


KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

KW-IRS NEWS

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A CIVIC RESPONSIBILITY

DEVELOPMENT OF KWARA STATE

Our Responsibility

**THE FACE OF TAX:**

KW-IRS UNVEILS

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Let us join hands to develop



PLAY YOUR PART

PAY YOUR

TAX



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Mobilizing Revenue for the Strategic Development of Kwara State

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A CIVIC RESPONSIBILITY

What is a responsibility? We need to perhaps look at this from the perspective of a man and a woman that come together to form a family with both saddled with responsibilities within the union. For the marriage to survive there are certain responsibilities that each party is expected to bear as obligations for the sake of the union. Within the society therefore, the citizens and the government are saddled with different responsibilities that are obligatory on each party for the relationship to remain harmonious. Thus each party is therefore expected to fulfil his or her obligations just as in a marriage. Responsibility is therefore a duty or obligation that must be carried out because it is morally, socially or legally binding on someone.

Tax is regarded as a civic responsibility, thus it is an obligation on the citizenry that is considered binding on the members of the society. In this edition, we have no less a person than Yusuf Olaolu Ali a highly respected Senior Advocate of Nigeria as the face of tax in Kwara State. In him you find a typical gentleman who has chosen to live a responsible life by living up to his responsibilities as a resident of Kwara and a citizen of Nigeria. As the face of tax for January, 2016, you will discover that he is indeed a worthy ambassador of not only his profession but also his religion and humanity in general.

Also in this edition, you will see how we have carried on in our sensitization of the stakeholders as we promised in the maiden edition that we will not only reach out but will seek and solicit the support and cooperation of various stakeholders in this noble assignment of '*mobilizing revenue for*

the strategic development of Kwara State'. Our sensitization train took us to the Olofa of Offa, Oba Rasheed Gbadamosi, the Emir of Shonga, Dr Haliru Yahaya, the Vice Chancellor of University of Ilorin, Professor Abdulganiyu Ambali, the Grand Khadi of Kwara State Shari'ah Court of Appeal, the Chairman of LUBCON Limited, the MD of Peace Standard Pharmaceuticals, the Attorney General of Kwara State, the Chairman of the 16 Local Governments in Kwara State, the Executives of the Independent Petroleum Marketers Association of Nigeria (IPMAN), the Market Traders Association of Kwara State, as well as interactions with various Ministries, Departments and Agencies (MDAs) in the State, all in the month of December, 2015.

While recognizing the fact that the citizens have responsibility to pay tax, we have not forgotten the fact that the government also has a responsibility to develop the State through the provision of the various infrastructure that will make life conducive for the residents of Kwara. This is why our vision clearly states, to remind us always, that in our revenue mobilization drive, there is the second and most crucial leg of responsibility to strategically develop Kwara State. We therefore commit to this reality that the symbiotic nature of this relationship will continue to be observed as we take another step forward in actualizing the purpose of our creation. Together, we know, we shall make Kwara great. **It's good here, but it can be better, if you only perform your civic responsibility as you "*Play your part, Pay your Tax*"!**

Muritala Awodun, PhD
Executive Chairman

MALLAM YUSUF OLAOLU ALI (SAN)

TAX IS A CIVIC RESPONSIBILITY



The Kwara State Internal Revenue Service (KW-IRS) team led by the Executive Chairman Dr Muritala Awodun visited Mallam Yusuf Olaolu Ali, a reputable Senior Advocate of Nigeria (SAN) on 29 December 2015. The visit was in acknowledgment of Mallam Olaolu Ali's contributions to the development of Kwara State through the performance of his civic responsibilities as a tax payer and other philanthropic acts in the state. Speaking at the meeting, the Director of Admin & Corporate Affairs of KW-IRS, Mrs Adenike Babajamu said it was an honour to have the SAN as the Tax Personality for January, 2016. She explained that Yusuf Ali is in a position to advise Kwarans on the need for compliance to tax laws.

In his response the SAN explained that payment of tax is a civic duty with precedence from religion. He added that in the developed world, the bulk of

revenue is from taxes. Nigeria he said has been very fortunate to have survived for so long without proper collection of tax. He stated that Nigeria is probably the only country where States go to Abuja at the end of the month to collect allocation.

Yusuf Ali said that the fall in global oil prices has shown that Nigeria is indeed a poor country, despite other natural and human resources which he said have been neglected. Adding that in the past, a lot of Nigeria's revenue was generated from tax, but this was abandoned upon the discovery of oil.

The SAN said that he was taught the importance of tax payment as part of his upbringing. He narrated that he started to pay tax immediately after his National Youth Service Corps (NYSC) when he went to the tax

office to fill the required forms, received an assessment and paid. He said he has been paying tax since then for about thirty years now. He added that his payment of tax was not motivated by the need for tax clearance after all he had not used them for loans, mortgage, or contracts; it's really just because he believed in it and his basic principle in life is to walk his talk.

The Tax Personality believes that tax payment is important especially for social critics such as him. He said that if one must demand results from the Government, then the least one could do is to pay tax. Otherwise, such a person would have no social or moral right to demand from Government how the resources are expended.

