



**KW-IRS**  
KWARA STATE INTERNAL REVENUE SERVICE

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June 2017 Volume 3 Issue 19

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# Your Rights as a Taxpayer

Editorial

*Rights which have evolved over time with differing emphasis at different periods has grown into an endless list including those related to life, freedom, equality, justice, expression, voting and so on.*

*Rights however do not exist on their own but with the support of government, legal framework and morality.*

**“I know my rights!”** In this part of the world, this is a saying we have all heard so many times. Typically said when people feel they are not being treated fairly. Having heard that statement “I know my rights” so many times, one often wonders, “Do we really?” One thing that is certain though is that we all should. This begs the question, what exactly are rights?

Rights are legal, moral, social, and ethical principles which guide the normative rules about entitlements in terms of what we are allowed and what we are owed. Rights which have evolved over time with differing emphasis at different periods has grown into an endless list including those related to life, freedom, equality, justice, expression, voting and so on. Rights however do not exist on their own but with the support of government, legal framework and morality.

Rights exist in basically every state of being and the world of tax is not an exception. May be some of us would not be so aggrieved about why we have to pay taxes, how much we have to pay, or what

our money is being used for if we knew our rights. This makes the lead article in this issue of KwareveNews, 'Your Rights as a Taxpayer' a must read.

The Kwara State Internal Revenue Service (KW-IRS) through various advocacy programmes in the newspaper, on radio, television, press briefings, workshops and at events has strived to enlighten the residents of Kwara on their rights as taxpayers. Through our various interaction and feedback, it continues to be apparent that many people are not aware of their rights, especially as taxpayers.

At KW-IRS we are committed to ensuring that residents of Kwara whom we serve are not subjected to unfair pressure or oppression and that we maintain the rights of taxpayers with our structure. Regardless of wealth, ethnic background, education or social status, the Kwara State Internal Revenue Service has the interest of all customers at heart. This is why even past the law, we serve with empathy, considering the peculiarity of our environment and the individuality of all our taxpayers.

To maintain the taxpayers' rights of integrity and equality from us, we determine taxes in line with the provisions of the law and through objective process. Taxpayers can even do a self-assessment using the tax calculator. Taxpayers have a right to efficiency and effectiveness, so we continue to automate our processes, and make available variety of payment channels and plans.

We understand that taxpayers have a right to appeal and to dispute resolution which are processes put in place to strengthen the rights of taxpayers. To ensure appropriate assistance we have made ourselves available and accessible, from staff, to Directors and even me, the Executive Chairman. In line with the law, there is room for objection and we organise tax reconciliation meetings as we allow you to provide more information because we assume every taxpayer has genuine intentions and we give you the necessary support to fulfill your obligations. Our efforts in this area cannot be exhausted.

However, we must not forget the other side of the coin; with rights come obligations. The rights of taxpayers is what you can expect from us, so also, obligations are expected of taxpayers. As the saying goes, to whom much is given, much is expected. Just as the power of authorities are curbed by the rights of the people being served, taxpayers are expected to be honest, cooperative, keep appropriate and accurate records, provide necessary information, respond in due time and take reasonable care.

In the words of Oliver Wendell Holmes, 'tax is what we pay for a civilised society'. Everyone focuses on entitlements when it comes to rights. Rights however also have to do with standards. For the infrastructure, health, education and economy we desire for our dear Kwara State, which the coming generation have a right to enjoy and our generation have an obligation to work towards, we all must continue to play our parts and pay our taxes.

**At KW-IRS we are committed to ensuring that residents of Kwara whom we serve are not subjected to unfair pressure or oppression and that we maintain the rights of taxpayers with our structure. Regardless of wealth, ethnic background, education or social status, the Kwara State Internal Revenue Service has the interest of all customers at heart.**



**Muritala Awodun, PhD**  
*Executive Chairman*  
**Kwara State Internal Revenue Service**



# YOUR RIGHTS AS A TAXPAYER

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# YOUR RIGHTS AS A TAXPAYER

Shola Ajayi<sup>1</sup>

**T**he Kwara State Internal Revenue Service (KW-IRS) is saddled with the responsibility of tax collection in Kwara State, however, the simple truth is that the payment of tax is not voluntary but compulsory to enable government achieve her objectives of providing social amenities and many other things that will promote economic activities in Kwara State. Teju Somorin (2015) opined that “a taxpayer cannot sue government for not spending enough tax money in his community or local government area, even when he pays more tax than others”. This means that the right of the government to impose tax is not a function of specific benefit that will be derived by individual taxpayer.

However, many taxpayers are not even aware of the rights they have as taxpayers. These rights include:

### 1. The Right to Be Informed

Taxpayers have the right to know what they need to do to comply with the tax laws. They are entitled to clear explanations of the laws and KW-IRS procedures in all tax forms, instructions, publications, notices, and correspondences. They have the right to be informed of KW-IRS decisions about their tax accounts and to receive clear explanations of the outcomes.

### 2. The Right to Quality Service

Taxpayers have the right to receive prompt, courteous, and professional assistance in their dealings with the KW-IRS,

*Taxpayers have the right to pay only the amount of tax legally due, including interest and penalties, and to have KW-IRS apply all tax payments properly.*

to be spoken to in a way they can easily understand, to receive clear and plausible communications from KW-IRS, and to speak to a supervisor about inadequate Service.

### 3. The Right to Pay Not More than the Correct Amount of Tax

Taxpayers have the right to pay only the amount of tax legally due, including interest and penalties, and to have KW-IRS apply all tax payments properly.

### 4. The Right to Challenge KW-IRS's Position and Be Heard

Taxpayers have the right to raise objections and provide additional documentation in response to formal KW-IRS actions or proposed actions, to expect that KW-IRS will consider their timely objections and documentation promptly and fairly, and to receive a response if the KW-IRS does not agree with their position.

“

Taxpayers have the right to receive assistance from the **Taxpayer Advocate Service** if they are experiencing financial difficulty or if the Service has not resolved their tax issues properly and timely through its normal channels.

”

#### 5. The Right to Appeal KW-IRS Decision in an Independent Forum

Taxpayers are entitled to a fair and impartial administrative appeal of most KW-IRS's decisions, including penalties, and have the right to receive a written response regarding the Appeals' decision. Taxpayers generally have the right to take their cases to court.

#### 6. The Right to Finality

Taxpayers have the right to know the maximum amount of time they have to challenge KW-IRS's position as well as the maximum amount of time the Service has to audit a particular tax year or collect a tax debt. Taxpayers have the right to know when the Service has finished an audit.

#### 7. The Right to Privacy

Taxpayers have the right to expect that any KW-IRS inquiry, examination, or enforcement action will comply with the law and be no more intrusive than necessary, and will respect all due process rights, including search and seizure protections.

#### 8. The Right to Confidentiality

Taxpayers have the right to expect that any information they provide to KW-IRS will not be disclosed unless authorized by

the taxpayer or by law. Taxpayers have the right to expect appropriate action will be taken against employees, return preparers, and others who wrongfully use or disclose taxpayer return information.

#### 9. The Right to Retain Representation

Taxpayers have the right to retain an authorized representative of their choice to represent them in their dealings with the Service.

#### 10. The Right to a Fair and Just Tax System

Taxpayers have the right to expect the tax system to consider facts and circumstances that might affect their underlying liabilities, ability to pay, or ability to provide information timely.

Taxpayers have the right to receive assistance from the Taxpayer Advocate Service if they are experiencing financial difficulty or if the Service has not resolved their tax issues properly and timely through its normal channels.

#### References

Department of the Treasury Internal Revenue Service (2014), U.S.A Publication 1 Catalog Number 64731W ([www.irs.gov](http://www.irs.gov))

Somorin, T. (2015). *Highlights of historical developments of Nigerian tax system*. Lagos: ASCO Publishers.

<sup>1</sup>Executive Assistant, Research & Intelligence Department, Kwara State Internal Revenue Service

“

Taxpayers have the right to know the maximum amount of time they have to challenge KW-IRS's position as well as the maximum amount of time the Service has to audit a particular tax year or collect a tax debt. Taxpayers have the right to know when the Service has finished an audit.

”

# KW-IRS Generates N6.6Billion in the First Quarter of 2017- Dr Awodun

Fareedah Abdulwahab

**T**he Executive Chairman of the Kwara State Internal Revenue Service (KW-IRS) Dr Muritala Awodun and his team which included Director, Informal Sector, Mr Olusegun Olaniyi, Director, Legal & Enforcement, Lateef Okandeji Esq and Manger, Admin and Corporate Affairs, Mrs Habibah Aiyelabegan in partnership with Ministry of Information and Communication (MOIC) held a media parley with the Kwara State Correspondence Chapel on 7th June, 2017. Present at the quarterly press briefing were Honourable Commissioner, Ministry of Information & Communication (MOIC), Alh Mahmud Ajeigbe, the Permanent Secretary (MOIC), Mrs Rhoda Funmilayo Ajiboye, Assistant Director, Information Services, Mrs Christiana Sonibare and representatives of various media outfits such as Punch, Guardian, Herald, National Pilot, NTA Ilorin, Radio Kwara, Unilorin FM, etc.

The Honourable Commissioner, MOIC in his opening remarks explained that the quarterly media interaction

had been scheduled to hold every quarter so as to allow the general public to have a summary of the operational activities and the revenue performance of KW-IRS.

The Executive Chairman, KW-IRS thanked them for honouring the invitation, he said press men are the heart of the people because of their interaction with the society. He began with the press about the activities in the first quarter of 2017, he stated that some of the activities witnessed in the first quarter include Breakfast Meeting with the Executive Governor of Kwara State, Dr Abdulfatai Ahmed with all High Net worth Individual & Corporate Organisations and Ministries, Departments and Agencies (MDAs) in Kwara State.

He said the meeting was a forum to appreciate the cooperation received from them and it also created a platform for them to interact with His Excellency and also state their expectation from the State Government. Speaking on Dr Awodun added that the service was also privilege to host the 137<sup>th</sup> Annual Joint Tax Board (JTB) Meeting, which was the first time in Kwara State. He said



The Executive Chairman, KW4RS Dr Muritala Awodun addressing the members of the PRESS



the 137<sup>th</sup> JTB meeting brought all the revenue captain of all the 36 states in Nigeria led by the Executive Chairman of the Federal Inland Revenue Service (FIRS), he said the landmark event created an opportunity to showcase what Kwara state has done in terms of revenue reform and will also be a model for other state who are independent to emulate from.

Dr Muritala Awodun shared with members of the press what the Service has made in the first quarter of 2017, stressing the fact that in an unprecedented stride, the Service generated, **N2.1b, N1.7b and N2.7b** in the month of January, February and March respectively which gave a cumulative total of **N6.6b** for the first quarter.

When asked about the Local Government collection, Dr Awodun answered that there has been progressive improvement in their collection, adding that the service will not relent in its statutory responsibility of giving the Local Government 10% of the State IGR. He added that larger portion of the money was used by the Government to enhance the payment of workers' salaries because the state allocation was clearly inadequate.

The Executive Chairman made some clarifications after taking a question from Abdulhakeem Garba of Channels TV who wanted to know if KW-IRS has introduced manufacturing tax at the State House of Assembly. Dr. Awodun reiterated that the State has not introduced any new tax. He explained that a new tax can only be after due legislative process. Demola Akinyemi of Vanguard Newspaper commended the Kwara State Internal Revenue Service (KW-IRS) for the 100% increase in IGR figure compared to the figures of KBIR for 2015.

In a response to a question on challenges of the Service, Dr Awodun clarified that KW-IRS embodies staff who are used to converting challenges to opportunities by fashioning answers to their challenges rather than stressing them.

The Director, Informal Sector, Mr Olusegun Olaniyi on behalf of the Executive Chairman, KW-IRS thanked the Gentlemen men of the Press and all those present he assured them that the service will be available to give them 100% information when required.



The Executive Chairman, KW-IRS Dr Muritala Awodun with the Commissioner for Information, Kwara State, Alhaji Mahmud Ajeigbe



Gentlemen of the PRESS



Group photograph with the Executive Chairman and the Commissioner for Information



Group photograph with the Members of the PRESS



# THIRTY-SIX SCHOOLS QUALIFY FOR THE 2017 TAX CLUB QUIZ COMPETITION QUARTER FINAL

Bolaji Abdullahi



Cross section of School Principals at the meeting



Mrs Habibah Aiyelabegan, Manager, Corporate Affairs

**W**hen the need arise for broad sensitization of Taxation to the people of Kwara State the initiative to introduce Tax Education starting with the grass root came to the consciousness of the management team of KWIRS and a Senior Secondary School Tax Club Quiz Competition was introduced. The competition had its maiden edition in 2016. Senior secondary schools across the three senatorial districts in Kwara State were called upon to participate in the competition. In 2016, One Hundred and Ten Schools participated. 2017 witnessed more participants.

Prior to the commencement of the Second Edition of the competition preliminaries, there was the need to re-orientate the schools that participated in the competition in 2016. Therefore, a meeting was set up with the Public and Private Secondary School Principals for an interactive session where opinions, suggestions and observations were shared for proper clarity of the rules and regulations of the competition.

