) of the institute, congratulated the Governor for the bold step taken by the State on the establishment of the KW-IRS and the autonomy granted to the new organization. She thanked the Governor for the land allocated to CITN for the construction of the Tax Academy and promised that this would be

judiciously utilized. She appealed to the Governor to ensure that experts are employed to run the new organization.

In response to the President of CITN and her team, Governor Abdulfatah Ahmed reiterated that it was indeed a new dawn for Kwarans. He explained that the State is willing to explore all avenues presented by the body to enhance tax drive and revenue collection. The Governor commented that the gaps in the previous collection are being reduced and the State has now put in place a new process that will ensure that standards are not only maintained but are also in line with best practice. Governor Ahmed assured that professionals will be employed to run the affairs of KW-IRS. He added that the state would invest in training and retraining for maximum result.



Dr (Mrs) Olateju Somorin and His Excellency, Governor Ahmed in his office



Some members of KW-IRS Team



The SSG, HOS and COS of Kwara State



Delegates of the CITN



Management Team of KWIRS



6 SIMPLE STEPS TO STARTING A BUSINESS

A great small business always starts out as an idea, but you have to transform that idea into action. That's where many individuals can start to feel overwhelmed. It's understandable to freeze up at the deluge of things that are required to get a business started, but getting going is actually easier than you might think.

Like any big goal, if you start by breaking it down into smaller tasks, you'll be able to tackle enough of the actions necessary to get started. Here are six ways to break down the process and simplify getting started with your own small business.

1. Write a one-page business plan.

The key to a successful small business, especially in the startup phase, is to keep things simple and costs low. Costs don't just mean your monetary costs, but also your time.

Many would-be small-business owners fall into the trap of trying to create the world's biggest and most robust business plan. You're only going to need that if you're seeking investment or financing, and even if you will be seeking either of those things down the road, I always recommend small-business owners start out with by testing their ideas first before investing lots of time and money.

So to get started, create your own simple, one-page business plan that is a high-level overview of the small business you're about to start.

- **Define your vision.** What will be the end result of your business?
- **Define your mission.** Different to

a vision, your mission should explain the reason your company exists.

- **Define your objectives.** What are you going to do -- what are your goals -- that will lead to the accomplishment of your mission and your vision?
- **Outline your basic strategies.** How are you going to achieve the objectives you just bulleted?
- **Write a simple action plan.** Bullet out the smaller task-oriented actions required to achieve the stated objectives.

That's it. It might be longer than one page, but it will surely be more organized and shorter than a full business plan, which could take weeks to write.

2. Decide on a budget.

While I highly recommend you keep your costs as low as possible, you'll still need to determine a budget to get started and how much you'll be able to spend. If you're self funding, be realistic about numbers and whatever you anticipate your budget to be. I've found that an additional 20 percent overage amount that helps you plan your burn rate.

Your burn rate is how much cash you're spending month over month. It's an important number for you to figure out to determine how long you can stay in business before you need to turn a profit.

You should set up your business with profitability in mind the first 30 to 90 days. It's possible. But have a budget reserve so you can survive if things go leaner than expected.

3. Decide on a legal entity.

Filing paperwork to start a business costs money. Often, depending on your state, it can be a lot of money. You'll need to account for city or municipality licensing, state incorporation or business entity fees and more. Do a thorough search ahead of time to determine what the filing fees are for your city, county and state before starting any business.

Often in the initial "test" phase for your small business, it can be wise to start as a sole proprietor, as it means less paperwork and up-front expenses. That can save you some big-time cash while you determine the viability of your business. Do be aware though that acting as a sole proprietor can put you at personal risk, so you'll want to weigh the benefits vs. risks and then speak with a local attorney or tax professional to decide which is smarter for your short-term vs. long-term goals.

You can always file for a business entity once you've proven in the first three to six months of business that you've got a viable, sustainable model.

4. Take care of the money.

Whatever business entity you decide on, keep the funds separate from your personal accounts. This is a big mistake that makes tax time and financials so confusing. It's really easy to set up a free business checking account with your local credit union or bank. All you'll need is your filing paperwork, sole proprietor licensing information and an initial deposit to get set up from most financial institutions.

Don't pay for an account or get any kind of credit lines yet, just get a holding place you can keep your money

continue on page 10



For Good Healthcare Facility

Support the State Government

PLAY YOUR PART

**PAY YOUR
TAX**



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng





KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

COURTESY VISIT TO HIS EXCELLENCY THE EXECUTIVE GOVERNOR OF KWARA STATE Dr Abdulfatah Ahmed



HE, Executive Chairman and the Directors of KW-IRS

The Executive Chairman Kwara State Internal Revenue Service, Dr, Muritala Awodun on Sunday October 18, 2015 led the team of the newly appointed Directors of the Kwara State Internal Revenue Service on a courtesy visit to His Excellency, the Executive Governor of Kwara State, Dr Abdulfatah Ahmed.

The visit was to among other things express the appreciation of the new

management on their appointments and reassure the Governor that the confidence repose in them by the Governor and the people of Kwara will not be in vain.

The Executive Chairman in his opening remarks gave a brief of the activities of the management in the first week of reporting. He stated that in the first week the management completed the process of getting to know one another and had begun running

with the vision. Realizing the vision “to mobilize revenue for the strategic development of Kwara State” is the focus of the management.

He explained that the team visited the new KW-IRS office to confirm when it would be ready for the staff to move in.

The Executive Chairman further requested clarification on the state of settlement of the staff of the defunct Kwara State Board of

Internal Revenue.

He appealed to the Governor to prevail on the relevant department to ensure the settlement (transfer) of these staff to allow for smooth takeoff of KW-IRS.

Dr Awodun reinstated the commitment of the management to partner with the State in the accomplishment of the KW-IRS mandate. He affirmed that the task, though onerous, was achievable.

He disclosed that the handing over process by the old KBIR was under way and that the board would soon begin a visit to the various MDAs that were hitherto involved in collection of revenue to commence a gradual takeover.

Responding, the Executive Governor, Dr Abdulfatah Ahmed assured the new management of the maximum support of Government in the accomplishment of the task ahead. He added that establishing KW-IRS was to show the seriousness and transparency of government on the IGR drive.

He admonish the new



The Executive Chairman KW-IRS Dr Muritala Awodun and the Executive Governor of Kwara State

management to come up with a clear process of increasing the present revenue as the State could no longer depend on Federal allocation. According to him the success of KW-IRS lies in creating a strong corporate outlook which must be first class in nature and must be in line with best practice.

He explained that the process would rely heavily on IT to improve the revenue collection process and block leakages.

Speaking on the staff of the defunct BIR, Governor Ahmed confirmed

that they have been transferred and their letters are ready for delivery. Those who would like to join the KW-IRS have been advised to apply.

Concluding, the Governor announced that there will be series of meetings with top management of KW-IRS from time to time to discuss the activities of the management, set targets, appraise performance and receive feedback. He advised that training and capacity building should be explored for staff development.

6 SIMPLE STEPS TO STARTING A BUSINESS

5. Get your website.

Regardless of whether your business will be brick or mortar or online, you'll need a website and that means securing a URL. Popular domain sites such as HostGator and Go Daddy will allow you to search for the website domain address of your choice and purchase it for as little as N2500.

If you're starting an online business, you can tie your domain to an online shopping cart and store front such as Shopify for a low monthly fee, or you can build a basic website yourself on top of your URL with do-it-yourself drag-and-drop site builders such as Weebly for a low fee.

6. Test sales.

You have enough of a foundation now that you can start testing

separated from your personal accounts. This should take you no more than an hour at the financial institution of your choice.

some sales. Try to spread the word in inexpensive and creative ways.

If you have a service-based business, get involved with your local chamber of commerce or small-business chapter immediately and ask what resources are available for you to speak, present or share information about your business. If you have a product-based business, test the viability of your product at local swap meets, farmers markets or other community events to test what the public really thinks (and if they'll purchase) from you.

Drive traffic to your website through simple Facebook Ads with capped budgets, or set up a simple Google AdWords account with a budget cap to test if traffic is going to your site.

You can follow these six steps by yourself for not a lot of money. It's a fantastic way to test the viability of your small business before throwing all your time and money into an unproven idea.

KWARA STATE HOUSE OF ASSEMBLY VISITS THE NEW KW-IRS

The House Committee on Finance and Appropriation led by Honourable Mashood Bakare paid a familiarization visit to the new site of the Kwara State Internal Revenue Services (KW-IRS) on Friday October 16, 2015.

The visit was to inspect the new office which was still under construction and to ascertain that the Contractor would deliver the project before the stipulated date of 2 November, 2015.

Honourable Moshood Bakare who

was received on the site by the Executive Chairman of KW-IRS, Dr Muritala Awodun and other top management of the organization expressed satisfaction at the state of work done. He advised the Contractor to speed up the work to ensure that the target date of resumption at the office by the newly constituted KW-IRS is met.

Honourable Bakare assured the Executive Chairman of KW-IRS of the continuous support of the House Committee in the realization of the goals and objectives of KW-IRS. The House Committee on Finance and

Appropriation, constituted by the Legislature of the Kwara State House of Assembly is empowered to conduct oversight functions on the new KW-IRS.

In his response, the Chairman KW-IRS, Dr Muritala Awodun thanked the House Members present and reassured them of the commitment of the KW-IRS team to the vision of the organization which is *“to mobilize revenue for the strategic development of Kwara State.”*



Honourable Moshood Bakare, Chairman of House Committee on Finance and Appropriation (middle)

Pictures of the House Committee on Finance and Appropriation visit to Kwara State Internal Revenue Service





A REVIEW OF NIGERIAN TAX LAWS

by Okoronkwo Ijeoma

Taxation is a means through which government raises revenue to finance its programs and meet its obligations to its citizens. It is a charge imposed by governmental authority upon properties, businesses and individuals to raise money for public purposes. Generally, tax is assessed in accordance with some reasonable rule of apportionment on persons or property within the tax jurisdiction. However, the benefits of the contribution are not necessarily to be enjoyed contemporaneously or proportionately to contributions by individuals. Accordingly, you cannot sue the government for not spending enough tax money in your locality, even when you pay more tax than others. Government's power to impose tax is not dependent on the conferment of benefit, but is essentially an exercise of sovereign power.

The primary function and objective of taxation is to generate revenue to meet government expenditure. Taxes may be direct or indirect levies. Direct taxation occurs where persons are taxed to pay for no particular services or goods delivered, but simply for the "maintenance of government together with its services". It is indirect where persons are charged for services rendered to them, transactions conducted or for other activities. Taxes are said to have five basic features:

1. Taxes should be paid in proportion to the citizen's income and wealth
2. Taxes should be certain and not arbitrary
3. Taxes should be levied in a most convenient way
4. The cost of imposing and collecting taxes should be minimal and
5. Taxes should be convenient and competitive internationally.