He explained that he has certain views about taxation generally, which includes:

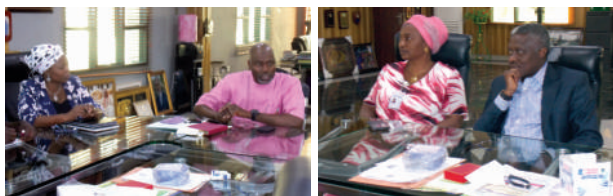
1. **Tax should be progressive.** This he explained is in the sense that mechanisms that would ensure that majority of taxable adults pay can only be achieved when the methods are not overly rigorous. He said it is better that a hundred people pay tax in small amounts than to burden the same amount on fewer people. As such, he advised KW-IRS to make collection progressive.
2. **Tax should be made inclusive.** He suggested that adequate advocacy program should be put in place to sensitize people. He said that tax is not easy to pay and that is why there's a lot of tax evasion even from highly placed individuals. The SAN said he looked forward to a situation where KW-IRS will do a lot of synergy and collaboration with professional bodies so as to let people know why tax is necessary and imperative to pay.
3. **The system of collection should be made as corruption-free as possible.** He observed that from his experience, once rules are bent for a few, everyone will get to know and begin to seek for the same route(s). He emphasised that KW-IRS ensure the appropriate assessment is carried out and people pay appropriately.

The SAN commended the Kwara State Government for setting up KW-IRS. He said he hope the Service will correct the perception of tax in the State. He added that from his interaction with KW-IRS, he has discovered that successful people from the banking industry seem to appreciate the issue of tax and how to go about it more.

He suggested that KW-IRS work seriously to address issue of double taxation. He recommended that the Service work with Local Government and other bodies who have the right to impose levies and taxes. He added that it will be best for KW-IRS to be appointed by the LGAs to act as the umbrella body in the event of harmonisation of taxation. Not only will this enable the State streamline, but KW-IRS is also likely to be more efficient. The Tax Personality said KW-IRS should endeavour to look into tax legislations existing in the system, especially if harmonisation is intended. He also said he looked forward to KW-IRS collaborating with the State House of Assembly.

Yusuf Ali emphasised the need for sensitization, adding that enlightenment should not just be in English but in all major languages of the State. He said taxation can be taken a step further by making people to be socially responsible. This he said they must be taught. He suggested that KW-IRS engage students in schools; let them know that when they grow and work, they have to pay tax. Let them internalise the concept. He said this should be done at least in State Schools as part of the curriculum in Social Studies, Civic Studies and even Entrepreneurship. He said however that not only the students' responsibilities, duties, and obligations should be taught, those of the Government should also be. This he said is what brings about critical thinking.

The SAN said that tax must work for the people, in the



sense that they must see the evidence of how tax is being used as it will encourage people to pay tax. He advised that State Government ties development projects to revenue generated. He also added that each town's contribution should be visible. Yusuf Ali narrated that years ago in Ekiti State, citizens who were paying taxes promptly were recognised and awarded annually. He said KW-IRS can borrow a leaf from this by recognising people in various industries. This he said will challenge others to also pay promptly and appropriately.

Yusuf Ali appealed to KW-IRS to deploy technology as much as possible so as to cut-off the issue of fraud. If cash is reduced, people will be less likely to be able to steal. He added that in other countries such as the UK, the Government assists its people to be honest and law abiding. He gave an example of the entrance of some places having metal bars which look like they are for the purpose of beautification but really are to deter people from driving into such places. He said KW-IRS can adopt this method in taxation by making it less possible and less attractive to steal.

The SAN appealed to his fellow lawyers, saying that anyone who qualifies to be a lawyer is a leader. He advised lawyers to behave responsibly by fulfilling their civic responsibility and the least is payment of taxes. He advised his colleagues to be standard bearers and set examples for other professions. It is expected that lawyers will be 100% tax compliant. That, he said will be the only way to identify lawyers as learned and noble men. He wished KW-IRS well and prayed for success which he said could be even more than imagined. He promised to help encourage people however he can.

The KW-IRS team acknowledged the SAN for his in-depth discussion and support to KW-IRS. The team shared with the SAN some of the plans of KW-IRS which are in line with his thoughts such as the Secondary School Tax Competition Programme which would help young people internalise the concept of civic obligation and the Community Impact Project which would enable people to see part of the revenue generated in action.



KW-IRS team making a presentation to Yusuf Ali, SAN

TAX PERSONALITY

YUSUF OLAOLU ALI, SAN

Yusuf Ali Esq., SAN is the Principal Partner and Founder of the Law Firm, Yusuf O. Ali & Co, Ghalib Chambers, with offices at Ilorin, Lagos and Abuja with Ilorin as the head office. Yusuf Ali has been in active legal practice for over three decades. He joined the law Firm of Adegboyega Awomolo & Co in 1983 and rose to become a partner before he left to find his own law firm in June 1994. He had worked briefly as a clerical officer in the old Oyo State Ministry of Finance as a tax officer posted to Igboora in 1977.