The 2017 Edition of the competition apparently casts different complexion as the number of the participants in the First edition was doubled. The preliminaries of the



Dr Hakeem Ajonbadi, Coordinator Tax Quiz Competition



Cross section of the Principals





Cross section of Senior Secondary School Principals



Cross section of Senior Secondary School Principals



competition in the Kwara Central Senatorial District took place between Wednesday 28 June and Friday 30 June 2017 at the Queen Elizabeth Secondary School with the District witnessing a massive turnout by the schools. A total of Eighty-Nine schools participated in the competition but Seventy-Nine out of the schools contested for the competition. Ten schools were absent and Fifteen out of the Seventy-Nine schools made it to the quarter finals of the completion.

For the Kwara South Senatorial District, Eighty-Four schools participated; Fifty-Three contested and Thirty-One were absent. Fourteen of the Fifty-Three schools that contested also made it to the quarter final of the

competition. The Kwara North Senatorial District had lowest participants for the preliminaries of the competition. A total of Thirty-Seven schools participated in the preliminaries, Nineteen of those schools contested, and Eighteen other schools were absent.

At the end of the Preliminaries of the competition, a total of One Hundred and Fifty-One Schools contested out of Two Hundred and Ten Schools that registered. A total of Thirty-Six schools have made it to the quarter finals of the competition across the three senatorial districts in the State.

## COMPETITION STAGES

### KWARA CENTRAL



Some of the schools that participated in the competition





Some of the schools that participated in the competition



### KWARA NORTH



Some of the schools that participated in the competition





### KWARA SOUTH



Some of the schools that participated in the competition



### THE COMPETITION STAGE





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## The leeway to economic recovery in Nigeria lies with you and I

### – Ooni of Ife

Fareedah Abdulwahab

**T**he University for Community Development in Nigeria, Kwara State University (KWASU), held her 5<sup>th</sup> Convocation Lecture on the 9<sup>th</sup> June, 2017 at the University Mini Convocation Arena. The Convocation Lecture also included Book Unveiling in honour of the late Professor Sunday Oyewole Otokiti. The milestone event was duly supported by the Kwara State Internal Revenue Service (KW-IRS) and Harmony Holdings. Present at the occasion were His Imperial Majesty, Ooni of Ife Oba Adeyeye Enitan Ogunwusi Ojaja II, the Chancellor of KWASU, Prof. Ibrahim Gambari, the Vice Chancellor of KWASU, Prof. Abdul-Rasheed Na'Allah, the Executive Chairman KW-IRS, Dr Muritala Awodun, Professors of different Colleges, Deans of Colleges, Head of Departments, etc.

The Vice Chancellor of KWASU, Prof. Abdul-Rasheed Na'Allah in his opening remarks welcomed everyone present. He said that the university had continued to give quality education and research despite increase in number of students and effects of universal recession on its accomplishments. He invited the Guest Speaker, Ooni of Ife to discuss on the topic, Practical Entrepreneurship: Leeway to Nigeria Economic Recovery and Growth.

His Imperial Majesty, Ooni of Ife, Oba Adeyeye Enitan Ogunwusi Ojaja II, in his welcome address said KWASU is one of the best, the finest University he has visited in Nigeria. He added that this was his first visit to Kwara State since he assumed the throne. He said the way out of the current recession in the country, is huge investment in locally made goods.

In the lecture entitled, **Practical entrepreneurship: Leeway to Nigerian economic recovery and growth**, the renowned traditional ruler listed investment, production and consumption as some of the elements for a sustainable economy. According to him, if we change our orientation, things will move forward. There is no shortcut to success. We have propensity to consume, but no propensity to produce. He further explained that in the 60s, Nigeria had so much money and did not know what to do with the currency then the nation's propensity to produce started dropping. He said that one of the fundamental problems faced in the country is that Nigerians don't want to learn from mistakes and they forget to link all economic ingredients for economic recovery.





Dignitaries at the event



The Vice Chancellor presented an Award to Ooni of Ife



Unveiling of the book



Presentation of gifts to Ooni of Ife



Oba Adeyeye Enitan Ogunwusi Ojaja II, noted that over 70% of Nigerian youths have been frustrated by the system in Nigeria, saying that the current economic griefs in the country is linked to full craving of foreign goods. He added that 70% of Nigerian's population are the youths, stating they are energetic, active and purpose driven and they can think outside the box, yet, they are irritated by the system because the system has not cheered them.

Ooni of Ife stated that the current economic hardship in the country is a blessing in disguise. It's making Nigerians think sincerely, as state governments are now cooperating. He said how well we are thinking out of the box that is food for

thought for us all in Nigeria because necessity is the mother of invention. "The leeway to economic recovery in Nigeria lies with you and I". He advised everyone present to believe in their dear motherland and think positively.

The Director of the University's centre for Business and Entrepreneurship, Dr. Hakeem Ajonbadi gave a background of the book titled *The Entrepreneur, A Book of Reading in honour of the Late Professor Sunday Oyewole Otokitı (1951-2016)*. He said learning and teaching entrepreneurship was what Professor Sunday Otokitı did all for almost all his life. He lived



entrepreneurship, talked entrepreneurship, walked entrepreneurship and died entrepreneurship. Filled with love for the late Professor, Dr Hakeem Ajonbadi said he was a man of many skills and capacities, he was able to invest in the lives of many people and left behind lots of legacies that are worthy of emulation. He elucidated that the book, *The Entrepreneur* is written in honour of the man and is produced as a resource material on the Entrepreneur and Entrepreneurship. In addition to that he said the book is divided into four volumes of fifty chapters.

Dr Ajonbadi educated everyone on the content of the book, he said that the volume one of the book was contributed by twenty one authors. The first chapter is titled *Conceptual Clarifications* by Dr O.J.K Ogundele, the second chapter on *Entrepreneurship, Entrepreneurship and Being Entrepreneurship* is a contribution from both Dr O.J.K Ogundele and F. Ijiyah of Federal Polytechnic, Bida. Chapter Three is about *Application of Entrepreneurship Resource based Theory on Business Research: A review of Literature* by T.Tadema of Kwara State Internal Revenue Service and O. Adejana of Covenant University, Ota Ogun State. Dr Issa Abdulaheem of Kwara State University contributed chapter four which is on *Theories of Entrepreneurship Marketing practices and Hair Salons' Patronage in Kwara State*. He added that chapter five was contributed by A.O.I Oyeboode of Kwara State Polytechnic, Ilorin and A. Mustapha of Kwara State University and the last chapter six was contributed by Dr N.S Alaka of Lagos State University, Ojo titled *Entrepreneurs and Information Technology*.



KW-IRS Executive Chairman exchanging pleasantry with the Prof. Gambari



Prof. Gambari with the Vice Chancellor, Prof. Na'Allah



Prof. Gambari with Ooni of Ife and other Dignitary



# A CASE STUDY OF GRASSROOTS DEMOCRACY AND THE CHALLENGES OF DEVELOPMENT IN NIGERIA

A. O. Abdulsalam, LLB. Hons. LL.M (Unilorin), BL. ACTI

## ABSTRACT

**T**he paper seeks to highlight the challenges of development associated with democratization at the grassroots level in Nigeria. The paper reviews the some basic issues in the democratization of the local government system which include the legal framework, the influence of state government and the role of party politics in the local government democracy, and the consequences of these on development initiatives at the grassroots. The findings show that the of democratic practices prevailing at the local government level in Nigeria, since 1999 is not in consonance with the general expectations of the citizens and deviate fundamentally from the constitutional ideals for achieving the desired grassroots development in the country. The paper reveals that the attitude of the state government towards local government councils, and the interference of the state in the affairs of the local governments have mainly served to limit the capacity of the local governments to effectively discharge their constitutional responsibilities to the grassroots communities. Recommendations are suggested to move the grassroots democracy forward in more responsive and effective manner.

## INTRODUCTION

Nigeria is the most populous country in Africa, with a population of 160 million, 64 percent of whom live in rural areas. In the pursuit of development at the grassroots, local government was created to provide level of measurable services to rural dwellers. In Nigeria, local government is the third tier of government whose major responsibility is to provide commensurate services to the rural dwellers. Everywhere in the world, irrespective of the system of government, local government is created to ensure efficient services at local level.

Local government as an agent of development is to use the fund made available to them by both central and state government and the internally generated revenue (IGR) to improve on the lives of the people at the grassroots within the local government council's area of operation by initiating and attracting developmental projects to the local councils such as provision of access roads, water, and rural electricity; communal services such as the construction of roads, bridges, and personal welfare in such area as education, housing, and health care service delivery system.

The importance of local government is a function of its ability to promote sense of belongingness, safety and oneness among the people. Whatever is the mode of government; local government has been essentially regarded as the path to, and guarantor of, national integration, administration and development.

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The importance of local government is a function of its ability to promote sense of belongingness, safety and oneness among the people. Whatever is the mode of government; local government has been essentially regarded as the path to, and guarantor of, national integration, administration and development.

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In line with the above the 1976 Nigerian Local Government Reform Guideline stated the principal aims of local government as follows:

- a. To make appropriate services and development activities responsible to local wishes and initiatives by developing or delegating them to local representatives bodies;
- b. To facilitate the exercise of democratic self government close to the local levels of our society, and to encourage initiative and leadership potential;
- c. To mobilize human and material resources through the involvement of members of the public in their local development;
- d. To provide a two-ways channel of communication between local communities and government (both state and federal).

From the objectives above, the essence of creating local government is to provide services using human and financial resources at its disposal to facilitate development at the grassroot. This paper therefore examines the practice of grassroot democracy, legal frame work establishing Local Government, its Constitutional functions and some of the challenges of grassroot democracy and development in Nigeria.

### **LOCAL GOVERNMENT AND GRASSROOT DEMOCRACY**

Democracy in its true meaning is synonymous with grassroots democracy. Grassroots democracy is a people/community driven participation in elections, governance and decision making. Grassroots democracy can be seen as a tendency towards designing political processes where as much decision making authority as practical is shifted to the lowest level of organization. Thus, a local government is a government at the grassroots level of administration meant for meeting peculiar grassroots need of the people. Appadorai defined the local government system as government by the popularly elected bodies charged with administrative and executive duties in matters concerning the inhabitants of a particular district or place.

Local government was further defined by Lawal as that tier of government closest to the people, "which is vested with certain powers to exercise control over the affairs of people in its domain". Local government is a system of public administration at a local level, charged with the responsibility of bringing the people at the grassroots closer to the government. The local government authorities in Nigeria operate in an atmosphere in which for reasons of high level of illiteracy, general despondency, and political disenchantment, their activities are somehow remote from media scrutiny and the watchful eyes of non-governmental organizations.

The situation is further worsened by the Constitution of the federal republic of Nigeria which places the local

government authorities under the crippling and domineering influence of the state governments that are only willing to concede limited autonomy to this tier of government.

Thus, the Nigerian Local Government system which is the third tier of government has no interactive links with the community for which it was designed and created. This has made so many people to wonder if there is grassroots democracy in Nigeria. Though the government is located at the local level, it is run by elites who are alienated from the culture of the people. Thus the local government and the communities that ought to be partners in progress have been operating at parallel lines. This has resulted in the poor performance of the local government over the years in grassroots development.

There have been several reforms over the years by the Federal Government of Nigeria aimed at stimulating self government and to encourage initiative and leadership potential at the grassroot level. The Federal government hopes that these reforms will further enshrine the principle of participatory democracy and political responsibility among all Nigerians, especially at the grassroot level. The hope of the Federal government for rapid and sustained development at the grassroot have become a mirage as successive local government councils have grossly under-perform in almost all areas of their mandate. Corruption is at the rooftop as politicians and government officials display their ill-gotten wealth in flagrant opulence.

### **CREATION OF LOCAL GOVERNMENT**

The Constitution guarantees the system of local government by democratically elected local government. The Constitution further charges every state government to ensure their existence (local government council) under a specific law which shall provide for their establishment, structure, composition, finance and functions of such councils.

The creation of every local government is further enjoined by the Constitution to the agencies charged with their establishment to define such area as clearly as practicable and also ensure, to the extent to which it may be reasonable justifiable that in defining such area. Three factors are provided by the constitution to be considered in the establishment of the local government area the common interest of the community in the area, traditional association of the community and administrative convenience.

The administration of a local government like at the State and Federal level is required to be occupied democratically. Against this backdrop, the government of every state is charged with the duty to ensure that every person who is entitle to vote or be voted for at an election to the House of Assembly shall have the right to vote or

be voted for at an election to a local government council.

## FUNCTIONS OF LOCAL GOVERNMENT

The functions of the Local Government in Nigeria is enshrined in the fourth schedule of the Constitution, these functions are as follows.