It should be noted that Nigerian tax law is purely statutory. The tax system thus features a wide range of statutes by which various governments in the country seek to charge and collect revenue for public expenditure. Nigeria being a Federation, the tax jurisdiction is influenced by the division of legislative powers under the Constitution. A unit of government can only impose tax on matters it can legislate on. In other words tax jurisdictions are derivatives of legislative powers set in the Constitution. The prescribed list of taxes gives the Federal Government dominance over the most important and most beneficial areas of the economy. The tax jurisdictions of the Federal and State Governments may be summarized as follows:

Taxes collected by Federal Government:

Companies Income Tax: Corporate bodies are charged tax under the Companies Income Tax Act. Normal tax rates on companies are 30%. However, for companies who have a turnover of less than 500,000 Naira and operating in the agricultural production sector or mining of solid minerals, the tax rate falls to 20%. Also, companies whose turnover is less than 1,000,000 Naira who operate in the manufacturing or product export sectors are protected and benefit from the same 20% tax rate. It should be noted that this advantage is extended during a period of 5 years only. Companies that benefit from pioneer status enjoy fiscal exemption during their first 3 years of operation as a result of the allowances made by the Industrial Development Act (1990). Note that while Nigerian companies are taxed on their worldwide income, foreign companies are liable only as regards the portion of their profit which is attributable to business operations carried on in Nigeria. According to the provisions of Companies Incomes Tax Act (CITA), companies liable to tax must register their

financial declaration and their accounts within six months of closing the company's year. This deadline is extended to 18 months for companies that are newly incorporated or to 6 months after the end of the company's year. Companies that calculate and settle their tax within the required deadline benefit from a refund of 1% on the amount due as an incentive. Submitting statements after the deadline incurs a delay penalty of 2,500 Naira in the first month and 500 Naira per month thereafter. The 1% incentive is also lost. In other cases, tax is payable within two months of notification of the administration's calculation. It can be paid in 6 monthly installments. Settlement after the deadline results in the payment of 10% of the sum due and late payment interest at bank rates imposed from the moment it should have been paid. Tax deductions are accorded to societies that have invested in factory construction and for agricultural sector business activities.

Education Tax Act: In addition to the company's income tax, all incorporated companies are required to pay 2% of their assessable profit into an Education Tax Fund. This is charged by virtue of the Education Tax Act.

Petroleum Profits Tax: All petroleum resources belong to the Federal Government hence, companies engaged in petroleum operations are charged tax under a special legislation – the Petroleum Profits Tax Act (PPTA). The effect of the Act is however varied by a Memorandum of Understanding (MOU) between the oil producing companies and the Federal Government of Nigeria. The rate of tax on oil profits for companies undertaking their business as a Joint Venture and with a Risk Service Agreement is 65% of taxable income of their gross exports during their first 5 years of production. Thereafter, the rate rises to 85%. Note however, that any profit charged to petroleum tax is exempted from companies' income tax.

Value Added Tax (VAT): VAT was introduced to Nigerian tax law in 1993 to replace the Sales Tax and came into force on 1st January 1994. Before 1993, Nigeria had a limited form of Sales Tax, but it has since adopted a very widely based value added tax. By virtue of the Value Added Tax Act of 1993, all purchasers of chargeable goods and services are expected to pay 5% of the purchase price as tax. The Value Added Tax Act is a federal statute and the tax is administered by the Federal Inland Revenue Service (an arm of the Federal Board of Inland Revenue) on behalf of the Federal, State and Local Governments. The proceeds are shared among the three tiers of government in accordance with a formula determined from time to time by federal legislation. VAT declarations must be made every month. Default by the tax payer leads to the application of a fine of 5,000 Naira per month of delay and default of



payment leads to the application of a penalty of 5% plus interest calculated at the rate of interest in force.

Stamp Duties: Stamp Duties are taxes imposed on and raised from stamps charged on instruments, parchments and other legal documents. A document is stamped as evidence of the payment of the duties. It is payment made on several documents specified in the Stamp Duties Act – Sections 2 and 23 of Stamp Duties Act, Cap. S8 LFN, 2004. Some of these instruments are conveyances, leases, mortgage deeds and power of attorney. Where a body corporate is involved, the tax is payable to the Federal Board of Inland Revenue. The Federal Government also collects duties paid by individuals residing in the Federal Capital Territory. On the other hand, State Governments collect stamp duties on instruments executed by individuals.

Time limit for payment of Stamp Duties and Penalty: Section 23 of the Stamp Duties Act states that except where other express provisions are made in the Act, any unstamped or insufficiently stamped instrument may within 40 days from its first execution be stamped. An execution here is for instruments chargeable ad valorem duty which has a time limit of 30 days. Where however, an instrument is not stamped within the period stated above, the person liable to penalty shall be guilty of an offence and liable on conviction to payment of the unpaid duty and a fine of twenty naira and where the unpaid duty exceeds twenty naira, there is a further penalty or interest on such duty at the rate of 10% per annum from the day on which the document was first executed up to the time when the amount of interest is equal to the unpaid duty – Section 23 (1) of the Act and S. 162(2) of the 1999 Constitution of Nigeria.

Capital Gains Tax: Until 1967 when capital gains taxation was introduced, there was no tax on capital or capital gains in Nigeria. The Capital Gains Tax Act which was enacted for that purpose was a virtual copy of its English

establishment permit fees, etc.

Liability for failure to pay tax:

Payment of taxes is compulsory. Where taxes are not paid, certain civil and criminal penalties are imposed by the State – see relevant tax law or statutes. Unpaid taxes could be recoverable as debt; the fact that it is recoverable as debt does not change its character as proceeds of tax. Accordingly, an action may be pursued against any person to recover the tax.

Tax is a compulsory levy imposed by an organ of Government on the income of an individual, corporation or trust as well as value of an estate or gift for public purposes. Where property is acquired or transferred, the parties are required under the various tax regimes to pay taxes to the government. Similarly, rents accruing to individuals and companies on properties are regarded as income and



accordingly taxed. In other words tax is generally a charge on income of an individual or company.

Okoronkwo Ijeoma is a seasoned legal practitioner with specific expertise on Tax Laws and Administration. She has contributed several articles and publications on issues bordering on Tax within and outside Nigeria.

Okoronkwo Ijeoma resides and write from Lagos, Nigeria.

7 Things small business owners should know about payroll tax problems

Past due payroll taxes can cause you to lose your business and in some cases, your freedom. The IRS is focusing increased tax compliance efforts on small businesses so it is important to know the common payroll tax audit triggers and learn how to avoid severe IRS penalties, huge tax debt and federal criminal investigation.

1. Small businesses are the most likely target of increased tax compliance enforcement. Small business owners have been identified by the IRS as the largest source of uncollected taxes. And because they are known to be big tax evaders, the IRS tends to focus their enforcement efforts on small businesses, especially during economic downturns.
2. You can lose your business due to extremely aggressive IRS collection tactics for past due payroll taxes. When it comes to payroll tax debt, the IRS collection Revenue Officer has unyielding power and authority. They have the power to padlock your front doors, putting you out of business, without obtaining a court order. They can seize your machinery and equipment. They can contact your customers, and if your customers owe you any money, the IRS will intercept these funds through their powerful levying authority. You must take immediate action to deal with a payroll tax issues, or you will find yourself out of business.
3. Payroll tax penalties can add up quickly and generate huge tax debt. The penalties assessed on delinquent payroll tax deposits or filings can dramatically increase your total tax bill. Whether you operate your small business owners as a sole proprietorship, corporation, or LLCs, the taxes you owe can cause you to lose your business. There are three major penalties you can be hit with (failure to file, failure to deposit, and the failure to pay), which can add up to about 33% plus interest if you don't pay in just 16 days after you have filed the 941

(Payroll Tax Return) past the due date!

4. Not filing or paying your payroll taxes can be considered a federal crime. The IRS can refer your case to the Criminal Investigation Division and ultimately to the Department of Justice if they can prove that you intentionally (very low thresholds) didn't file and/or pay.
5. Borrowing from payroll taxes is against the law. Many small and mid-size businesses use the money they collect from payroll taxes to pay their operating expenses. The money collected from employees to pay their share of federal withheld tax, FICA and Medicare (Social Security) does not belong to the business and must be accounted for and paid to the government. Generally, one must make a federal tax deposit (by tax filing service, phone, or in person at a bank) 3 days after the pay date of the pay roll checks.
6. The IRS can come after business owners individually for payroll taxes owed. The IRS can access what is called the Trust Fund Recovery Penalty (TFRP) against owners and shareholders. The IRS is the only creditor on the planet that can "pierce" the corporate veil and go after individuals, which can be a very scary situation.
7. What do I do if I get audited? If you owe payroll taxes, you need to get expert professional help before it's too late. Representing yourself before the IRS would be like going to court without a lawyer. And you do not want to take any chances when dealing with the IRS.

You need the help of experienced Tax Attorneys and/or a Certified Tax Resolution Specialist who have experience negotiating hundreds of these cases. They can defend you and advise you on viable options including Payment ("stepped") plans, Offers in Compromise, Computational Abatement of Penalties, Abatement of penalties due to reasonable cause, and analyzing the Statute of limitation to assess.



KWARA STATE INTERNAL REVENUE SERVICE HOSTS THE PRESIDENT OF THE CHARTERED INSTITUTE OF TAXATION OF NIGERIA, DR OLATEJU SOMORIN

The Management of the Kwara State Internal Revenue Service led by its Executive Chairman, Dr Muritala Awodun on Tuesday, 20 October, hosted the National President of the Chartered Institute of Taxation (CITN), Dr Olateju Somorin in a two day visit to the state.

Dr Olateju Somorin who was in the state to declare open the 2015 Mandatory Professional Training Program (MPTP) of the Institute is the 12th National President of the CITN. This year's program which was held at Ilorin between 21 - 22 October was centered on the 2014 Pension Reforms Act, IFRS and Tax implications and WHT process and application.

In her entourage were the National Registrar Mr Fisayo Awogbade and the State Chairman, Chief Richard Olushola. Activities lined up for the visit included a courtesy visit to the Kwara State Executive Governor, Dr Abdulfatah Ahmed and a

meeting with stake holders which was held at the Ministry of Finance Conference Room.

While speaking at the temporary site of KWIRS Office, Dr Somorin assured the Chairman of KW-IRS of the willingness of the Institute to collaborate with the State on tax related matters.

She shared her views on how to improve the Nigerian Tax System and other issues of mutual benefit to CITN and Kwara State. She mentioned that improving internally generated revenue has become the major concern for state governments in this era of dwindling allocation from the Federal Government. She advised the Chairman of KW-IRS to pursue the issue of autonomy and professionalism of the Kwara State Internal Revenue Service for better service delivery.

Responding, the Chairman KW-IRS, Dr Awodun described the visit of the national president as very



Members of The Chartered Insitute of Taxation and the Management of Kwara State Internal Revenue Service

timely and auspicious because of the strategic change currently taking place in the State. He promised that the challenge of multiple taxation and leakages will be addressed by the automation of the collection process and added that collection process will be technologically driven. Dr Awodun assured the CITN President of his determination to promote professionalism in the new organization. In view of this he declared that all the Directors in his team would attend the MPTP and that all members of the former KBIR who expressed willingness to join KW-IRS and are qualified will be considered for employment.