In his early life, Yusuf Ali, SAN was enrolled in a Local Quranic School and in a formal school in 1960. After his primary education, he went to a modern secondary school for three (3) years, he worked briefly before he gained admission to Ibadan Boys High School, Ibadan, where he passed his school certificate with grade one and was the labour prefect.

He gained admission to the University of Ife, now (Obafemi Awolowo University, Ile-Ife) in 1978 and graduated with a 2nd Class Upper Division for his Bachelor of Laws degree. He attended the Nigerian Law School, where he also passed with a 2nd Class Upper Division. About a decade after graduation, Yusuf Ali went back to his alma mater for his Masters programme which he completed in 1991 when he acquired his LLM.

He was a winner of the prestigious Federal Merit Award for undergraduates and a University Scholar while an undergraduate at Ife. He was appointed by the Chief Justice of Nigeria in 1989, as a Notary Public. He attained the highest professional honour at the Nigerian Bar in 1997, when he was conferred with the prestigious and honourable title of Senior Advocate of Nigeria, S.A.N.

Yusuf Ali, SAN is a member of many professional bodies such as: Nigerian Bar Association, International Bar Association, American Bar Association,

Member Chartered Institute of Taxation Nigeria (CITN) and Commonwealth Lawyers Association; among others. He has won and conferred with many fellowships such as: Fellow of the Chartered Institute of Arbitrators, (FCI Arb) (UK), Fellow Chartered Institute of Arbitrators (FCI Arb) (Nigeria), Fellow Society for Peace Studies and Practice (FSPSP), Fellow Dispute Resolution Institute (F. DRI), and Honorary Fellow, Nigerian Mining and Geosciences Society.

The SAN also served and is still serving on boards of many companies and institutions. He was the Chairman Kwara State Law Reform Committee. He is a member of the Board of Trustees of Al-Hikmah University, Ilorin. He was the pioneer Chairman, Council of Public Defenders, Kwara State. He is the Chairman Board of Directors Apex Microfinance Bank Ltd.

Yusuf Ali, SAN held and still holds many professional offices including but not limited to: He was co-opted into the Council of the University of Ilorin in 1995 to probe the Bursary of the University; Sole Judge of the Kwara State Local Government Election Petition Tribunal 1996; Member Kwara State Local Government Election Appeal Tribunal 1997; Life Member, Body of Benchers; Member National Executive Committee, Nigerian Bar Association; Former Chairman and Editor-in-Chief of Nigerian Bar Journal; Former Chairman of the NBA Committee on the Rule Of Law; Pioneer Chairman, Nigerian Bar Association Section on Legal Practice (SLP); Pioneer Chairman of the NBA Anti-corruption Commission; News Letter Editor International Bar Association Committee on Damages and Negligence; Member of Council, Commonwealth Lawyers Association; Member Legal



Practitioners Disciplinary Committee of the Body of Benchers; He is the Vice Chairman of the International Bar Association committee on Damages and Negligence; He is a member of the NBA Ilorin Council of Elders; He is a member of the Board of Trustees of the Ilorin Central Mosque; Chairman Alanu Trust Fund of the University of Ilorin Teaching Hospital. He is a Patron and Legal Adviser to many professional and socio-cultural groups all over Nigeria.

The SAN is also an Associate Lecturer, at the Faculty of Law, University of Ilorin. He has delivered more than Two Hundred papers on different and diverse topics at various forays, including the International Bar Association Conferences, Commonwealth Law Association Conferences, Annual Conferences of the Nigerian Bar Association, among others. He has contributed more than 17 Chapters to various legal books and has to his credit

more than 40 published learned articles in learned journals in the field of litigation, Commercial Law, jurisprudence, practice and procedure, as well as Constitutional Law in local and international law journals. He has represented many state governments, high net worth individuals, corporate and institutional clients before all the superior courts of record from the high court to the Supreme Court in many landmark cases.

Yusuf Ali has been awarded more than 100 honours from within and outside of Nigeria. He is listed in the American Biographical Institute's Who is Who, as well as in Nigeria's Who is Who.

A few of the over 100 awards conferred on him are: Lifetime Achievement Award by the Governing Board of Editors of the American Biographical Institute; West Africa International Golden Award for Excellence in Enterprise; Award of Excellence presented by AIESEC Ilorin; Award of Excellence as a Doyen of Legal Luminary in Nigeria by Nigerian Vogue; Special Award by FIDA Kwara; Award of Excellence by the National Association of Muslim Law Students, National Headquarters, Abuja; Distinguished Personality Award presented by the Faculty of Law, University of Ibadan; Merit Award by the Nigerian Institute of Management, Kwara State Branch; Award of Excellence by the National Association

of Polytechnic Students; Award of Excellence by the Students' Union of the University of Ilorin; Award of Exemplary Leadership and Service by Rotary Club, Ilorin; Merit Award by the Ibadan Boys High School Old Boys Association; Merit Award by All Nigeria Confederation of Principals of Secondary Schools, Osun State Branch; Kwame Nkrumah Leadership Award of 2010 Africa Legal Icon by All Africa Students' Union; Award by the NBA Women Forum for Immense Contribution and Activities to the Forum; Police Friendly Award 2009 by the Kwara State Police Command; Kwame Nkrumah Leadership Award on Education Per Excellence/Icon of Societal Development by the West African Students' Union; Commander of Great IFE, (COI) by the Obafemi Awolowo University National Alumni and Honorary Degree of Doctor Of Letters (Honoris Causa) of Al Hikmah University.

