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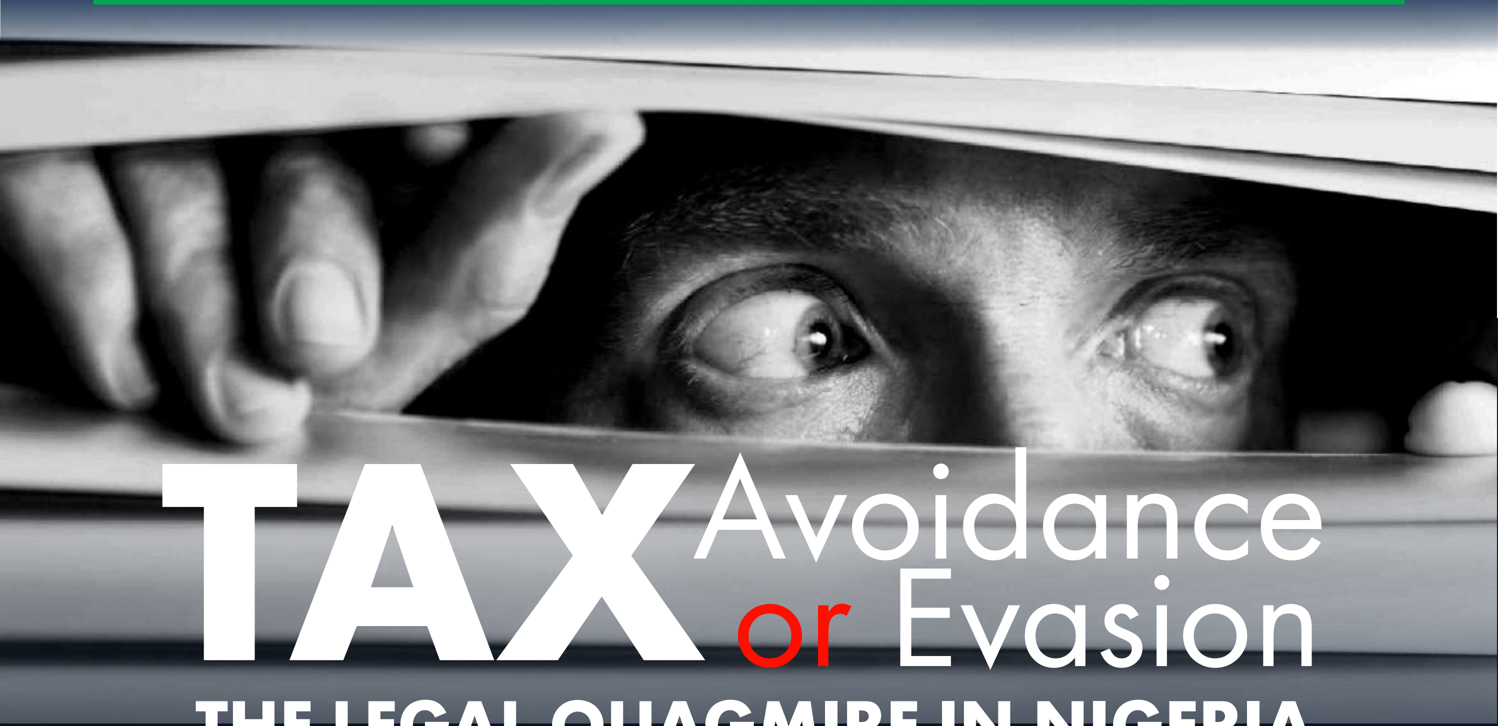

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Editorial

Tax Evasion and Avoidance

a global phenomenon

The previous edition of KWAREVE NEWS gave insights on the Voluntary Assets and Income Declaration Scheme (VAIDS) and how it will resuscitate the tax administration in Nigeria for sustainable development in the country. Day by day the end of the amnesty period for Nigerians, home and abroad, to voluntarily declare their assets to avoid prosecution is getting closer. The Federal Government with the Joint Tax Board (JTB) are determined to do everything that will ensure the success of the scheme, which means there is no going back if the country is willing to be free from debt and total recession.

Therefore, to us at Kwara State Internal Revenue Service, it is our desire that the scheme is accomplished because when tax avoidance and outright evasion declines, it will increase our revenue base for growth and development in the State and Nigeria as a whole.

The fact that there is high rate of Tax Evasion and Avoidance in Nigeria is what has eventually led to VAIDS. This edition gives distinct difference between tax evasion and avoidance. Also, it provides extensive information about the global perspective on tax evasion and avoidance and the legal quagmire in Nigeria.

As we all know that it is in the nature of tax payers to evade or avoid paying tax, this menace is not only peculiar to us in Nigeria but all over the world. This act of avoidance or evasion often occurs among investors, CEOs and popularly with professional athletes who often seek legal ways of not responding to their civic responsibility. This special feature will help tax administrators to identify ways taxpayers, whether corporate or individuals, evade and avoid paying taxes, the place of tax havens in promoting tax evasion and avoidance and how to curb tax evasion and avoidance in Nigeria.

In KW-IRS, our staff have been strategically trained to use law and technology to map and track people and corporate organisations who have been either evading or avoiding paying tax before and after the amnesty period of VAIDS elapse.

Therefore, since tax evasion and avoidance is a global phenomenon, it is important that all nations of the world integrate and share information about taxpayers to ensure rapid tax growth to GDP for national growth and development. To achieve this, we need to revamp our judiciary to give severe punishment to tax evaders and avoiders through appropriate prosecutions.

Therefore, since tax evasion and avoidance is a global phenomenon, it is important that all nations of the world to integrate and share information about taxpayers to ensure rapid tax growth to GDP for national growth and development.

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

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GLOBAL PERSPECTIVES IN TAX EVASION AND AVOIDANCE: THE LEGAL QUAGMIRE IN NIGERIA

Olufemi Oguntokun

Introduction

Domestic revenue mobilisation is key to sustainable development. Only self-sufficiency will allow the development of full-functioning states with flourishing systems of political representation and economies reflecting societies' expressed preferences.

However, effective and efficient revenue mobilisation worldwide is bedevilled by tax resistance. Tax resistance takes two basic forms, viz: tax evasion and avoidance. The fundamental theme of this paper is therefore to consider key terms like tax avoidance, tax evasion and tax mitigation or planning which are some of the most important basic building blocks for discourse about domestic and international taxation. The paper also examines the devices and ways of curbing tax avoidance and evasion in Nigeria, and considers corporate and personal tax evasion and avoidance from a global perspective and relies heavily on experiences of other jurisdictions for comparative purposes.

The Concept of Tax Avoidance

Tax avoidance is the legal utilization of the tax regime to one's own advantage in order to reduce the amount of tax that is payable by means that are within the law. To borrow from Wheatcraft's aphorism, it is the art of dodging tax without actually breaking the law, or alternatively, the right of every citizen to structure ones affairs in a manner allowed by law, to pay no more than what is required.

In jurisdictions like the United Kingdom, and New Zealand, a distinction is drawn between tax avoidance and tax mitigation. Tax avoidance is a course of action designed to conflict with or defeat the evident intention of the parliament. Tax mitigation otherwise called tax planning, on the other hand, is conduct which reduces tax liabilities without avoidance (not contrary to the intention of parliament), for instance, by gifts to charity or investments in certain assets or industry which qualify for tax relief. The clear articulation of the concept of an avoidance/ mitigation distinction goes back to the 1970s

> *Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of affairs to the tax authorities to reduce tax liability and include, in particular, dishonest tax reporting (such as declaring less income, profits or gains than usually earned or overstating deductions).*

and was an innovation drawn from the case of IRC v. Challenge Co. Ltd., a New Zealand case. In practice, this distinction is sometimes clear, but often difficult to draw. Relevant factors to decide whether conduct is avoidance or mitigation include; whether there is a specific tax regime applicable, or whether transactions have economic consequences.

Other approaches in distinguishing tax avoidance and tax mitigation are to seek to identify "the spirit of the Statute" or "misusing" a provision. But this is the same as the "evident intention of parliament" properly understood.

Another approach is to seek to identify "artificial" transactions. However, a transaction is not well described as "artificial" if it has valid legal circumstances, unless some standard can be set up to establish what is "natural" for the purpose. In all, tax avoidance occurs when a person undertakes transactions that contravene specific anti-avoidance provisions.

That is, tax avoidance includes situations where a person reduces or eliminates tax through a transaction or a series of transactions that comply with the letter of the law but violate the spirit and intent of the law.

The Concept of Tax Evasion

By contrast, tax evasion is the general term for efforts by individuals, firms, trusts and other entities to illegal reduce tax liabilities or fail to pay tax as and when due or refuse to pay tax at all.

Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of affairs to the tax authorities to reduce tax liability and include, in particular, dishonest tax reporting (such as declaring less income, profits or gains than usually earned or overstating deductions). It may also extend to outright failure to pay tax or failure to pay tax as at and when due.

Tax evasion is a crime in most countries including Nigeria, and subjects the guilty party to fine and/or imprisonment.

In China, the penalty can be as severe as death penalty.
An avoidance/evasion distinction along the lines of the present distinction has long been recognised but there was no terminology to express it. The technical use of the words avoidance/evasion in the modern sense originated in the United States of America where it was well established by 1920s.

It can be traced to Oliver Wendell Holmes in Bullen v. Wisconsin. It was reluctantly accepted in the United Kingdom. Increase in self-employment appears to be one of the most serious factors encouraging tax avoidance and evasion in Nigeria. The self-employed in the informal organisation or sectors has grown substantially in both industrialised and non-industrialised countries, as has other forms of non-standard and part-time work. In Nigeria, the growth in self-employment is due to unemployment in the formal sectors. It is therefore much easier for tax evasion and avoidance to take place in these informal sectors than the formal ones. Again the combined effects of information technology and globalisation have made it easier for businesses to hide in the shadows. Many transactions conducted over the Internet, for example, are hard to track, increasing the scope for dodging taxes. Globalisation also makes the tax collector's job harder as more individuals receive payment from work done abroad, which are more difficult for national authorities to monitor.

In terms of effects, both tax avoidance and evasion have serious consequences on any economy, be it developed, developing and/or underdeveloped for quite a number of reasons. First, they lead to loss of government revenue. For instance, in the United Kingdom, it has been shown that tax evasion and avoidance is more serious than other forms of criminality in terms of economic loss. According to the 1981 Home Figures, the total losses from theft, burglary and robbery in England and Wales were £551million in 1980. By contrast, income tax evasion and avoidance was reported to cost £1,000 million in the same year.

Figures of loss of revenue to tax avoidance and evasion can only be imagined in developing countries like Nigeria with inefficient and weak tax administrative system. Secondly, given that opportunities to evade and/or avoid taxes differ among taxpayers, tax evasion impairs the chances of realising the distributional or equity goals of taxation. Thirdly, if tax evasion and avoidance become too widespread and out of control, honest taxpayers may lose faith in tax administration and be tempted to join the ranks of tax evaders, and avoiders.

Fourthly, under a prevalent situation of tax avoidance and evasion, it becomes extremely difficult to implement government policies.

Again, in an economy characterised by widespread tax avoidance and evasion, taxpayers may not develop a sense of belonging and concern in fiscal discipline and responsibility on the part of government on the whole and in general, public response to abuse of public funds is low.

Corporate Tax Avoidance and Evasion

Taxation of companies is important in economies worldwide as a source of government revenue and as a tool for management of the economy towards desired goals. With globalisation and mergers, and acquisitions which are taking place globally, transnational corporations are speedily spreading across the globe. It has been found that there are sixty three thousand (63,000) transnational corporations with more than eight hundred thousand (800,000) subsidiaries and affiliates operating globally.

The United Nations Conference on Trade and Development (UNTAD) data shows even higher figures. It shows that in the early 1990s there were about thirty seven (37) international companies with one hundred and seventy five thousand overseas subsidiaries. By 2003 there were about sixty four thousand (64,000) companies with eight hundred and seventy thousand (870,000) subsidiaries.

These transnational corporations dominate trade in goods and services both in the developed and developing economies while nationally based companies find it almost impossible to survive. Tax avoidance and evasion therefore become more of a cross-boarder menace. In Germany, the menace of tax avoidance and evasion became unbearable when in 2004, crowds of people joined together to act against tax avoidance carried out by multinational telecom Vodafone. In Nigeria, a United States major oil company, Chevron Nigeria Limited was in 2005 alleged by the EFCC Consultant ABZ Integrated Limited to have defaulted payment of 66 instalments of Petroleum Profits Tax (PPT).

According to the Consultant, Chevron evaded paying Petroleum Profits Tax to the tune of $994 million through over-bloated cost of operations, through claims to unmerited tax credit, such as Reserve Additional Bonus (RAB) and Intangible Drilling Cost by $222 million as well as other alleged financial malpractices. Furthermore, the Lagos State Government in 2007 shut down seven transnationals over property tax evasion.

Most tax evasion and avoidance schemes, including profit-laundering techniques employed by major corporations involve the use of offshore trusts, foundations, charities, holding companies, international business corporations, special purpose vehicles, and artificial transactions.

Mechanisms for Corporate Tax Avoidance and Evasion

Aggressive, radical, cross-border tax evasion and avoidance by transnationals have many forms, but the greatest blows for tax revenue comes from the following:

(i) Transfer pricing abuse

The biggest single problem to the tax systems of both developing and developed countries is probably transfer pricing abuse, or as Kapoor has recently called it transfer mis-pricing.

Transfer pricing is a process where goods and services are exchanged within a single multinational corporation. That is, allocation of profit for tax purposes between parts of a multinational corporate group. Usually, such transactions are not at arm's length. According to an estimate prepared in the late 1990s, 60 percent of the trade transactions into or out of Africa are mis-priced through abusive transfer pricing and re-invoicing, 11 percent, resulting in capital flight component of 7 percent of African trade, totalling U$$ 10 to 11 billion annually in 1999 prices.

Corporations indulge in manipulative transfer pricing for the simple reason that they do not want to be taxed and they want to book more profits. And just by manipulating a few entries in account books, corporations can transfer billions of dollars of tax liabilities into profits.

whether every transaction taking place within these corporations is real or fictitious. As long as there are no world prices, transfer pricing creates absolutely a brilliant chance for tax fraudsters to make profit avoiding high tax jurisdictions.

(ii) The second major mechanism is what is called thin capitalisation. It refers to such organisational structure of a company where the ownership has been hidden behind leasing operations. Everything the company uses in its daily operation belongs to a tax haven company which leases all

A multinational corporation could suffer double taxation on the same profits without proper transfer pricing. While transfer prices helps corporations to avoid double taxation, they also help tax administrations to receive a fair share of the tax base of multinational enterprise.

Transfer prices are useful to multinational corporations in several ways. They can help such corporations identify those parts of the enterprise that are performing well and not so well. A multinational corporation could suffer double taxation on the same profits without proper transfer pricing. While transfer prices helps corporations to avoid double taxation, they also help tax administrations to receive a fair share of the tax base of multinational enterprise. But abuse of transfer pricing may have serious implications. First, the corporations pay less tax. In other words, they are making more profits. Secondly, this means loss of government revenue. This is very important for developing countries because most of them rely on corporate taxes as part of revenue generation source. Basically, this means there is more tax burden on the ordinary citizens.