The KW-IRS Chairman took the delegate on a tour round the new office. A dinner was held in the evening of 21 October in honour of the CITN president and her team.



Executive Chairman of KWIRS addressing the president of CITN



Dr Teju Somori on her visit to KWIRS



Dr Teju Somori addressing KW-IRS



Chief Richard Olusola and Dr Muritala Awodun



The Registrar of CITN addressing KW-IRS



The team of CITN on the visit of the President



Chief Richard Olusola addressing the KW-IRS Team



VISIT TO THE DEFUNCT KWARA STATE BOARD OF INTERNAL REVENUE

As part of the transition process and in line with the strategic game plan of the newly constituted Kwara State Internal Revenue Service (KW-IRS), the Directors led by the Chairman, Dr Muritala Awodun paid a familiarization visit to the defunct Kwara State Board of Internal Revenue (KBIR).

They were received by the outgoing Acting Chairman of KBIR, Mr Nuhu Olaide Muhammed and the various Heads of Departments of the Board. The visit was designed to meet with the outgoing staff of the Board, educate them on the transition plan and commence the process of handing over of the activities of KBIR to the new KW-IRS.

In his opening speech, the Chairman KW-IRS explained to all present that the KW-IRS was set up by law and is saddled with the responsibility of collecting all Internally Generated Revenue (IGR) for the State. He explained that the vision of KW-IRS; *to mobilize revenue for the strategic development of Kwara State* should remain the focal point. He noted that staff of both the former KBIR and KW-IRS are stakeholders and therefore should work together for effective transition.

Dr Awodun assured all members of KBIR that they were not going to lose their jobs as a result of the transition. He however encouraged every staff who was interested in the KW-IRS and is duly qualified to apply. An interactive section followed the Chairman's speech.



Members of the old KBIR



Members of the new KW-IRS



Members of the new KW-IRS



Ethical Values in Financial Market Performance in Nigeria: Recent Issues and Progress

Lucy Surhyel Newman

We are all observers of the increasing sophistication, market depth and scope of services provided by financial institutions with Nigerian origins, especially in recent years, even though we still have comparatively abysmal statistics on access to finance and depth of financial literacy. Also, the recent rebasing of Nigeria's Gross Domestic Product (GDP) has confirmed what has long been suspected; that Nigeria has the largest economy in Africa. With an economy valued at just over \$510 billion, Nigeria's economy is now validated as not only the largest in Africa, but the 26th in the world. Observers can also tell, that much of this growth has been achieved in the last ten years and to a large extent fuelled by a robust financial services sector which accounts for about 3% of the national GDP.

Going by recent interventions and ongoing reforms in the insurance, banking, capital markets, mortgage and other sub-sectors of the Nigerian financial services sector, there is a need to seriously review the trust and confidence components of Nigeria's financial services system in order to compliment various attempts at increasing access to finance, improving financial literacy as well as increasing foreign interest in Nigeria as a preferred Foreign Direct Investment destination on the African continent. Further calls for a drastic change and re-think of how operators,

regulators and consumers harmonise efforts at deepening the appreciation of ethics and ethical conducts now seem to be the 'elephant in the room' for the financial market. The issue of ethics becomes more pertinent as Nigeria becomes the preferred investment destination in sub-Saharan Africa.

It is in view of this emerging issue, that I present this three-section article. However, I urge the reader not to assume that this article is presented as prescription, but a call to further discourse on the subject of ethics and ethical values in the Nigerian financial markets. This is the first section, which is a preamble that sets the context on the opportunities within the Nigerian economy, vis-à-vis contributions of the Nigerian financial market, and its potentials for growth. Section two introduces the subject of ethics as a key determining variable and goes on to clarify the conversation on the subject of ethical values in financial markets and section three brings a natural progression by indicating FITC's contributions on the subject, as well as offers areas for closer monitoring and further discourse.

The ethical issue

We currently live in a time in history when the core fabrics of human dignity, which are trust and confidence as well as leadership accountability, appear to be disappearing. This trend thus, makes the issue of ethics a central focus, especially in the

operation of financial markets in Nigeria and the rest of Sub Saharan Africa, which is a region of immense growth that has continued to attract global interest. So, despite all the good intentions of interventions and reforms, I think we must recognize that financial markets do not exist in a vacuum. Where financial gain is the primary motive for value-add to stakeholders, financial market transactions are bound to be a subject of constant scrutiny in relation to the matter of trust. A disposition towards financial bottomline only should be an ethical “no no!”

In my view, ethics is the study of right and wrong behaviour; it is about determining whether an action is fair, right or just. If this is acceptable to the reader, then ethics can as such, be inferred to consist of principles, values and beliefs that define what is right and wrong behaviour. So, I guess we can rightly say that ethics is the difference between what is legal and what is appropriate; the difference between technical compliance with a rule and honouring the spirit of the rule. In business, I see ethical decision-making as the application of moral and ethical principles to the marketplace and workplace.

Ethics, a lever for trust and confidence, has been diminished in the Nigerian financial markets in recent times. The hopes of several hitherto trusting consumers of banking, insurance, capital market, and mortgage as well as pension services in the system

have been dashed by some tragic developments. For this reason, organisations are now incorporating ethical standards into performance metrics. The concept of doing good, through the way companies and employees conduct themselves in the world of finance, is now an important dimension of corporate performance. In discussing ethics, we talk about ethical principles and ethical values.

If we assume ethical principles as being law-like statements that provide guidance and direction for behaviour, it will relate to issues such as fairness, equity and justice which are universal and tend to set specific boundaries that should be respected. On the other hand, we may assume ethical values as variables that shape the context in which ethical principles are implemented and so, it may be safe to say ethical values guide choices made by leaders and other members of the organization and thus frame norms of behaviour within the organization as usually applied to daily decisions. We have seen how organisations identify corporate values and these should ideally be incorporated into the organizational culture and not merely written down or recited. For instance, I have seen many organisations in the Nigerian financial services sector with very ethical corporate values like honesty, transparency, integrity, trustworthiness, respect, truthfulness, and teamwork. Whether these words are tangible in customer, investor, employee and public experiences with the organisations can



only be ascertained in an independent and well-stratified survey, which is outside the scope of this discourse. However, it is encouraging to note that these words have been adopted as corporate brand promises.

In Nigeria, as in any financial market across the world, we have some unique ethical challenges. These include insider credits and loans, dealings in securities by insiders, over-ambitious and unrealistic target-setting for female staff in particular, unauthorised tampering with customers accounts, non-observance of basic Know Your Customer procedures, unhealthy competition and staff poaching, balance sheet engineering, encouragement of indecent dressing by employees, and foreign exchange malpractices. It is, however, heart-warming that many financial institutions and financial sub-sector regulators are aware of these challenges and are developing strategies and reforms for tackling them.

The causes of these ethical lapses in the financial markets can generally be divided into two broad classes: societal causes and institutional causes. Societal causes are factors that arise from the society and environments in which financial institutions find themselves, in this case Nigeria. The financial institutions tend to have no control over these factors. Some of these are; slow and tortuous legal processes, delays in the prosecution of fraud cases; suboptimal reporting of frauds to the police or supervisory bodies; societal emphasis on wealth and money as a symbol of achievement; low societal values/moral; lack of specialised manpower (i.e. forensic investigators) for the investigation of fraud; lack of effective punishment/deterrent; fear of negative publicity; lengthy legal processes; and corrupt judiciary.

On the other hand, institutional causes are traceable to the internal institutional environment within specific financial institutions. Some institutional causes of unethical practices in the Nigerian financial markets include inadequate infrastructure, delays in procuring documents, lapses in management control systems of corporate customers, negligence by the customers, suboptimal manning levels, lack of requisite employee

experiences, inadequate strategic human capacity development procedures, corrosive management practices, poor recruitment system, poor security arrangement and lack of proper motivation to work.

It is arguable that the whole conversation about ethics in the financial markets globally, is really a discussion on sustainability. The ethical measure of performance is how well an organisation does in the equation of business profitability versus business impact over time, which is invariably, how an organisation performs in non-financial areas like product and service quality, customer service, workplace safety and innovation. Accountability and trust are key metrics in measuring ethical performance, which combine nicely to imply transparency. In other words, how accountable is an organisation to its stakeholders? How much trust does an organisation have from its stakeholders? Being more transparent necessitates thinking through unintended consequences in decisions before finalizing them. It

requires being aware of organizational impact and recognizing the potential for ethical issues before they occur.

In setting the moral tone for any organisation, leaders, the board and management have a great influence on the organisational culture. An institution's ethical culture is the extent to which the organization makes doing the right thing a priority.

In setting the moral tone for any organisation, leaders, the board and management have a great influence on the organisational culture. An institution's ethical culture is the extent to which the organization makes doing the right thing a priority. In organisations with "strong" ethical culture, ethical values matter and that is apparent in the actions of employees (especially management), company policy and procedures, and decisions about who gets rewarded, who gets punished, and how to weather tough times.

Whereas in organisation with "weak" ethical culture, ethical values aren't promoted and "getting the job done" is far more important than getting the job done in the ethically right way.

The fundamental principles that any ethical financial market operator should instill include these: not pursuing profit at the expense of everything else including reputation; behaviour that is marked by integrity, fair dealing and acting in the best interests of clients; commitment to and delivery of technical excellence; prioritising good ethics over the instructions of clients where they conflict; looking beyond the question of what is legal – i.e., being prepared not to act



in a certain way on the basis that it is unethical, even though it is legal; consistent application of positive ethical behaviour across the industry.

Let the discussion continue

In 2010, FITC in collaboration with AMET & Group Geneva, Switzerland, organised an international seminar titled 'Trust Rendering Policy: Reworking Nigeria's Financial System in the face of Global Financial Reform'. The seminar presented a review of trust issues through the ages in terms of corporate governance, effective risk management, ethical behaviour, integrity and transparency. The seminar discussions considered the capital market, banking, insurance and pension sub-sector of the financial service sector. It also took in the perspectives of the regulators, the operators and the consumers. To sustain the discussion, FITC has published the proceedings of the seminar in a monograph. FITC is also an active member of the Sub-Committee on Ethics & Professionalism of the Bankers' Committee and has in collaboration with the Global Corporate Governance Forum of the International Finance Corporation, incorporated two modules on ethics into the Board Leadership Toolkit that FITC developed with technical and financial support of the Forum, out of a total of twenty eight modules in the tool kit. The Board Leadership Toolkit is suitable for training of staff of banks in Sub Saharan Africa, from Assistant General Manager to Board Director levels. This was made possible in view of the IFC's March 2011 nomination of FITC to be developed and thereafter serve as a Corporate Governance Centre for Banks in Sub Saharan Africa, under the indirect intervention model.