He is very passionate about philanthropy and using the vehicle of YUSUF ALI FOUNDATION which he is the Founder and sole Financier so far to assist many public institutions by donating: A Twin dormitory to the University of Ilorin; an Eighty bed Hostel to the OSUN State University; a Ten-bed Advanced Trauma Centre to the University of

Ilorin Teaching Hospital; thirty unit ICT Centre to the Faculty of Law Obafemi Awolowo University Ile Ife; thirty unit ICT Centre to the College of Law, Crescent University, Abeokuta, Ogun State; endowment of the Crescent University College of Law Building; forty unit ICT Centre to the Kwara State Polytechnic, Ilorin; a brand new Kia Rio 2014 Model to the University of Ibadan for the use of the Department of Arabic and Islamic Studies of the university and in the recent past, in order to enhance the work of the Kwara State Police Command, he donated a well equipped patrol van and some units of motorcycles.

The Yusuf Ali Foundation does a lot of other charity work like award of scholarships to indigent students in secondary and tertiary institutions both in Nigeria and abroad, provision of wells and boreholes to communities, medical financial assistance to patients both within the country and outside and the development of literary awareness in secondary schools all over the country by entering into an annual sponsorship with the Association of Nigerian Authors.

Yusuf Ali is a well travelled man and has visited all the continents of the world for professional and educational purposes.

HEAR ME OUT

While I'm all up for payment of tax, I'm concerned as to whether the taxes paid will truly get to the State Government accounts, you know Naija now.
Mr David

Dear Mr David,
I can understand your wariness giving that in the past, there may have been leakages. I would like to assure you that blocking leakages is one of our focuses at KW-IRS. This year, our main focus is on ensuring that the people who pay tax are appropriately assessed and that their payments are remitted appropriately,

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

the State Government does not intend to introduce new taxes. Payment of appropriate taxes is the only way to ensure the State Government has enough for the strategic development of our State.

I'm open to the idea of tax, but am not sure I'll still feel the same when I hear the amount I have to pay.
Bisola AbdulAzeez

Dear Bisola AbdulAzeez,
I am happy to hear that you are open to tax payment; I hope you will accept and support it after this. We, at KW-IRS are here to be of service to you. We have designed our collection mechanisms to make it convenient

for you. Do not be scared of the amount you may have to pay. Remember that this is the payment you have to make for the year. And the best part is you do not have to pay it all at once. You can pay per month, per week or even per day over a period of 6 months (January – June). We will issue you a ticket for every payment made and your account will be updated. You will then receive a Tax Clearance Certificate once the payment has been complete.

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TAX ADMINISTRATION: A PANACEA TO INCREASING INTERNALLY GENERATED REVENUE

*Alabi Taofiq Taiwo



Introduction

Although the term 'tax' has been variously defined, no Nigerian tax laws has define the term until the enactment of the Federal Inland Revenue Service (Establishment) Act 2007. Federal Inland Revenue Service (Establishment) Act 2007 defines tax as 'any duty, levy or revenue accruable to the government in full or in part under this Act, the laws listed in the First Schedule to this Act or any other enactment or law'

A cursory look at the teachings of Christianity, Islamic and other prominent religions in the world shows that tax is a religious duty based on social and civil responsibilities (Agbetunde 2004). They all support and encourage tax imposition either to redistribute wealth or to finance government project.

Tax administration involves the practical interpretation and application of tax laws and policy. The Nigerian tax administration is in line with the British model of tax administration since 1960 and has been operating this up to 1990 when the self-assessment scheme came into play which seems similar to the American model of tax administration system. The British model of tax administration assumes tax payers are incompetent as to tax process and tax authorities do not rely on

information supplied by tax payers.

Returns of the tax payer are carefully verified through the application of the American model in reference to the rigid British model. There is doubt on how efficiency of tax authority and other bodies participating in the collection of tax and making returns to the local and state government. In an economy like Nigeria where great reliance is placed on one source of revenue by the government, the understanding and appreciation of the significance of tax as a source of revenue is of paramount importance. This is not only to enable us examine potential revenue generated in the state, but to also enable the decision makers and government to appreciate the need for administration changes within the context of tax system.

Overview of Tax System in Nigeria

Nigeria is governed by a federal system; so also its fiscal operations adhere to the same principle which has serious implications on how the tax system is managed in the country. In Nigeria, the government's fiscal power is based on a three-tiered tax structure i.e. the Federal, State and Local Governments, each of which has different tax jurisdictions. The Nigeria tax system which is characterized by unnecessary

complexity, distortion and largely inequitable tax laws has limited application in the informal sector that dominates the economy.