- A. The consideration and the making of recommendations to a state commission on economic planning or any similar body on;
  - i. the economic development of the state, particularly in so far as the areas of authority of the council of the state are affected, and
  - ii. proposal made by state commission or body;
- B. Collection of rates, radio and television licenses;
- C. Establishment and maintenance of cemeteries, burial ground and homes for destitute or infirm;
- D. Licensing of bicycles, trucks (other than mechanically propelled trucks) canoes, wheelbarrows and carts;
- E. Establishment, maintenance and regulation of slaughter houses, slaughter slabs, market, motor parks and public conveniences;
- F. construction and maintenance of roads, street, street lightings, drains and other public highways, parks, gardens, open spaces, or public facilities as may be prescribe from time to time by House of Assembly of a state;
- G. naming of roads and street and numbering of houses;
- H. provision and maintenance of public conveniences, sewage and refuse disposal;
- I. registration of all births, death and marriages;
- J. assessment of privately owned houses or tenements for the purpose of levying such rates as may be prescribe by the house of Assembly of a State; and
- K. control and regulations of –
  - i. outdoor advertising and hoarding
  - ii. movement and keeping of pets of all description,
  - iii. shops and kiosks,
  - iv. restaurant, bakeries and other places for sale of food to the public,
  - v. laundries, and
  - vi. licensing, regulation and control of the sale of liquor.

The functions of a Local Government council shall include participation of such council in the Government of a state in respect of the following matters-

- A. the provision and maintenance of primary, adult and vocational education;
- B. the development of agriculture and natural resources, other than the exploitation of minerals;
- C. the provision and maintenance of health services; and
- D. such other functions as may be conferred on a Local Government council by the House of Assembly of a state.

## CHALLENGES OF GRASSROOT DEMOCRACY TO THE DEVELOPMENT IN NIGERIA

### Ambiguous and inadequate Constitutional Provisions

A primary problem that plagues the effectiveness of Local Government in Nigeria is the apparent constitutional inadequacies, confusion and complexities, such as that which statutorily see authorities of local government as an appendage of the State and further that of the Federal government. There is doubt that not enough details to guarantee Local government autonomy are contained in the Constitution. States of Federation exploit these inadequacies at the expense of the local Government. However, recent judicial decisions will reveal the attitude of Court on the overbearing nature of the other tiers of government. The Supreme Court held that the National Assembly cannot validly make a law permitting direct allocation to Local Government Councils. Rather such money must be allocated to the state, which shall in turn pay same into the State Joint Local Government Account vide section 162 of the Constitution.

In other words, accountability involves an obligation to explain or justify specific actions. This is key requirement for good governance in local government Administration in general, and a system or an institution. It should be noted however, that accountability cannot be enforced without transparency, the rule of law and constitutionality.

### Accountability

Accountability means that people will be able to hold Local Government authorities responsible for public issues as it is affecting them. In other words, accountability involves an obligation to explain or justify specific actions. This is key requirement for good governance in local government Administration in general, and a system or an institution. It should be noted however, that accountability cannot be enforced without transparency, the rule of law and constitutionality.

### Inadequate Finances

The Local Government lacks the financial and human capacity to deliver on the statutory and shared responsibilities between it and the other tiers of Government. This is largely due to the incommensurate allocation that they receive from the Federal and the State Government. This is due to the fact that Local Governments make minimal input into the decision on resource allocations at about the Federal and State level.

The balance after statutory deductions are left in the coffer of the Bureau so that if any of the local government area has any need to finance any project in

the council area, they have to apply to the bureau stating the details of the project, the cost, purpose, benefits of the project to the community, the contractors that will handle the project among others. The bureau will then scrutinize the project proposal and then decide to approve or not to approve the request. Thus apart from payment of Local Government salary, the Local Council has no access to their statutory allocation from the Federal Government and in most cases they do not know how much (amount of money) was paid to the State Government as their statutory disbursement by the Federal Government.

The money is usually lumped together and shared to the LGAs according to certain criteria which include population and landmass size. The statutory deductions from the LGA statutory allocation include that of education, Staff pension, Staff training and finally salaries of LGA workers.

### Poor Leadership Qualities

Another factor hindering local governments' performance has to do with the recruitment of persons who do not possess the requisite leadership and managerial skills to deliver the gains of governance to the people. The Constitution of the Federal Republic of Nigeria makes provision that the qualification for election into offices of the chairman and councilors shall be the same as that of the election into the House of Assembly of a State. Section 106 of the Constitution puts the minimum qualification for election into the House of Assembly of a State as post primary school certificate. This entails that the average political office holder in the local government is not expected to be skilled-qualified or one vested in any discipline. This has made the local government councils dumping ground for semi-literates or a starting point for political toddlers.

### Corruption

Like every other sector, another issue that bristles the local governments' performance is corruption. Corruption eats at the fabric of any society. It is a statement of fact that in the Local Government system, corruption has become all pervading, unabashed, uncontrolled and persistent. This explains the inefficiency and ineffectiveness in local government administration in Nigeria. The system has virtually become superfluous and redundant. Some of the areas where corruption thrives in local government include the following:

- (a) Inflation of price of bought items;
- (b) Over-estimation of cost of projects;
- (c) The ghost worker syndrome;
- (d) Award of contract and subsequent abandonment; and
- (e) Outright payment of huge sums of money to political godfathers, etc.

It is important to state at this point that the high rate of

corrupt practices in the local government cannot be overemphasized, as it has over the years rendered the local government administration inactive and devoid of concrete developmental activities.

### State Influence

The overbearing influence of the states and states House of Assembly on local Government administration in Nigeria is also a hindering factor for effective performance. The question that readily comes to our minds at this point is how do we remove the Local Government Administration from the strong hold of state governments? What happens to the joint State/Local Government account? These are questions that demand immediate attention. Oviasuyi is of the opinion that one essential manner local authorities could be removed from the strong-hold of the state government is the constitutional discontinuation of the under developmental practice of joint state/ Local Government Account such that local authorities can have direct and unfettered access to their allocations. What is more, the Local Government across the country has the same structure, this would not allow for coordination, efficient and effective revenue allocation and structural uniformity that is essential in Federalism.

### Lack of continuity

Another major problem in Local Government administration in Nigeria is the lack of continuity by succeeding governments. This has become a major problem plaguing local government administration in Nigeria, as succeeding government fails to continue with the programmes and projects that are left behind by past administration. This has over the years led to economic and financial wastage as well as hindrance of development.

### Lack of free and fair election

The fact is that so long as the State Independent Electoral Commission (SIEC) conducts the election, it could be impossible for them to conduct a free and fair election. SIEC is a State Government parastatal and takes directive from the State Governor. Starting from the party primaries to the main election, the State Government will make sure by hook or crook that only their loyalist won the election. This explains the reason why it has been observed over the years that once a political party is in control of the State government, all the LGA elected Chairmen will emerge from the same party.

### CONCLUSION

This paper has examined the challenges of grassroots democracy and its challenges to the development in Nigeria. The paper shows that local government areas operate under the shadow of state government which treats them with disrespect. The LGAs councils could be dissolved without any notice, for no reason or any reason at all. The work also shows that the LGAs have weak financial leverage and high level of uncertainty of tenure of



office. Some of the challenges of grassroots democracy include the lack of constitutional provision that will guaranty local government autonomy, incessant interference in local government affairs by state government, the joint account syndrome, frequent dissolution of the local council by the state government and lack of free and fair elections at the grassroots.

These challenges have undermined the ability of the local government council to deliver on their mandate especially in the provision of social services to the rural communities. This has resulted in the abysmal performance of the local government in achieving rural development in the country.

This is more so given the current trend of incessant dissolution of Local Council by the State Government and enthronement of Caretaker Chairmen, as well as the joint account syndrome. These two scenarios have completely eroded the principles and practice of democracy at the Local Government Areas (grassroots) and firmly entrench corruption in the system. It is believed and understood that it is the Constitution of the Federal Republic of Nigeria that empowers the State Government to exercise control over the Local Government Councils.

The Section 7(1) of the 1999 constitution of the Federal Republic of Nigeria guarantees a system of local governments by democratically elected local government councils. According to Bashir and Muhammed, they further entrusted the survival of the local government councils on the shoulders of the state governments where it stated that *“the government of every state shall subject to provisions of section 8 of this constitution, ensure their existence under a law which provides for establishment, structure, composition, financing and functions of such councils”*.

Today, the State Government has used that power to render the Local Councils ineffective and a mere appendage or extension of the State Government department instead of an independent tier of government that it was meant to be. Thus, most people argued that unless this section of the Constitution which empowers the State Government to exercise control over the LGA is removed, democracy at the grassroots may never be achieved in Nigeria. Adequate provisions need to be made in the Constitution of the Federal Republic of Nigeria to cater for the independent of the Local Government Council to enhance grassroots democracy.

## RECOMMENDATIONS

Subsequence upon the various findings and submissions in this paper, the following suggestions are recommended; There is need to have an amendment in the Constitution of the Federal Republic of Nigeria particularly section 7 of the 1999 constitution which place the local government under the State Government. This change will include a provision that will make the Local Government areas autonomous and independent of the State Government.

- The Local Government areas should have a well defined tenure of office for elected officials that will be taking care of by the Constitution of the country.
- The Local Government elections should be conducted by the National Independent Electoral Commission (INEC). This will guaranty some form of fairness in the electoral process.
- The Joint Account system should be discontinued so that LGAs will have their statutory allocation directly

from source which they should account for.

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# Reforming the Nigerian Tax System

Mutiu Yekeen

**I**n developed and emerging economies of the world, taxation remains a veritable source of revenue for government to put in place necessary infrastructure and economic development initiatives. It is on that note that analysts have called for reform of the Nigerian tax system to cushion the negative economic challenges and recession currently facing the country.

The economic realities and fall in global oil prices has made Nigerian government to focus on diversification approach by reviewing the existing National Tax Policy in the country to streamline multiple taxation, tax evasion, tax incentives and waivers.

Economists have noted that there was need for tax policy review among the three tiers of government as part of the economic diversification framework. However, taxes collected in Nigeria amount to about 7% of the GDP in comparison to average of 20% common in emerging market economies.

As part of the federal government commitment to diversify the economy through its tax system, the Minister of Finance, Mrs Kemi Adeosun recently inaugurated committee to review National Tax Policy. She said government aimed at ensuring that over 87% non-oil sectors contribute their quota to the nation's revenue, adding that a review of Nigeria's tax policy would serve as a starting point towards achieving a diversified economy.

Already, the Federal Executive Council had approved a Multilateral Competent Agreement enabling government to effectively manage its tax laws and prevent tax evasion by multinational companies. Babatunde Fashola, Minister of Power, Works and Housing said the approval of new tax reform was in tandem with the government's macroeconomic policy due to dwindling oil revenue.

Economic Confidential findings revealed that the Nigerian tax system was usually reviewed every 10 years, concentrating on both tax administration and policy. Recall that these systems were treated differently until 2002 when the gap was filled with the examination of the three legs of the tripartite tax system in Nigeria, incorporating policy, laws and tax administration.

In the same vein, the issue of tax reforms in Nigeria has



evolved around eliminating or reducing tax rate for multinationals and small and medium enterprises (SMEs) in Nigeria to 25 from 45%. After series of consultation and recommendation by Professor Philip's committee, the tax rate was fixed at 30%. The committee recommended that the government need a policy framework to drive Nigeria's tax policy which eventually gave birth to the current National Tax Policy document that all tax agencies in the country must follow.

The document forbids state and local governments to introduce their own series of taxes as the law already prescribed the type of taxes to be collected by all levels of government. Federal government has about seven; states with 13 and local government council with 21 taxes and levies. However, there are series of complaints from manufacturers and major stakeholders on the issue of multiple taxations which has lingered for sometime now despite the current regime of National Tax Policy. In 2012 alone, some states had over 69 taxes on their desks.

Similarly, local government had the worst case in the collection of taxes which contributed to the challenges currently facing multinational companies in Nigeria. Multiple taxations at the state, local and federal level has made many firms relocate to other African countries with efficient tax policies. The current hyperinflation facing the commodity market has been traced to multiple taxes and lack of policy framework to control tax agencies of government at various levels.

Experts have called for a review of the Nigeria tax system, which according to them collects pointedly below what it could. The president of the Chartered Institute of

Taxation of Nigeria, Olateju Somorin, said the tax gap in the tax system should be filled for the nation to make development progress in the face of lack of infrastructure nationwide. She said: "A review of some tax laws has become overdue. Sustainable economic growth cannot be attained without the review of the obsolete laws and tax rates in consonance with macroeconomic objectives and efficient tax administration machinery.

Our tax system must be well structured, such that the framework of tax exemptions, tax incentives and waivers are streamlined." Also, an expert in the industry, Anthony Chidolue Dike, said that Nigerian economy must be weaned off oil taxes to a steady change to indirect taxes in non-oil industries so as to bring the informal economy into the tax system. However, the director general of the Lagos Chamber of Commerce, Muda Yusuf said the company tax and the heavy burden of multiple taxes and levies on companies in the country must be reduced to bring the nation out of the current recession. Value Added Tax (VAT) is an aspect of the taxes paid by general public in the process of purchasing commodities in the market.