There is no doubt that certain cultural practices



impede the ethical values that influence global competitive benchmarking from being embedded in the Nigerian corporate culture. Nevertheless, regulation has a role to play in deterring unethical conduct and promoting appropriate behaviour, and ultimate responsibility has to lie with the firms themselves, including their shareholders. Firms need to focus on their incentives and remuneration structures to ensure that compliant and ethical conduct is rewarded, and provide clear and practical guidance on how it can be achieved. The challenge is in instituting a sustainable culture of ethics that builds sustainable institutions, enhances consumer trust and confidence, as well as generates desirable foreign direct investments in burgeoning Nigerian economy. All these are possible, with sustained efforts of all stakeholders in the Nigerian financial market; more so as many of the players are establishing the standards in other African markets.

This article was adapted from Dr. Newman's Special Presentation on Market Integrity at the Nigeria Development and Finance Forum (NDF) 2014 Conference, which held in New York on May 29-31.



Good Accessible Road Network

Support the State Government

PLAY YOUR PART

PAY YOUR
TAX



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng



TAX PERSONALITY

Dr. OLATEJU ABIOLA SOMORIN

Dr Olateju Abiola Somorin is the author of “TEJUTAX, Reference Book on the Nigerian Tax System”, President and Vice Chairman of Council of the CITN retired as Ag. Coordinating Director from FIRS and was the first female to attain the positions of Director and Coordinating Director of FIRS in service. Dr. Teju Somorin, Associate Membership No 87 and the 24th member to be conferred with the status of a “Fellow of the CITN” has contributed significantly to its growth. She remains the longest serving Council Member, having been a Council member since 1993. At the CITN, she had served as the first Chairman of nearly all the Committees of Council and she was the first Dean of Tax Administration Faculty. In 2011, in recognition of her services to the Institute, the SWIT conferred on her the title “LIFE Patron, Society of Women in Taxation.”

She is the longest-serving Board Secretary of FIRS, a position she held for fifteen years. At FIRS, she took part in major tax reforms, review of tax laws and enforcement activities and also participated in the production of most of the FIRS Information Circulars and other Technical Circulars. She graduated as the Best Form V Student (1968) from the prestigious Methodist Girls High School, Yaba, Lagos, where she received prizes and also served as a School Prefect/ Monitress. She obtained a B.A. (Hons) Degree and she is the first Nigerian with an M.Sc. in Tax Administration. Teju obtained a second Master's Degree in 2005 and has a Certificate in Speech Writing from the University of Ibadan. Teju is a graduate of the Nigerian College of Accountancy, holder of Doctor of Letters Degree in Nigerian Tax System as well as an honorary doctor of philosophy (PhD) in Taxation. Apart from being a Doctoral Fellow of the Institute of Professional & Financial Managers, London, Dr Somorin is also a Fellow of five other Professional bodies. She was the Secretary to the Study Group on the Nigerian Tax System (1991), an assignment



which was well commended by the Hon. Minister of Finance. One of the recommendations of her Study Group changed the Federal Inland Revenue Department (FIRD) to FIRS as it is known today, amongst other changes.

Teju has served on numerous tax technical Committees, a prolific writer who has contributed articles to local and international journals and has 68 published and unpublished tax articles to her credit, apart from being a contributor to *Businessday* newspaper on tax matters. Her column is “Tax Matters with TEJUTAX”. She has been Rapporteur-General at FIRS workshops and CITN’s Seminars and workshops.

She has attended numerous workshops, seminars, trainings and courses in taxation from 1977 to date, in Nigeria and elsewhere. This woman has many awards, recognitions and commendation letters which stand her out as a great achiever. She was awarded “Who is Who in Taxation?” in 2002 by the International Biographical Centre, Cambridge, where she remains a Council Member of its Association. The same year, she was appointed Deputy Governor of the American Biographical Institute, North Carolina, USA. The International Biographical Center, Cambridge of which she is a Deputy Director-General invited her to its Hall of Fame in October 2007. In 2008, Teju was selected by the Governing Council of Agency for Good Governance & Social Development “among the bulk of nominations received from Ogun State and one of the two from the entire South-West Geo-Political Zone” for a Life Fellow Award In Public Administration (FCIPA), issued by the Certified Institute of Public Administrators of Ghana.

The immediate past chairman of FIRS, Ifueko Omoigui Okauru in her foreword to Dr. Somorin's books, described her as having retired “meritoriously” after a “distinguished public career”.

On retirement, she founded two companies: TEJUTAX Consulting and Performance Driven Associates.

HOBBIES

Writing, Scrabble Playing, Editing and Reading





Tax System in Nigeria:

Issues and Challenges

BY ASUQUO, RICHARD GREGORY

The Nigerian tax system has undergone several reforms geared at enhancing tax collection and administration with minimal enforcement cost. The recent reforms include the introduction of TIN, (unique Taxpayer's Identification Number which became effective since February 2008), automated tax system that facilitates tracking of tax positions and issues by individual taxpayers, e-payment system which enhances smooth payment procedure and reduces the incidence of tax touts, enforcement scheme (Special Purpose Tax officers), these are special tax officers in collaboration with other security agencies to ensure strict compliance in payment of taxes.

The tax authority now has autonomy to assess, collect and record tax. This enabling environment which came into being on the basis of (Section 8(q) of FIRS Establishment Act 2007) has led to an improvement in tax administration in the country.

The Nigerian tax system has undergone significant changes in recent times. The tax laws are consistently being reviewed with the aim of repealing obsolete provisions and simplifying the main ones. Under current Nigerian law, taxation is enforced by the 3 tiers of government, i.e. federal, state, and local governments, with each having its sphere clearly spelt out in the Taxes and Levies (approved list for Collection) Decree, 1998. Despite this improvement, there are still a number of contentious issues that require urgent attention

and among them is the issue of the appropriate tax authority to administer several taxes. The crisis between Lagos State and the federal government on the tax jurisdiction of VAT in the state is still a contentious issue that has been taken to the courts. Other states like Ogun, Oyo and Benue have joined Lagos state, while states like Abia, have gone against this.

Also, there is the issue of multiple taxes administered by all the three tiers of government which sometimes imposes welfare cost. Furthermore, the issue of the paucity of a data base, which contributes to tax avoidance in the country. The issue of corruption is still a perennial issue in the country; this reduces the confidence and trust of the taxpayers in discharging their civic duty. The issue of infrastructural development is also a crucial issue, in Nigeria, the level of infrastructural facilities is in a deplorable state, most of the facilities are often privately sourced, thus a number of people wonder what the taxes collected are used for; hence the tendency to evade tax payment. Furthermore, the problem of the tax language that is legally codified makes it difficult for an average Nigerian to understand.

Policy Recommendations

- **Disclosure and sharing of information:** There is a need for mutual cooperation among different government agencies and parastatals, this collaboration should enhance exchange of information, and reduce the incidence of tax evasion as well as fraudulent tax practices.



- **Beneficial /welfare schemes:** To elicit voluntary compliance, the government should be more responsive to the welfare needs of the citizens. The Nigerian tax system can effectively generate more revenue when the citizens have trust and confidence in the authority. Lagos state in recent times is generating huge revenue due to the fact that many corporate bodies and individuals feel that they can visibly feel the development impact of their contributions
- **Patriotism and positive tax culture:** There is a need to enhance a positive tax culture; this can be done through the re-branding efforts of the ministry of information. In most developed countries, tax payment is considered a moral and civic responsibility, thus tax avoidance is frowned upon. This implies that our leaders should demonstrate patriotism through leadership that is worthy of emulation by timely payment of their taxes and discharging other civic duties.
- **Religious education /responsibility:** In Nigeria, most of the citizens are religious and faithful people. Thus, with religious provisions that explicitly support fulfilling religious obligations, tax payment could be enhanced. Therefore, tax education can be encouraged to be part of religious education
- among the adherents. Evoking religious injunctions could elicit more voluntary compliance and reduce tax evasion and avoidance. For instance, the Biblical saying of “Give unto Caesar, what is for Caesar and to God what is for God” is apt and relevant to the Christians while the Qur'an calls on the Muslims thus: “O you who believe, fulfil all obligations” (Q5:1).
- **Civic education:** Civic education was part of the educational curriculum in the early 1960s and 1970s; however, this was stopped in the mid-1980s and 90s. A re-introduction of this into the school curriculum would not only improve civic responsibility but also infuse a sense of patriotism and commitment to national ideals and interests. There should be vigorous enlightenment and public awareness about tax payment and its importance in the economy.
- **Hot lines:** There can be dedicated lines or emails, where issues, observations and queries can conveniently reach the authority; this will contribute to the reduction of tax fraud and avoidance.
- **Harmonization of taxes to reduce double/multiple taxation on a single taxpayer:** There is a need to harmonize the different taxes that are being levied by the different tiers of

government so as to reduce the negative impact on the taxpayer. A situation where an individual pays rates and licenses to local government, pays sales tax and personal income to the state government and at the same time pays VAT is not one that will encourage voluntary compliance.

- **Improving our record or database, to be able to track all potential taxpayers**
In Nigeria, an improvement in our tax revenue can be enhanced through a regularly updated, comprehensive database. This would enable the country to be able to track all potential taxpayers as well as to reduce incidences of tax avoidance.
- **Elongated tax operation (Twilight Shift):** In order to maximize the revenue accruing from tax collection and especially to fulfil the principles of convenience and economy on the part of taxpayers, collectors of tax should be made to operate on shift throughout the day.
- Tax laws should be codified in simple, non-technical language, if possible in the three major languages: Hausa, Ibo and Yoruba
- Need for an effective judicial process to adjudicate on tax issue

List of approved taxes and levies for the three tiers of government

A list of approved taxes and levies for collection by the three tiers of government:

(A) Taxes collectible by the Federal Government

- (1) Companies income tax;
- (2) Withholding tax on companies;
- (3) Petroleum Profit Tax;
- (4) Value-added tax (VAT);
- (5) Education tax;
- (6) Capital gains tax – Abuja residents and corporate bodies;
- (7) Stamp duties involving a corporate entity;
- (8) Personal income tax in respect of:
 - Armed forces personnel;
 - Police personnel;
 - Residents of Abuja FCT;
 - External Affairs officers; and
 - Non-residents.

(B) Taxes/Levies Collectible by State Governments

- (1) Personal income tax:
 - Pay-As-You-Earn (PAYE);
 - Direct (self and government) assessment;
 - Withholding tax (individuals only);
- (2) Capital gains tax;
- (3) Stamp duties (instruments executed by

individuals);

(4) Pools betting, lotteries, gaming and casino taxes;

(5) Road taxes;

(6) Business premises registration and renewal levy;

– urban areas (as defined by each state):

*maximum of N 10,000 for registration and N5,000 for the renewal per annum

– rural areas

– registration N2,000 per annum

– renewal N 1,000 per annum

(7) Development levy (individuals only) not more than N100 per annum on all taxable individuals;

(8) Naming of street registration fee in state capitals

(9) Right of occupancy fees in state capitals;

(10) Rates in markets where state finances are involved.