The Nigerian tax system has undergone significant changes in recent times. The tax system is the process of taxation involving sets of rules, regulations and procedures with the organs of administration interacting with one another to generate fund for government (Agbetunde 2010). The Nigerian system is of tripartite activities which include the tax laws, tax policies and tax administration. Under current Nigerian law, taxation is enforced by the three tiers of Government, i.e. Federal, State, and Local Government with each having its sphere clearly spelt out in the Taxes and Levies (approved list for Collection) Act, CAP T2, LFN, 2004.

In as much as the Nigerian Tax system is structured as a tool for revenue generation, the system has over the years suffered neglect due to over dependence on oil revenue. However there is now renewed commitment by all the three tiers of government to diversify the economy by growing the non-oil tax revenue in order to develop a stable and sustainable revenue source to finance developmental projects. The most veritable tax handles are under the control of the federal government while the lower tiers are responsible for the less buoyant sources, which imply that the federal government tax corporate bodies while state and local governments' tax individuals.

The objectives of tax system are multi-dimensional in nature which includes revenue generation, resources allocation, a fiscal tool for stimulating economic growth and development and Social functions, like redressing the rural-urban population drift, and making everybody to be responsible. Taxes, and tax systems, are fundamental components of any attempts to build nations, and this is particularly the case in developing countries.

Tax builds capacity such as provision of security, provision of social amenities as well as promotes

economic development. It also builds legitimacy and consent such as creation of consensual, accountable and representative government. Edemode (2009) opines that the unfriendliness in our current tax system ranges from inadequate information to taxpayers and the general public, sporadic, ad-hoc communication and linkages between taxpayers and tax administrators, multiple taxation, aggressive and unorthodox methods of tax collection, insufficient and inappropriate deployment of tax revenue to critical needs of the public and system leakages.

In order to evolve a good tax system, therefore, the people have a right to access all information relevant to taxes. Tax authorities should also note what tax payers need to know not only about tax but how governance interface with their economic and social living. This information should be provided regularly, at the appropriate time and through appropriate communication channels. A tax administration that encourages voluntary compliance resolutely and legally enforces compliance, treats the tax payer as king, rewards pro-tax behaviour and operates in an environment of accountability is a preferred tax system (Edemode 2009). However, there are emerging signs and evidence in making tax payment easy, people friendly and efficient exercise in Nigeria. These signs and evidences are coming from both the Federal Inland Revenue Service (FIRS) and State Internal Revenue Service (SIRS) which are the key government agencies with the responsibility for assessment, collection and deposit of taxes to the Federal and State treasuries respectively. The need to interface with the public is sustained through interactions by the FIRS and SIRS with the mass media and practitioners, meeting with various stakeholders, other organisations, professional bodies, market women association students at secondary and tertiary levels and the sponsorship of programmes and activities of groups including the physical challenged individuals.

Challenges of Tax Administration in Nigeria

In most countries, tax system is seen as comprising tax policy, tax law and tax administration. Under the administration of tax in Nigeria, there are major problems that bedevil the system such as procedures, machinery and approaches adopted in collection, assessment and corrupt practices of tax officials in implementing the tax system. Ayua (1996) opines that the tax system is grossly inadequate as it is characterized with tax evasion, avoidance and record falsifications which account for the consistent low tax yields. The problem of



tax evasion and default may not only stem from the lack of voluntary compliance by tax payers but also from the fact that not all the taxes collected reach the public treasury. This is stealing by some tax officials as distinct from alleged bribes given to them. The raiding of tax defaulters by the local government, tax clerks and employees has become a nest of corruption for some tax officials. A tax defaulter who does not want to appear in court negotiates and buys his freedom from arrest on payment of an agreed fee which goes entirely into the pocket of the corrupt clerk. This generalization must not be misconstrued because there are honest clerks, but the percentage of the dishonest ones is higher when compared with the honest ones

The problems associated with an enquiry into the tax administration in Nigeria are pretty numerous but little or no studies have been done to comprehensively examine the system in a manner that attempts to relate the tax administration to tax laws and policies in Nigeria. This dearth of economic literature on comprehensive analysis of tax administration, policies and law in our economy apparently leaves a gap between what the people perceive to be reliable tax revenue administration and what it is in reality.

The problems of tax administration are similar across the States of the Federation. The lack of the desired institutional capacity to administer tax system effectively is a major challenge which has impacted negatively on efficient collection of tax. The bulk of tax today is paid by only the employees and less privileged individuals in the state. Politicians, the rich, the professionals and the privileged individuals are not equitably taxed.

Other problem of tax administration centers on inadequate personnel in terms of quantity and quality. The shortage of qualified tax personnel is partly responsible for the poor enforcement. At the local government level, tax collectors include messengers

and some daily-rated employees are supervised by the tax clerks who are not knowledgeable in tax practices. The category of staff is generally not adequately equipped to carry out the tax operations. It is observed that due to their low level of education, tax officials are not conversant with the tax laws and regulations. Fashola (2009) noted that the corruption risk erodes the tax yield and confidence in the tax system and also at the Local Governments level, there is dearth of capable hands to administer the relevant tax provisions efficiently. The sharp and dishonest practices by some tax officials, especially at the local government level, pose a serious threat to tax administration in Nigeria. All these and other related practices are probably capable of having a demoralizing effect on the taxpayers who may evade tax.