If the corporations would not pay their taxes the government is likely to raise more taxes by indirect taxes on citizens. In a bid to avoid such economic distortions, the current OECD international guidelines are based on the arm's length principle that transfer price should be the same as if the two companies involved were indeed two independent, not part of the same corporate structure and that goods sold to subsidiaries should be sold with world price as subsidiaries are just like any other partner. Applying transfer pricing rules based on arm's length principle is not easy, even with the help of the OECD's guidelines. It is not always possible, and certainly takes valuable time to find comparable market transactions to set an acceptable transfer price. Again, it is very difficult for the national tax authorities to detect

equipment and machinery to that specific company. Also, intra-corporation debt arrangements are used to relocate profits. This leads to "tax relief shopping" in which profits are made where tax rates are lowest and losses made where tax reliefs are highest. The overall effect is that most of the profits qualify as deductible expenses with the resultant low taxable profits.

National authorities are completely without means to stop this mechanism used by export-oriented firms in the world. In the United States, there has been success tackling it, in Europe there has been little success and in developing countries absolutely no success.

(iii) A third mechanism by which companies engage in tax avoidance and evasion is to take advantage of generous tax incentives provided by the government and to fold up immediately at the expiration of such a tax incentive period. The growth of the offshore finance industry during the 1970s and 1980s coincided with, and to a considerable extent has catalysed the current age of globalisation, which is characterised by a far higher degree of mobility of capital, than labour. Under this era of globalisation, investment decisions, it has been argued, are influenced by transnational corporations ability to extract tax and regulatory concessions from competing governments (that is tax competition) leading to profound market distortions which undermine the assumptions of the global trade model. The rise of tax avoidance industry has coincided with this trend towards using tax competition as a strategy for attracting inward investment, with widespread export processing zones, tax holidays, accelerated depression rates, fiscal subsidies and preferential tax terms.

What companies, especially transnationals usually do is to take advantage of these incentives, and in most cases relocate to more favourable tax jurisdictions at the expiration of such tax incentives. This is tax avoidance.

(iv) Fourthly, companies particularly private companies minimise the incidence of high taxes by converting the sheltered income to individual benefit where the controlling shareholders are themselves directors and top executives, by fixing very high remuneration and expensive benefits in kind which qualify as deductible expenses, for top executives. Kanyip rightly captured this tendency by companies when he submitted that quite a large number of companies declare losses year in year out or declare very marginal taxable profits as against their turnovers, yet it is surprising that such companies do not voluntarily wind up, neither are they compulsorily liquidated, but rather still continue in business unabated with director's remunerations increasing every year as well as increases in conspicuous and prestigious investments such as landed property and expensive cars.

(v) Fifthly, the manipulation of charitable organisations and trusts whose affairs are controlled and dominated by its founders in order to take advantage of tax exemptions is also tax avoidance. As one tax expert once observed: "I have never come across any reason for people to set up an offshore trust other than to avoid tax".

(vi)Companies also minimise tax liabilities by capitalising profits through the issue of bonus shares to existing members at the (deductible) expense of the company.

Personal Income Tax Avoidance and Evasion

A regime of personal income tax in any economy is equally as important as corporate tax.

Progressively, personal income tax redistributes income in order to narrow the gap between the rich and the poor in addition to being a potent source for raising government revenue.

Opportunities for avoiding and evading payment of this form of tax are more pronounced for those in informal employment otherwise called the self-employed. This is in view of the fact that taxpayers in formal employment are subjected to what is called the withholding tax system which is administratively a more efficient system of tax collection. By contrast, particularly in developing countries like Nigeria, it is difficult to identify taxable persons in self-employment and even when identified, it is almost impossible to ascertain their incomes for tax purposes. These create very vibrant opportunities for tax avoidance and evasion.

Personal income tax avoidance and evasion manifest in different forms, and their nature varies in accordance with the purpose for which they are devised. In Nigeria, the following are well known forms:

(i) Under-estimation of incomes and over-estimation of family responsibilities to minimise tax liability.

In Nigeria, the tendency to under-estimate income for tax purposes is common among people employed in the informal organisations and the self-employed since their incomes can hardly be ascertained. Civil servants and taxpayers in formal employments, on the other hand, over estimate their family commitments to qualify for the generous tax reliefs and allowable deductions provided by the Personal Income Tax Act.

Even in terms of payment of tax by taxpayers in formal employments through the withholding tax system, further problems have been created. First, some employers fail to deduct tax from their employees' salaries and contractors and secondly, where they do, refuse or fail to remit same to tax authorities as and when deducted. In the case of Seven-Up Bottling Co. Plc V. Lagos State Board of Internal Revenue, the Court of Appeal held that failure to remit tax deducted from salaries or emoluments of employees was a debt to the Lagos State Board of Internal Revenue which is enforceable and recoverable in the Court of law. The Court was also emphatic that refusal to deduct withholding tax from contractors for the supply of spare parts, goods, services etc was unlawful, presumably tax evasion and all the non-deductions, under-deductions and non-remittances are recoverable.

(ii)Failure or wilful default in the supply of information or disclosure concerning taxpayer's sources of income. As earlier noted above, this practice is common among the self-employed.

This failure or wilful default in the supply of information on income was the subject of litigation in the case of Ola v. Federal Board of Inland Revenue.

This case was an appeal by the defendant taxpayer against the dismissal by the Board of Appeal Commissioners of his appeal against the refusal of the Board of Inland Revenue to consider the objection raised by the taxpayer to additional assessment made against him in respect of the years 1962-1968 inclusive.

After stating that there was clear and abundant evidence that the appellant was guilty of failure or wilful default in the supply of information or disclosure concerning his source of income, an offence under the Income Tax Management Act, 1961, the court went ahead to observe that the appellant was different from the ordinary run of culprits who are unwilling to pay their rates and taxes and who hide and deny ownership of their own properties or sources of income, and that it was the duty of the court in the public interest, to ensure that officials of the Revenue Board are discouraged and in fact prevented from using their power of taxation as a punitive measure. The court then set aside the additional assessment and allowed the appeal.

The place of Tax Havens in Promoting Tax Avoidance and Evasion in Nigeria

The issue of tax avoidance and evasion has a global dimension and knows no national boundaries. This menace is facilitated by tax havens.

Tax havens refer to countries that have secrecy laws in relation to banking and finance. Examples of tax havens are Caribbean countries like Jamaica and Haiti which operate high banking secrecy laws.

Tax havens share a number of defining characteristics, most importantly low or zero tax rates on offer to non-residents and transaction secrecy. Tax havens have been described by a former Director of Fiscal Affairs at the International Monetary Fund as 'fiscal termites' and their role has been the cornerstone of the process of globalisation enabling transnational corporations to remove themselves either partially or wholly from nationally based tax regulatory regimes. The usual tendency is that profits of most trading activities that pass through tax havens are made secret, making it impossible for tax authorities to assess such incomes. Some sources suggest that there are about sixty nine (69) tax havens in the world and by 2003, International Monetary Fund identified more than 60 tax havens and offshore finance centres, and other sources identified as many as 73.
It has been estimated that at least half of all world trade appears to pass through tax havens, even though these jurisdictions account for only about 3 percent of the global Gross Domestic Product (GDP). The United Kingdom government estimates that 60 percent of international trade consists of intra-company transactions, that is, firms trading with themselves, and much of this is passed through tax havens which charge low or zero rates on profit. These transactions involved are frequently on paper only, the goods and services involved actually going nowhere near the territories in which they are supposedly transacted.
Transnational companies which engage in aggressive tax avoidance are able to make extensive use of tax havens and offshore finance centres, have eroded the integrity and equity of existing tax structures thereby increasing the administrative burden of revenue collection.

Tax havens and offshore finance centres (OFCs) justify their existence by claiming to act as conduits for investment flows in the international capital market, but this assertion fails to stand up to scrutiny. It is questionable why in this age of virtually frictionless electronic capital flows, should investments, whatever their destination need to be routed through tax havens and offshore financial centres other than to hide their origins or obtain distorting tax or regulatory advantages.

Nigeria having been deeply incorporated or integrated into the global capitalist economy which has now come to be known as globalisation is an unavoidable victim of the menace of tax avoidance and evasion being perpetrated by multinationals with the active support of tax havens. This is as a consequence of the ineffective and inefficient tax administrative machinery.

Curbing Tax Avoidance and Evasion in Nigeria

It has been suggested by Christensen that a major step towards reversing the general trend towards corporate tax avoidance would be the adoption into tax law of what are commonly called General Anti-Avoidance Principles (GAAP).

It may be added that the GAAP adoption should not only be in respect of companies income tax but in respect of all taxes.

These provide tax authorities with the power to consider whether the main purpose, or one of the main purposes, of any transaction is the avoidance or reduction of a tax liability and, this if so, to allow the authorities to assess the person who has undertaken it to additional tax in order to counteract the avoidance or reduction of liability that they sought to achieve.

There are clear advantages to such provisions. Firstly, tax authorities would have a measure that allows them to enforce both the letter and the spirit of the law. This point is important since persistent and aggressive tax avoiders normally seek to exploit the loopholes that any legal wording makes inevitable.

Secondly, since a General Anti-Avoidance provision can effectively check transactions whose sole or principal purpose is to avoid tax, such transactions shift from the legal activity of tax avoidance into the illegal activity of tax evasion.

The Nigerian tax laws contain elaborate general and Specific Anti-Avoidance provisions.

General Provisions In terms of the personal income tax, section 17(1) of the Personal Income Tax Act gives the tax authorities power to disregard any disposition or transaction which in the opinion of the tax authorities reduces or would reduce the amount of tax payable. This provision is impair material with sections and of the Companies Income Tax Act.

These General Anti-Avoidance Provisions in tax legislations in Nigeria signal the legislature's intention that courts should go beyond the prevailing rules of statutory construction in tackling tax avoidance schemes that are abusive of the wording of the legislation.

Specific Provisions Nigerian tax laws also contain specific Anti-Avoidance provisions. For instance section 17 (2) (1) of the Companies Income Tax Act, is aimed at curbing tax avoidance by companies. Specifically, section 17(2) is to the effect that any amount of profits treated as distributed should, for the purposes of the Companies Income Tax Act and any other enactment in Nigeria imposing tax on incomes of persons other than companies, be deemed to be profits or income from dividend accruing to those who are shareholders in the company in proportion to their shares in its ordinary share capital and the amount of such profits or income is now taxable as personal income in the hands of each shareholder, while sub-section (1) of section 17 provides that where it appears to the Board that a Nigerian company which is under the control of five persons or less and has failed to distribute to its shareholders as dividend, profits made in any of its accounting periods with a view to reducing the aggregate of tax chargeable in Nigeria on the profits of the company, the Board is empowered to direct that any such undistributed profits or income be treated as distributed to its shareholders. Again, section of the Personal Income Tax Act provides for what is known as the "Deeming" provision as an Anti-Avoidance measure. The section provides that "the income of a trust settlement or trust shall for all purposes of this Act be deemed to be the income of the settlor or person creating the trust" where the settler retained or acquired a general power of appointment, made use either directly or indirectly of the income arising from the settlement and where the settlement is revocable and the settler resumed control.

Despite these specific and General Anti-Avoidance provisions in our tax legislations, it is doubtful whether they have impacted positively on revenue generation. According to Abdulrazaq, the main problem is that of judicial reluctance in interpreting the Anti-Avoidance legislations by the Nigerian courts. The problem, according to him is that of characterisation which underlines how difficult the task can be, especially when the courts are presented with highly artificial schemes, and that when faced with such problems the courts frequently like to emphasise the need to have regard to the reality of the situation or less frequently, its substance.

Conclusion

As a way forward, it has become very clear that tax evasion and avoidance know no national boundaries and the activities of tax havens and offshore finance centres can no longer be ignored.

They have become what a recent United Nations report described as an enormous hole in the international legal and fiscal system.

The rapid integration of the global financial services industry has increased the need for the international community to address the issue of whether it is acceptable for sovereign states and their dependent territories to provide the means for non-resident citizens and corporate entities to circumvent the tax regulatory regimes of their own or those of countries where they do business. Agreement is needed at global level to define minimum standards of transparency and disclosure by individual taxpayers and companies and to enable the development of wider networks of cooperation extending to all developing countries. The first step in this direction would be an agreement for automatic information exchange between tax authorities across the world.

At the national level, Nigeria needs a well-functioning tax and administrative machinery that would stand the challenges of the fast developing global economy to properly match tax avoidance and evasion schemes.

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Property Tax:

KW-IRS Meets with Irewolede Estate Landlords' Association

Doyinsola Akande

On the 4th of August 2017, The Directorate of Property Tax, Kwara State Internal Revenue Service called for a roundtable meeting with Irewolede Estate Landlords' Association, Bureau of Lands and Kwara State Housing Commission, the meeting which was held at Kware State Internal Revenue Service Office at Madeleke Plaza Lajorin. The meeting was called to address issues regarding the bills raised, wrong land measurement and the basis for tagging properties/houses as either commercial or residential within the estate.

The Association President, Alhaji Baba Nagode expressed that the residents of the estate were served commercial bills and that there is great variation in the bills as a result of wrong land measurement. In the same vein, a member of the Association's Board of Trustees,Alhaji Ibrahim Mahmood said that they are not happy with the discrepancy in their bills, affirming that they are ready to pay their taxes if they are fully educated on why the bills in their estate are different as some are commercial while some residential when they as landlords believe all are residential.

The Deputy Director General,(DDG) Bureau of Lands,

Representatives of Irewolede Estate

R-L: DDG Bureau of Lands, Alhaji Muyideen Abdulkadir, Member of Irewolede Estate Landlords' Association

Alhaji Muyideen clearly stated that Irewolede Estate was built for residential purpose, but some of the housing units have been commercialized when rented out or converted to shops, He therefore advised the Landlords' Association to do a change of name in case any house is commercialized. He also noted that the landlords can raise objection if they have doubt in the bills raised and a revised bill will be raised after second assessment. Muyideen finally appealed to the landlords to support the government by paying their taxes, as only this can promote the State's infrastructure development.

Head of Estate Department, Kwara State Housing Commission, Alhaji Ganiyu Adi stated that Irewolede Estate has both commercial and residential areas and are all liable to pay taxes, however variation is allowed in land use as charges are based on the size of the land used. He concluded by advising landlords to obtain their Certificate of Occupancy.

In her address, the Kw-irs Director of Property Tax, Alhaja Iyabo Abubakar emphasized the need for tax payment not only in Kwara State but Nigeria at large. She urged the landlords to pay their tax as required by the law.

Alhaja Abubakar advised the landlords to provide adequate and genuine information about any property whose purpose has been converted from residential to commercial so that such property can be appropriately taxed. She added that taxpayers stand to enjoy 10% discount when they pay within 30 days of notice and it remains their right to raise objection when in doubt.

DDG Bureau of Lands, making a comment

Director, Property Tax listening to comments from Irewolede Estate Landlords

Director Property Tax, Mrs Iyabo Abubakar flanked by DDG Bureau of Land, Alhaji Muyideen Abdulkadir (right) and other Executives of Irewolede Estate Landlords Association

KWARA STATE RESIDENT CARD (KWRC) - KWARA STATE TAXPAYER'S ID CARD

Mustapha Shakirah Omotola[1], Ojerheghan Godfrey[2]

"Identification Card is a card giving identifying data about a person, as full name, address, age and color of hair and eyes and often containing a photograph for use of identification at a place of employment, school, and club e.t.c."

IDENTIFICATION DOCUMENT

An identification document also called a piece of identification or ID or colloquially as papers is any document which may be used to prove a person's identity. It is issued in a small standard credit card size form. It is usually called an identity card (ID card, Citizen Card or Passport Card). An identity document is used to sort for a persons' personal information from database. The document containing valid information of persons such as the bearer's full name, age, date of birth, address, an identification number, card number, gender, citizenship and more. A unique identification number is given to all ID owners which is secure and easily traceable for official purposes.