(C) Taxes/Levies Collectible by Local Governments

(1) Shops and kiosks rates;

(2) Tenement rates;

(3) On and off liquor licence;

(4) Slaughter slab fees;

(5) Marriage, birth and death registration fees;

(6) Naming of street registration fee (excluding state capitals);

(7) Right of occupancy fees (excluding state capitals);

(8) Market/motor park fees (excluding market where state finance are involved);

(9) Domestic animal licence;

(10) Bicycle, truck, canoe, wheelbarrow and cart fees;

(11) Cattle tax;

(12) Merriment and road closure fees;

(13) Radio/television (other than radio/tv transmitter) licences and vehicle radio licence (to be imposed by the local government in which the car is registered);

(14) Wrong parking charges;

(15) Public convenience, sewage and refuse disposal fees;

(16) Customary, burial ground and religious places permits; and

(17) Signboard/advertisement permit.

Article culled from Vanguard
www.vanguardngr.com





Qualitative Education for our children

Support the State Government

PLAY YOUR PART

PAY YOUR
TAX



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng



ONBOARDING THE STRATEGIC CHANGE TEAM: SESSIONS WITH DIRECTOR GENERAL, KWARA PUBLIC PRIVATE PARTNERSHIP BUREAU MR YOMI OGUNSHOLA



As part of the transition and orientation process of the newly established Kwara State Internal revenue Service (KW-IRS), the strategic change team led by the Executive Chairman, Dr Muritala Awodun met with the Transition Team represented by the SA Investment Mr. Yomi Ogunshola in a two day session to discuss the background to the circumstances that birthed KW-IRS, the current status of the organization and the expectations of the State Government. The meeting was also intended to begin

a gradual hand over to the Strategic Change Team.

In his introduction, the SA Investment, Mr. Yomi Ogunshola, announced that the State annual rating indicated that Kwara state was heavily dependent on Federal allocation and with the continuous dwindling income from crude oil and subsequent reduction in FAC, there was a need to increase and diversify the revenue base for financial freedom and also for bolstered efficacy of governance.

The State Government needed to take drastic measures and on 22 June, 2015, the Kwara State Revenue Administration Law No.6 of 2015 was signed.

The Kwara State Internal Revenue Service (KW-IRS), as established by this Law, becomes the sole entity responsible for the effective and efficient administration of tax and related matters on behalf of the Kwara State Government. The mandate of KW-IRS as signed into law is;



- To maintain the integrity of the tax laws and processes by eliminating all instances of multiple taxation;
- To assist the State Government to attain specific economic and social policies, systems and targets; and
- To stimulate voluntary compliance so as to advance maximum representation of the populace in executive decision making



One of the measures to be explored to realize this mandate is to put in place an IT driven system for the collection process and to ensure that all leakages are blocked so as to fill the vacuum created by the estimated deficit of #250b needed for infrastructural development and **social** services in the State.

The SA investment on behalf of the Transition Team welcomed the KW-IRS Management and enjoined them to see their responsibility as the bailout needed by the state to transform it from its present position. He confirmed that all necessary resources to kick start the effective take off of the organization has been put in place awaiting the completion of the office structure. He went further to clarify issues bothering around the employment of Consultants which going





forward is advised to be purely on need basis with terms and tenors clearly spelt out. He cautioned that tenor must be as short as possible and only renewable pending the completion of IT processes. Approval must however be sought before any consultant is employed.

On the matters of Public awareness, the SA advised that the KW-IRS put in place an efficient public awareness program that will educate the populace about the taxes to be collected, who is to collect and where to make payments. The KW-IRS is to collaborate with SA Media, Dr Muideen Akorede who currently handles the media end of the process.

Speaking on the Treasury Single Account (TSA), Mr Ogunshola confirmed that although all banks will be able to collect revenue for the month, all revenue collected must be transferred on the last Friday of the month by an automated process to the designated TSA which is directly under purview of the Accountant General. However, its operation and monitoring is the responsibility of KW-IRS. In a similar development all MDAs, except tertiary institutions have been instructed to close existing accounts and any new account to be opened must secure the concurrence of KWIRS. The TSAs of tertiary institutions is to be monitored by the KW-IRS.

Other matters discussed at the sessions were concerns on Service Level Agreement (SLA), recruitment process, the informal sector and collection process to be adopted for the Local Government Areas.

A tour of the new office was conducted to ascertain level of readiness for the effective resumption scheduled for 2 November 2015.





Transforming the State of Harmony to a Mega City

Support the State Government

PLAY YOUR PART
PAY YOUR
TAX



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng





Taxation As Citizens Obligation In Nigeria

By Mark Hirnyam

Many times we hear people say things like, “it is our money or tax payer's money”. Yes public fund is our money, only because we are citizens of Nigeria and Nigeria is blessed with oil through which the revenue is generated. But like Joyce Marcel, how have we made efforts to contribute to the common good of our society?

Citizens and government have basic obligations towards the society for development and stability. While it is the duty of the government to provide infrastructures, security, shelter and other basic amenities for sustainable development, the citizens have the obligation to support government in many ways, one of which is the payment of taxes. Therefore, one of the ways of contributing to the common good of the society is for citizens to exercise their obligation as tax payers. Taxes are used to pool resources for public health and safety, infrastructure, research, schools, transportation, courts, funding the police and providing parks and safe drinking water, amongst others.

Tax as defined by Wikipedia is a pecuniary burden laid upon individuals or property owners to support the government, a payment exacted by legislative authority.

A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority and comprises any contribution imposed by government whether under the name of toll, tribute, duty, custom, excise, subsidy, aid, supply, or by any other name. It is the duty of an individual or entity to pay tax as an enforced contribution to government. Thus, tax obligation simply shows how much tax is owed; by the amount of tax that a person, business, or organization owes.

Taxes are obviously regarded as a germane source of revenue in many countries, although a tax may be levied other than reasons of revenue generation depending on the motive of government regarding the economy. Governments use different kinds of taxes and vary the tax rates in order to distribute the tax burden among individuals or entities. A country's tax system is supposedly a reflection of its communal values and/or the values of those in power. Therefore to create a tax system, a country must identify a proper distribution of the tax burden i.e. who will pay taxes, how much they will pay and how the taxes collected will be spent. In democratic nations where those in charge of establishing the tax system are elected by the public, these choices reflect the type of community

that the public and/or government wish to create. In countries where the public does not have a significant amount of influence over the system of taxation, that system may be more of a reflection on the values of those in power.

In Nigeria, the tax system dates back to 1904 when the personal income tax was introduced in northern Nigeria. Since then, different governments have continued to modify the tax system to make it effective in Nigeria. The tax law in Nigeria is purely statutory. The system offers a wide range of statutes, some of which include, Personal Income Tax Act, Companies Income Tax Act, Education Tax Act, Industrial Development (Income Tax Relief) Act, Mineral & Mining Act, Petroleum Profits Tax Act, Value Added Tax Act, Sales Tax Laws, Customs and Excise Management Act, Stamp Duties Act as well as the Land Use Act. Generally, the tax system in Nigeria features a combination of direct and indirect taxes and all individuals and entities that earn income, profits or gains have the obligation to pay tax.

The tax system as provided in Decree No. 21, of 1998 (now an Act of the National Assembly) comprises of at least 39 taxes, levies and fees, including 8 Federal, 11 State and 20 Local Government taxes and levies as specified in the Taxes and Levies. The institutions responsible for tax administration in Nigeria include the Federal Inland Revenue Service, State Inland Revenue Service and the Local Government Revenue Committee respectively for the three tiers of government in Nigeria.

Given the above statutes and having developed a tax system in Nigeria, we are all obliged to fulfil our tax responsibility. It is only natural to hope that contribution of tax to revenue in Nigeria is meaningful. Tax obligation includes all activities necessary to be carried out by the tax-paying public in order to meet the statutory requirements of tax law. There are four (4) broad categories of obligations likely to exist for all tax payers irrespective of their jurisdiction. These are:

- registration in the system

- timely filling or lodgement of requisite taxation information
- reporting of complete and accurate information (incorporating good record keeping); and
- payment of taxation obligations on time

In many societies, citizens do not need to be reminded to pay tax as the tax system is such that it forms basic part of citizen's responsibilities on weekly or monthly basis as the case is in the United Kingdom, United States and Germany for example. In such societies tax payment is performed voluntarily. This is what Rasaq K. O. calls Voluntary Tax Compliance which is a tax system based on taxpayers complying with tax laws without being compelled by the tax authority to do so. Under this system taxpayers are expected to report their income, calculate their tax liability and file a tax return. In Nigeria such a concept may be seen to be alien to the people because of the manner of tax awareness and its effectiveness. Besides, the ambiguity of tax officials also affects adversely the value of tax and its contribution as well as the reason for taxation.

Infact, Nigeria is a complex case. Apart from the fact that tax awareness is low and perhaps limited to people who have need for tax clearance certificates, the basic challenge is the fact that Nigeria has not developed a functional and effective system where citizens could see taxation as

part of their monthly obligations to government which if not fulfilled will make it impossible to seek attention from government. In developing and developed societies where the tax system is effective, citizens know that to pay tax is important and forms part of their obligations and through which they can challenge government on its performance on development. In our case here in Nigeria, tax is a source of enrichment to tax officials who exploit the citizens in various capacities and still pose as people helping government to succeed. This writer has on some occasions visited the Federal Inland Revenue Service (FIRS) branches in Abuja. On those occasions taxes were negotiated in such a manner that the taxpayer is allowed to pay a certain amount of money to government as basic assessment of his income or business whereas a certain amount is paid to the assessor (tax official). If for example the tax payer is to pay N200, 000, the tax official will request N80, 000 for himself/herself and remit N70, 000 to government. In that case, the taxpayer should have saved N50, 000 out of the money

In developing and developed societies where the tax system is effective, citizens know that to pay tax is important and forms part of their obligations and through which they can challenge government on its performance on development.

he/she ought to pay. Many Nigerians happily do this, just as the tax officials see nothing wrong with such acts. Yet the FIRS will come up with various slogans such as “PIN Number” etc to give the impression that the institution is working hard. One begins to wonder how many people – institutions and prominent citizens have been prosecuted for evading tax or for manipulating the system. How many staff of the FIRS have been prosecuted or sacked for manipulating the tax system.

The question one cannot fail to ask is, why is it difficult for the FIRS to come up with a tax system where there will be a common formula worked out in such a manner that citizens at all levels and categories of businesses know how much they are to pay to government monthly or annually as the case may be. For example, if motorists, plumbers or electricians are categorized as artisans and have a certain rate as tax per annum on their income published in FIRS newsletters/bulletins or on the internet, such a plumber, motorist, electrician or artisan knows what and how much he is to remit as tax per annum. Why should a citizen be the one to go to FIRS to discuss how much he earns before he is assessed to know how much he will pay as tax? This system shows a tax institution or government that is short of its responsibilities. It is because many Nigerians know that their taxes go to private pockets that make many people not to show interest in tax payment. Government has so much work to do to strengthen the tax system in Nigeria.