The Nigeria's sales rate, besides company taxes, oil taxes, non-oil sector revenue is currently fixed at 5%. However, other African countries VAT are higher than what obtains in the country. For instance, South Africa has 14% VAT, Namibia with 15%, Mozambique has 17% VAT and it is 18% in Rwanda. According to the International Monetary Fund's recommendation for the nation's economy, an increase of VAT to 7.5% was suggested and expansion of tax base and reinforcing tax administration as an

economic diversification attempt from oil.

Economists have stated that the current tax system favoured the rich over the poor when compared to developed nations. Majority of taxes are related to corporate and VAT while property tax that affect the rich are not effectively manned by the agencies in charge of tax collection including the Federal Inland Revenue Service (FIRS). Analysts have called on government to introduce technology-based tax reforms to expand the tax base while advancing the revenue collection systems for the nation.

The use of electronic tax returns for all income earners would also help the nation generate more revenue to effectively manage the economy and provide infrastructures that will create jobs for teeming Nigeria unemployed graduates. The way out is for the Nigeria tax system to be reformed such that affluent people with many properties and luxuries are made to pay more taxes and focus shifted to non-oil sector.

**“**  
*Reformation of the Nigerian tax system towards a technology-driven system with the help of national assembly in passing required bills for the reform would help the nation achieving economic diversification away from the oil revenue.*  
**”**

In that line the electronic tax returns will enable government collect taxes in the most easiest, safest and fastest way than the current traditional approach. Reformation of the Nigerian tax system towards a technology-driven system with the help of national assembly in passing required bills for the reform would help the nation achieving economic diversification away from the oil revenue.

*Read more at:*  
<https://economicconfidential.com/features/reforming-nigerian-tax-system/>



# Taxpreneurship:

## Tax Tips for Entrepreneurs

**E**ntrepreneurship continues to be relevant for economic development of all nations, Nigeria is no exception. As an agency of government, the Kwara State Internal Revenue Service (KW-IRS) is committed to support entrepreneurs by creating and sustaining an enabling environment. Increased economic activity and employment contributes to the success of the Revenue Service. As such we have continued to work with that in mind and accommodated Employment, Enterprise and Empowerment as three (3) out of the five (5) Es of our Community Impact Program (CIP).

There are administrative requirements involved for entrepreneurs to fulfil their civic responsibilities. Here are a few tips to help you stay on the right side of the law.

Entrepreneurs, especially those who are familiar with the process of the formal sector are used to the appropriate taxes being deducted automatically before being paid net salary. As entrepreneur, you must however remember to make appropriate payments either as Pay-As-You-Earn (PAYE) if your firm has up to 5 workers or as Personal Income Tax (PIT) if it does not. The best way to do this would be to **always remember to set aside at various times an amount which would total your estimated taxes.** This could be monthly or quarterly. This way, you would not have to look for the full annual cost at once.

Are you afraid you would end up spending the amount you've set aside? Take advantage of the fact that Kwara State Internal Revenue Service (KW-IRS) allows you to **make multiple payments to make up the annual liability.**

Exactly how do you figure out how much to set aside? This takes us to the next set of tips which include that you need to **seek assistance.** It is realised that entrepreneurship usually requires that you do so many things yourself and acquire basic skills in many areas. However, when it comes to taxes, it is best to seek guidance. So if you are unable to estimate the taxes due just go online and do a self assessment or get representation from a professional, this would however be at a cost. Better still, you could walk into any of the tax offices and you would be advised appropriately, at no cost!

Also with regards to how much you may have to pay is which taxes are due. PIT, business permit, land charge,

Whether you are doing it yourself, getting representation or coming to KW-IRS, you need to **know the basics.** This includes knowing who you pay what to. If you are an enterprise then you should pay to the State IRS and if you are a limited liability company then you have to pay Company Income Tax (CIT) and charge Value Added Tax (VAT) and remit appropriately both to the Federal Inland Revenue Service (FIRS).

tenement rate, etc. Again, don't keep quite. Ask! In order to calculate these correctly, you must **keep honest and accurate records and make them available.**

To support the tip above is that you need to help us help you by always ensuring that you **separate your personal and business accounts.** You run the risk of forgetting which is for which and end up costing yourself more money in taxes. To top that off, if you are getting representation from a professional, you may even incur more cost as he tries to separate your account to prepare your taxes.

Whether you are doing it yourself, getting representation or coming to KW-IRS, you need to **know the basics.** This includes knowing who you pay what to. If you are an enterprise then you should pay to the State IRS and if you are a limited liability company then you have to pay Company Income Tax (CIT) and charge Value Added Tax (VAT) and remit appropriately both to the Federal Inland Revenue Service (FIRS). Did you know that when you work with Government agencies they are required to deduct development levy, withholding tax and VAT and remit appropriately?

Lastly, **the time to do the right thing is now.** Do not procrastinate and do it accurately. Even if you have not made profits, even if you have not completed your payments, you must file your returns as at when due and make appropriate arrangements with KW-IRS on your payment plan.

**Muritala Awodun, PhD**  
Executive Chairman,  
Kwara State Internal Revenue Service



# Alhaji Saad Alawaye

## President, Kwara State Artisan Congress

**A**lhaji Saad Alawaye was born on 13th April 1964 to the family of the Mogaji of Alawaye Compound, Alhaji Aminulahi Alawaye and Alhaja Idowu Alawaye of Pakata area of Ilorin West Local Government of Kwara State. At his early age he attended a Quranic school to learn about Islamic religion and later proceeded to Adeta primary school till 1974. Unfortunately, the young man in his prime could not further to secondary school because of financial constraints that made his parents send him to a local vocational training centre to learn welding and finished his internship in 1979.

His quest for formal education made him to attend adult classes to learn how to read and write. Also, to broaden his knowledge in Quran, he attended Arabic and Islamic studies at Ile Agbade in Ilorin, Kwara State between 1984 and 1985.

After he graduated from the Quran School, the zealous young man who knew it was time for him to earn a living established a welding workshop where he also trained young people about welding. With some savings, the hardworking man bought himself a taxi to increase his earnings and joined an association called Nigeria Association of Transport Owners (NATO) and served as the vice president of Kwara State Chapter between 1992-1995. After this portfolio, he became the Public Relation Officer (PRO) of Blacksmith, Welder and Iron Bender in 1993 and served in that capacity till 2005.

In 2011, he became the Kwara State President of Blacksmith,

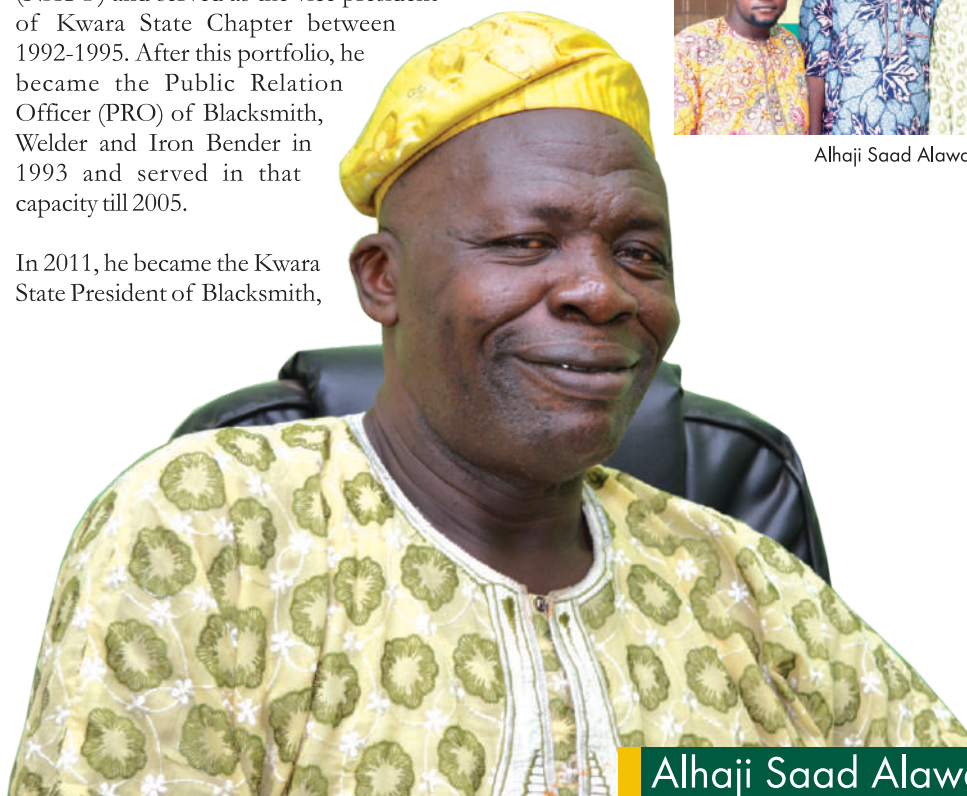
Welder and Iron Bender during his tenure he was opportune to be appointed as the caretaker National Vice President of the association between 2014-2015. Alhaji Saad Alawaye's hard work and selfless service earned him the post of adviser to the National Association of Blacksmith, Welder and Iron Bender. In 2013-2017, he was elected as the vice president of Kwara State Artisan Congress.

Alhaji Saad Alawaye's is the current President of Kwara State Artisan Congress. He is happily married with two wives, six children and two grandchildren.

Alhaji Saad Alawaye is the tax personality for the month of June for his support and advocacy towards all artisan voluntary compliance to Personal Income Tax and Trade Permit payment.



Alhaji Saad Alawaye with some of his executives



**Alhaji Saad Alawaye**





[www.kw-irs.com](http://www.kw-irs.com)

# With my petty trade, I am tax compliant. I pay my Tax

Small shop owners, kiosk owners, motorcycle riders, taxi drivers should be tax compliant in supporting the State Government for a better environment.



**KW-IRS**  
KWARA STATE INTERNAL REVENUE SERVICE

PLAY YOUR PART  
PAY YOUR  
**TAX**



# DIETS FOR DIABETES

Farida Bamidele

**D**iabetes often referred to by doctors as diabetes mellitus, is an illness that consists of high and abnormal sugar levels in the body. The body of a person with diabetes cannot produce or properly use insulin which is needed to keep blood sugar from going too high. Diabetes comes in two forms which is Type 1 and Type 2 Diabetes.

A healthy diet can make it easier for blood sugar levels to be controlled by balancing meals with a healthy amount of carbohydrates, protein and healthy fats. A simple diabetes diet can help reduce fat, bring blood glucose levels under control and help an individual to become healthier overall.

When looking for healthy diabetic meals, you should be looking for meals that do not affect blood sugar. Such meals are types that are beneficial and healthy for people with the major types of diabetes i.e. Type 1 diabetes, Type 2 diabetes. For diabetics, a class of food is best avoided at all cost and should only be taken in little quantities. That class of food is carbohydrate. This is because when carbohydrate is ingested by diabetics, it's converted to sugar and we all know sugar is an enemy to people with diabetes. It could be really hard getting rid of all the carbohydrates in the foods but it's recommended to get rid of most (not all) to maintain a normal blood sugar level. All classes of foods are recommended for diabetics which includes; Protein, Vitamins and minerals which is needed in macro quantity and Fat & Carbohydrate (which is needed in minute quantity).

The good thing about protein and fat/oil is that, it slows down the conversion of food to blood sugar especially if you're still eating carbohydrates.

Some of the healthy meals for diabetes are; whole beans, akara, moi-moi, plain okra soup with wheat meal or unripe plantain fufu, fruits with low glycemic index, leafy green vegetables, whole grains, kunun aya, eggs, unsweetened yoghurt, oils, grilled fish with salad, poultry, boiled unripe plantain with sauce and fish, unripe plantain porridge, water e.t.c.

## How to make unripe plantain porridge

**Preparation Time:** 20 mins

**Cook time:** 45 mins

**Serves:** 2

### Ingredients:

3 Green unripe plantains

1 onion

1 tbsp. Chili/ Cameroon Pepper, or 2 fresh Scotch Bonnets (Ata rodo), Grated/Ground.

A handful scent leaves (Efinrin)/ Ugwu

2 Medium sized smoked fish/ Fresh fish

1 Cooking spoon Palmoil

2 seasoning cubes

1 Cooking Spoon Crayfish, Ground

1 tsp. Salt

Water



## Preparation

Wash and chop the Scent leaves - Set Aside.

If you are using fresh fish, remove the intestines and wash thoroughly. If you are using smoked fish like the one used in this recipe, gently open and remove the bones, rinse and set aside.

Wash the unripe plantains, Remove the green skin and cut into bits - Set Aside

## Directions

**Step 1:** Place the washed fish in a medium sized pot. Add the grated/ground pepper, Part of the chopped onion, seasoning and salt to taste. Add just enough water to cover the content of the pot and steam for 5 mins. If you are using fresh fish, scoop it out into a separate dish and set aside. If you are using smoked fish, leave the fish in the stock and move to step 2.