Identification Card is a card giving identifying data about a person, as full name, address, age and color of hair and eyes and often containing a photograph for use of identification at a place of employment, school, and club e.t.c. When the identity document incorporates a photograph it may be called a photo ID. Documents such as Driver's license, National ID cards, Voter's cards and passports are acceptable as a means of identity verification in some countries. Although not all countries accept driver's license due to forgery and impersonation. Many countries require all foreigners to have a passport or occasionally a national ID card from their home countries available at all times with the absence of a residence permit in the country.

HISTORY OF IDENTIFICATION CARD

The first identity document or identification card inscribed into law was introduced by King Henry V of

England with Safe Conduct Acts of 1414. However, before World War I, most people did not have or need an identity document. The Napoleonic Identity card was the main ancestor of modern identification systems. Napoleon transformed the French Republic into a tightly controlled police state and freedom unheard of in Europe.

In Nigeria, the history of national identity card system was initially conceived in 1977 but was not achieved. A new scheme was initiated in 2003 managed by the Directorate of National Civic Registration (DNCR) and about 54 million Nigerians were registered, however the scheme failed to meet its official expectations and was later replaced by the National Identity Management Commission (NIMC) was established by the NIMC Act No. 23 of 2007 came into effect in 2010. The commission was established to create, operate and manage Nigeria's national identity database in government institutes, register individuals and legal residents, assign a unique national identification number and introduce general multi-purpose cards. The commission entered into an agreement with the National Database & Registration Authority of Pakistan to develop computerized national identity cards for Nigerians. Few autonomous states in Nigeria such as Lagos, Kano and Kwara are beginning to adopt the use of Identification documents known as resident cards for identification and various social benefits. These resident cards could be in form of smart card and used for many transactions.

The early 20th century registered the wide use of photographic Identification which first appeared in 1876. Photographs became part of passports and other identity document. Identity documents such as driver licenses became known as "Photo IDs". Countries such as Australia and Great Britain introduced the requirement for Photographic passports in 1915 after the scandal called Lody Spy Scandal. Photographic identification prevents double identity and identity fraud.

New technologies allow identity cards to contain biometrics information such as photographs, face, hand, or iris, measurement or fingerprints. Every human being already carries their own personal identification in form of DNA and this could be a preferred identification rendering a State issued identity cards at lesser risk. The shape and size of identity cards were standardized in 1985. Some modern identity documents are smart cards used not only for identification but for other purposes like transactions. Law enforcement officials claim that identity cards make surveillance and search for criminals easier. In most English speaking countries, such as Canada, Nigeria, Australia, New Zealand, United Kingdom and United States there are no government issued compulsory identity cards to citizens. They do not mandate the possession of identity document but they have de facto equivalents, some of these countries still require proof identity in many situations. For instance, in Nigeria all qualified adults above 18years of age registers and are issued the "Voters Cards". Vehicle drivers must have driving licenses and young people must have an Identity Card for proof of adulthood when purchasing alcohol.

KWARA RESIDENT CARD (KWRC)

The Kwara State Government in a bid to create a data base of all residents of the state introduced a unique identifier known as the Kwara State Identification Number (KRIN). The KRIN requires that all residents of the state from the age of 18 be registered and assigned identification numbers. The expectation of the State is to create a robust database of all taxable adults in the state.

This exercise was handed over to the Kwara State Internal Revenue Service and specifically it became a deliverable of the Directorate of Operations and Process. The objective of KRIN was not just to assign identification numbers but also to create identification cards that would be issued out to tax payers and will attract some form of benefits to the carrier.

Consequently, the Directorate began the process of assigning KRIN to all tax payers. In collaboration with VERVE Nig. Ltd. and Heritage Bank Ltd, the Kwara State Resident Card (KWRC) was launched in November 2015. Heritage Bank at the initial stage printed 7,455 KWRC cards all distributed to residents in the State. These cards were distributed within HNIs, Informal, MDAs, FMDs, Individual class.

The card which doubles as a debit card mirrors the details of the data collected for KRIN. A data center was created for the purpose of collating, imputing and integrating the data on the platform. As at January 18, 2017, about 25000 KRIN were generated and 8500 KWRC issued. The database which is a growing one is of great importance to both the State and the Revenue Agency.

The new "Kwara State Resident Cards" (KWRC) as shown below was adopted under the leadership of Governor Ahmed Fatai serves as a means of identification as a Kwara State resident and gives residents easy access to the State's social services.

Fig. 1: A sample of KWRC

ACTIVATION AND USES OF KWARA RESIDENT CARD

The Kwara State Resident Card is issued free of charge and can be reloaded through different channels which are online via www.quickteller.com, Heritage Banks experience centers, ATM via Quick teller and any bank via PayDirect. The card must be activated before use by changing the default Personal Identification Number (PIN) at any bank's Automated Teller Machine (ATM). The activation of card allows access to transactions such as withdrawal and payment either through merchant websites, Automated Teller Machine (ATM) or Point of Sales (POS).

BENEFITS OF KWARA RESIDENT CARD

The KWRC has the following benefits:

(a) Discounted State revenue payments
(b) An acceptable means of identification
(c) Easy access to State social services
(d) Insurance
(e) Healthcare benefits
(f) Regular cash withdrawal at the Automated Teller Machine (ATM)
(g) Purchase on Point Of Sales (POS) terminal
(h) Purchase air-time for your phones
(i) Payment of utility bills

REQUIREMENTS FOR OBTAINING KWARA STATE RESIDENT CARD (KWRC)

1. Applicant must be a resident of Kwara State.
2. Applicant must have Kwara State Resident Identification Number (KRIN).
3. Applicant must have undergone a thorough medical examination to ascertain his/her blood group.

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> *New technologies allow identity cards to contain biometrics information such as photographs, face, hand, or iris, measurement or fingerprints. Every human being already carries their own personal identification in form of DNA and this could be a preferred identification rendering a State issued identity cards at lesser risk.*

NO MULTIPLE TAXES IN KWARA STATE

– DR MURITALA AWODUN.

Bolaji Abdullahi

The National Association of Microfinance Banks Kwara State Chapter organized a workshop at KWACCIMA on Tax Obligations of Microfinance Banks. The event was to inform the Microfinance Banks about different taxes due to the association.

The Executive Chairman of Kwara State Internal Revenue Service KW-IRS represented by the Director, HNIs and Corporate Organisations, Alhaji Nuhu Olaide Muhammed enlightened the participants on the lawful expectations of Kwara State Internal Revenue Service, KW-IRS from Microfinance Banks in Kwara State. He said "KW-IRS is a Service and is established with the primary assignment to serve the residents of Kwara State by mobilizing revenue for the strategic development of Kwara State."

Alhaji Muhammed briefed the participants on the schedule of approved list of collection of taxes and levies order, 2015. One by one the stirring tax guru spoke on the taxes collected at the Federal, State and Local Government. He said, "tax compliance measurement essentially relates to the extent at which tax payers meet the registration requirement, timely fillings of returns, full disclosure of information as required and prompt payment of taxes."

Director, HNIs & Corporate, Alhaji Nuhu Olaide Muhammed

Chief Richard Olushola (Chairman First Heritage MFB)

He said all employees" of labour in Kwara State are required to pay their Personal Income Tax as owners and directors of the business and also expected to deduct and remit on monthly basis PAYE from employees' wages and salaries. He stated that all remittances must be attached with payment schedule containing, the name & address of the person who suffered the deduction, the source of deduction, gross amount of payment, amount of tax withheld and period covered by the remittance.

While distinguishing between levies and fees, rates, penalty, fines. He said levies and fees are payment made for the use of labour provided by the government in the production of a commodity or the discharge of a service. He defined rates as a fee paid for the use of government facility that are made available to the public, examples are water rates and tenement rates; Penalty is the amount of money paid to government for failure to meet time stipulated for observance of an action, while fines is an amount paid to the government for contravening the laws, rules and regulations.

Alhaji N.O Muhammed cleared the cloud that multiplicity of taxes is determined by what constitute tax base, tax incidence, and repetitiveness in the tax base of the tax in the tax year. He added that it is therefore the expectation of the service that Microfinance banks in the State comply with various legislations regulating the operations of business in Kwara Sate.

Earlier In his opening remarks, the Kwara State Vice Chairman of National Association of Microfinance Banks, Alhaji Babatunde Ahmed while addressing the participants said the essence of the workshop was to create an interactive session where members will be equipped and educated with the knowledge of taxation and its principles.

The Federal Inland Revenue Service Tax Controller in Kwara State, Alhaji Aliyu Mahe represented by Mr Arikawe Temitayo, educated NAMFB on the Relevant Tax Obligation of Microfinance Banks to Federal Inland Revenue Service. He stated that tax legislation is the act or process of enacting tax laws and the body of laws that provide for the levying of taxes and tax administration.

Mr Arikawe Temitayo said that VAT Decree No. 102 of 1993 imposed a tax known as Value Added Tax (VAT) on taxable goods and services. Accordingly, schedule 2 of the Decree stipulated that All services rendered by Financial Institutions to their customers excluding; Peoples Bank, Community Bank and Mortgage Institutions are *Vatable*. He urged all Banks and Financial Institutions to charge VAT on services rendered by them to their customers and account for same to the Integrated Tax Offices nearest to their operational offices.

Mr Arikawe further explained that Banks charge commissions, fees, or bank charges for services rendered to their customers, and VAT calculations are expected to be based only on the debit charges made for services rendered. He added that the provision of loans and advances does not in itself constitute a Vatable service but there are other ancillary services to the provision of bank advances of bank drafts which are Vatable. He further educated them that the documentation and perfection of loan agreements are examples of such ancillary services and fees charged in this connection would attract VAT. He said the resultant interest chargeable on the loans and overdraft is however not available, stressing that Insurance companies brokers earn commission, loss adjusters, fees, surveyors fees, brokers commission and agency commission for various services rendered to the Insurance Companies.

Present at the event were the Director HNIs and Corporate Organisations, Alhaji N.O Muhammed, The Tax Controller Federal Inland Revenue Service FIRS Ilorin, Alhaji Aliyu Mahe represented by Mr Arikawe Temitayo, Managing Directors, Head of Finance & Accounts, Head of operations of various Microfinance Banks across the State, etc.

Participants at the workshop

KWIRS staff at the workshop

TAIWAN ANNOUNCES RADICAL INCOME TAX REFORMS

Taiwan has announced plans to hike corporate tax, increase individual income tax relief, and hike withholding tax on dividend payments to non-residents.

The changes were announced in a draft tax bill, which will be tabled before the legislative assembly by the end of the month.

Under the bill, corporate income tax will be hiked to 20 percent from 17 percent. Meanwhile the additional tax on undistributed profits will be lowered from 10 percent to five percent. The top personal income tax rate will be lowered to 40 percent from 45 percent, and tax concessions for workers and persons with disabilities will be enhanced.

Alongside an overhaul of imputation system covering the taxation of dividends at domestic level, Taiwan will hike the withholding tax rate on dividend payments to non-resident companies and individuals to 21 percent from 20 percent.

IRISH TAX REVENUES STILL SLUGGISH

With the Irish Government gearing up for October's Budget, the latest Exchequer Returns show that revenue continues to fall short of target.

Tax revenues for the first eight months of 2017 were 0.7 percent, or EUR209m (USD248.2m), below target. This is a slight improvement on the shortfall of 0.8 percent recorded in July. The closest revenues have got to target is 0.5 percent, the figure recorded in June.

In spite of the poor cumulative performance against target, revenues were up 4.9 percent on a year-on-year basis. Revenues for the month of August were up 0.8 percent (EUR21m) on target and 9.4 percent on the same month in 2016.

Income tax receipts for the January to August period were down 1.8 percent on target but up 4.4 percent in year-on-year terms. Corporate tax receipts are now outperforming target, after a run of shortfalls. At the end of August, receipts were 1.7 percent above target and up 13 percent in annual terms.

The Finance Department said that VAT receipts have been strong in the year-to-date, and are now up 1.1 percent against target.

TURKEY INTRODUCES LEGISLATIVE PROVISIONS AFFECTING TECHNOLOGY DEVELOPMENT ZONES.

Turkey published Law No: 7033 on Amendment of Certain Laws and Executive Orders for the Development of Industry and Subsidization of Production (Law No: 7033) in the Official Gazette. The law introduces legislative provisions that affect Technology Development Zones (TDZs). The main points are below.

An amendment has been added to Law No: 4691 on TDZs that will provide special salary incentives for R&D personnel who graduated with natural sciences (mathematics, physics, chemistry and biology) degrees for the companies operating in these zones. These R&D personnel are limited to 10% of the total number of R&D or Design Centre personnel and will be paid by the government for two years.

The new amendments affect the corporate tax exemption. Gains derived by taxpayers operating in TDZs exclusively from software, R&D and design activities are exempt from income and corporate tax until December 31, 2023. The Council of Ministers is authorized to determine the conditions of corporate tax exemptions pertaining to gains from the sale, purchase, and transfer of intellectual property rights. Furthermore, the Ministry of Finance and Ministry of Science, Industry and Technology are authorized to determine policy and instructions for implementing the corporate tax exemption that will align with future decisions.

The Council of Higher Education (YÖK) is authorized to enforce half-year long training programmes for engineering and science seniors (fourth-year undergraduate students) of public higher education institutions in the offices of private sector, science parks, research infrastructures, R&D centers and industrial enterprises.

This amendment will be confined to certain institutions, faculties and departments and will align with the future decisions taken by YÖK.

Transactions regarding land allocations at science parks will be exempt from stamp duty, land registry cadastre fee, and real estate tax.

TREND ANALYSIS OF **HIGH NET WORTH INDIVIDUALS** (HNIs) AND CORPORATE IN KWARA STATE INTERNAL REVENUE SERVICE

-Shola Ajayi[1], Ojerheghan Godfrey[2]

The High Net worth Individuals (HNIs) and Corporate Directorate as the name implies is saddled with the responsibility of collecting both tax and non-tax revenue from all HNIs and corporate organizations in Kwara State. The Directorate collects revenue from is structured into four (4) revenue heads namely;

1. Pay As You Earn (PAYE)
2. Direct Assessment
3. Development Level
4. Capital Gain Tax (CGT)

To have a complete analysis of the directorate's performance, the study will be centered on the position of the above mentioned revenue heads in terms of what was generated in the first quarter of 2016 compared with 2017, second quarter of 2016 and 2017. Half-year performance of 2016 & 2017 will also be examined.

Table 3: Half-Year Analysis

Revenue Head	Half Year Budget, 2016	Half Year Actual, 2016	% Achieved 2016	Half Year Budget, 2017	Half Year Actual, 2017	% Achieved 2017
Pay As You Earn (PAYE)	1,946,769,263.46	2,151,591,202.68	111%	6,160,000,000.00	2,481,528,318.65	40%
Direct Assessment	793,404,615.93	460,694,115.98	58%	1,840,000,000.00	457,414,899.87	25%
Developmental Levies	186,704,415.00	56,729,709.65	30%	1,440,000,000.00	185,758,951.82	13%
Capital Gains Tax	5,730,144.39	5,581,150.00	97%	32,000,000.00	16,234,857.50	51%

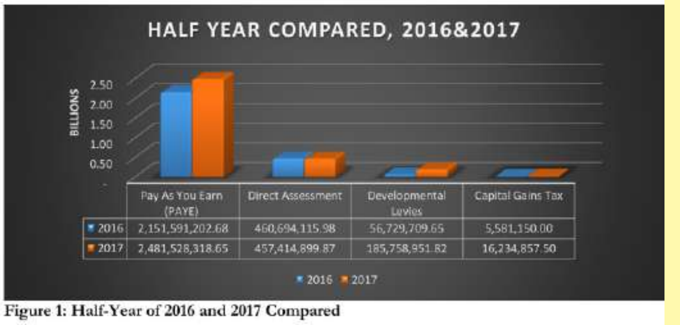

Figure 1: Half-Year of 2016 and 2017 Compared

Table 1: The Directorate's Half- Year Collections in 2016 (In Naira)

	PAYE	DIRECT ASSESSMENT	DEVELOPMENT LEVY	CAPITAL GAIN TAX	TOTAL
JANUARY	288,997,091.70	31,935,177.24	5,757,489.37	-	**326,689,758.31**
FEBRUARY	288,512,965.39	47,602,528.71	3,474,367.21	2,117,750.00	**341,707,611.31**
MARCH	297,860,352.47	76,508,308.31	25,886,944.67	809,250.00	**401,064,855.45**
APRIL	395,001,883.34	151,724,582.97	3,372,791.17	1,293,150.00	**551,392,407.48**
MAY	437,608,895.52	86,176,187.94	14,991,278.50	221,000.00	**538,997,361.96**
JUNE	443,610,014.26	66,747,330.81	3,246,838.73	1,140,000.00	**514,744,183.80**

Source: Directorate of HNIs and Corporate.