The Federal Inland Revenue Service (FIRS) had announced a drop of N124 billion in its tax revenue collection in the first quarter of 2009 - from N477 billion to N353 billion. Having in mind that Nigeria's budget for 2009 was N3.049tr, if we take N353b as tax revenue for one quarter and we multiply it by four quarters in a year, we imagine tax revenue of approximately N1.4tr in a year. That is close to half of the year's budget. We can only envisage what it would be if the system was better. The pertinent questions that arise at this point include, where and what is this tax revenue used for? Why do we keep experiencing budget deficits and evolving supplementary budgets year in year out? Is the Nigerian quest for diversifying sources of revenue for funding the budget undermining the tax sector? This and many more will continue to nudge but elude our minds. Comparatively, countries like the United Kingdom who do not have natural resources as well as sources of



revenue, rely heavily on revenue from tax to provide services to the people. We will all agree that in this country, goods and services are effectively provided. In fact one of the easiest ways to go to jail in developed nations is to evade tax.

Recently, Lagos state took a cue from the United Kingdom as the state government considering the nature and values of its people has fared better in generating internal revenue for the state. Many Lagosians today voluntarily go to pay their taxes because they have seen that government has a system where the taxes get to government and the government uses the money to provide services. In order to check the exigencies that accompany the tax system in Nigeria, the Lagos state government first of all developed an electronic tax payment and collection (lodgement) scheme suitable for an effective tax system. It is an information network system that links Tax Stations & other Revenue Agencies to lodgement banks. The advantages include increasing the internally generated revenue base of Lagos State, providing easy administration, monitoring and co-

ordination of all revenue activities in the state as well as assisting to identify fraudulent debit, diversion of funds and excess charges on the state accounts.

Having noticed the popular informal sector of the society, government in this state took the advantage of proper awareness, carrying along representatives of business organizations who take time to pass on tax education to their members. Members of the association are now paying a small

Having noticed the popular informal sector of the society, government in this state took the advantage of proper awareness, carrying along representatives of business organizations who take time to pass on tax education to their members.

amount of tax to the government on a monthly basis. Although it is not much, often just N2, 500 (approximately \$16), for many it is the first time in their lives that they have paid any formal tax. Since then, Lagos state has recorded a substantial increase in tax revenue. According to the Governor of the state, Babatunde Fashola, the state's internal generated revenue grew from N600 million monthly to N14 billion monthly since 1999. That is more than double what the state typically receives from the Federation Accounts and is gained from the formal sector.



It is pertinent to note at this point that tax revenue in Nigeria can only be substantial if the tax system promotes an atmosphere of trust, sustained public education, transparency and accountability in governance, enforcement of rules and regulations among the tax officials at all levels, and the provision of dividends of democracy to the people. As citizens of Nigeria it behoves on us to ensure participation in government by paying our taxes and filing our tax returns periodically. This will help reduce the current voter apathy evident in the country, since a contribution to public revenue would induce individuals to pry into the workings of government and allow them to be conscious of those who are going to be elected and made responsible for expending tax contributed revenue.

Consequent upon the above, the National Assembly has the task to evolve and sustain a tax policy and system that guarantee a transparent and effective tax process. The relevant Legislative Committee responsible for oversight on tax authorities must ensure through proper oversight that government is not robbed of its revenue through corrupt tax officials. The Lagos state tax system may serve as a point of reference in eliminating bottlenecks in the tax process through an e-system. Above all, the passage into law of the Freedom of Information bill has now come as a boost in ensuring a transparent and vibrant tax system. It is only when we pay our taxes that we position ourselves better to hold government accountable. But the system of tax payment must be streamlined, strengthened and guarded with strong legislation and regulations to reduce the level of corrupt officials in tax offices

nationwide in order to engender confidence of the Nigerian people in the payment of tax. People especially those in business who collaborate with tax officials to manipulate their taxes should be publicly prosecuted to serve as deterrent to others. With a population of over 150 million people, Nigeria can survive with revenue from taxes even without oil revenue. All we need is strong legislation and enforcement.

“It is pertinent to note at this point that tax revenue in Nigeria can only be substantial if the tax system promotes an atmosphere of trust, sustained public education, transparency and accountability in governance, enforcement of rules and regulations among the tax officials at all levels, and the provision of dividends of democracy to the people.”

Mark Hirnyam is an Associate Editor with the National Assembly Legislative Digest (www.nasslegisdigestonline.com)



Tax Issues and the Capital Market

The tax system in any country is a major link between the private and the public sector in growing and shaping the economy of that nation. Taxation can be used to control the direction of a country's economic strategy.

For example, in 2011, when the government of China wanted more activities in its capital market, it reduced the taxes and other transaction charges. This led to increase in the volume and value of trades in the capital market, and it opened the doors for more foreign investors since it was relatively cheaper to do business in the China Capital Market.

Governments willing to attract Foreign Direct Investments (FDIs) often consider the use of tax incentives to lure multinational firms, and governments of FDI source countries.

Research has shown that taxes and other incentives are increasingly dictating the direction of cross

border investment flow. An efficient, well-regulated financial market; coupled with innovative financial instruments and conducive tax environment, play crucial role in influencing both local and international investors.

The Tax Model

The tax strategy for Nigeria, lunched in 2005, emphasis government's intention in achieving a tax system that will significantly encourage investment within the Nigerian economy, and assist job creation which will lead to higher economic growth.

Key highlights of the tax strategy include:

Use of revenues from Nigeria's oil wealth to provide basic amenities, while reducing tax burden on the other sectors; thereby developing those sectors to diversify the economy.

Gradual decrease in Companies Income Tax to an acceptable rate.

Decrease in the top-rate of Personal Income Tax to an acceptable rate.

Shift towards greater reliance on indirect taxation, by gradually increasing the Value-Added rate that will not affect aggregate consumption. This will help in achieving a stable non-oil revenue flow, high compliance in the tax system, and fulfil commitments to the Economic Community Of West African States (ECOWAS).

Restriction of Tax Holidays to sectors key to the development of Nigeria's economy and ensuring that there is full transparency and accountability in the process of granting these holidays.

Decrease in the cost of tax compliance by simplifying tax laws through regular review, improving taxpayer services, and developing specific tax regimes that effectively deal with Small and Medium Enterprises –such as Presumptive Income Tax and prescription of a turnover threshold for imposition of Value-Added Tax.

Elimination of multiple taxations through improved collaboration

between the Federal Inland Revenue Service and the States Board of Internal Revenue.

Existing Tax Legislation

Capital Gains Tax Act
 Casino Taxation Act
 Chartered Institute of Taxation of Nigeria Act
 Companies Income Tax
 Deep Offshore and Inland Basin Production Sharing Contracts Act
 Education Tax Act
 Federal Inland Revenue Service (Establishment) Act
 Income Tax (Authorised Communication) Act
 Industrial Development Act
 National Information Technology Development Act
 Nigerian Export Processing Zones Act
 Oil and Gas Export Free Zones Act
 Personal Income Tax Act
 Petroleum Profits Tax Act
 Value Added Tax (VAT) Act
 Stamp Duty Act
 Taxes and Levies (Approved List for Collection) Act

There are distinctions between taxes and other internal revenue items such as charges, fees levies, rates and penalties. These other revenue items are imposed for the use of utilities, infrastructure, platforms, right of way, or simply imposed on certain category of persons, businesses, activities or persons within a particular area.

Investment and Tax Rates

Nigeria has enjoyed immense oil and gas resources which enables her to finance its expenditure without significant recourse to revenue from the other sectors. Comparatively, this can be used as leverage over the other African countries which depend largely on tax revenue to finance expenditure. Nigeria can therefore afford to lower its tax rates to achieve a competitive advantage.

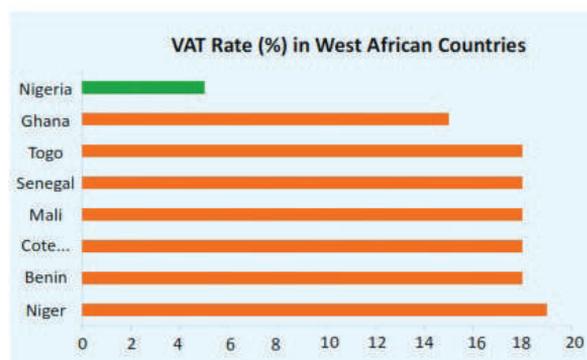
Ghana, Kenya and South Africa rely heavily on income taxes (both corporate and personal).

Comparing the rates for Companies Income and Personal Income Tax, Nigeria's standard rate of 30% is the highest of the four countries, yet this accounts for only 15% of the overall tax revenue.

Interestingly, if Nigeria lowers income tax rates to attract investment into the country, it may become more difficult for the other African countries, particularly the ECOWAS countries to compete for investments.

Already, there are reports in some quarters that government is looking to reduce the rate of Companies Income Tax to about 20% and to decrease the top rate of Personal Income Tax to about 17.5% of taxable income. It is evident that Nigeria can achieve competitive advantage in its tax system through lowering some tax rates. Decreasing income tax rates, will arguably encourage investments, create greater employment opportunities and increase tax compliance. Furthermore, it is important that there are no significant differences in the rates of Companies Income Tax and Personal Income Tax in order to limit opportunities for tax avoidance.

Value Added Tax (VAT)



We compared the VAT rates in some ECOWAS countries and found that Nigeria's current VAT rate of 5% is comparatively low. Government's plan is to gradually increase the VAT rate in such a way that it will not affect aggregate consumption. At the same time, there will be a

reduction in the companies and personal income tax rates and this will reduce the tax burden on companies and individuals. With the expected increase in VAT, it is important to adhere to the principle of vertical equity, as articulated in the National Tax Policy, so that essential goods and services are VAT exempt or zero rated.

VAT –Perspectives of Capital Market Operators

VAT is a cost on investors that should be looked into very critically. Investors are subjected to 5% VAT on commission made by the stockbroker. They also pay 5% VAT on the Central Securities Clearing System (CSCS) charges and on the Nigerian Stock Exchange (NSE) charges. There is something fundamentally wrong with this. While we recognise the fact that all stakeholders are trying to hedge against a decrease in their income by charging the 5% VAT on investors, the fact remains that this action puts a lot more burden on the investors. The 5% VAT should be borne directly by the stakeholders making the money and should not be transferred to the investor.

Stock broking firms, the CSCS and the NSE should persuade the government to reduce VAT from 5% to about 2% or totally waive it on Capital Market transactions. Whatever the case, the burden for VAT should not be borne by

the investor who has already been saddled with other charges.

The basis for this argument is as follows: Investors and prospective investors must be encouraged by the government to put their money

in the capital market. By this, the cost of buying and selling the securities when investors need their money will not be too exorbitant to bear. Also, there are various investment windows in the market, but rational investors will not invest blindly in any of these windows without considering the cost of their investments.

Withholding Tax On Dividend Payments

The current withholding tax charged on dividend is 10% of the dividend paid to the shareholder. This is high. There has always been a conflict between government's goal to increase revenue to develop the country, and the goal of encouraging investors and prospective investors to invest in the Capital Market by reducing the costs involved.

Nigerian government seems to be finding it difficult to reduce or remove the rate of withholding tax on dividend payments, as the global economic meltdown and the Euro debt crisis lingers; coupled with the fact that Nigeria operates a mono-product economy. Oil sales account for about 90% of our revenue amid fluctuating oil prices.