Recommendations

Based on the above challenges, the following are recommended

- i. A conscious effort should be made to enhance the effectiveness of revenue officers. This should be done through capacity building, provision of greater motivation for the personnel and provision of better working environment for an enhanced productivity;
- ii. For a better tax administration, adequate machinery should be put in place and strengthened. The level of the deterrent punishment should also be made stricter and there should be continuous education for the citizens on the reward for compliance and sanctions for non-compliance;
- iii. Accountability for tax and other revenue collected is of paramount importance in order to create a transparent and efficient tax system. Timely and full accountability for all revenue generated can be achieved by regular dissemination of information to tax payer on how tax monies collected are applied, carrying tax payer along on disbursement and utilization of tax revenue will increase tax payer's confidence in the tax system;
- iv. As part of the overall strategy to put in place for a better tax administration, some of the activities of the revenue authority should be handed over to consultants. Tax consultants may be engaged in various capacities by the tax authorities such as training of revenue officials, data gathering, strengthening tax process. They are however not involved in the assessment and collection of taxes and



other core tax administration activities;

- v. To further encourage effective tax administration, a simplified income tax assessment form and a tax table should be introduced to assist people in determining their own tax liability. Mini tax offices should be established in all the major markets to effect and simplify the collection of tax by tax collectors. More importantly, tax authorities should partner with collecting Banks which will enable an individual tax payer to conveniently assess himself by reference to a table which shows various income brackets, the allowances and tax payable in respect of each; and
- vi. In addition to liaising with collecting banks, the database for tax administration should be computerized to ensure that the system of information storage, processing and retrieval is efficient. Tax clearance certificate should also be presented where an individual wants to transact business with government agencies.

must be suitably designed. The effect of tax administration on the revenue generated by the Federal, State and Local governments cannot be overstressed and as such the current tax system should be checked and all leakages should be checked and look into to bring about a better tax administration in the country. Effective tax administration designed to enhance revenue generation requires both the commitment of government and time. It is not a process to be rushed into and as such, caution is needed particularly in respect of getting the right balance of policies and laws to guide tax administration. The key lesson here is that there is no single appropriate tax system for any developing country that can be plucked off the shelf and implemented without taking into consideration tax policies, laws and administration. Each system of tax is unique in its administration and therefore every state must be conversant with the manner in which it is administered.

Conclusions

Given that efficient tax administration is a feature of a good tax system, the machinery for tax administration

Alabi Taofiq Taiwo

Revenue Officer,

Kwara State Internal Revenue Service

Crossword Puzzle

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

Instructions: Search up, down, forward, backward, and on the diagonal to find the hidden words:

Hint for hidden words: Types of Tax

Number of hidden words: 20

Please send your solutions , your name and phone number via email to: **press@kw-irs.com**

First best solution wins a prize!

Taxpedia

Personal Income Tax (PIT) is a tax levied on the income of an individual. The personal income tax is often collected as a pay-as-you-earn (PAYE) basis for salary and wage earners (Somorin 2015) and may involve assessment for the self-employed.

The PIT is guided under law by the Personal Income Tax Act (PITA) Cap P8 LFN 2004 which imposes PIT on “individuals, communities and families and on executors and trustees; and to provide for the assessment and collection and administration of tax.” (2004: 5).

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COURTESY VISIT TO THE EMIR OF SHONGA Dr Haliru Yahaya



KW-IRS Executive Chairman, Dr Muritala Awodun and Emir of Shonga, Dr Haliru Yahaya



Mr Lekan Rotimi, Deputy Director, Informal Sector and Mrs Nike Babajamu, Director, Admin and Corporate Affairs

The Executive Chairman of KW-IRS, Dr Muritala Awodun led the management team on a courtesy visit to the Emir of Shonga, Dr Haliru Yahaya on the 17th of December, 2015.

The purpose of the visit was to solicit the support of the Emir in the revenue drive of the service. The Executive Chairman in his opening speech gave a background of what led to the establishment of KW-IRS and its activities since its establishment. He assured the Emir of the organisation's readiness to achieve its vision which is *"to mobilize revenue for the strategic development of Kwara State"*.

He highlighted some of KW-IRS plans and programs which included the service's Community Impact Project where KW-IRS will consciously render community development services. He also explained that KW-IRS recognises the need for sensitisation and mental reorientation of people about tax and added that the intention of KW-IRS is to catch the youth through series of Secondary School Tax Competition programme scheduled to begin by January 2016.

Responding, the Emir, Dr Halilu Yahaya emphasised the need for KW-IRS to understand the



complexities of achieving its targets and the importance of educating people to change their mind set. He mentioned that it is the responsibility of KW-IRS to stimulate business development and the organisation could even create jobs where it can collect tax.

The Emir promised his support to help KW-IRS to achieve its vision and advised KW-IRS to adequately map out its advocacy appropriately for each target, especially in Kwara North where there could easily be complications in collecting tax. His recommendations specifically for Kwara North included using staff who understands and speaks the native language as revenue officers in the area. He added that the use of radio jingles in the local language will lead to greater impact among his people.