Table 2: The Directorate's Half- Year Collections in 2017 (In Naira)

	PAYE	DIRECT ASSESSMENT	DEVELOPMENT LEVY	CAPITAL GAIN TAX	TOTAL
JANUARY	646,220,186.67	83,787,175.01	45,841,974.15	442,500.00	**776,291,835.83**
FEBRUARY	312,709,306.63	34,972,985.61	14,814,144.78	2,499,580.00	**364,996,017.02**
MARCH	619,000,077.02	43,139,112.64	33,562,445.31	9,565,777.50	**705,267,412.47**
APRIL	187,320,203.20	105,868,736.04	45,816,737.52	2,350,277.50	**341,355,954.26**
MAY	438,772,199.00	77,016,584.59	14,182,491.92	562,500.00	**530,533,775.51**
JUNE	354,038,196.34	36,687,678.27	31,541,158.14	225,000.00	**422,492,032.75**

Source: Directorate of HNIs and Corporate.

In order to be more informed on the revenue progress or otherwise Figure 1 compares half year performance of both 2016 and 2017 respectively. Therefore, judging from the above figure in real terms, the half-year collection of PAYE in 2017 was more than that of 2016 but budget terms for each year, the directorate achieved about 111% of the total budget for the half-year in 2016 as against 40% of 2017's budget. This shows that 2016 half-year performance was so impressive when compared with the performance of half-year 2017.

For Direct Assessment, performance in 2016 half-year was better than performance in half year of 2017 in both real terms and percentage of budget achieved. About 58% of the budget was achieved in 2016 while only 25% of the budget was achieved in 2017, implying the need for the directorate to find better strategies that can improve collections in Direct Assessment. On the part of Development Levy, 2017 collection was more than 2016 half-year in real terms which accounts for about 300% of what was generated in half-year of 2016. However, putting the budget into consideration, the performance in 2016 was about 30% of the budget as against 13% in 2017 which shows that collection in this revenue head has not been encouraging.

Capital Gain Tax is another revenue head that performed impressively in first half of 2017 as compared with 2016 in real terms. Considering the budget which is the actual measure of performance, half-year of 2016 recorded a better performance when compared with 2017 half-year. In 2016, the revenue generated was about 97% of the budgeted amount while 51% of the total budget for the half- year was generated in 2017.

Table 4: Comparing First Quarter in 2016 and 2017

	Q1 BUDGET 2016	Q1 ACTUAL 2016	% ACHIEVED	Q1 BUDGET 2017	Q1 ACTUAL 2017	% ACHIEVED
PAYE	778,707,705.39	875,370,409.56	112%	3,080,000,000.00	1,504,274,586.08	49%
DIRECT ASSESSMENT	317,361,846.36	156,046,014.26	49%	920,000,000.00	234,965,035.00	26%
DEVELOPMENT LEVY	74,681,766.00	35,118,801.25	47%	720,000,000.00	94,218,564.24	13%
CAPITAL GAIN TAX	2,292,057.75	2,927,000.00	128%	16,000,000.00	13,097,080.00	82%

Figure 3: Comparing Second Quarters of HNIs in 2016 and 2017

In comparing both years, it is important to consider both the budgeted and actual collections for Quarter One (Q1) of 2016 & 2017. 2016Q1 collections in PAYE achieved about 112% of the total budget while only 49% of the total budget was collected in 2017Q1. Generally, there was improvement in 2017Q1 PAYE over 2016Q1 but when considering the approved budget for both years, 2016Q1 recorded better performance than 2017Q1. In all, PAYE performed better in 2017Q1 as shown in e (Figure 2) above.

The figure also shows that collection from Direct Assessment in 2017Q1 was better than collection in 2016Q1 in absolute terms. Comparing with the budgets for both years, 2016Q1 achieved about 49% while 2017Q1 achieved 26%. This is however not encouraging as collections in both quarters did not meet the set targets. Direct Assessment collections improved in real terms in 2017 though not in any way close to the budgeted figure (2016Q1 was just about 66% of collections in 2017Q1).

Development Levy collection in 2016Q1 was not that impressive, it was only about 47% when compared with the approved budget. The directorate's collection from this revenue head in 2017Q1 was far below expectation as this accounted for just 13% of the total budget for the Quarter. When compared with the 2016Q1 in absolute terms, there was an improvement in collection, whereas in terms of budget, 2016Q1 had a better performance than 2017Q1.

Collection from Capital Gain Tax in 2016Q1 was so impressive that it accounted for about 128% of the budget for the Quarter while 2017Q1 also witnessed a robust boost with about 82% of the budget for the Quarter. In absolute terms, collections from Capital Gain Tax in 2017Q1 performed excellently, while in terms of the approved budgets for each quarter, both 2016Q1 and 2017Q1 performed remarkably well.

Table 5: Comparing Second Quarter of 2016 and 2017

	Q2 BUDGET 2016	Q2 ACTUAL 2016	% ACHIEVED	Q2 BUDGET, 2017	Q2 ACTUAL 2017	% ACHIEVED
PAYE	1,168,061,558.07	1,276,220,793.12	109%	3,080,000,000.00	977,253,732.57	32%
DIRECT ASSESSMENT	476,042,769.57	304,648,101.72	64%	920,000,000.00	222,449,864.87	24%
DEVELOPMENT LEVY	112,022,649.00	21,610,908.40	19%	720,000,000.00	91,540,387.58	13%
CAPITAL GAIN TAX	3,438,086.64	2,654,150.00	77%	16,000,000.00	3,137,777.50	20%

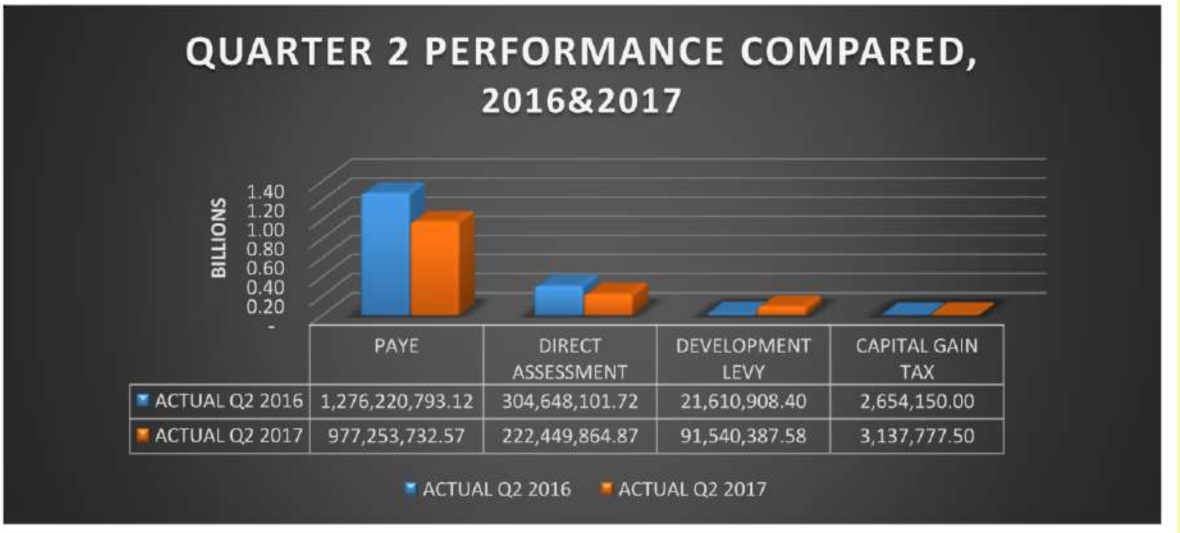

Figure 3: Comparing Second Quarters of HNIs in 2016 and 2017

Fig. 3 above shows that PAYE collections in 2016Q2 was better than what was collected in 2017Q2. However, it is worth noting in the absolute terms that collection in 2016Q2 was more than that of 2017Q2 irrespective of the approved budget. 2016Q2 achieved about 109% of the budget while only 32% was achieved in 2017Q2. Thus, comparing both quarters, there was incredible performance in 2016Q2 PAYE collections than 2017Q2.

Collection in Direct Assessment for 2016Q2, had a remarkable performance which accounted for about 64% of the total budget as against 2017Q2 that achieved a distance of 24%. Generally, in both real term and approved budget, 2016Q2 performance outperformed that of 2017Q2. Development levy collection was not that impressive for both 2016Q2 and 2017Q2, meanwhile in the real term there was improvement in 2017Q2 over that of 2016Q2. Both managed to achieve 19% and 13% respectively. Capital Gain Tax collection for 2016Q2 was low when compared with 2016Q1, though it was better than that of 2017Q2. In real terms, collection in 2017Q2 was more than 2016Q2 but when considering the set target for both quarters, 2016Q2 and 2017Q2 achieved 77% and 20% of their budgets respectively.

RECOMMENDATIONS

Based on the findings above, the following recommendations/suggestions were drawn to help HNIs and Corporate Directorate in her various decision making processes:

- The directorate should find better strategies that will improve collections in Direct Assessment.
- The Service (KW-IRS) should advise Government to engage Enterprises in order to improve collections of Development Levy.
- Tax Clearance Certificate (TCC) should be a prerequisite for transfer of properties, this will encourage payment of Capital Gain Tax.

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Your Tax
Can Do More!

PLAY YOUR PART
PAY YOUR TAX

Community Impact Programmes strategy as a tool to impact the People of Kwara.

Tax Payer's Money at Work.

TAX HOLIDAY:

AN INCENTIVE TO INVEST IN KWARA STATE

"Civil servant state" as Kwara State is often called was as a result of economic reliance on the salaries of the civil servants. This situation has influenced the socio-economic growth of the State. Eventually, the move to change the perspective of Kwara being a civil service state to a commercial hub and investment haven spurred the Executive Governor of the State, Dr Abdulfatah Ahmed to declare five year tax holiday to Micro, Small, and Medium Enterprises (MSMEs) in State.

This strategy will attract investors and encourage businesses which will in turn create employment, enable economic and financial inclusion and also to improve the financial system of the state. The five year period of tax holiday will promote ventures especially new businesses to grow their profits before commencing tax payment.

Tax holiday is a tax administration scheme that is used to attract both local and foreign investors, or to relief places affected by natural disasters. The approach for implementation is by granting exemption from payment of taxes imposed by Government and this may be complete or partial.

Recently, the Federal Executive Council approved 27 new industries and products to enter into the pioneer status to give tax holidays to them for three years, in order to enable industries grow and expand investments in Nigeria.

Kwara State Internal Revenue Service (KW-IRS) as a tax administration with the responsibility to collect revenue on behalf of the State Government is passionate about the survival of existing businesses because taxes are not collected to kill businesses but to ensure a civilized society. Governments also seek to attract investors and this can be done through simple tax administration which the Service operates and one of such is to ensure the smooth implementation of tax holiday.

Kwara State Internal Revenue Service (KW-IRS) as a tax administration with the responsibility to collect revenue on behalf of the State Government is passionate about the survival of existing businesses because taxes are not collected to kill businesses but to ensure a civilized society. Governments also seek to attract investors and this can be done through simple tax administration which the Service operates and one of such is to ensure the smooth implementation of tax holiday.

In some countries that grant tax relief or tax holiday such as USA and Britain, there are parameters before granting the application. In Nigeria, conditions are also attached before eligibility to tax holiday. For example, evidence of registration with the Corporate Affairs Commission (CAC), evidence of date of commencement of business, minimum of five employees, Minimum of working capital of two million naira (N2, 000,000) and after which issuance of tax holiday will be given to the applicant.

The Management of KWIRS is at the verge of making the tax holiday a reality in the State, setting parameter adequate enough to encourage expansion of business and attract new investors.

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

TAX PERSONALITY

Engr. Johnson Bamidele Olorunnishola • Adewumi

Engr. Johnson Bamidele Olorunnishola Adewumi was born on 26 Nov 1952 at Oko, Irepodun Local Government, Kwara State.

Engr (Dr) JBO Adewumi worked in both the Public and Private Sectors of the Nigerian Economy over the past 33years. The acquired experience of Asiwaju JBO Adewumi spans the broad field of Engineering Construction, Design, Policy formulation, Research and Teaching. He worked on many large water resources and hydropower projects in various capacities. Among the most recent landmark professional work is the Multi-purpose Gurara Water Transfer Project, being the largest of its kind in Africa, engineering design of Mambilla and Zungeru Hydropower projects where he served as Project Director for the Engineering Design and Construction.

Furthermore, he served on a number of Technical Commission and Advisory Committees for Civil Engineering Construction Projects and Water Resources Planning. He served as Water Resources expert for bilateral and multilateral organizations which include Niger River Basin Development Authority, Nigeria-Niger Joint Commission for Co-operation, Lake Chad Basin Commission, UNESCO – IHP, World Meteorological Organization and International Commission on Large Dams(ICOLD). His work and other experts' form the basis of the Water sharing Agreement between the Government of Federal Republic of Nigeria and Niger for the Four River Basin common to the two countries in 1985.

The professional expertise attained encompassing engineering design and construction, policy formulations and research enabled him to play leading roles in the planning, Design and Construction of Major Dams, Irrigation and Hydropower Projects in Nigeria. Most recent and on-going ones include 3050MW Mambilla Hydropwer, 700MW Zungeru Hydropower, Gurara Multipurpose Water Resources Project. Others include Jibiya dam, Irrigation Cum Water Supply Project, Swashi Dam and Irrigation Project, Goronyo Dam and Kampe Dam and Irrigation Project, Middle and Lower Ogun Projects.

On the International Scene, Dr Johnson Adewumi is a

Chief Johnson Bamidele Olorunnishola Adewumi is this month's choice of tax personality because he decided to pay his Personal Income Tax to Kwara State Internal Revenue Service despite working in Federal Capital Territory, Abuja and remits his staff Pay As You Earn P-A-Y-E.

member of the International Committee on the Integrated Management of Hydropower Reservoirs whose membership are drawn from USA, China, Canada, Nigeria, Switzerland, Germany and France. This International Committee was inaugurated in Kyoto Japan in June 2012. He had served as Hydrological Rapporteur for World Meteorological Organisation – RA 1 between 1984 and 1986. He served as Water Resources Expert for the Food and Agricultural Organisation in 1987. He has many published works in International Journals such as Journal of Hydropower and Dams (ICOLD), International Committee on Irrigation and Drainage and Water Resources Journal.

He founded Decrown West Africa Company Limited in 1989 and developed the Company to become one of the leading Engineering Consulting Companies in Nigeria in the Field of Civil Engineering, Hydropower, Transportation and Water Resources. In 1994, he expanded the scope of his Engineering Company to include Construction and Electromechanical works by the incorporation of Construction Products Nigeria Limited, a sector dominated by foreigners. In line with his track record as an achiever, he successfully completed many large scale construction projects in Civil, roads, building and water resources Engineering, employing more than 500 construction workers made of engineers, technicians and artisans.