Capital Market–New Issues

Recently, the Securities and Exchange Commission (SEC) capped the cost of primary market transactions at 3.25%, from the 4.32% it was prior to the meltdown. This was an incentive to various companies planning to raise capital in the market. While the regulators have been taking steps to restore investors' confidence in the Nigerian Capital Market, it is important to note that the transaction costs and taxes charged on both primary and secondary market instruments in Nigeria are still high compared with other emerging economies in the world.

Secondary Capital Market Transaction Charges		
Sell Side	Old Charges	New Charges
Stockbrokers Income	1.125% of Consideration	0.36% of Consideration
NSE Fee	0.5% of Consideration	5% on CSCS Fee
CSCS Fee	0.450% of Consideration	0.075% of Consideration
Stamp Duties	0.075% of Consideration	0.25% of Consideration
VAT on Stockbrokers Income	5% of stockbrokers income	1.35% of Consideration
VAT on NSE Fee	5% of NSE Fee	5% on NSE Fee
VAT on CSCS Fee	5% of CSCS Fee	5% on Brokerage Commission
Buy Side	Old Charges	New Charges
Stockbrokers Income	1.125% of Consideration	0.06% of Consideration
SEC Fee	0.1% of Consideration	5% on CSCS Fee
CSCS Fee	0.1% of Consideration	0.075% of Consideration
Stamp Duties	0.075% of Consideration	0.3% of Consideration
VAT on Stockbrokers Income	5% of Stockbrokers Income	1.35% of Consideration
VAT on CSCS Fee	5% of CSCS Fee	5% on Brokerage Commission

Note: Consideration = Market Price X Quantity of Shares

Capital Market –Secondary Market

During the bullish run that was seen in the Nigerian Capital Market in the year 2007 up till the 5th of March 2008, investors were not so concerned about transaction charges since the returns from the capital market was mouth-watering. For example, the return on the Capital Market in 2007 was 76%, and investors benefited from capital appreciation. Some investors made 100% on their investments within the space of six months or less. During this bullish run, investors did not care so much about the various charges as the returns made up for the transaction costs.

However, from April 2008 when the Nigerian Capital Market commenced a southward descent, largely because of the global economic recession and other peculiar Nigerian economic situations, the margins have significantly reduced and investors have become more price sensitive while demanding for lower transaction charges.

The SEC has intervened and reduced the transaction costs on secondary market deals several times. At the height of the economic meltdown in Nigeria, when investors were losing their investments in torrents, SEC was compelled to announce an immediate 50% reduction on its

charges on Capital Market transactions. The NSE was also instructed to do the same. Following the SEC instruction, the NSE reduced their charges and the CSCS charges accordingly. The figures below show the old and current secondary market transaction charges as amended by the SEC.

Recommendations

Considering the above transaction charges, the CSCS fees are charged on both sale and purchase sides which further attract a VAT of 5% charged to the investor. Stamp Duties of 0.075% of consideration is also charged on both the sale and buy side of the transaction. These should be looked into by the authorities as the charges can be further reviewed downwards.

The NSE and the CSCS charges can equally be reviewed downward to encourage more investments in the Nigerian Capital Market. This is without prejudice to the fact that the SEC has taken some steps to reduce the transaction costs over time. The reduction in transaction costs and taxes usually give investors the opportunity to invest more in the capital market. It also means that the portion of investment that could have gone as transaction cost will be available to invest.

Culled from
:www.myfinancialintelligence.com

Good Housing Facility For All



Support the State Government

PLAY YOUR PART

PAY YOUR
TAX



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng





KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

SCREEN APPLICANTS FOR RECRUITMENT



The Kwara State Internal Revenue Service (KWIRS) on Saturday 31 October 2015 conducted a Computer Based Test (CBT) to screen applicants who had applied for placements in the lower cadre of the newly established organization.

628 candidates out of the total number of 900 invited applicants turned up for the CBT which was held at the Kwara State University (KWASU) malete. The result of the test showed that about 50% of the total applicants scored above average in the test, while 62 candidates scored 70% and above.

In a statement issued by the Chairman of the KWIRS Dr Muritala Awodun, all of those who scored above 70% will be invited for interview shortly. The statement added that the choice of a CBT was to ensure that only the best candidates are employed in view of the strategic importance of the revenue service and the task before it.

The KWIRS was set up by the State government with the sole responsibility of collecting and managing revenues on behalf of the State government and local councils. It's vision as declared by the chairman *is to mobilize revenue for the Strategic development of Kwara State.*





MANAGEMENT STAFF PROFILE

Executive Chairman



MURITALA OLAKITAN AWODUN, PhD

DR MURITALA OLAKITAN AWODUN is the pioneer Executive Chairman of the Kwara State Internal Revenue Service prior to his appointment he was the pioneer Dean of the School of Business and Governance, Kwara State University, Malete. He was also a foundation staff of the University that started the Department of Business and Entrepreneurship in 2009. He holds a Bachelor of Science (Honours) Degree in Economics, Master of Science Degree in Economics, and Doctor of Philosophy (PhD) in International Business.

Dr Awodun has published seven books, and was the Managing Editor of *Lagos*

Organization Review, Public Sector Review and Management Discoveries, between 2005 and 2009. He is an editorial board member of *Community Entrepreneurship Review, Unilorin Journal of Management and Financial Standard Newspaper*.

Dr Awodun was a trainer/mentor of the Federal Government of Nigeria Youth with Innovation in Nigeria (YOUWIN) Business Plan Competition since 2012, and mentor/partner of the Islamic Development Bank (IsDB) Business Plan Competition (2014). He is a Fellow of the Institute of Entrepreneurs, Nigeria, and the Institute of Direct Marketing of Nigeria. He is a Full Member of the Chartered Institute of Administration (Nigeria), Nigerian Institute of Management (Chartered), Consortium of Entrepreneurship Education, Social Entrepreneurship and Education Consortium, Global Entrepreneurship Monitor, Global Entrepreneurship Program, Academy of Management (United Kingdom), and Academy of International Business (United States). He is an Associate Professor of International Business and Entrepreneurship (since 2012) with teaching and research interests in Business Economics, Business Strategy, Entrepreneurship, Emerging Economies and International Business.

Dr Awodun was a Mobil Producing Unlimited Scholar for three consecutive sessions (between 1987 and 1990) as an undergraduate student. He was a member of the Ford Foundation/Nigerian Copyright Commission Research Team that conducted the *Survey of Copyright Piracy in Nigeria* between 2005 and 2007 which was published in 2008 with a Ford Foundation Research Grant. Dr Awodun also served as the National Researcher for the World

Intellectual Property Organization (WIPO) in the conduct of research on the Economic Impact of Copyright-Based Industries in Nigeria in 2008. He is also a recipient of the National Universities Commission (NUC) Research Grant (2012) for the conduct of the research on the 'Informal Sector and Urban Poverty in Nigeria'.

Dr Awodun is an alumnus of the prestigious Harvard Business School Executive Education Program (Leading with Impact) June – July, 2014 and the Massachusetts Institute of Technology (MIT) Global Start-Up Workshop (GSW) African Scholar in Entrepreneurship Education for 2013, a fellowship received in February 2014 at Marrakesh, Morocco. He is a member of the on-going European Commission Diaspora Link Transnational Entrepreneurship Research made up of 27 universities and research institutions spread over Europe, United States, Latin America, Asia, Australia and Africa with the award of a European Commission Research Grant.

Dr Awodun received the ENACTUS Nigeria Leadership Award in March 2014 for his excellent leadership of Kwara State University Centre for Entrepreneurship. Under his directorship, KWASU Centre for Entrepreneurship won the Country Prize of Saville Foundation Pan-African Entrepreneurship Education Award for 2013 organized by 'Teach A Man To Fish' a United Kingdom non-profit organization in April 2014. Dr Awodun is also the winner of the 2014 African Entrepreneurship Education Award of Excellence received in Ghana in November 2014 from African Development Magazine. He is also the recipient of the Leadership Integrity Award, 2015. Dr Awodun is married to Mrs Marian Awodun and blessed with children.

Director, MDAs



OLUSEGUN OLAWALE OLANIYI

Mr. Olusegun Olawale Olaniyi is currently Director, Ministries, Departments & Agencies (MDAs) Kwara State Internal Revenue Service (KWIRS). He is an Economist and a Development Finance expert with over 32 years hands-on experience with different organisations both in private and public sectors of the economy in the fields of Leadership and Development Economics, Banking and Finance, Human Capital Development, General Management and lately, Audit and Taxes.

He has acted as a consultant to several local and international organisations. Mr. Olaniyi worked as Planning

Officer with Niger River Basin Development Authority and Lower Niger River Basin Development Authority, Ilorin and Minna respectively before delving into the Nigerian banking industries where he spent about two (2) decades before pioneering his management and financial consulting outfit in 2005.

Mr. Olaniyi holds a Bachelor degree in Agricultural Economics and a Master of Science degree in Agricultural Economics (Rural Infrastructure) from the University of Ibadan, Nigeria, and a Master of Business Administration (Finance) from the University of Benin.

Director Operations, Processes and Research



DR. ISAAC T. GBENLE

Dr. Gbenle is currently the Director of Operations, Process & Research. He oversees KWARA State Internal Revenue Service (KWIRS) operations and executive leadership on policies, programs and strategic management activities. He is also responsible for executive leadership for customer

service, processing, tax law monitoring, and financial management operations. Dr. Gbenle has more than 23 years experience in IT, providing advisory services, managing enterprise architecture, risk management and governance.

Before joining KWIRS, Dr. Gbenle was a Principal Consultant, Enterprise Security at Wipro Technologies, responsible for advance security practice across the United States, Africa and Latin America. He was also a principal contributor at Fannie Mae, where he was the Client Engagement Manager; Marathon Oil as Governance Director; Oklahoma Gas & Electric as process Consultant; and ESPN Inc as Technical Compliance Lead. Dr. Gbenle is a published author, public speaker, philanthropist, social justice and corporate governance enthusiast and an entrepreneur.

Dr. Gbenle has directed and managed strategic & operational planning, implemented best practices and established appropriate governance structures, frameworks & tools that supported the business needs of several organizations. A business management

expert and technologist, Dr. Gbenle has been able to manage and identify critical IT functions, and balance those functions with effectiveness & efficiency using best practices and cost effective methods. He has been able to effectively perform supervisory functions between business and IT. Dr. Gbenle holds a Bachelor degree in Economics, Master degree in Business Administration, and PhD in IT Assurance & Security from Capella University, USA.

Dr. Gbenle is the founder of World Affairs Council Meeting for North West Washington DC. He is a member of Project Management Institute Washington Chapter (PMIWDC), National Black MBA Association, IT Service Management Forum (ITSMF), Institute of Internal Auditors (IIA), Society for Corporate Compliance and Ethics, Association of Certified Fraud Examiners (ACFE), Information Security Audit Control Association (ISACA). Dr. Gbenle is an ardent Chess, Golf and Tennis player and world traveller. He is blessed with two lovely boys, Olaolu Gbenle and Tomisin Gbenle.