**Step 2:** Gently add the chopped plantain into the fish stock. Add just enough water to cover the plantain in the pot, the remaining chopped onion, crayfish and palm oil. Check for salt and seasoning if need be. Cook for about 35-40 minutes till it softens.

**Step 3:** Once the liquid in the pot reduces, turn the burner to the lowest. Plantain porridge tastes better if it's got more of the porridge part in it. To get more of that part, you could mash up the plantains a little bit in the pot.

**Step 4:** At this point, add your cooked fresh fish and chopped Scent leaves and leave to simmer further on low heat for 5 mins.

Turn off the burner and serve.

## References

<http://www.medicalnewstoday.com/info/diabetes>

<http://www.dobbyssignature.com/2016/11/10-healthy-food-choices-for-diabetes.html>



# CROSSWORD PUZZLE

By: Fatimah Jaji

## TAX TERMINOLOGIES

I	B	B	Y	N	O	M	I	L	A	R	E	P	S
I	X	H	A	E	E	R	A	F	L	E	W	R	T
R	T	E	S	O	G	A	T	N	O	C	S	E	R
I	T	P	P	O	U	C	T	I	P	D	S	M	A
O	A	O	R	P	U	R	T	C	N	U	T	I	D
L	E	A	A	W	E	E	A	B	I	O	O	U	D
P	N	A	X	S	I	T	U	S	T	E	C	M	L
R	G	B	L	I	B	O	R	I	E	D	K	R	E
O	M	C	O	M	P	E	N	S	A	T	I	O	N
X	E	G	N	E	T	W	O	R	T	H	O	T	D
Y	R	S	A	E	X	P	A	T	R	I	A	T	E
R	G	M	G	L	C	O	N	D	U	I	T	L	O
A	E	R	A	O	D	E	B	E	N	T	U	R	E
A	R	T	R	U	S	T	E	E	A	S	D	P	K

Search up, down, forward, backward and diagonal to find the hidden tax terminologies

SITUS  
LAPSE  
EXPATRIATE  
ALIMONY  
STOCK  
COMPENSATION  
CONTAGO

CONDUIT  
NETWORTH  
DEBENTURE  
LIBOR  
MERGER  
STRADDLE  
PROXY

TRUSTEE  
PREMIUM  
GAAP  
WELFARE

Send your solutions, your name and phone number via email to [press@kw-irs.com](mailto:press@kw-irs.com) with the subject: Puzzle Solution to Volume 3 Issue 19

## Solution to Kwareve News Issue 18 Crossword Puzzle

X	E	D	X	N	P	Z	B	W	M	D	A	C	I	B	M	U	E	M	G
E	L	E	O	P	L	B	D	U	O	E	Z	S	O	N	I	G	D	E	H
G	B	F	Y	B	T	F	W	A	R	R	A	N	T	S	Z	F	U	Q	G
A	A	C	Q	R	Z	Z	S	K	R	G	J	C	O	U	P	O	N		
R	C	C	N	D	U	C	G	Z	C	Y	X	V	G	N	B	Q	M	E	I
T	O	B	Y	L	M	X	I	Q	A	D	T	A	H	K	R	X	Y	E	
I	V	E	V	Q	B	S	R	H	J	T	R	K	O	R	C	F	R	L	E
B	E	N	L	W	O	Q	E	Q	O	I	D	N	E	G	E	F	B	Z	V
R	R	C	O	I	C	H	M	Q	A	V	X	S	N	K	A	V	B	A	
A	I	Y	S	V	D	E	U	W	D	E	R	K	D	S	T	L	B	Z	E
O	Y	C	N	E	U	Q	I	L	L	D	B	I	N	X	A	A	B		
X	V	Z	I	F	X	N	E	P	M	P	I	G	U	V	R	M	E	P	
Q	L	I	C	W	D	R	C	M	J	F	Q	Y	Q	P	Z	E	R	A	
O	G	D	Z	D	J	Y	A	C	R	X	E	K	A	M	V	M	U	N	L
P	U	R	J	U	E	B	T	E	N	S	Q	W	B	C	H	L	G	T	
A	P	E	P	C	F	G	L	L	I	Q	U	I	D	A	T	I	O	N	I
E	X	C	L	C	S	O	T	R	V	C	R	C	Q	K	O	M	F	O	
C	X	Q	I	A	E	C	N	A	I	L	P	M	O	C	Y	S	P	M	N
E	P	K	L	R	E	X	E	M	P	T	I	O	N	S	Z	C	K	E	P
E	W	H	E	Y	V	O	L	U	N	T	A	R	Y	U	H	E	K	W	S

INSOLVENCY  
DEFICIENCY  
EQUITABLE  
GARNISHMENT  
LIQUIDATION  
REVOCABLE  
WARRANTS  
ARBITRAGE  
DELINQUENCY  
EXEMPTIONS  
HEDGING  
MERGER  
VOLUNTARY  
COUPON  
EXPENDITURE  
DERIVATIVE  
FIDUCIARY  
LAPSE  
REMUNERATION  
COMPLIANCE



## OLANIKE AKINYELE



Olanike Akinyele a staff of the Directorate of Property Tax has been nominated as deserving the hall of fame spotlight for the month of June, 2017. Olanike a revenue collector in the Residential Unit of Ilorin West displays a high level of commitment, courage and politeness in the discharge of her duties.

She is hardworking, a fast learner, humble, enthusiastic, passionate, intelligent, bold, and above all always cheerful. Olanike is meticulous despite the immense pressure for urgency under the Property Tax Directorate where she works.

The entire Kwareve Team congratulates you.

# Taxpedia

Abdulwahab Fareedah

## PROGRESSIVE TAX

A progressive tax is a tax which the rate increases as the taxable amount increases. The term 'progressive' refers to the way the tax rate progresses from low to high, with the result that a taxpayer's average tax rate is less than the person's marginal tax rate.

Progressive tax are imposed in an attempt to reduce the tax incidence of people with a lower ability the tax incidence of people with a lower ability to pay, as such taxes shift the incidence increasingly to those with a higher ability to pay. The opposite of a progressive tax is a regressive tax.

A progressive income tax system is economical, productive, and flexible. Almost every country uses progressive tax system to collect tax from her citizens.

### Reference

Somorin, Teju (2015) A Concise Review of Different Tax Types, Chartered Institute of Taxation Nigeria. (CITN), CITN - TEJU TAX No 2

# Team Work Is Key to Our Success In Kwara State Internal Revenue Service, (KW-IRS)

## - Dr Awodun

Bolaji Abdullahi

**T**he first four months in 2017 came and gone but left the Kwara State Internal Revenue Service, KW-IRS making history by amassing more than 7.5 Billion Naira as revenue, surpassing the total amount realized in the whole of 2015 prior to the inception of the service. The record wouldn't have been achieved without consistency in operations by all concern advocates of progress of the organization. However, as much as the efforts being put in place so far in actualizing these feat, it wouldn't take away the fact that the year is far from over as there are still significant hurdles to cross to realize the 34 Billion Naira target for the year 2017. It also wouldn't take away the fact that there are still several loop holes to fill, some strategies be readdressed for more efficiency in turning around activities, some ethics be observed appropriately and effectively and so on.

Given critical reports of activities, present performance and projection of plans is paramount to us as a people. The strategy put in place is how to get things done irrespective of challenges we go through realizing our dream as we all are not privy to the knowledge of taxation and the system in the organization. These were the admonitions by the Executive Chairman, Dr Awodun at the monthly field feedback training session of the service. He however expressed and reiterated on what must be done to maintain the standard which the service began with, even though there will always be some hiccups but our strength and focus should suffice to upturn challenges. He also encouraged everyone to emulate the Informal Sector Directorate whom at the beginning of 2016 were challenged for their insubstantial performance in revenue generation, instead rose to the challenge and delivered profusely to earn themselves the Directorate of the year award. Such 'can do spirit' which motivated the Informal Sector in 2016, at this juncture of the service's operation, should be inconsequential to the staff to adopt in delivering their results.



Director, Informal Sector, Mr Segun Olaniyi



Director, Property and Tenements, Alh. Iyabo Abubakar



Executive Chairman, KW-IRS, Dr Muritala Awodun



Director, Legal & Enforcement, Barr. Okandeji





Director, HNI & Corporate Alh. Nuhu Olaide



Asst. Director, MDAs, Mrs Omolara Ojulari



Barr. Lukman Mustapha



Mrs Memunat Amasa



Cross section of Staff at the Field Feed Back

Activities of the previous month were displayed by the collecting Directorates and performances were evaluated as usual by the Executive Chairman starting with the Informal Sector by revisiting the lay down template that has been working for the Directorate since inception that, at this crucial stage in the organisation, such process should not be taking with levity if targets at the end of the year are to be met. He asked the Directorate to re-strategize their activities and leverage on what works for them in collection process.

The Directorate of Ministries Department and Agency MDA's believed there are some ministries whose collectibles is based on capital projects are giving the Directorate some setbacks in mobilizing its revenue due to lack of execution of capital projects by those ministries. In other words, in the absence of capital projects, MDA's is short and hound off significant figures to remit to the revenue purse. The Executive

Chairman in his response to the performance of the MDA's, stated how unpleasant the result of the Directorate is in the last couple of months and urged them to revisit the drawing board and design a blueprint that will improve their collection in coming months and maybe introduce some enforcements to be able to mobilize revenue in time and also carry out thorough monitoring of the respective ministries whose performances seem infinitesimal.

The High Net worth Individual and Corporate Directorate expressed the difficulty they face regarding direct assessment of some clients even after some restructuring in the Directorate exist solely to get the problem solved. The Director HNI, Alhaji Laide Muhammad gave assurances that there will be rapid improvement in their operations and that will reflect in their performances in coming months.

The training session was concluded with the recognition of



Cross section of Staff at the Field Feed Back



outstanding Directorates whose input is remarkable and worthy. The month of April recognised the Directorate of Tax Assessment & Audit as the best. TAA Directorate had changed the face of assessment as well as improved its technical process to carry out its functions. The Directorate has also been able to increase the figure of customer capture for other concerned Directorates they support to carry out their operations appropriately. The HNI Directorate was named the best Directorate of the month of May. The Directorate is pronounced the best for the third time in 2017, haven received the accolade twice earlier in the year.

Lastly at the Field Feedback Training Session, the KW-IRS Football Team didn't go without recognition for their outstanding performance in a four team tournament they won on 22<sup>nd</sup> April, 2017 at the Kwara Football Academy Playing ground. The tournament was played between Excel All Stars, Nigerian Association of Medical Doctors, Gtbank and Kwara State Internal Revenue Service Football teams. Kw-irs football team dedicated the victory and presented the trophy to the Executive Chairman, Dr Awodun for his contributions and support to the team.



Cross section of Staff at the Field Feed Back



Presentation of Trophy to the Executive Chairman by the Head, Internal Audit



Cross section of Staff at the Field Feed Back



Cross section of Staff at the Field Feed Back



# HEAR ME OUT

A column just for you! Views to air, concerns to voice, questions to ask? Let's hear you out.

Hello,  
Please, I want to apply for my citizenship certificate and I went to the bank to make my payment and there was issue when I got to the café that I had to make an online payment which amounts to making payment twice.  
ANONYMOUS

Hello, anonymous  
Please be informed that registration of the citizenship certificate is not difficult. Payments are not to be made to any bank. Payments are only made online with your ATM card.  
Thank you

Hello,  
I want to know why I'm been charged to pay water rate when I don't even make use of the water provided by the government.  
ANONYMOUS

Hello, anonymous  
By law, the government have the power to levy general water rate in respect of tenants or persons. The corporation in charge of collection in any area with the approval of the government direct that there shall be levy and paid a general water rate of an amount and assessed in the manner hereafter described that every person of any class of 18 years of age and over resident in such area shall pay annually such sum as general water rate as the order may prescribe.

## ADVERT RATES

Positions	Amount
Back Cover	N500,000
Inner Back Cover	N350,000
Inner Front Cover	N350,000
Pre-Editorial	N300,000
Double Spread	N450,000
Full Page (ROP)	N250,000
Half Page (ROP)	N150,000
Quarter Page (ROP)	N80,000



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and sent to [press@kw-irs.com](mailto:press@kw-irs.com)

### Readers' Feedback



We are committed to continually improving KWAREVE News, your foremost Kwara State Internal Revenue Service In-house Magazine.

Kindly give us your feedback on how we can serve you better.