COMMUNITY WORK.

Dr JBO Adewumi served as National President of Oko Development Association for a period of Eight Years (January 1993 to 2000). In 1997, Dr. J.B.O Adewumi founded Thomas Adewumi International College, Oko and built a Primary School for Oko Community called Prime Time Nursery and Primary School. In May 2006, Dr JBO Adewumi built and commissioned a 37-Bed Hospital complete with modern Equipment called Oko Medical Centre. In 2007, Dr J.B.O Adewumi together with his wife Gloria started an NGO called Rural Youth Empowerment Project. The aims of this NGO that is financed solely by the couple include encouraging youths in rural areas to live Christ centered better lives with integrity and honesty, to focus on skill acquisition through seminars and training, to adopt healthy lifestyle and gainful self employment. The project has benefitted many people in Irepodun Local Government Area including serving NYSC members.

He was installed on 1ST October 2008 as the first Asiwaju of Oko Community in recognition of his services to Oko Community in Irepodun Local Government Area of Igbomina land, Kwara State, Nigeria.

Dr. Adewumi built two Community Libraries complete with Internet Facilities for Oko Community and a Building comprising two Classrooms and Headmistress Office for ECWA Demontration Scholl Oko.

Other Philantropic works of Asiwaju Dr. Johnson Adewumi include rehabilitation of Oko Omuaran road in Irepodun Local Government Area as well as interest free Business loan to indigenes of Oko community. He offers scholarships for Primary, secondary and University education for many and set up seven cooperative societies to provide loans for commercial activities in Oko Community.

EDUCATION AND PROFESSIONAL STATUS

- Chartered Engineer, Council of Registered Engineers of Nigeria.
- Ph.D (Civil Engineering), Imperial College of Science and Technology, London, Dec 1982
- M.Sc D.I.C(Hydrology),Imperial College of Science & Technology, London June 1979
- B.Sc (Civil) Second Class Upper Division, University of Lagos, Lagos, June 1976

MEMBERSHIP OF PROFESSIONAL ASSOCIATIONS:

- Council of Registered Engineers (COREN)
- Association of Consulting Engineers(ACEN)
- Nigerian Committee on Large Dams (NICOLD)
- ICOLD Committee on Integrated Management of Hydropower Dams

He is happily married to Mrs Gloria Oluwakemi Adewumi and blessed with four boys and a girl.

Chief Johnson Bamidele Olorunnishola Adewumi is this month's choice of tax personality because he decided to pay his Personal Income Tax to Kwara State Internal Revenue Service despite working in Federal Capital Territory, Abuja and remits his staff Pay As You Earn P-A-Y-E. promptly as at when due.

Garden Eggs

Are you one of those who mock fruit and isn't too keen on eating it?

Fareedah Abdulwahab

It is time to have a rethink. The fantasy of looking younger than your age can be easily accomplished with the help of kitchen ingredients like garden eggs.

Garden Eggs are not particularly tasty or sweet like some other fruits but they are of immense benefits to those who eat them. It is advised to be in a diet of elderly, because it helps in prevention heart diseases, atherosclerosis, and attenuation of blood vessels. Garden Egg is delicious and low-caloric, easily digested, so it can be a perfect part of slimming diets. Garden Egg contains vitamin C enough for effective prevention of cold-related diseases and contains B vitamins enough to have beneficial effect on the nervous system. In addition garden egg is rich in calcium, iron, magnesium and several other important nutrients that aid proper functioning of your body. Garden egg is rich in nutrients that can work wonders on your skin. Apart from making your skin soft and smooth, it can also help reduce the signs of aging.

Garden Egg is one food Nigerians love. It is either enjoyed fresh alone or it can be accompanied with groundnut or cooked into a delicious sauce, which is eaten with boiled yam or plantain. Read on to know more Garden Eggs benefits for your body!

Keeps Your Skin Soft And Supple: The skin tends to get dry at times. The cold weather strips the natural moisture of the skin, making it dry and itchy. No doubts, garden egg is here to help you. Its water content can hydrate your skin and make it soft and supple. Mix shredded eggplant, 2 tablespoons aloe juice and 1 teaspoon organic honey until a smooth paste is formed. This mask needs to be applied in two stages. Firstly, apply a portion of this paste on your clean face and let it get absorbed well. Then, apply the rest and leave it on for 15 to 20 minutes. Wipe it off using a clean cotton ball. Wash your face with warm water and rub a piece of cosmetic ice on it for a few seconds. Let it air-dry. Finish it off by applying your trusted moisturizer. You can use this mask twice a week.

Makes Hair Stronger: Garden eggs has a high water content, it helps nourish your scalp from within, ensuring stronger roots. Mince a small garden egg and rub your scalp with it for 10-15 minutes. Wash it off with lukewarm water and a mild shampoo. You can repeat this process once a week to get the desired results.

The fibre content in Garden Egg helps to lower cholesterol levels in the body, protecting the heart in the process. The fruit is rich in vitamins and particularly has vitamin B1 and B6 in abundance.

Weight Loss: Garden Egg's calorie content is very low and it is rich in fibre. Garden Egg is a good snack that helps fill the stomach and would help anyone trying to lose or control weight from eating other high calorie snacks when hungry. When you are Hungry, choose Garden Egg instead of Shawarma.

Prevents heart diseases: The fibre content in Garden Egg helps to lower cholesterol levels in the body, protecting the heart in the process. The fruit is rich in vitamins and particularly has vitamin B1 and B6 in abundance. These vitamins are necessary for the proper functioning of the heart and cellular respiration. The rich potassium content of the plant also helps in regulating blood pressure.

Fights diabetes: Garden Eggs can mitigate the threat of diabetes. It's a rich source of fibre and is low in soluble carbohydrates. It can help regulate the blood sugar levels and control the absorption of glucose. The garden egg contains low soluble carbohydrates and a lot of fibre which help to lower blood sugar levels and control glucose absorption.

It helps you avoid parasites: When eaten on a regular basis, garden eggs can be a real find for people looking for ways to prevent parasites in the body. However, you should not expect to see the miracles unless you eat it on a regular basis and not just from time to time once the issues start. It is useful during pregnancy. It is packed with vitamins, minerals, and other nutrients which make it an essential part of the daily ration of every pregnant woman. Given the fact that the baby is taking much of the useful nutrients for himself, women often suffer from the lack of individual components in their body. So, eating Garden Eggs can be an excellent solution to such situations.

Garden Eggs helps improve the immune system: It contains vitamins and minerals can significantly improve the general condition of the immune system. The Kidney can be cleaned with Garden Eggs. Cut the garden egg into pieces, rinse in clean water then put in a clean pot and boil for 10 minutes, then filter it in a bottle. Allow to cool and drink. When you urinate check your urine. You will notice the salt in the body and some other diseases that can affect your Kidney will pass through your urine.

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CROSSWORD PUZZLE

By: Fatimah Jaji

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

BABELDOM
ABACULUS
ACATAMATHESIS
CADILESKER
DEARTICULATE
EJECTAMENTA
REALISTIC
CIRCUMSTANCES

EVIDENT
ABDUCENT
CACHEXIS
DACNOMANIA
EASEMENT
FAGIN
DISCOVERIES
RENDER

ESTABLISH
ABNEGATE
CADGE
DARBIES
ECPHONESIS
CONTEMPORARY
PROPERTY
CHAMBER

Send your solutions, your name and phone number via email to press@kw-irs.com with the subject: Puzzle Solution to Volume 3 Issue 21

Solution to Kwareve News Issue 20
Crossword Puzzle

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

EPITAXIAL
EPISTAXIS
BETAXED
ATAXY
GEOTAXES
EUTAXY
NONTAX
METAXYLEM
PARATAXIS
PHYLLOTAXIS
PHYLLOTAXES
RETAX
TAXEME
SUBTAXONS
SYNTAX

KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE
HALL OF FAME

Ahmed Abubakar Ndakene

Ahmed Abubakar Ndakene staff of Department of Internal Audit, a native of Shonga in Edu Local Government. He is worth being the Hall of Fame for the month of August because of his hardwork, dedication, discipline and his team playing ability.

Ahmed Abubakar Ndakene is friendly, plays scrabble and listens to music.

The entire KWAREVE NEWS Team congratulates you.

Taxpedia

Abdulwahab Fareedah

RETIREMENT TAX

Retirement Tax is a specific dedicated tax levied only on specific sources of income such as wages and salaries. The total amount of the taxes paid by or on behalf of a worker is considered in the calculation of the retirement benefits to which that worker is entitled. Examples of retirement tax include the FICA tax, a payroll tax levied on employers and employees in the US to fund the country's social security system. The other type of retirement tax is the National Insurance Contributions paid by the employers and employees in the UK to fund the country's National Insurance System.

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Somorin, Teju (2015) A Concise Review of Different Tax Types, Chartered Institute of Taxation Nigeria. (CITN), CITN – TEJU TAX No2

CONSEQUENCES OF HARRASING KW-IRS STAFF

Olufemi Oguntokun

Since the tax administration commence all over the world, tax officials are frequently a target of threats or harassment due to their job description which allows tax officers to interface with taxpayers as a way of persuading them to perform their civic responsibility.

The situation is not different in Kwara State Internal Revenue Service as our trained staff do interact with our clients/customers/taxpayers with the motive of persuading and convincing taxpayers on how to perform their civic responsibilities in a convenient and easy way as all our clients/customers/taxpayers are very important to us. The availability of staff to ensure taxpayers are well attended to, gives some prospective taxpayers the opportunity to ask questions about ambiguous issues on tax and revenue or what their taxes are used for. These staff may give adequate information about such issue raised by taxpayers or may refer such taxpayer to the top management about some questions he has no information on. Or he may not be in the position to give such information.

Most of these staff are always on ground to serve notice of assessment, enumeration, tax advocacy and sometimes on enforcement.

However, these staff often face various intimidation, threat or harassment during the cause of carrying out their legitimate duties. These comes through insults, curses, throwing back of demand notice, rejection, beating, among others. Some of these aggrieved taxpayers do not know that the establishment of KWIRS by law has provision about anyone who obstruct its staff on duty.

According to section 54 of Kwara State Administration Law (as amended) 2015.
"Any person who-

a) *Obstructs, hinders, molest or assaults any person or authorized officer in the performance of any function or the exercise of any power under this law;*
b) *Does anything which impedes or is intended impede the carrying out of any search, seizure, removal or distrain;*
c) *Rescues, damages or destroys anything so liable to seizure, removal or distrain or does anything intended to prevent the procuring or giving of evidence as to whether or not anything is liable to seizure, removal or distrain; or*
d) *Prevent the arrest of any person by a person duly engaged or acting as aforesaid or rescues any person so arrested, commits an offence and shall be liable on conviction to a fine not exceeding N200, 000 or imprisonment for a term not exceeding three years or both.*

Cases that have been reported by field staff and settled out of court after writing letter of apology, but the case of a husband and wife that assaulted KWIRS staff was arraign before the magistrate court of Kwara State on Wednesday 3rd of May 2017, the couple rough handed a staff of directorate of property tax while enumerating their building, the official tablet was said to have been collected and destroyed. The couple were charged for conspiracy, criminal force to deter public servant from discharging his duty and mischief contrary to section 97,267 and 327 of Penal Code Law of Nigeria via a First Information Report (F.I.R) dated 23/05/2016.

The judgement was passed as:
"from the background already given by the learned counsel, the convicts are husband and wife, having children to take care of and first offenders, this, I must admit are sufficient factors that should be weigh in favour of the convicts in mitigating their punishment.

Therefore in light of the foregoing, a short prison terms will be sufficient to atone for the wrong they have committed against the laws of the state and the society. They are therefore sentenced as follows:

1) For the offence of crimal conspiracy contrary to section 97penal code. Each of the convicts are sentenced to three months imprisonment.
2) Offence of criminal force against public servant contrary to section 267 penal code. Each of the convicts are sentenced to six months imprisonment.
3) Mischief contrary to section 327 of penal code. Each of the convicts are sentenced to six months imprisonment.

In the alternative, they are to pay the sum of N5,000 , N8,000 and N10,000 each for the offences of criminal conspiracy, criminal force to deter public servant from discharging his duty and mischief as options of fine.

Therefore the public do not need to obstruct any field staff from carrying out his duties, in case of any complaints, the service helpline is always available, e-mail or approach the appropriate quarters for proper attention. There is no ignorance in Law.

TAX DEFAULTERS AT BABOKO MARKET FACE ENFORCEMENT

Fareedah Abdulwahab

The people of the Oja Tuntun market like many other markets in Kwara State had enjoyed a good relationship with Kwara State Internal Revenue Service (KW-IRS) who since the commencement of its operations in 2016 had given a listening ear to the market executives. The Service in its various engagements had abided by its mandates which includes encouraging voluntary compliance and giving feedback to the State Government.

KW-IRS had been commended for its tax drive in Informal Sector with other States Internal Revenue Services such as Kogi, Lagos and Osun requesting to understudy its model. Part of the success of this can be given to the engagement of artisans and market executives last year (2016) where KW-IRS worked with tax rates agreed with the Artisan executives which were much lower than the amount provided for by the Federal Government in the Presumptive Tax Regulation.

In June 2016, the Baboko Market located in Ilorin-West Local Government Area of the State was engulfed by fire where shops and goods worth millions of naira were destroyed. It was on this situation that the amiable Executive Governor of Kwara State, Alh (Dr) Abdulfatah Ahmed approved for the reconstruction of the 40 burnt shops by the Kwara State Internal Revenue Service to bring relief to displaced shop and stall occupiers and also to boost economic activities in the market. This was done as part of the Community Impact Program (CIP) of the Service.

Ideally, having discussed and agreed with market executives, one would expect voluntary compliance from taxpayers. In addition, the Service fulfilled its responsibility of providing feedback to the State Government which is proof that the Government is being responsive to the needs of its people.

Having done these, the market executives became more receptive of the activities of KW-IRS in the market, which includes collection of shop rent, Personal Income Tax (PIT), hawking permit, etc. However, many of the marketers at the Market were yet to fulfil their civic responsibility, by paying their taxes especially Personal Income Tax (PIT).

Many people when approached for taxes claimed they are unwilling to pay until they see the benefits of what the Government is doing with the funds. However, tax is not something that should be paid with the expectation of an immediate and direct benefit. Rather, it is meant for the benefit of all. Also, even when benefits have been enjoyed, people are still averse to tax payment. In the case of Baboko Marketers the fund for the reconstruction of the shops were revenues available to the Government from various sources, including taxes paid by others.

After months of persuation, the shop occupiers refused to pay their statutory obligation, the Service had to result to enforcing defaulters by sealing their shops and business premises. The Director of Informal Sector, Mr Segun Olaniyi explained that the marketers are to display a high sense of responsibility to the service by complying with the payment of taxes as enforcement implies not only the expiration of objection period but also that penalties may apply.

The Director also explained that his staff had served demand notices to the marketers in the beginning of the year 2017. Even after the expiration of the payment period stated, several months had passed as granted extension where reminders were given taxpayers to make payment but some prospective taxpayers still did not comply. It is such defaulters who were faced with enforcement. Mr Olaniyi however advised all marketers to comply and pay the taxes imposed on them so as not to be charged penalty or interest.

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'd like to make an enquiry on how to register for my citizenship certificate.
Anonymous.
Thanks!