The Emir reassured KW-IRS of his support and advised KW-IRS to inform the Kwara State Government of its challenges quickly. He added that growth at the initial stage might be slow but KW-IRS should not be discouraged and rather remain focused and persevere towards achieving its mission. He also highlighted the importance of collecting data and paying attention to bottom-up feedback.



KW-IRS team with the Emir of Shonga, Dr Haliru Yahaya

GRAND KADI SAYS TAX IS COMPULSORY IN SHARIA & GIVES 100% SUPPORT TO KW-IRS



Hon. Justice Saliu Oloruntoyin Muhammad, Grand Kadi, Sharia Court of Appeal, Ilorin

The management team of Kwara State Internal Revenue Service (KW-IRS) on 21 December, 2015 paid a courtesy visit to the Grand Kadi, Sharia Court of Appeal Ilorin, Hon. Justice Saliu Oloruntoyin Muhammad and his team of Kadis represented by: Hon. Justice Abubakar, Hon. Justice M.O Abdukadri, Hon. Justice Kamaldeen Abdullateef, Hon. Justice Ibrahim Abdulraheem and the Chief Registrar, Abdulrazaq Dagbosomeji.

The Chairman, KW-IRS, Dr Muritala Awodun in his opening remarks appreciated the warm reception the Grand Kadi accorded the KW-IRS team and charged for a good working relationship between the Shariah Court and KW-IRS. He pleaded for the assistance of the Court in constant education and sensitization of the people of Kwara which is mostly Muslim dominated.

The Grand Kadi who was full of commendation for the Kwara State Government for establishing KW-IRS said it is a step in the right direction. He applauded the Government for the caliber of individuals appointed to run the affairs of the organization, describing them as 'Jewels' because they were fished out of multitudes of resourceful, credible and diligent



professionals the State is endowed with. He also prayed that Almighty Allah guide them through in their new assignment.

He called the attention of the team to the sensitivity of their office and assignment. He informed the team that it is likely that some people will be offended by some of their activities. He however promised them that the Shariah Court is ready to assist them wherever required. He enjoined the team to be steadfast and resolute in the tasks before them, regardless of those who may take offence, in order to achieve the desired results for the progress of the State.

He proclaimed that under the Islamic Law it is compulsory to pay tax and as such, he pronounced his 100% support to KW-IRS. He advised the Government to ensure that the revenue collected is judiciously utilized so as to encourage the people to be committed to continuous payment of tax, otherwise the people might be forced to ask the Government to account for tax payers' money.

Dr Awodun thanked the Grand Kadi for his promised 100% support and assured him that integrity in the revenue collection and mobilization process is part of the mission of KW-IRS.



KW-IRS team with the management of Sharia Court of Appeal, Ilorin



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KWARA STATE INTERNAL REVENUE SERVICE

Mobilizing Revenue for the Strategic Development of Kwara State

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COURTESY VISIT TO THE CHAIRMAN LUBCON LIMITED ENGR. JANI IBRAHIM



KW-IRS team with the management team of LUBCON Nigeria Limited

The Sensitization and Advocacy program of the new Kwara State Internal Revenue (KW-IRS) was recently extended to Lubcon Nigeria Limited a major manufacturing company in the state. The management team of KW-IRS led by its Executive Chairman, Dr. Muritala Awodun paid a courtesy visit to the office of the Chairman,

LUBCON Nigeria Limited, Engr. Jani Ibrahim and its management team on the 21 December, 2015.

In his speech, Dr. Awodun expressed joy for the warm reception of his team and hoped for a positive partnership between KW-IRS and LUBCON Nigeria Limited. He admitted that realising the vision of KW-IRS will

depend on building an inseparable relationship with the stakeholders of the State, LUBCON Nigeria Limited being one of the key ones. Engr. Jani Ibrahim in his response lauded the decision of the Kwara State Government in establishing KW-IRS, he added that internal revenue generation remains the saving grace as Federal allocations are dwindling in the face of

continuous global fall in oil price. He also said taxation helps form a closer link between the Government and the people because it forces the government to be responsible and encourage the populace to request Government to be accountable for the tax payers' money.

The Chairman, LUBCON stated that he however sees adequate and prompt sensitization of the people as the only challenge KW-IRS will have to tackle in the revenue mobilisation drive.

Responding, the Chairman, KW-IRS assured Engr. Jani Ibrahim and his team of the readiness of KW-IRS to continue to sensitise the public and to stand up to its responsibility of mobilising revenue for the strategic development of Kwara State and block revenue leakages.



Engr Jani Ibrahim addressing the KW-IRS team



The Executive Chairman, KW-IRS and Engr Jani Ibrahim



The MD of LUBCON and the Finance Director



The KW-IRS team that visited LUBCON



The Executive Chairman presenting a gift to LUBCON Group MD



KW-IRS Director of Admin and Corporate Affairs addressing the team



The KW-IRS team departing LUBCON

VC UNILORIN HOSTS KW-IRS: PROMISES TO REMIT TAX DULY

The KW-IRS team led by the Executive Chairman, Dr Muritala Awodun on 9 December, 2015 paid a courtesy visit to the Vice Chancellor, University of Ilorin, Prof. Abdulganiy Ambali and his team which included the Deputy Vice Chancellor (Academic), Prof N. Y. Ijaiya, the Registrar, Mrs Funke, the Bursar, Mr Saka Abiodun and the Director, Corporate Affairs, Mr Tunde Akogun.