CONTENT	<input type="text"/>
LAYOUT/DESIGN	<input type="text"/>
PRINT QUALITY	<input type="text"/>
ANY OTHER SUGGESTION	<input type="text"/>

Note: kindly fill and cut-out the completed form and scan or snap, then send via email to [press@kw-irs.com](mailto:press@kw-irs.com)





# KW-IRS

KWARA STATE INTERNAL REVENUE SERVICE

Hereby advise the general public to pay their taxes, levies and rates to the following **Kwara State IGR Accounts** only at any branch of the respective banks listed below

LIST OF IGR COLLECTION ACCOUNTS		
S/N	BANK NAME	ACCOUNT NUMBER
1	DIAMOND BANK	0072365510
2	ACCESS BANK	0004063946
3	ECOBANK	4822068065
4	FCMB	0897529151
5	FIDELITY BANK	5030063684
6	FIRST BANK	2029378380
7	GTB	0034886758
8	HERITAGE BANK	6003071503
9	SKYE BANK	1790106140
10	STANBIC IBTC BANK	9201637207
11	STERLING BANK	0049380670
12	UBA	1019295290
13	UNION BANK	0018799797
14	UNITY BANK	0025014446
15	WEMA BANK	0122584028
16	ZENITH BANK	1010522867
17	KEYSTONE BANK	6010010789
18	JAIZ BANK	0002241278

	BANK	ACCOUNT NAME	ACCOUNT NO
TSA ACCOUNT	GTB	KWARA STATE CENTRAL REVENUE COLLECTION ACCOUNT	0199648356

*Signed:*

**Muritala Awodun, PhD**

*Executive Chairman*

KWARA STATE INTERNAL REVENUE SERVICE

Corporate Head Office: 27 Ahmadu Bello Way, Ilorin Kwara State

Email: [info@kw-irs.com](mailto:info@kw-irs.com)

Website: [www.kw-irs.com](http://www.kw-irs.com)

Telephone: 0700MYKWIRS (07006959477)

Mobilizing Revenue for the Strategic Development of Kwara State

# PHOTO NEWS



Association of Global Private Transporters of Nigeria, Ilorin Chapter



African Students Union Parliament presents Icon of Nation Building Award to Dr Muritala Awodun, Executive Chairman, KWIRS



## KWAREVE News

### Guidelines for Contributions

#### Subject Matter

Kwareve News is a monthly publication of the Kwara State Internal Revenue Service. Articles on revenue and expenditure may be accepted for publication in Kwareve News. Articles on Tax Law, Policy and Administration are especially welcome.

#### Format

- All articles sent should include the full name of the writer(s) with the first name first. A one paragraph bio-data including organisational affiliations of the writer(s) must also be included.
- All articles must be sent as an attached Word document file.
- Articles should be written in size 12 of Garamond font on a digital A4 sized paper.
- Text should have at least 1.5 line spacing.
- All pages must be paginated and fully justified.
- Where images are involved, they should be pasted within text where appropriate as well as

attached individually as .jpg or .png files. Images attached must be not less than 300 resolution and 2MB.

- Figures, tables, charts, graphs, photographs, etc must be consecutively labelled.
- Submissions must be limited to **3 pages** (including tables, charts, pictures, etc).

#### Referencing

- All contents (text, diagrams, tables, images, etc) **must not be plagiarised**.
- All contents must be properly references, both in-text and end of text.
- References or bibliography are acceptable.
- The required style is the APA.

#### Submission

Submissions should be sent to [press@kw-irs.com](mailto:press@kw-irs.com)



# Withholding Tax (WHT) Administration



**W**ithholding Tax (WHT) is an advance payment of income tax. In principle, it is a payment for the ultimate income tax liability of the taxpayer or company. It is not a separate tax and does not confer an exemption from the filing of yearly tax returns by the company which suffered WHT. The tax is deducted at source when a payment is to be made to the beneficiary.

The rate of tax applicable to the various goods and services is provided in later parts of this paper. The introduction of the WHT regime came about to address the problem of tax evasion although, there is the overriding objective of full disclosure, transparency, predictability and fairness. In the light of these objectives and bearing in mind that the tax is intended as an advance payment of tax, its operation should always be optimised to ensure that taxpayers are not overtaxed and Government does not lose revenue.

## Applicable Tax Law

Withholding Tax (WHT) is not a distinct tax type and therefore has no legislation of its own. It is only a mechanism for the collection of other taxes. Consequently, its application is provided for in the enabling law of other tax types i.e. Section 81 of Company Income Tax Act, Section 54 of Petroleum Profit Tax Act, Section 73 of Personal Income Tax Act and Section 13 of Value Added Tax (VAT) Act.

## Tax coverage and income subject to WHT

It seeks to collect taxes that may have been lost through evasion and/or avoidance. It is to ensure that taxpayers are correctly taxed but it must be understood that transactions that are ordinarily not liable to tax in Nigeria are also not liable to WHT; thus, contracts and supplies of goods and services performed entirely outside Nigeria by non-resident taxpayers will not be liable to WHT. The residence of the taxpayer is not relevant for determining liability to tax or the application of WHT, but it is important to consider whether the provider/supplier of the goods or services is liable to tax.

**Rents:** This includes rental income on both real and personal property. As a general rule, income on a property (rent, hire or lease payments or rights (royalties) situated in Nigeria is liable to tax in Nigeria, the place of payment notwithstanding. Where a person rents or hires property/services from another, WHT at the rate of 10 per cent will apply. But where a person provides services to another for e.g. air/land transport service, using its own equipment/facilities, the transaction becomes a contract of services rather than rental or hire.

“

*In principle, it is a payment for the ultimate income tax liability of the taxpayer or company. It is not a separate tax and does not confer an exemption from the filing of yearly tax returns by the company which suffered WHT.*

”

**Interest:** This is income from investments of every kind. WHT is applicable to income from government securities and income from bonds or Treasury bills. Interest on loans paid by a Nigerian company is often not subject to WHT.

**Dividends:** Refer to income from shares. The income is subject to tax whether it is received by a Nigeria company or a non-resident company. The tax imposed is regarded as final tax, but corporate bodies are allowed to recoup WHT deduction where the dividend is to be redistributed as Franked Investment Income (FII). The Petroleum Profit Tax Act (PPTA) however exempts dividends payable by oil producing companies on petroleum operations from WHT imposition.

**Royalty:** Refers to unearned income which accrues to the owner from past endeavors. Permission must be obtained before it can be used. It is payment of any kind as a consideration for the use of or the right to use any patent, trade mark or right/Consultancy/professional/management/technical services-These are specialised services rendered by persons with the required knowledge and skills. The mere fact that services are provided by a company which has consultancy as part of its name does not by itself render such service as consultancy. The real content of the services being provided must be examined and if it amounts to a consultancy service, then the appropriate rate would apply; the same treatment applies to professional/management services. For instance, if an engineering company is carrying out a construction activity, the proper classification for the services would be "construction" as opposed to professional/technical services; similarly, the use of industrial machinery/equipment to provide a service does not render it to be "technical" because the industry position requires that only arrangements that involve a transfer of technology should be classified as technical.

All types of contracts and arrangements, other than sale and purchase of goods and property. This classification is wide enough to capture every transaction, other than outright purchase/sale of goods and property. The revenue holds the view that majority of the activities carried on in the oil industry are done by way of contractions, and should properly fall under this category. The issue of contracts and transactions, not being conducted in the ordinary course of business has over the years been subjected to series of reviews and amendments, aimed at improving the WHT system to achieve efficiency as well as minimise the cost of doing business.

The aim of WHT is not to compound the problems of producers, manufacturers and those engaged in any activity, other than services. The definition of manufacturing activate as contained in the FIRS information circular No. 2002 appears to have further

generated more controversy than expected. The following classification will assist in the understanding of circumstances where WHT will apply in relation to any production activity.

#### **Where there is a dual relationship between parties in a business transaction**

An example of this contract is where a manufacturer/producer require raw materials from a supplier for its production. This is dual relationship between both parties and the transaction will not be liable to WHT. E.g., a farmer supplies groundnut to a manufacturer of groundnut oil; a manufacturer of glass supplies bottles to a bottling company or soft drink manufacturer or an oil marking company supplies diesel direct to a user.

#### **Where there is a tripartite relationship between parties in a transaction**

In a tripartite contract relationship involving a manufacturer, supplier and agent, there could be either two options, depending on the level of financial arrangement. For example, where manufacturer A, engages agent C to procure or source for raw materials from supplier, B, for his production line, there is a tripartite arrangement here. There is nothing preventing manufacturer, A from dealing directly with supplier B to achieve a dual contract relationship.

- a) If agent C is mobilised by manufacturer B with fund to source for materials for its operation, there will be need to segregate the service cost from the entire contraction, and only the service component will be liable to WHT.
- b) If the agent, C, finances the sourcing of the raw materials for Manufacturer A, the entire contract value will be liable to WHT at the time of payment.

#### **Where a manufacturer delivers its normal products to its distributors and dealers for sale**

In this situation, the income accruing to the manufacturer will not be liable to WHT as it is regarded as transaction in the ordinary course of business, but the commission earned by the distributors/dealers will be subjected to WHT.

#### **Agency transactions and arrangements**

Agency arrangement implies a contract between a principal and agent. The reward for services by the agent is commission, which is subject to WHT of 10 per cent.

However, if the principal is a non-resident, any sales proceeds from the arrangement will attract five per cent WHT, where any of the conditions in Section 26(1) (b) of CITA holds.

The organisations making the payments are required to withhold tax from such payments and pay over the withheld amounts to their respective relevant tax



authorities within 30 days of receipt of payment or credit by the person or entity suffering the tax.

The relevant tax authorities to receive the WHT tax transactions made by companies is FIRS and for individuals and unincorporated bodies subject to rules of residence is SIRS or FIRS.

### Person liable to deduct WHT

The payer of WHT for any activity under this tax shall include company (corporate or non-corporate), government Ministries and Department, Parastatals, statutory bodies, institutions and other established organisation approved for the operations of Pay As you Earn System (PAYE).

### Who is taxable?

- All persons, companies etc. who's incomes are liable to income tax, are subject to Withholding Tax.
- However, exempt entities, such as educational institutions, Government Ministries, Parastatals and other Agencies of government, are agents for the collection of WHT. They are required to deduct WHT on any payment made to a taxable body and remit same to the relevant tax authority.

### WHT implication on foreign transactions

#### Non-resident companies/enterprises

The revenue practice is that non-resident companies are not empowered to deduct any type of WHT. These categories of enterprises are practically outside the regulatory monitoring and control of the FIRS. It will be impracticable for revenue office to inspect the accounting books of these companies to confirm due deduction and remittance of WHT.

#### Double Taxation Agreement (DTA)

Transactions that are ordinarily not liable to tax in Nigeria are not liable to WHT in Nigeria. Thus contracts and supplies of goods and services performed entirely outside Nigeria by non-resident individuals are not liable to WHT. Nigeria has treaty agreements with about eight countries and these countries are granted a reduced rate of WHT deduction, usually at 75 per cent of the generally applicable WHT rate. 7.5 per cent. These countries include UK, Northern Ireland, Canada, France, Belgium, the Netherlands, Pakistan and Romania.

### Permanent Establishment (PE) principle under Nigeria's taxation

The rules construe a PE where:

- The company has a 'fixed base' in Nigeria.
- The company operates in Nigeria through a dependent agent authorised to conclude contracts or deliver goods on its behalf,

- The company is executing a turnkey project in Nigeria, or
- The operation between the company and its Nigeria affiliate does not appear to be at arm's length.
- Fixed base' implies some degree of permanence and will include:
  - Facilities, such as a factory, office, branch, mine, oil or gas well
  - Activities, such as building, construction, assembly or installation
- Provision of services in connection with the activities listed above.

*The payer of WHT for any activity under this tax shall include company (corporate or non-corporate), government Ministries and Department, Parastatals, statutory bodies, institutions and other established organisation approved for the operations of Pay As you Earn System (PAYE).*

### Principles of PE

- The rules construe a Permanent Establishment where:
  - The company has a 'fixed base' in Nigeria.
  - The company operate in Nigeria through a dependent agent authorised to conclude contracts or deliver goods on its behalf,
  - The company is executing a turnkey project in Nigeria, or
  - The operation between the company and its Nigeria affiliate does not appear to be at arm's length.

'Fixed base' implies some degree of permanence and will include: Facilities, such as a factory, office, branch, mine, oil or gas well Activities, such as building, construction, assembly or installation, provision of services based on the above-listed activities.

### Other types of income not liable to WHT

- Companies operating within the Free Trade Zones/Export Processing Zones.
- Insurance premium.
- Turnover/income from dealership or distributive trade
- Telephone bills are not subject to WHT.

### Application of WHT

Sections of CITA and PITA that provide for the deduction of withholding tax at the applicable rates below.

Types of payment	Applicable rates	
	Companies	Individual
Dividends, Interest, Rent	10%	10%
Directors Fees	10%	10%
Royalties	15%	15%
Commission, Consultation, Technical, Service Fees	10%	5%
Management fees	10%	5%
Construction/Building Contracts	5%	5%
Contracts, other than outright sales and purchase of goods in the ordinary course of business	5%	5%

### Returns & Remittance

Tax Returns are filed monthly with evidence of remittance and a detailed schedule of taxable transactions. Submitted schedule should show the following details:

*Name of supplier*    *Address*    *Nature of Invoice*    *payment*    *Amount*  
*Rate@Y% Tax*    *Service*    *Date*    *Date*

- Returns for corporate suppliers should be filed within 21 days from end of month of transactions.
- Returns for non –corporate suppliers should be filed within 30 days from end of month of transaction.
- In practice, tax returns are filed in the same month they occur.
- Tax deducted should be remitted to the revenue in exchange for a receipt of payment.
- Tax is payable in the currency of the qualifying transaction.