Hello, anonymous
The citizenship application process goes thus;

1. Visit http://www.kw-irs.com/citizenship
2. Create an account
3. Fill the citizenship form and note your transaction ID
4. Make payment of N2,500 with your ATM or DEBIT CARD online
5. You will receive confirmation via SMS and the completed form via email
6. Download and print the completed form
7. Take the completed form to your local government for all relevant signing
8. Obtain your citizenship certificate from your LGA

Hello,
After I made the payment of N2,500 for the online citizenship registration, I was asked to pay extra charges. Is the charges coming from KW-IRS?
Anonymous!
Thanks.

Hello, anonymous
You can only make payment of 2500 via KW-IRS online platform and nothing more. Any extra charges does not accrue to KW-IRS citizenship registration process.
Thanks.

KW-IRS
KWAREVE News

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Inner Back Cover	N350,000
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KWAREVE News

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	
LAYOUT/ DESIGN	
PRINT QUALITY	
ANY OTHER SUGGESTION	

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

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
Website: www.kw-irs.com
Telephone: 0700MYKWIRS (07006959477)

Mobilizing Revenue for the Strategic Development of Kwara State

PHOTO NEWS

Directorate of Property Tax during an In-House Training

TAX THURSDAY - VAIDS Training to members of staff

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 beproperly 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

TREND ANALYSIS OF REVENUE COLLECTIONS IN MDAs BY KWARA STATE INTERNAL REVENUE SERVICE (KW-IRS)

Shola Ajayi

The Directorate of Ministries, Departments and Agencies (MDAs) is one of the revenue generating directorates in Kwara State Internal Revenue Service (KW-IRS) with the mandate of collecting revenue due to the State from the State Ministries, Departments and Agencies, using the most convenient and transparent way that will add value to KW-IRS and the State through a sustainable development. MDAs collect revenue from different revenue heads namely:

1. Road and Other Taxes
2. Parastatals
3. Ministries
4. Tertiary Institutions

For a successful trend analysis of MDAs performance, it is very important to ride us through the position of MDAs half year performance in 2016 and 2017; 1st quarter of 2016 compared with 2017 and second quarter of 2016 and 2017 compared. Putting all these together will give us the true picture of MDAs performance (whether improving or otherwise). Below is the trend of half-year MDAs revenue collections in 2016 and 2017.

Table 1: Half-Year Trend of MDAs Revenue Collection in 2016

	Total Revenue Collection for Ministries	Total Revenue Collection for Parastatals	Total Revenue Collection for Tertiary Institutions	Total Revenue Collection for Road and Others Taxes
January	349,756,827.89	21,744,529.40	410,399,199.53	12,197,200.00
February	193,528,064.33	28,789,859.99	556,621,781.29	26,788,698.00
March	185,405,455.06	277,466,026.85	342,862,852.53	24,736,210.00
April	154,988,204.26	1,160,372,390.12	161,430,502.94	21,806,975.00
May	689,371,997.34	30,639,706.77	135,935,383.09	35,100,700.00
June	122,074,646.00	504,188,017.18	214,814,977.54	23,122,800.00

Table 2: Half-Year Trend of MDAs Revenue Collection in 2017

	Total Revenue Collection for Ministries	Total Revenue Collection for Parastatals	Total Revenue Collection for Tertiary Institutions	Total Revenue Collection for Road and Others Taxes
January	115,465,096.97	34,478,608.07	1,129,018,056.71	29,707,329.14
February	524,464,839.86	33,117,987.85	734,926,349.65	25,161,121.73
March	1,767,556,580.93	30,326,387.20	255,454,037.44	31,493,713.42
April	379,318,787.30	27,597,663.07	83,798,681.30	24,671,472.16
May	111,589,479.54	28,858,194.74	199,880,063.39	23,548,900.00
June	1,458,846,974.03	26,870,753.28	302,466,775.86	21,632,050.00

Table 3: 1st Half of 2016 and 2017 Compared

Revenue Head	Half-Year Budget, 2016	Actual Revenue collection, 2016	% Achieved, 2016	Half-Year Budget, 2017	Actual Revenue collection, 2017	% Achieved, 2017
Ministries	5,342,045,656.00	1,695,125,194.88	32%	4,836,924,783.49	4,357,241,758.63	90%
Parastatals	1,150,581,430.00	2,023,200,530.31	176%	754,248,344.00	181,249,594.21	24%
Tertiary	3,216,894,359.00	1,822,064,696.92	57%	4,815,970,634.00	2,705,543,964.35	56%
Road and Other Taxes	261,555,458.00	143,752,583.00	55%	222,729,742.50	156,214,586.45	70%
Total	9,971,076,903.00	5,684,143,005.11	57%	10,629,873,503.99	7,400,249,903.64	70%

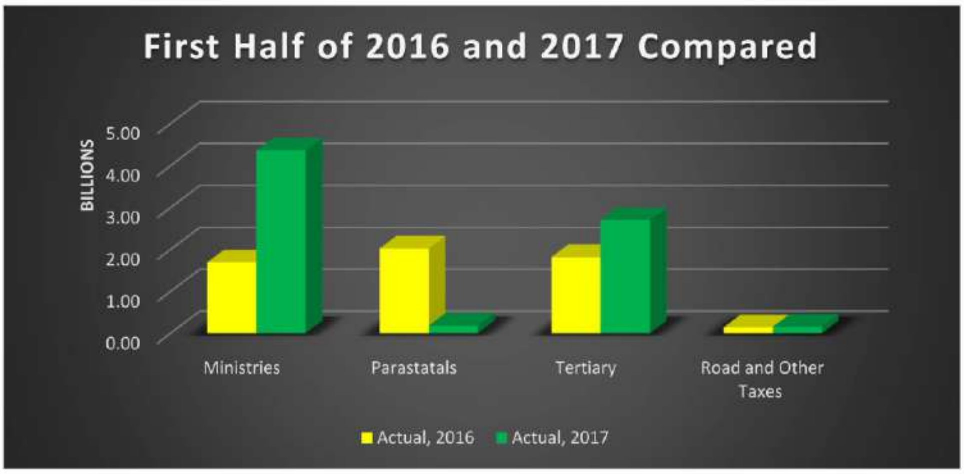

Fig. 1: 1st Half of 2016 versus 1st Half 2017

Comparing the Performance of MDAs in the 1st Half of 2016 to 1st Half of 2017

For simplification purpose, it is important to compare 2017 performance with 2016 performance in order to measure the actual performance of MDAs revenue collection. Therefore, 2016 1st half-year performance will be compared with 2017 1st half –year performance (i.e. 2016 vs. 2017).

Fig. 1 shows that the performance of Ministries in the 1st half of 2017 was better than the 1st half of 2016 in terms of percentage of budget achieved and real terms, also performance in the parastatals was more impressive in 2016 than that of 2017 when considering percentage of budget achieved and real terms even after a large downward review of budget for half year 2017. The revenue collection in tertiary institutions in 2017 was better in real terms but when compared with the percentage of budget achieved, 2016 performance showed a slight improvement over the performance in 2017. The total revenue collection for Road and Other Taxes in 2017 was so impressive in both real terms and percentage of budget achieved. The budget in 2017 however was increased by about 7% of the budget in 2016. The revenue generated in half-year of 2017 was about 30% more than the revenue generated in 2016 which shows an improvement over half-year 2016. Generally, MDAs 2017 half-year revenue collection out-performed half-year revenue collection in 2016.

Comparing the Performance of Revenue Heads in 2016 and 2017

The research work intends to narrow the analysis down to revenue heads in order to better understand the performance of each revenue head in 2016 & 2017.

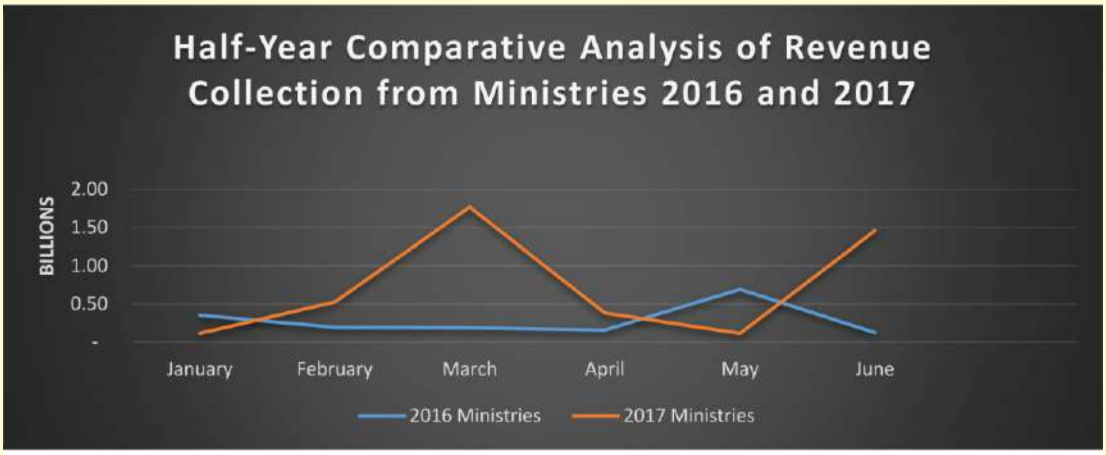

Fig. 2: Comparative Analysis of Revenue Collection from Ministries for 2016 and 2017.

Fig. 2: Comparative Analysis of Revenue Collection from Ministries for 2016 and 2017.
Fig. 2 shows that revenue collection from Ministries in 2016 was encouraging at the beginning of 2016 as compared with that of 2017, meanwhile it dropped in February and maintained the same trend until April when a sharp increase occurred through to the month of May and was sustained, then dropped sharply in June. However, revenue collection in 2017 was relatively the same all through for the period under consideration which means that revenue collection in the Ministries in 2016 was better than 2017 for the period under study.

Fig. 3: Comparative Analysis of Revenue for Parastatals 2016 and 2017
Evidence from Fig. 3 revealed that MDAs performed better in 2017 in respect of Parastatals' revenue collection from January and reached its peak in March compared to its performance in 2016. It is worth noting that while 2016 revenue collection increased around March, 2017 revenue collection declined around the same period.

Comparing actual revenue collected from Tertiary Institutions in 2016 and 2017, the above figure shows that 2017 started on a better note than 2016 but it started declining in February below revenue collected in 2016. Meanwhile 2016 revenue collection started rising in March and reached its peak in April before it suffered decline but not as low as the decline experienced in 2017 for the periods under consideration. The trend peaked again in May 2017 and above 2016 revenue collection through to June.

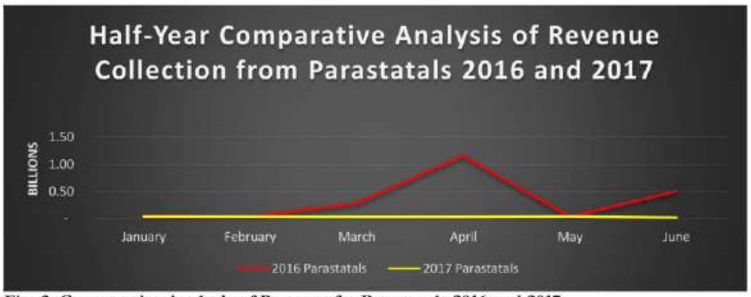

Fig. 3: Comparative Analysis of Revenue for Parastatals 2016 and 2017

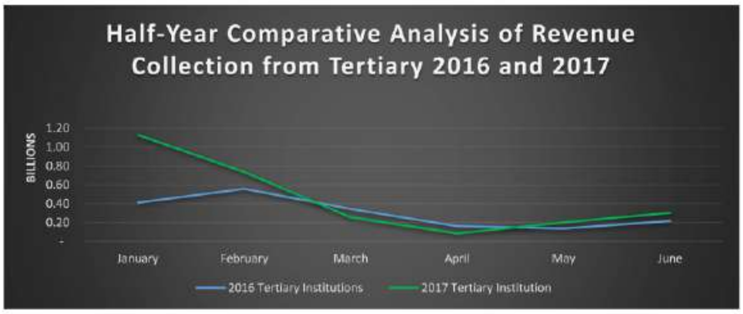

Fig 4: Comparative Analysis of Revenue Collection from Tertiary Institutions for 2016 and 2017

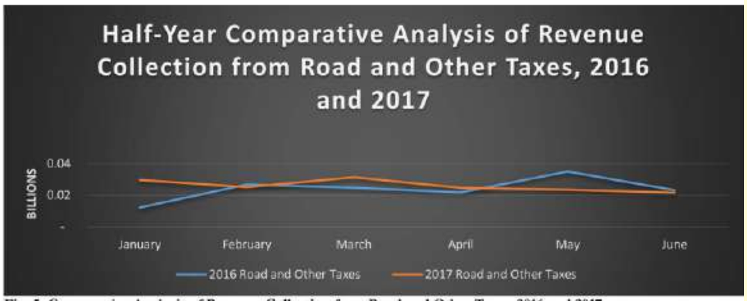

Fig. 5: Comparative Analysis of Revenue Collection from Road and Other Taxes 2016 and 2017

Fig. 5 shows an improvement in 2017 revenue collection above revenue collection in 2016 at the beginning of the year, though there was an increase in 2016 but reached a peak in February where a little decline was experienced in 2017 revenue collection. 2017 witnessed an increase between February and April (above revenue collection in 2016) before it started decreasing. At this point, revenue collection from Road and Other Taxes started rising above the revenue collected in 2016.

MDAs 2017 Quarterly Review (Quarter 1 and Quarter 2)
Below is the Q1 and Q2 performance of MDAs in 2017 in terms of estimated budgets and the actual revenue collection.

Table 4: MDAs 1st Quarter Performance, 2017

Revenue Head	1st Quarter Budget	1st Quarter Actual	% of Estimated Budget
Ministries	2,418,462,391.74	2,407,486,517.76	100%
Parastatals	377,124,171.99	97,922,983.12	26%
Tertiary Institutions	2,407,985,316.99	2,119,398,443.80	88%
Road and Other Taxes	111,364,871.25	86,362,164.29	78%

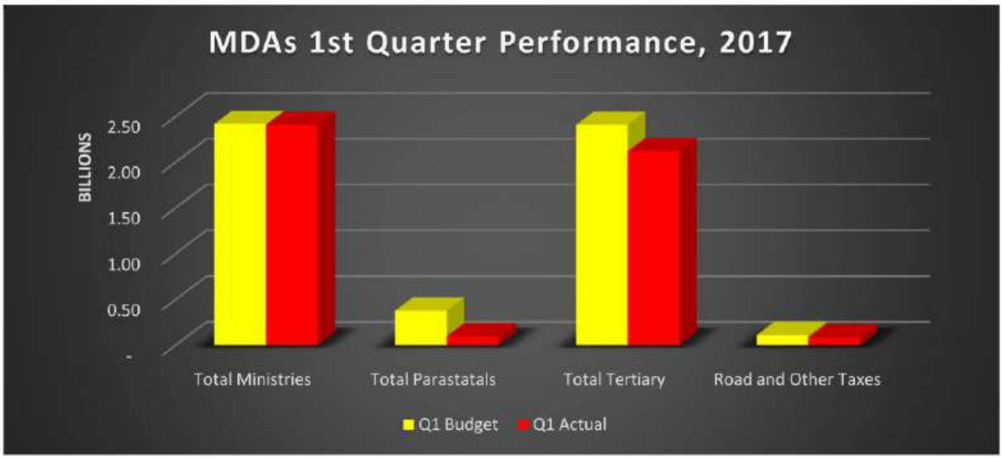

Fig. 6: MDAs 1st Quarter Performance, 2017

From the figure above, revenue collection for Road and Other Taxes in the 1st quarter was impressive, this accounted for about 78% of the total budget for that quarter while revenue collection in the Ministries was below the estimated budget for the quarter. This implies revenue collection in the Ministries for the months that made up Q1 was so impressive which accounted for about 100% of the total estimated budget for Q1. Revenue collection in Parastatals was also not impressive in Q1 as it was just 26% of the total estimated budget for the quarter while revenue collection for Tertiary Institutions recorded about 88% of the total estimated budget.