Director, Admin & Corporate Affairs



ADENIKE BABAJAMU

Adenike Babajamu is currently the Director of Admin and Corporate Affairs of the Kwara State Internal Revenue Service (KWIRS). She is a highly dynamic professional, with over 26 years vast and relevant experience in civil service, academics (secondary and tertiary), and banking industry. She is versatile in various levels of personnel and human management, training and retraining of personnel, branding and

rebranding of existing products and policies having served in various capacities in both the private and public sectors. Adenike is an articulate and diplomatic communicator with relevant experiences in consultancy. She consistently works to the highest professional standards and possesses excellent skills in best practice and best value to deliver services that yield multiple business benefits.

Adenike's working career began with the Kwara State Teaching Service Commission where she served as an Education Officer in 1988. She joined Afribank Nigeria Plc in 1993 as Executive Trainee and later served in various capacities such as Head Customer Service Unit, Head of Operations and Credit Manager. She rose to become the Branch Manager of its Ilorin Main branch and was actively involved in facilities management, business development relationship, training and retraining of staff, customer services and other banking operations. She was appointed Head, Public Sector Team of the Kwara Region of Afribank in 2010 and was saddled with the responsibility of overseeing all public sector accounts in the five (5) branches of the state and ensuring a cordial relationship between the state and the bank.

She joined Mainstreet Bank in 2012 as Marketing Manager and rose to be the Branch Manager at the Ilorin Main Branch in 2013. She also joined Skye Bank Plc in 2015, following the acquisition of Mainstreet Bank Ltd. In Skye Bank Adenike, served as Business Development Manager and was appointed a brand champion to work with the Strategic Brand Management team of the bank. This she did until her present appointment at KW-IRS.

Adenike graduated with a Bachelors of Arts (Hons) degree in English (1987), Masters of Public Administration (1995) and Masters of Arts Lit-in-English (2013) from the University of Ilorin. She also holds a Post Graduate Diploma (PGD) in Journalism from the Nigerian Institute of Journalism (2009).

Adenike is a member of the Association of Chartered Economist of Nigeria (ACEN) and Chartered Institute of Bankers in Nigeria (CIBN). She has a passion for reading and writing and has edited seven (7) published books of fiction, poetry and military texts. She is married to Colonel Oladele Babajamu and blessed with children.

Director, HNI & Corporate Organizations



IYABO ABUBAKAR

Iyabo Abubakar is a skilled Banker and Administrator with over 27 years of Public Service and Banking experience. She started her career with Kwara Teaching Service Commission as a teacher in 1988, from where she moved to the then Trade Bank in 1990 as an Executive Trainee and rose to the position of Branch Manager of several branches. Her Public service was renewed in 2006 when she joined Federal Government Service as a Mobilisation Officer through National Orientation Agency Abuja and was transferred to Lagos.

Her Banking career was enhanced in 2007 when she joined Afribank Plc in Abuja as Branch Manager and was transferred to its Taiwo Road Branch in Ilorin to resuscitate the branch. She accomplished this within a short time of 6 months which convinced management to admit her proposal to

relocate the branch to a new building. Same feat was accomplished by her in Offa branch until the Bank was acquired by Skye Bank Plc.

Iyabo Abubakar has a Bachelor degree in Geography from the University of Ilorin (1986) and a Masters in Business Administration from the Ondo State University (1998). She is a member of Nigeria Institute of Management and an Associate Member of Institute of Marketing of Nigeria.

Iyabo Abubakar is a community leader and care giver through her membership of several NGOs. She is the State Chairman of International Facility Management (IFMA), Kwara State Vice Chairperson ACOMYN, Project Manager of the Women Health Attention Focus, a Member of the National Council of Women Societies, and former Assistant Secretary General of Women in Nigeria.

Director, Tax Assessment & Audit



NUHU OLAIDE MUHAMMED

Nuhu Olaide Muhammed is a Fellow of the Chartered Institute of Taxation of Nigeria, with over 23 years experience in tax administration. He began his career as a teacher in Kwara State Ministry of Education in 1986 and transferred his service to Kwara State Board of Internal Revenue as Inspector of Taxes in 1992.

He is a seasoned tax administrator with a proven record of service and delivery. This record cuts across tax assessment, collection and enforcement. He has served in various capacities of tax administration and held several positions which include: Area Revenue Officer; Secretary, Kwara State Task Force on Revenue Collection;

Secretary, Kwara Investment and Property Development Company Limited; Deputy Head, Directorate of General Revenue; Director of Directorate of Income Tax; and Director of Directorate of Enforcement and Collection. Following the exit of the Executive Chairman of the defunct Kwara State Internal Revenue Service in October 2014, Nuhu Olaide Muhammed was appointed Acting Chairman of the Service.

Nuhu Olaide Muhammed holds a Bachelor degree in Mathematics (1984) and Master of Business Administration (1992) from the University of Ilorin.

Deputy Director, Informal Sector



OLALEKAN ROTIMI

'Lekan Rotimi has acquired over fifteen in Corporate Finance, Project Finance, Asset Management and Business Development. Prior to joining Kwara State Internal Revenue Service as Director Informal Sector directorate, he was the CEO Cowries Craft Nigeria Limited, an Asset Management Company. He has extensive experience in Capital Market operations and enhancement of internally generated revenue in public sector parastatals. He pioneered collection of contravention charges by the Kwara State Government under Public Private Partnership and presently the managing consultant for the Department of Development Control of the Federal Capital Territory on Revenue Generation.

He was a pioneering staff of Gateway Holdings Limited and head of capital market unit, a position he held before leaving to Norwich Business School in the

UK. He is an alumnus of the West African Capital Market School.

An experienced Business Process Management consultant, with skills in developing business ideas and mentoring new entrepreneurs. Lekan was a mentor on the Federal Government Youth Entrepreneurs Skill Development Initiative "YOUWIN 2 and 3"

Holds M.Sc Business Management of the University of East Anglia (Norwich Business School) UK; Masters in Business Administration (MBA)

Has attended International workshops and trainings on portfolio management such as New York Institute of Finance, Training on alternative investment and Bond Trading, Euro-money training on hedge fund management, Debt Portfolio Management workshop by Debt Management Office.

THE EMIR OF ILORIN ENDORSES



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE



The Emir of Ilorin, Alhaji (Dr) Ibrahim Sulu Gambari on Thursday 19th November, 2015 received the management of the KW-IRS officially in his palace and formally endorsed the government's effort in mobilizing revenue for the development of the State. In his address and advice to the people of Kwara State, he went down memory lane to bring out the significance of tax in the life of the society. He admonished

the citizens of Kwara State to fulfil their civil obligation by paying their tax while advising the new KW-IRS to devise convenient methods of collection. He also advised government to step up their efforts in empowering the citizens through the provision of infrastructure that are basic requirements for convenient living. The Emir stated that both Islam and Christianity supported the institution of tax and that every responsible citizen should play their part by paying their taxes.



The Chief of Staff greeting the Emir while the Chairman watches



The Executive Chairman KW-IRS and the Emir of Ilorin



The Chief of Staff who led the management of KW-IRS to the Emir's Palace with the Management staff



Mrs Lyabo Abubakar and Mrs Adenike Babajamu poses with the Emir



The SSA Media, the Chairman KW-IRS and the Chief of Staff



The Chief of Staff addressing the Emir



The Emir addressing the management of KW-IRS



The Executive Chairman, KW-IRS greeting the Emir of Ilorin



The Chief of Staff and Management of KW-IRS arriving the Emir's Palace

CHAIRMAN, KW-IRS RECEIVES AWARD OF EXCELLENCE FROM KWARA STATE UNIVERSITY



L-R: Dr Muritala Awodun, Chairman, KW-IRS, Prof AbdulRasheedNa'Allah, Vice Chancellor, KWASU

The Executive Chairman of Kwara State Internal Revenue Service (KW-IRS), Dr Muritala Awodun received an Award of Excellence from Kwara State University's Centre for Entrepreneurship. The event which took place on the 22nd of November, 2015 was the Grand Finale which marked the end of Global Entrepreneurship Week (GEW), 2015. The GEW is a celebration of entrepreneurs as well as an opportunity to expose people to the benefits of entrepreneurship and to inspire

them to become innovators and job creators.

Prior to joining the KW-IRS, Dr Awodun was with Kwara State University where he had been the pioneer Director, the Centre for Entrepreneurship and subsequently, the pioneer Dean, School of Business and Governance. The Chairman and the then Director for the Centre for Entrepreneurship was the one who introduced KWASU to the celebration of GEW in 2010 and it has since become an annual event

in the University. The Chairman had organised this week for four (4) consecutive years (2010, 2011, 2012, 2013) during his tenure as director. He relinquished the position in June 2014 when the incumbent director, Dr Hakeem Ajonbadi took over and has continued with the GEW joining the world every November with the fifth held in 2014. This year's celebration marked the 6th year GEW is being celebrated in the 6 years old university.

The award which was presented



Dr Awodun, Chairman, KW-IRS, and VC, KWASU, with KW-IRS Directors, among others

by the Vice Chancellor, KWASU was in recognition and appreciation of the work done by Dr Awodun during his tenure as Director and the support he has rendered thereafter. Dr Awodun's work as the Director led to KWASU's reputation as an institution where students acquire entrepreneurial skills and institutions and organisations learn from success and imitate approach. In recognition of this, the university's Centre for Entrepreneurship was the

Country Prize Winner of Saville Foundation Pan African Award for Entrepreneurship Education in Nigeria for the year 2013.

The Chairman has received other individual awards in recognition of his accomplishment as Director of K W A S U C e n t r e f o r Entrepreneurship. Some of such awards are the Federal Government of Nigeria YOUWIN Mentor/Trainer Award, 2013; Islamic Development Bank Mentor Award, 2014;

Massachusetts Institute of Technology (MIT) Global Startup Workshop African Scholar, 2014; Award of Excellence in Enterprise Education in Africa, 2014 received from African Development Magazine in Accra Ghana late last year; and the African Leader of Integrity Merit Award for Human Capital Development, 2015 received in Lome, Togo in March 2015.

From all of us at KWIRS we say congratulations to our Chairman.



L – R: Dr Muritala Awodun, Chairman, KW-IRS, Prof AbdulRasheed Na'Allah, Vice Chancellor, KWASU, Dr Hakeem Ajonbadi, Director, the Centre for Entrepreneurship, KWASU.



L – R: Mr Sunday Ojo, Mrs Omolara Ojulari, Dr Muritala Awodun, Prof AbdulRasheed Na'Allah, and Dr Hakeem Ajonbadi



Kwara

With Unity of Purpose
We can make **KWARA** Great.
It is Good Here, but it can be Great if you

PLAY YOUR PART
PAY YOUR
TAX



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng



Let us join hands to develop



PLAY YOUR PART

PAY YOUR

TAX



kw-irs
KWARA STATE INTERNAL REVENUE SERVICE



Mobilizing Revenue for the Strategic Development of Kwara State

www.irs.kw.gov.ng