Following payment and filing of returns, the revenue processes credit notes for the suppliers on whose income tax was deducted.

- Credit notes can be used in applying for tax credit against current and future tax liabilities (i.e. where it is not final tax)
- Remittances are due to either federal or state tax authorities.

Remittances due to Federal Inland Revenue Service (FIRS):

- Corporate entities,
- Nonresident individuals,
- Members of the armed forces and police,
- Resident of Abuja,
- Foreign officers.

Remittances due to state internal revenue service (SIRS):

- All other individuals / partnerships resident in the state.

### Payment of currency

Section 64B of CITA empowers the tax authority that withheld tax must be remitted to the tax authority in the currency in which the deduction was made. This means that transactions made in foreign currency are to be remitted in the same currency and that the tax so withheld is to be remitted in the same currency. Simultaneously penalty for default would also be calculated in the same currency.

### How to claim WHT credit (Credit notes)

A taxpayer from whom tax has been withheld is expected to gain withholding tax credit notes from the relevant tax authority via the deducting organisation. All withheld taxes are forwarded to the tax authority, which in turn records the credit against the tax payer's account, with a schedule containing details of the contract or service, on which basis the tax authority issues a credit note. Assessed tax and related charges are usually entered as debits in the taxpayer's tax account, while he





*It is therefore imperative that the system should continue to be improved upon in the light of modern tax administration procedure. Usually, an advance payment of tax provides information that an income source has been identified through a third party. Such information being provided by the payer should be readily available for use in accessing a potential taxpayer.*

is expected to pay only the difference between his assessed tax and withholding tax credit at the time of filing their own returns.

- It is this credit note that a taxpayer uses as a set off against tax assessed within that year or if unutilised within that year can be applied based on the taxpayer request to transfer the credit balance in that year to offset or reduce debit balance of another year.
- In cases where there is an excess charge of WHT on a taxpayer, the 2007 amendments to CITA (Section 63 (7)) have even further empowered FIRS to refund proven excess withholding tax to any taxpayer within 90 days of filing a claim.

### Offences and penalties

#### Offences

- Failure to withhold tax or
- Failure to remit or late remittance of the tax withheld
- Non remittance of the tax withheld within the time limit stipulated by the Revenue.

#### Penalties

- a. For companies: A fine of 200 per cent of the tax not withheld or withheld but not remitted, plus interest at the prevailing commercial rate.

- b. For Individuals & other organisations: A fine of the higher of N5,000 or 10 per cent of the amount of tax due, plus the amount of tax deductible, or withheld but not remitted, plus interest at the prevailing commercial rate.

#### **Interest on savings account of less than N50,000 paid by a Bank, is not subject to WHT.**

The WHT system has come to stay since it is a veritable source of revenue to government. It enhances the collection efforts of tax authorities and it ensures that revenue is generated in advance. It is therefore imperative that the system should continue to be improved upon in the light of modern tax administration procedure. Usually, an advance payment of tax provides information that an income source has been identified through a third party. Such information being provided by the payer should be readily available for use in accessing a potential taxpayer. Field officers should always be ready to follow up on such information.

Article culled from:

<http://thenationonlineng.net/withholding-tax-wht-administration/>





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# Flaws of the Withholding Tax System in Nigeria

Funmi Babatunde-Dada • Bitrus Baba



*A survey conducted by PwC during a recent tax stakeholders' event revealed that sixty percent of taxpayers consider withholding tax as the most complex aspect of tax compliance in Nigeria.*

**T**he operation of WHT is not peculiar to Nigeria. It is a concept that has been adopted by many countries but subsequently scrapped by most countries. It has been used as a tax mechanism in the United States and United Kingdom as far back as the Second World War but only introduced into Nigeria's tax regime in 1977. In Nigeria, it is regulated by various income tax Acts and the WHT Regulations.

WHT was introduced in the Nigerian tax system to minimise the incidence of tax evasion, by ensuring that more persons are brought into the tax net through disclosure from the larger taxpayers to whom they supply goods or services. In this regard, it serves as a veritable means of gathering information of commercial activities carried out by both resident and non-resident taxpayers for statistical purposes and for formulating tax policy. It is also an efficient way of collecting tax on non-residents who may

not have a strong nexus in Nigeria especially on investment income such as dividend, royalty and interest.

## **Mechanism of WHT in Nigeria**

For most types of business profits, WHT deduction from a taxpayer's income can be credited against the final income tax liability of the taxpayer at the end of the year. However, for investment income such as dividends, interest, royalty and rent WHT is the final tax especially for non-residents.

The operation of WHT in the Nigerian tax regime has various flaws and irregularities leading to aversion from taxpayers. To simplify tax compliance and increase tax collection, government must revamp the WHT process. We highlight some of the major flaws below.

### **Flaw #1 – Payment point**

By law, the obligation for the deduction and remittance of

WHT rests with the customer i.e. the entity paying for goods or services received. In practice, the tax authorities expect the payer to deduct and remit WHT once the relevant expense has been accrued in the accounts even where no cash has been paid or credit otherwise granted. This creates a cash flow strain on businesses due to the mismatch of accrual accounting and the timing of settlement. WHT should become payable only at the earlier of actual payment or when credit is granted (such as offsetting of intercompany balances) in line with Para 4(1) of the Withholding Tax Regulations.

#### **Flaw #2 – WHT credit notes**

In practice, both federal and state tax authorities issue WHT credit notes upon remittance of WHT. These credit notes are issued to the customer who deducted and remitted the WHT for the benefit of its suppliers (the beneficiaries), to defray the future income tax liabilities of the beneficiary. This practice is not in line with the law. The WHT Regulations actually obligates the customer deducting and remitting the WHT to issue receipts to the beneficiaries. The beneficiaries can then use this receipt (issued by the customer) as a credit for part payment of their final income tax liability. Not only does this not happen in practice, but the various tax authorities are not efficient in issuing the credit notes.

It takes anywhere between two months to a few years from the remittance date before the tax authorities issue credit notes to beneficiaries especially for foreign currency transactions. This approach taken by the tax authorities of issuing credit notes is inefficient. If the reason for introducing the current system instead of the system provided by the law is to combat fraudulent claims, it seems to serve another purpose of making it difficult for taxpayers to get benefit for their WHT. In many economies around the world that operate a WHT system, the accounts of beneficiaries are instantly credited when a payment of tax is made against the beneficiary's unique tax ID.

This automated approach cuts out unnecessary paperwork and inefficiency. Revenue authorities in Nigeria should consider automating this process too. The use of physical credit notes should be eliminated and replaced with a more effective automated system. If commercial banks can credit an account holder in minutes, why should it take months before tax credits are granted to taxpayers?

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*Revenue authorities in Nigeria should consider automating this process too. The use of physical credit notes should be eliminated and replaced with a more effective automated system. If commercial banks can credit an account holder in minutes, why should it take months before tax credits are granted to taxpayers?*

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#### **Flaw #3 – Refund of excess WHT**

Taxpayers are also permitted by law to recover excess WHT where the amount of tax deducted from their income exceeds their income tax liability. So if an entity has WHT credit of say N10 million, and income tax liability of N7 million, the entity is permitted by law to recoup N3m in cash from the Revenue authority. However, the process of refund is not only rigorous but almost impossible in practice. Taxpayers are subjected to intensive audits and even when the claims are certified, refunds are rarely granted. As a matter of fact, Arsenal has a higher chance of winning the champions league than a taxpayer obtaining a WHT refund.

Invariably, low margin businesses end up having excess

WHT credits. Funds are trapped and shareholder value is eroded where companies are forced to perpetually carry forward WHT credits with no chance of a refund. It also discourages future voluntary compliance in respect of WHT. The Revenue authorities should urgently review this practice to ensure that companies which are entitled to tax refunds are not denied this benefit.

#### **Flaw #4 – Inconsistent/incomplete information circulars**

The FIRS has, over the years, released various information circulars relating to WHT. While these documents are meant to provide clarity on issues, this has not been the case because some of the positions in the circulars are not consistent with the provisions of the law. One of the grey areas in the WHT Regulation is the concept of “sales in the ordinary course of business” which are not subject to WHT.

The Regulation does not define 'sale in the ordinary course of businesses'. The FIRS tried to clarify the meaning of the phrase in some of its circulars, but created more confusion in the process. In practice, the various tax officers ignore this exemption and subjects all transactions to WHT apart from so called “across the counter” transactions. This is a phrase introduced by the FIRS and is not mentioned in any tax law.

To address this, WHT should be limited to transactions specifically stated in the Acts and Regulations. Those not specifically mentioned should be excluded to the extent that the transactions fall within the suppliers' ordinary business.



### Flaw #5 – Different WHT rates

There are different WHT rates applicable depending on the transaction being considered. The WHT rates range from 2.5% to 10%. For instance, while rental arrangements are subject to WHT at the rate of 10%, contracts for services attract a 5% rate of withholding tax. There should be a clear distinction between contracts structured as rental arrangements from contracts of/for service. As an example, where a car hire company provides cars and drivers to a customer for a period of time (transportation), the WHT rate should be different from the mere hire of a car (rental).

### Flaw #6 – Franked investment income redistribution

As earlier highlighted, WHT could be used as an efficient way of collecting tax where it may otherwise be difficult or not practicable to assess the recipient to tax. Dividend income is subject to WHT, which is the final tax incurred by the recipient of the dividend. Where WHT is deducted from the income of a company, same is remitted to the FIRS. However, WHT on the income of individuals is remitted to the states Internal Revenue. There are instances where dividend income received by a company is further redistributed. This is typical of holding companies and Trusts. Where this is the case, WHT due on the re-distributed dividend should be offset with the WHT suffered when the income was received in line with the law.

A practical challenge arises where the recipients of the redistributed dividend are individuals. It therefore becomes difficult to offset WHT due to states with those earlier paid to the FIRS. To deal with this difficulty, the relevant tax statutes should be amended to remove the obligation to deduct WHT from dividend payable to resident companies and Trusts.

### Conclusion

The new leadership of the FIRS and Joint Tax Board has identified the need to review FIRS circulars and introduce technology in tax administration. It is expected that proper restructuring of the WHT mechanism will encourage voluntary tax compliance and increase the tax collection capacity of the Revenue. State tax authorities are also looking at ways of improving revenue generation. We therefore expect changes in the WHT legislation, practice and regime and hope that all ambiguities will be resolved sooner rather than later.

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#### *Funmi Babatunde-Dada*

Funmi is a tax manager in our Tax and Regulatory Unit. She joined PwC Nigeria after 15 years in the UK. Prior to joining us she worked in Ernst & Young UK in the Business Tax Services team. Her experience spans over nine years working both in industry and practice covering UK VAT, Corporate income tax and Personal Income taxes.

#### *Bitrus Baba*

Bitrus is a Senior Associate in our Tax and Regulatory Services unit. Prior to joining PwC Nigeria he worked in KPMG Nigeria in the Tax - Energy and Natural Resources Division.

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## ***SHHH!*** ***THE WALL*** ***HAVE EARS***



A word spoken in silence  
Whispered in the dark of the night  
A secret shared  
*Shhh! shhh! Shhh!*  
But the walls have ears  
The wind blows into the atmosphere  
A thought yet unspoken  
Words unformed.  
While yet in the sage's mind

Do not say I told you  
A top- secret hidden only in my soul  
Beneath the façade of the beauty you see  
A Clandestine concealed in my heart  
You only know about this  
Tell not to anyone  
Hide it in your belly  
And perish the thought  
*But the walls have ears*

Be my Gestapo  
Whisper not to any mortal  
Take it with you  
Even to the grave  
until it rots  
Consumed along with  
flesh mingled with bones  
Fed by worms and maggot  
*But the walls have ears*

Oh No! Do not say I told you  
Bind it in your heart  
Reveal it not  
Keep it forever unspoken to any mortal  
It's a secret, my secret  
Now our secret  
*But the walls have ears*

Our secret after all is  
Everyone's secret  
Nothing is hidden under the sun  
*Because the walls have ears*





# Proposed communications tax bill

## A case of discriminatory tax?

Oluseye Arowolo • Yomi Olugbenro



**F**ollowing harsh reality of global decline of crude oil price, it has become obvious that Nigeria can no longer rely on oil revenue to sustain the economy; hence the need to identify and explore alternative sources of generating revenue by the Federal Government of Nigeria (FGN).

One area that the FGN is focusing to plug the gap in revenue is taxation; thus the proposed introduction of the Communication Services Tax Bill (the Bill). The Bill seeks to impose and collect communication services tax (CST or levy) on charges payable by consumers of electronic communication services in Nigeria (excluding private electronic communication services) at the rate of 9%.

Key highlights of the Bill are as follows:

- Electronic communication services subject to the levy include: voice calls, SMS, MMS, data usage (both from Telecommunication Services Providers and Internet Service Providers), Pay per View TV Stations etc.