1st quarter performance of MDAs shows that revenue collection for Road and Other Taxes was better than Q2. Q2 Road Taxes and Others accounted for about 63% of the total estimated budget though lower than the 1st quarter performance. There was improvement in the revenue collection in Ministries in Q2(about 81% of the total estimated budget for the quarter) though not up to the one collected in Q1. In Parastatals, the performance was not encouraging so also revenue collection in Tertiary Institutions for the quarter under review.

Table 5: MDAs 2nd Quarter Performance, 2017

Revenue Head	2nd Quarter Budget	2nd Quarter Actual	% of Estimated Budget
Ministries	2,418,462,391.74	1,949,755,240.87	81%
Parastatals	377,124,171.99	83,326,611.09	22%
Tertiary Institutions	2,407,985,316.99	586,145,520.55	24%
Road and Other Taxes	111,364,871.25	69,852,422.16	63%

Fig 7: MDAs 2nd Quarter Performance, 2017

Table 6: Performance of MDAs in Q1 and Q2 2017

Revenue Head	Quarter Budget	1st Quarter Budget	2nd Quarter Actual
Ministries	2,418,462,391.74	2,407,486,517.76	1,949,755,240.87
Parastatals	377,124,171.99	97,922,983.12	83,326,611.09
Tertiary Institutions	2,407,985,316.99	2,119,398,443.80	586,145,520.55
Road and Other Taxes	111,364,871.25	86,362,164.29	69,852,422.16

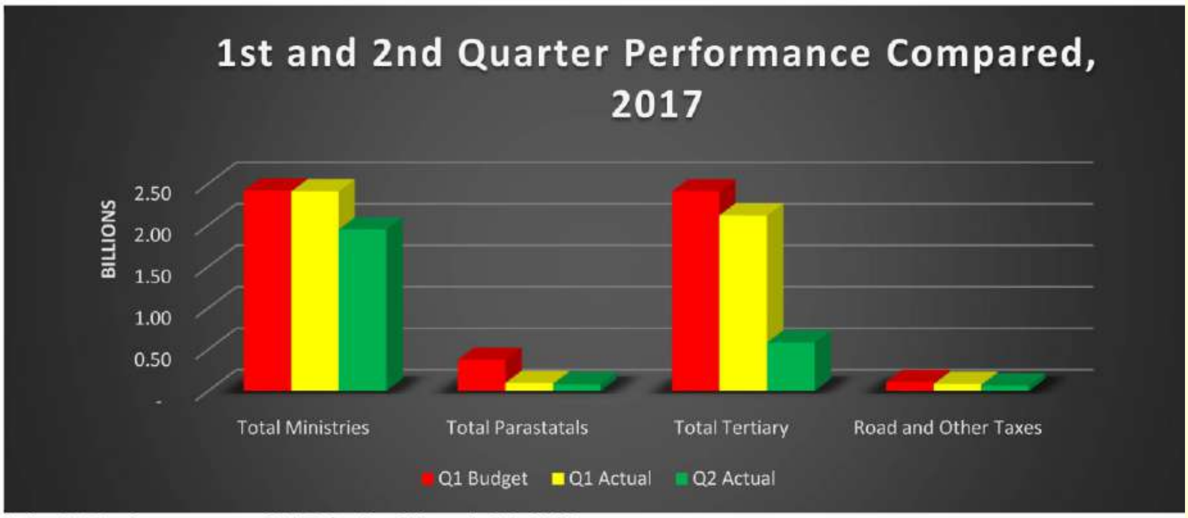

Fig 8: Performance of MDAs in Q1 and Q2 2017

It is necessary to compare what was done in the 1st and 2nd quarters of 2017 therefore, the figure above presents the performance of MDAs in Q1 and Q2. The graph shows that revenue collection for Road and Other Taxes in the 1st quarter was better than the revenue collection in the 2nd quarter, with a variance of about 15% while actual revenue collection in the Ministries in the 2nd quarter was not significantly different from the revenue collection in the 1st quarter. Revenue collection in the Parastatals dropped by about 4% in Q2 compared to what was gotten in Q1 while revenue collection for Tertiary Institutions dropped drastically in Q1 as against the good performance it experienced in Q1. This accounts for about 76% drop.

Recommendations

- The Directorate needs to re-strategize on improving revenue collections from the Ministries, Parastatals and Tertiary Institutions to enable them meet the set targets. The strategies used in 2016 should be revisited and adopted since the current strategy is not yielding a pleasant result. However, more attention should be paid to Ministries to enable them meet their set targets.
- The Directorate should synergize with the stakeholders in the Ministries, Parastatals and Tertiary Institutions to identify the strength and weaknesses of each revenue head in order to solve the problem of under-budgeting/over-budgeting.
- Ministries, Parastatals and Tertiary Institutions in the State should look inwards on how more internally revenue can be generated.

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1. Kwara State Internal Revenue Service: MDAs Directorate monthly Revenue collection for 2016 and half 2017.
2. Kwara State Internal Revenue Service: Department of Accounts, Finance and Reconciliations.

KWARA STATE ARTISANS CONGRESS COMMENDS KW-IRS

Doyinsola Akande

The Kwara State Artisans Congress is an umbrella body of the skilled workers in the State, the body recently inaugurate new State Executives, the event which took place at the Kwara State Banquet Hall, Ilorin was a colourful event with the cream de la crème in attendance. The Executive Governor of Kwara State Dr. Abdulfatah Ahmed was represented by the Deputy Governor Elder Peter Kisira, the Senate President Dr. Bukola Saraki was also represented by Alhaji Alabi Oloola, also present are Secretary to the State Government Alhaji Isiaka Gold, Head of Service Hajia Onar Sarah and Hon. Commissioner for Commerce and the Chairman Board of Trustee Comr. Clement Ojo Onire.

In his address the Senior Special Assistant on Artisans Related Matters Prince Ebenezer Oyedele Adetula, thanked the State Government and the Senate President Dr. Bukola Saraki for their support to the Artisans and applaud the State Government for making MDAs in the State patronize them as this has boost their businesses. He also thanked the Management and staff of Kwara State Internal Revenue for the support to the KWACO.

The outgoing President Alhaji Abdullahi Lanky in his address appreciated the Almighty God for the successful completion of his tenure and thanked all KWACO members for their support noting that without them he would not have been successful, He also assures the members that the new President is capable of greater success, he thanked the SSA Artisan who

continues on page 44


Alhaji Saad Alawaye, KWACO President


Prince Oyelede Ebenezer Adetula SSA Artisan Related Matters


Alhaji Isiaka Gold Secretary to the State Government


Elder Peter Kisira Deputy Governor, Kwara State


Cross section of members of KWACO

Dignitaries at the event

Dignitaries at the event

Dignitaries at the event

Presentation of Certificate by the Deputy Governor -Elder Peter Kishira

KWIRS staff at the event

he noted did extremely well to the success of the congress, in his final words, he seek for further support from the government for the members of the congress especially during this economy hardship. He thanked his family, friends and all members of the Artisan Congress for their support during his tenure.

The New President Alhaji Saad Alawaye in his address assures the artisan members of his commitment and dedication to his new position and also seek for the cooperation of all Artisan members as he cannot do the job alone.

The Deputy Governor while addressing the members urged the artisan congress to continue in their spirit of peaceful operation in the State as they contribute a bulk of the informal sector, the informal sector contributes 59.9% to the economy of the State. He said the Government of Kwara State has supported the artisan through SME of about N2 billoin, this is to encourage artisans and also ensure tax relief for small business owner. He assures them that Kwara State will not introduce new taxes rather they have blocked leakages has KW-IRS generated twice the amount generated in 2015 in their first year in 2016.

LIST OF NEW STATE EXECUTIVES

1. ALHAJI SAAD ALAWAYE **- PRESIDENT**
2. PRINCE OLUFEMI ADELEKE - **VICE PRESIDENT I**
3. ALHAJI ADESINA JIMOH - **VICE PRESIDENT II**
4. ALHAJA YEMIS AZEEZ - **LADY VICE PRESIDENT**
5. S.A. ADELEKE JP - **GENERAL SECRETARY**
6. Mr. KAYODE OLAOYE - **ASSISANT GEN SEC.**
7. MALLAM TAOFEEQ AJIBADE **- FIN SEC**
8. Mrs. KHADIJAT MAHMOUD **- ASST.FINANCIAL SEC**
9. COMRD. AYO SEKONI **- TREASURER**
10. Mr. RAPHAEL .A. OGEDENGBE - **AUDITOR I**
11. ALHAJI SAIDI .A. BOLA - **AUDITOR II**
12. CHIEF Mrs. YINKA ATOYEBI - **SOCIAL SEC**
13. ALHAJI OLADIMEJI JOGBOJOGBO **- P.R.O I**
14. MAL. ABDULFATAH GANIYU **- P.R.O II**
15. ALHAJI ISSA OPEYEMI **- LEGAL OFFICER**
16. LADY EVANG .E. ANIMASUN JP - **WELFARE OFFICER**
17. ALHAJI MAHMUD .S. SERIKI **- WELFARE OFFICER**
18. MALLAM MURTALA MOH'D - **CHIEF WHIP I**
19. MALLAM ISSA WOPA - **CHIEF WHIP II**
20. ALH. YINUSA AHMED SETIE **- EX-OFFICIO**
21. ALH. KAREEM JIMOH - **EX-OFFICIO**
22. ALH. ABDULLAHI AGBOBAMU **- EX-OFFICIO**
23. Mrs. TOYIN AJAYI - **EX-OFFICIO**
24. PRINCE ADELOWO OWOFADEJU **- EX-OFFICO**
25. MAL. USMAN IBRAHEEM **- EX-OFFICIO**
26. COMRD. OLANIYI AYANDA - **EX-OFFICIO**
27. DCN .T.K ADEOYE **- EX-OFFICIO**

The Newly elected Executives taking the oath of office

VOID

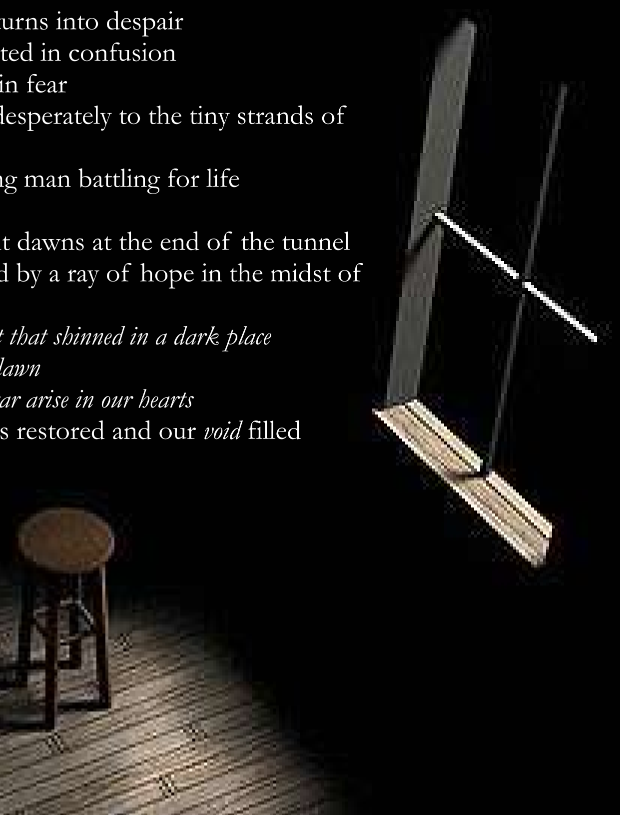
Void! a feeling of emptiness
When hope is lost
When the bend in the road
Turns off into a ditch
A bottomless pit of despair
And nothingness

Void like an empty can
Once filled with valuable nectar
Now no longer useful
Vulnerably forsaken on a path
Trampled upon by the
Screeching tyre of an overused car

So *void* like a mirage
From a distance
Shinning shimmering and glittering
Like a coat of precious ointment
Yet dissolving slowly away in oblivion

Void! a state of confusion
When hope turns into despair
And it's situated in confusion
Muddled up in fear
Yet holding desperately to the tiny strands of optimism
As a drowning man battling for life

Until the light dawns at the end of the tunnel
Accompanied by a ray of hope in the midst of hopelessness
As unto a light that shinned in a dark place
Until the day dawn
And the day star arise in our hearts
When hope is restored and our *void* filled



TAXATION *Quotes*

We don't need new taxes. We need new taxpayers, people that are gainfully employed, making money and paying into the tax system. And then we need a government that has the discipline to take that additional revenue and use it to pay down the debt and never grow it again.
Marco Rubio

Tax reform is taking the taxes off things that have been taxed in the past and putting taxes on things that haven't been taxed before.
Art Buchwald

Mergers & Acquisitions in Nigeria:

What are the pre-nuptial tax 'considerations?

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Experience has shown that in many instances, counter-parties to business combinations sometimes fail to evaluate the tax implications of the proposed business combination pre and-post the transaction.

Mergers and acquisitions (M&A's) are generally defined as forms of business combinations that either result in formation of new companies or assimilation of existing businesses by others.

Nigeria witnessed an unprecedented wave of mergers and acquisitions in its banking sector in the post-1995 and 2009 periods as a result of regulatory mandates issued by the Central Bank of Nigeria, aimed at strengthening the capital base of Nigerian Banks.

A similar experience took place in the Nigerian Capital Market in the last quarter of 2013 following new capitalization requirements announced by the Security and Exchanges Commissions for capital market operators. The insurance sector also witnessed similar wave of regulatory triggered recapitalization based on the directive issued by National Insurance Commission (NAICOM) in 2007.

M&A's are outcomes of some economic decisions. Accordingly, there are various economic theories which seek to unravel the diverse underlying factors for M&As. These include

- Efficiency theory – the creation of more wealth for shareholders
- Monopoly theory – the quest for increased market power and reduced competition
- Empire-building theory – the building drive of business managers

No doubt, the prevailing local economic situations in a country can also create favourable conditions for M&A activities.

In Nigeria, the recent revaluation of Nigeria's Gross Domestic Base (GDP) and the devaluation of the Naira as a response to the economic crisis arising from the crash in crude oil prices and the attendant inevitable reduction in the receipts accruing to the Nigerian government, may have unwittingly set the stage for another wave in M&A transactions. The continued financial pressures exerted on local businesses appears to be making them attractive candidates for mergers, takeovers and acquisitions, by both foreign companies and other local brands with time-tested strong financial capital strength.

Experience has shown that in many instances, counter-parties to business combinations sometimes fail to evaluate the tax implications of the proposed business combination pre and-post the transaction. It is therefore useful to raise the following tax considerations for M&A purposes:

- What is the target's level of tax compliance with respect to companies income tax (CIT), tertiary education tax (TET), capital gains tax (CGT), information technology levy and payroll related taxes?
    - What are the available tax assets (e.g. unrelieved capital allowances, unabsorbed tax losses, unutilized WHT credits etc.) on the target books
    - What is the quantum of non-allowable tax expenses and/or deductions in the target's tax position e.g. filing fees, stamp duties etc?
    - What are the prospects for the applicability of the commencement and/or cessation tax rules post-combination given their potential for double taxation?

The commencement/cessation rules can be waived for the company under the approval of the Federal Inland Revenue Service. This enables counterparties to manage the incidence of double tax on over lapping profits and the cumbersome computation of taxable profits under both rules.

An acquiring party may be able to take advantage of the tax benefits available under Nigeria's tax laws in relation to interest payments if it finances the business combinations through loan facilities. Interest expenses are specifically allowable as tax deductions under the relevant tax legislation.

The above assessment assists counterparties to forestall inheriting unwieldy tax burdens in the surviving and/or resulting company after the ink has dried on the nuptial papers.

It is the responsibility of the counterparties to ensure that the M&A process is executed in such a manner that ensures that available tax benefits or assets in the target's books can be utilized by the surviving or resulting company after completion of the business combination. This inevitably implies that competent and/or trusted advisors must be engaged and their inputs sought throughout the M&A value chain. For instance, loss reliefs may be preserved and utilized by the surviving and/or resulting company depending on the manner the M&A is conducted otherwise, the parties may be exposed to challenge by tax authorities for "loss trafficking".

There is the general thinking that the M&A process would further enjoy favourable tax conditions where Nigeria amends her tax laws to provide for group tax and thereby make possible group loss relief, joint VAT registration, disposal gains, etc. for companies that are within a consolidated group. The non-tax considerations involved in an M&A decision has been reviewed in our earlier article titled, "Basic Tax and Non-tax Considerations for Merging Entities in Nigeria" (The Guardian, 2 December 2013).

Whatever the economic theory or driver for the M&A decision, the focal point of the M&A plan and attendant costs is the consumer. The ultimate aim is to compete better for his and/or her attention and patronage. The consumer is king' so says Mario Monti (2000). Indeed, 'the struggle for superiority in the market place {howsoever orchestrated} is defined by the objective to persuade consumers on the grounds of quality and value to make a particular purchase" (Sonya Willimsky, 1997). We are all consumers, and we are all taxpayers (Mario Monti, 2000)

Derivatives:

What are the critical tax considerations?

As most companies in the financial services industry in Nigeria are beginning to explore the opportunities of investing in the developing and lucrative derivatives markets, it is vital that investing parties understand the related tax implications in order to avoid conceding the benefits of derivatives due to poor or improper tax planning

Derivative markets are an integral part of the financial system. They play an increasingly important role in contemporary financial markets. According to Wikipedia, derivatives are defined as contracts whose returns are linked to, or derived from, the performance of some underlying asset, such as stocks, bonds, currencies, or commodities.

In their purest form, derivatives include forward contracts, futures, swaps, and options. In contrast with a stock issued by a company and purchased by an investor, a derivative contract is a private agreement between a buyer and a seller, which specifies how the value of the contract evolves over time.

In recent times, this form of financial instrument is becoming increasingly popular in the Nigerian financial market; hence, the need to understand the tax implications. There is a whole array of instruments called derivatives, but the majority constitutes variations on three basic instruments: forwards/futures, swaps and options. For tax purposes, it is essential to understand these derivatives and the underlying assets.

Forward contract: this is a derivative contract in which the terms are very similar to a cash-and-carry agreement, except that delivery and transfer of ownership of the underlying asset is in future. In a forward contract, the credit worthiness of both parties is critical to the performance of the contract.

Future contract: this is a contract under which one party agrees to deliver to another party on a specified date (the "maturity date") a specified asset at a price (the "strike price") agreed at the time of the contract and payable on the maturity date. A future contract is similar in intent to a forward contract but with few basic differences. A future contract has standard terms and it is usually traded on organised exchanges. It specifies trading a particular quantity of the underlying asset at a particular price and time. Although, the contract can be settled at expiration in the physical asset, it is more often settled in cash through the exchange.

A swap: this is a derivative in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. The benefits in question depend on the type of financial instruments involved. For example, in the case of a swap involving two bonds, the benefits in question can be the periodic interest (coupon) payments associated with such bonds.

An option: this is a contract which gives the buyer (the owner) the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date.

There are no specific rules for taxing derivative transactions in Nigeria, The general rules of taxation therefore becomes applicable. The first issue to deal with is a determination of whether there has been a gain, profit or losses which will be taxable under the Capital Gains Tax Act (CGTA) or Companies Income Tax Act (CITA). The general rule is that capital gains are ordinarily to be considered under the provisions of CGTA while trading profits or losses falls under the provisions of CITA.

Under CITA, where it can be established that a company is trading in the underlying assets of a derivative, such as shares, as its core business and income is derived from such transactions, then the company would be liable to company income tax (CIT) on the profits derived from the transaction. This aligns with the position of the Federal Inland Revenue (FIRS) as represented in the FIRS information circular on tax implication of the adoption of the International Financial Reporting Standards (IFRS) which provides that profits or losses from derivative contracts will be treated under CITA.

Under CGTA, gains arising from disposal of chargeable assets are subject to capital gains tax (CGT) at the rate of 10%. Chargeable assets have been defined as fixed assets, debts, options, incorporeal assets and currency other than the Nigerian currency.

The location of the underlying assets in a derivative contract has an impact on the taxation of the derivative transaction. However, CGTA gives indication to determine where some assets are located (e.g. land or tangible movable property) but did not provide for derivatives. Therefore, the logical test of location of a derivative could be where the rights and obligations relating to the sale of such derivative are attributed. Where the rights and obligations relating to the sale of a derivative are tied to Nigeria, it is arguable that the derivative is in Nigeria. The gains from the transactions will therefore be expected to be taxable in Nigeria. Where the rights and obligations relating to the sale are tied to a country outside Nigeria, it may be argued that the derivative is situated outside Nigeria. As a result, there will be no taxable gain arising from the sale of the derivative provided the proceeds from such sale are not brought into Nigeria.

In their purest form, derivatives include forward contracts, futures, swaps, and options. In contrast with a stock issued by a company and purchased by an investor, a derivative contract is a private agreement between a buyer and a seller, which specifies how the value of the contract evolves over time.

Conversely, it may also be argued that the derivatives should take the status of the underlying assets. Where the sale of the underlying assets in a derivative is exempt from tax, the gain from the derivative transaction should also be exempted. For instance, under CGTA, gains realised from the disposal of Nigerian shares by a company is exempt from Nigerian tax except where such gain is brought into or received in Nigeria.

Therefore, where the underlying assets of a derivative contract are shares, any gain derived from the sale of the derivative instrument may be exempt from tax due to the tax exemption of the underlying asset under CGTA.

Also, there may be incidence of value added tax (VAT) where the derivative is considered to be goods or services. VAT is imposed on all supply of goods and services, other than items specifically exempt in the First Schedule to Value Added Tax Act (VATA). For instance, "options" are not considered to be "goods or service" but rather, an "incorporeal right", and as such would not be subject to VAT. Therefore, any premium paid by a company for the right in an option is not liable to VAT as there is no exchange of taxable goods or services.

As most companies in the financial services industry in Nigeria are beginning to explore the opportunities of investing in the developing and lucrative derivatives markets, it is vital that investing parties understand the related tax implications in order to avoid conceding the benefits of derivatives due to poor or improper tax planning.

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YOUR ROLE IN COMMUNITY IMPACT PROGRAMS – CORPORATE SOCIAL RESPONSIBILITY

Gbenle Isaac PhD[1]; Folasayo Ogundare[2]

INTRODUCTION

The Community Impact Programme (CIP) of Kwara State Internal Revenue Service (KW-IRS) is a form of Corporate Social Responsibility (CSR) embarked upon by the Service as a way of giving back to the community in which it operates as a tax agency. Generally, CSRs serve as an organisation's way of indicating that apart from its objective to maximise profit, it is also interested in contributing towards the development of its host community and environs.

From time to time, KW-IRS as a socially responsible organisation, goes out to feel the pulse of taxpayers in various communities in Kwara State in order to know their needs which are crucial to their ability to pay taxes.

THE IMPORTANCE OF KW-IRS' COMMUNITY IMPACT PROGRAM

The Kwara State Internal Revenue Service (KW-IRS) has since inception embarked on numerous CIPs in several communities across the State to show that apart from being a revenue collecting agency, it is also committed to the welfare of residents of Kwara State as well as the development of the State as a whole. Some of these programs include renovation of markets such as Owode market, Offa and Baboko market, Ilorin; sinking of boreholes in many other markets and communities; perimeter fencing of Kara market at Ajase-Ipo; provision of street lights in communities, environmental sanitation of several communities, etc.

Community Impact Programs are important to both the Service and the communities where they are executed in the following ways:

- Communities benefit immensely from the timely assistance rendered to them and are able to get some of their problems solved.
- CIPs help to erase the misconception taxpayers have about tax agencies and enable taxpayers to see and feel the impact of paying tax.
- Through CIPs, the Service is able to contribute its quota towards the development of Kwara State.
- CIPs enable the Service to help taxpayers solve part of the problems to improve their standard of living.

Provision of School bags and writing materials

Clearing of drainages

ROLES OF KW-IRS STAFF IN COMMUNITY IMPACT PROGRAM

Every member of staff of KW-IRS is aware of the commitment of the Service to embark on CIPs and the benefits derived from the program as stated above. Consequently, every member of staff has certain roles to play in ensuring the execution of CIPs. Some of these roles are:

1. **Availability:** All staff of KW-IRS are expected to make themselves available to work in line with the initiative of the Service to engage in CIPs. Staff often work individually, as a team or as a Directorate to execute CIPs.

2. **Participation:** Several times, the Executive Chairman is involved in the execution of CIPs by picking dirt as part of efforts to sanitise the environment as well as distributing school bags and stationery items to pupils. This is to show that no staff of KW-IRS is exempted from participating in CIPs.

3. **Investigation:** Staff members can investigate and report new avenues where CIPs need to be executed in communities that are yet to benefit from CIPs especially places where the provision of certain projects will boost revenue generation.

4. **Surveillance:** Staff of the Service are to verify that the projects executed in communities are functioning and are serving the purpose for which they have been provided. Any damage or mismanagement is expected to be reported to the appropriate authorities.

ROLES OF COMMUNITIES IN COMMUNITY IMPACT PROGRAM

Community Impact Program are implemented in order to enhance the socio-economic relationship between the Service and communities surrounding it. Residents of communities where these CIPs are executed, being the beneficiaries, also have roles to play. Some of their roles are as follows:

1. **Cooperation:** Residents of the communities are expected to cooperate with the Service for the execution of CIPs and the development of their communities. Cooperation involves the provision of land space for projects which require building such as construction of shops, boreholes, perimeter fencing, etc. Furthermore, residents of communities need to allow the staff of the Service to execute CIPs in the communities without harassing them.
2. **Maintenance:** One of the duties expected of beneficiaries of CIPs is to ensure proper maintenance of the projects provided in their various communities by protecting them and avoiding mismanagement.
3. **Payment of taxes:** This is a civic duty of every residence of Nigeria. However, oftentimes, when beneficiaries of CIPs see the work done with their taxes especially in meeting some of their needs, they are impressed and are more willing to pay their taxes.

CONCLUSION

The advantages of CIPs cannot be overemphasised. The more CIPs are executed, the more developed the communities will be. When everyone perform their roles, either as a provider or as a beneficiary of the programs, there will always be visible development in our communities and in Kwara State at large.

When taxes are paid regularly, CIPs will be more frequently executed. Therefore, all stakeholders in CIPs are encouraged to be involved in paying their taxes as and when due.

Provision of Overhead Tank for Water storage

Patching of the road for smooth movement

MOBILIZING REVENUE FOR THE STRATEGIC DEVELOPMENT OF KWARA STATE

Personal Income Tax

is mandatory for

Artisans

It pays to pay TAX

Are you paying your taxes?

Support the Government by paying your taxes
for conducive business environment.

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KWARA STATE INTERNAL REVENUE SERVICE

PLAY YOUR PART
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NO HIDING PLACE

Pay your Tax

Hiding or evading taxes is not a solution.
Support the Government by paying your taxes
for conducive business and working environment.

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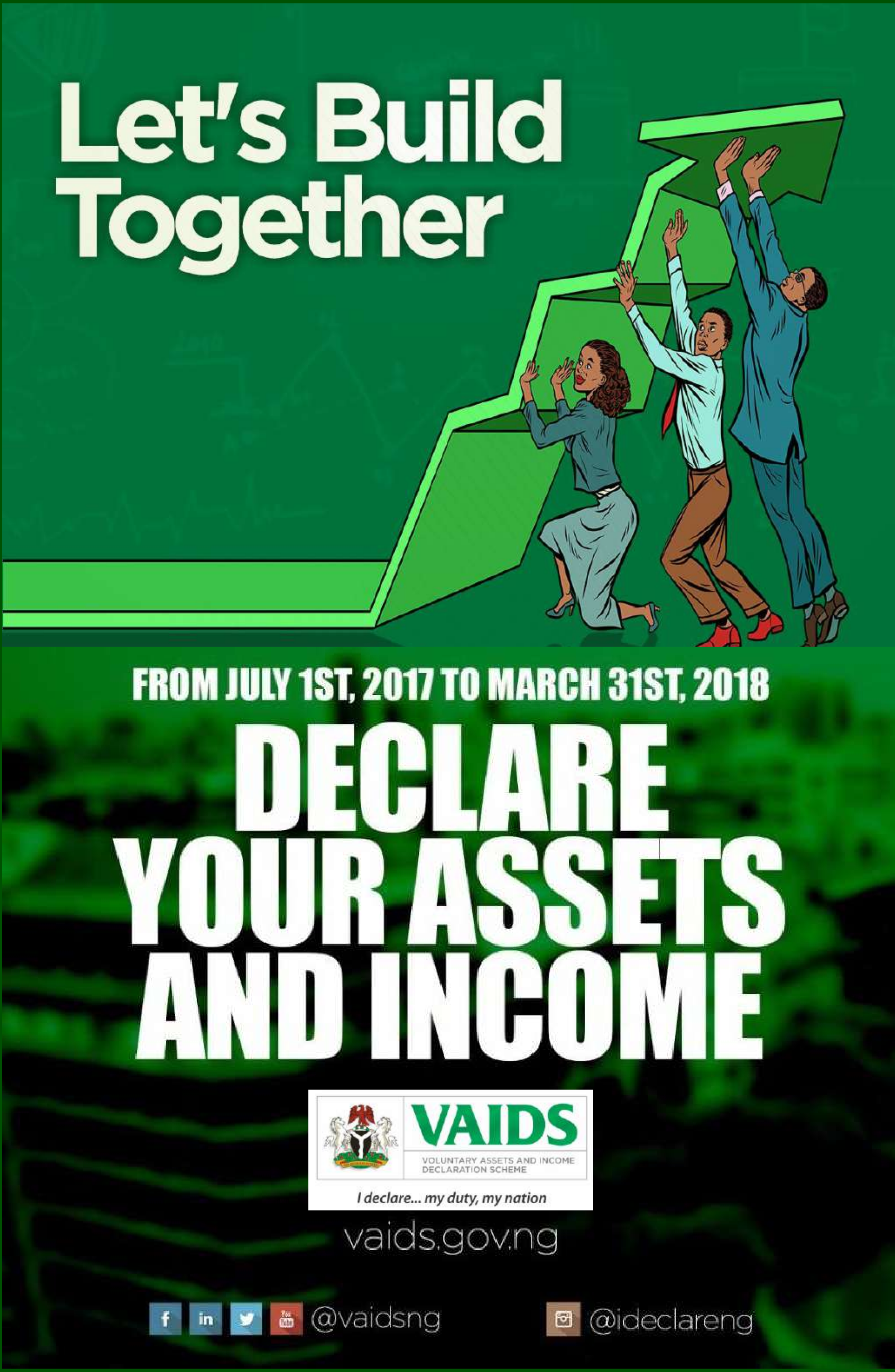
Let's Build Together
FROM JULY 1ST, 2017 TO MARCH 31ST, 2018
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VOLUNTARY ASSETS AND INCOME DECLARATION SCHEME
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