- The tax is to be paid together with the electronic communication service charge payable to the service provider by the user of the service.
- The tax is payable whether or not the person making the supply is permitted or authorized to provide electronic communications services.
- The Federal Inland Revenue Service (FIRS) is responsible for collecting the tax from service providers and remitting it into the Federation Account.
- All service providers are expected to file monthly returns not later than the last working day of the month immediately after the month to which the tax returns and payment relate.
- Penalty for failure to file returns on or before the due date is ₦50,000 and an additional ₦10,000 for each day the returns are not submitted.
- Failure to pay the tax by the due date attracts monthly interest on the tax due at a rate of 150% of the average of prevailing commercial banks' lending rates as published by the Central Bank of Nigeria and for this purpose, part of one month shall be deemed to be one month. Where interest payable is not paid within one month after the due date, interest shall be paid on the unpaid interest at the same rate and manner on the unpaid tax.
- Where tax, penalty and/or interest is due, FIRS may apply to the Court for an order that compels an individual or business who holds money for or on account of the service provider to pay to the FIRS that money or so much of it as is sufficient to discharge amount due. Where this situation continues, FIRS may apply to the Court for an order to distrain the assets, goods, etc. of the service provider.
- In the case of liquidation or bankruptcy, the tax, penalty and/or interest due shall take precedence over other obligations.
- For the purpose of verification of taxes due to government, an agent would

be appointed to establish both electronic and physical monitoring mechanisms to monitor, analyse, verify and save all necessary data and information.

- A service provider who refuses to provide access to its relevant network for government or its appointed agent commits an offence and is liable to a penalty of 5% of annual gross revenue of the last audited financial statements and if situation persists after 90 days, National Communications Commission (NCC) may revoke the operating license of that service provider.

There are however several issues associated with the Bill that need to be addressed in order to ensure its acceptability and success:

**Multiple taxation:** The CST is a consumption tax, which will be in addition to value added tax (VAT) that consumers of telecommunication services are already subjected to. This will potentially reduce the purchasing power of consumers in the midst of rising prices and negatively impact investment climate in the economy.

**Discriminatory tax burden:** The telecommunication sector remains one of the success stories of effective policy implementation in the last decade. Friendlier tax policies, amongst others, can only stimulate continuous productivity and investment in the sector. Considering that telecommunication services still need to be extended especially to the rural areas, will the Bill not be perceived to be a deliberate attempt to stall the

growth of this particular sector?

**High cost of voice and data:** Consumers in Nigerians are believed to pay one of the higher costs for voice and data services despite the high population. Will the Bill not further raise the agitation of consumers of telecommunication services?

**Emphasis on collection and recovery of tax:** The Bill has stringent provisions on imposition of penalty and interest for failure to collect CST in comparison with what are contained in other tax legislation. The work of service providers as collection agent of government is perceived to be a thankless job. Service providers should be compensated for acting as collection agents to encourage them to collect rather than penalizing them for not collecting.

The FGN's step towards diversification of revenue sources is laudable and demonstrates the progressive efforts to move the economy forward. However, the Government should develop structures that will ensure that

taxpayers outside the tax net, especially in the informal sector, are captured and taxed adequately rather than introducing "emergency taxes" at every opportunity.

The National Tax Policy (NTP) provides that improvement in revenue generation is not necessarily achieved by increasing taxation but through expansion of the overall tax/revenue base and creation of an improved structure for tax and revenue generation at all levels of government. The FGN will achieve a lot by consulting the NTP from time to time in its quest to improve tax revenue and plug the gap created by the dwindling oil revenue.

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**Oluseye Arowolo**  
Partner, Tax & Regulatory Services  
[oarowolo@deloitte.com.ng](mailto:oarowolo@deloitte.com.ng)  
**Yomi Olugbenro**  
Partner, Tax & Regulatory Services  
[yolugbenro@deloitte.com.ng](mailto:yolugbenro@deloitte.com.ng)

**"The Bill seeks to impose and collect communication services tax (CST or levy) on charges payable by consumers of electronic communication services in Nigeria (excluding private electronic communication services) at the rate of 9%."**



# Presumptive Taxation:

## A promise or a threat?

Oluseye Arowolo • Fatai Folarin



*PITAS, no doubt, has the potential not only to increase tax revenue accruable to governments by enlarging the tax net but also to eliminate the distortion arising from “free riding” taxable persons in the allocation and access to social services. Whether PITAS would deliver on its promise or be undermined by its threat potential would depend on how the RTAS would apply it*

**T**he National Tax Policy (NTP) identifies Presumptive Income Tax Assessment (PITAS) as one of the strategies for creating a tax system that encourages compliance with the provisions of the tax laws. In particular, the NTP notes that PITAS would help the tax authorities deal effectively with the taxable persons who have historically failed to comply with the tax laws due to their size or lack of business address. This category of taxable persons appear to be predominant in the informal sector.

With the decline of oil revenues and the consequent clamour for alternative sources of revenue, it is no surprise that the Federal Inland Revenue Service (FIRS)

has expressed an intention to introduce PITAS into the Nigerian tax system. In FIRS' opinion, PITAS is a strategy that would promote voluntary compliance amongst taxable persons in the informal sector – a scenario that would lead to increase in tax revenues.

In light of the foregoing, the following questions immediately become relevant - What is Presumptive Income Tax Assessment? Is it legal? What are the merits? What are the demerits? If it does bring the informal sector into the tax net (an acceptable consequence), what are the likely challenges? These are issues that would require a much bigger space than this column affords to exhaustively analyse.?

**What is PITAS?** - Nigeria currently operates a self-assessment system in which a taxpayer reviews its books and based on such review calculates and pays the relevant tax. In doing this, the taxpayer would prepare and submit an audited account, tax calculations, completed assessment forms and evidence of

tax payment. The tax authorities are empowered to review these returns and either accept or reject them – in which case additional assessments are levied on the taxpayer.

However under PITAS, there is no or low documentation as the taxpayer has typically not kept complete records. Therefore, the tax authorities assess a taxpayer on the basis of perceived income. That is - in the opinion of the tax authorities, what is the quantum of income the taxpayer would have made in the relevant period?

Whilst the income indicator could be a systematic approach such as - receipts per cash book/bank statements, the taxpayer's type of business (here the tax

authorities would benchmark the taxpayer with similar businesses whose records are available), estimated value of assets etc. it could very well be based on the popularity of business, number of employees or even the location of the business!

**Is it legal?** – Although there is no expressly stated statutory provision that supports the implementation of PITAS, there are provisions that impliedly do. For instance, Section 65 of the Companies Income Tax Act (CITA) empowers the Federal Inland Revenue Service (FIRS) to use its 'best of judgment' to determine the total profits of a taxpayer. Would this not be PITAS in action?

**Merits and demerits** – Whilst PITAS would increase the value of the treasury – especially where the focus is on hitherto unidentified taxpayers, PITAS creates room for uncertainty and hardship in the tax system. The actions of the FIRS (where they collect more than is due) could harm members in the informal sector. But is this not the objective? If a taxpayer really wants certainty then such taxpayer should keep proper books!

Furthermore, it should be noted that if not properly managed, PITAS has the propensity to render tax collection still sub-optimal. For instance, taxpayers could intentionally fail to keep proper books (even when it could have done so) in order to play the system. Such a loophole must not be permitted.

**What are the challenges?** - The issue around increasing tax revenues from the informal sector is not a lack of the tools to subject them to tax, but an inability to identify the taxable persons in this sector. How do you assess a taxable person you do not know? To this end, the issue will persist if taxable persons who have rendered themselves “invisible” are not identified and made subject to tax. FIRS' proposed collaboration with the Banking sector is one of the many plausible steps to uncover “invisible” taxable persons.



The problems around collecting taxes from the informal sector is not peculiar to Nigeria. Experience in other countries shows the reality of this problem and the many approaches including presumptive tax, to uncover these taxable persons.

In Nigeria, the approach to presumptive tax may need to be more elaborate or comprehensive given that a large proportion of taxable persons exist within the informal sector who have records but have refused to file tax returns. These taxable persons can be uncovered with the help of effective data management and analytics.

Furthermore, the mechanics of PITAS should include an arrangement which allows taxable persons who wish to make voluntary tax disclosures to come forward. Relevant tax authorities (RTAs) must provide certainty of treatment in respect of these tax defaulters who wish to turn new leaves. RTAs must generate and transmit signals of assurance and further assurances appropriate to the variety of cases that must surely unravel when “taxable persons” in this category feel emboldened/encouraged to come forward.

PITAS, no doubt, has the potential not only to increase tax revenue accruable to governments by enlarging the tax net but also to eliminate the distortion arising from “free riding” taxable persons in the allocation and access to social services. Whether PITAS would deliver on its promise or be undermined by its threat potential would depend on how the RTAs would apply it.

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**Oluseye Arowolo** Partner Tax & Regulatory Services [oarowolo@deloitte.com](mailto:oarowolo@deloitte.com)

**Fatai Folarin** Lead Partner Tax & Regulatory Services [ffolarin@deloitte.com](mailto:ffolarin@deloitte.com)



# Tax Risks

## Some Questions Businesses Must Answer

Businesses need to understand that a tax audit or investigation by tax authorities does not necessarily have to result in additional tax to be paid by the business if appropriate investment is made in the right things

**I**t is expected that ramping up tax collection would be one of the default options to make up the deficit in revenue arising from the crash in crude oil prices. Thus, in the same manner that the tax authorities would feel the heat, businesses would not be spared. More than ever before, businesses will have to adopt a risk-based approach to managing their tax affairs.

Businesses, the world over, face different kinds of risks which may be intrinsic to the business or geographical due to location. Common risks that businesses face regardless of country of operation include market risk, liquidity risk, resource risk, material risk, asset risk etc.

Businessmen are often more concerned with the foregoing risks and pay scant attention to tax risk or the need to manage it. Avoidable tax liabilities which encroach on a business represent a leakage in the profits of such businesses. The level of such liabilities determines the significance of the leakage and impact on bottom line as well as cash flow. While it is impossible to divorce business from risks (since the mantra is “no risk, no reward”), knowing the risks provide opportunities to manage them and improve the probability of creating and/or enhancing value to shareholders and other stakeholders in that business.

It is the discretion of managers of businesses to determine whether to carry out an enterprise wide review for risks or adopt a disaggregated approach which focuses on addressing each risk as identified or as they arise. Whatever the approach, what is not in doubt is that the assessment of tax risk triggers in the business may be pre-operational and/or post-operational.

An unmitigated or unaddressed tax risk must be recognised for what it is: a threat to cash flow and leakage to the bottom line. This imposes a duty on managers of businesses, to acknowledge this risk and take steps to address it.

In this regard and with the anticipated increase in revenue drive by tax authorities (through greater frequency of scheduled tax audits and investigations), managers of Nigerian businesses must challenge their approach to the business tax affairs with the following questions:

- What is the strategy of the business? Such a strategy would define the business's focus and dictate the resource requirements. This would drive an acknowledgment of the tax function as an important part of the business and avoid catch up on tax issues by ensuring that appropriate sensitivity to tax is in the company's DNA.
- What is the fiscal profile of the business? That is, tax position; actual tax risk triggers; tax assets on the books (unutilized tax credits, unutilized capital allowances; unabsorbed losses); tax audit open years; adequacy of tax

provisions etc.

What is the compliance level of the business – is it high or low? Businesses need to understand that a tax audit or investigation by tax authorities does not

necessarily have to result in additional tax to be paid by the business if appropriate investment is made in the right things.

- What is the level of debt in the business and is it optimal? Cash is the oxygen of business. It therefore matters how the business is funded and whether optimal mix and sources are being leveraged.
- What is the level of fiscal incentives in the business? It is possible from a wholistic review of the business operations to determine whether or not the existing incentive framework is adequate for the business.
- What is the effective tax rate of the business relative to competition? This is important as it may reveal where the business is dropping the ball relative to its competition. It may also confirm or deny whether tax efficiency is a priority for the business.
- Is the business eligible for tax refund? Yes, tax refund is now possible upon application and successful completion of the claim verification tax audit exercise by the tax authorities, in this instance, Federal Inland Revenue Service (FIRS).
- Does the business have a competent tax function? The in-house tax function must be anchored by a competent and experienced tax professional supported by other able staff. And where the tax function is outsourced, then the business must ensure that appropriate service level expectations are defined.
- Does the business have a proper documentation & retrieval system? A proper documentation and retrieval system is necessary. The business' filing and retrieval system/process for supporting documents in respect of its transactions must be adequate. A business that has challenges in retrieving the relevant supporting documents for its transactions in particular years of assessment already lets itself down for tax audit/investigation purposes.
- Who is advising the business on tax? Whether or not the company has a competent in-house tax function, it must periodically engage with competent tax advisors and tap into their experiences on the tax issues facing the business.

Given the changes in the current business environment, it is only prudent for businesses to be proactive in managing the incidence of tax risks in their operations to avoid bleeding of scarce cash.

According to an ancient but relevant wisdom: A stitch in time saves nine.

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