Dr Awodun stated that the main purpose of visitation is to introduce the Service to the University and seize the opportunity to dialogue about outstanding tax-related issues between the State and the University and to begin discussion about overcoming them. Such discussions, he remarked are better face-to-face than using written correspondences. He added that since the inception of KW-IRS in October, 2015, more than 50% of staff recruited are Alumnus of Unilorin and as such requested the support of the University for the success for the Service in its revenue mobilisation drive.

The Vice Chancellor expressed his appreciation of the friendly method KW-IRS is adopting by extending a courtesy visit to the University. He added that this method would bring about easy cooperation from the general public which KW-IRS is to

capture and serve. The Vice Chancellor spoke of his high regard for the duties bestowed on KW-IRS which he perceives as a responsible service which would be highly instrumental in the development of the State. He ascertained that the alumnus who has been recruited will not disappoint in discharging their duties; they are after all from a *better by far* University.

He assured the team that the University and her management would always support KW-IRS whenever the opportunity arises. He added that what is due to the State Government will be

remitted appropriately by the University. The Vice Chancellor added that the University's liaison with the KW-IRS will always be the Bursar, who manages the financial stances of the institution. He promised that the rest of the management will however always be as supportive.

Dr Awodun said he was glad the bursar who has been identified as the liaising officer for the University was also present at the meeting. He reassured the Vice Chancellor that the Service will make available convenient methods to ease the payment of its tax and that KW-IRS is looking forward to the University's support.



KW-IRS team with the management team of University of Ilorin



KW-IRS team with the management team of University of Ilorin



KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

RECOMMENDS THE ADOPTION OF IPSAS accrual basis in all MDAs

The Federal Executive Council (FEC) at its meeting of 28th July, 2010 approved that the Country should adopt the provisions of the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) for Private and Public Sectors respectively. Since 2012 as the commencement date for private sector, virtually all the multi-national companies in Nigeria have complied with these provisions. The kick-off date for the public sector is January, 2016.

According to directive issued by the Ministry of Finance in 2015, all Federal Government agencies, including States and Local Governments are to implement IPSAS.

The fundamental turning point in the nation's implementation of IPSAS is the adoption of Accrual Basis of Accounting which has become the general best practice in Public Financial Management (PFM) across the globe. Also, not only preparation of general purpose financial statements but budgetary provisions should be made to assist in the accrual accounting concepts

especially in the process for identification and valuation of all government assets.

It has been revealed that implementation of IPSAS would not only promote accountability and transparency of financial reports but also encourages uniformity among the three tiers of governments. Also, total assets and liabilities of various government agencies can be known at a glance so as to determine the financial position of the entity, as well as easy determination of financial performance so as to evaluate the efficient utilisation of available resources.

As an effort of Kwara State Government to improve the accountability and transparency of all financial transactions in the state, and also to serve as a role model for other agencies of federal government, KWIRS therefore recommend the adoption of International Public Sector Accounting Standards (IPSAS) accrual basis in all MDAs in the state in accordance with Federal Government's directive.

Tajudeen Alao A. (*Internal Audit*)

THE 2016 APPROPRIATION BILL, DELIVERED TO THE KWARA STATE HOUSE OF ASSEMBLY, BY HIS EXCELLENCY, **ALHAJI (DR) ABDULFATAH AHMED,** THE EXECUTIVE GOVERNOR OF KWARA STATE ON TUESDAY, 22ND DECEMBER, 2015



COURTESIES,

Mr. Speaker, distinguished Honorable members of Kwara State House of Assembly, In the name of God, the most Beneficent, the Merciful, I have the honor and privilege of presenting the 2016 Budget proposals to this Honorable House for consideration and passage.

Mr. Speaker, today's budget presentation marks the continuation of this administration's desire to consolidate and promote sustainable economic

development of the state in line with the Shared Prosperity Agenda. As you are aware, we have pursued this agenda of inclusive prosperity with vigor since inception despite dwindling resources at the disposal of the state. The 2016 Budget, therefore, is a symbolic bridge between past achievements, current accomplishments and future aspirations for the good people of Kwara State.

Let me reassure Kwarans that, notwithstanding the

dwindling inflow from federation account, we remain focused on delivery of good governance such as security, employment generation and infrastructural development in the state. We shall continue to improve the welfare of workers in the state while sustaining and expanding opportunities for private investment.

Meanwhile, we have reformed the revenue generating process by changing the people, process and technologies for the collection, management and distribution of internal revenue. Our objective is to sustain the economic growth and development of the state while insulating her from the turbulence of global crude oil prices.

This resolve culminated in the establishment of the Kwara State Internal Revenue Service which this honorable house passed into law.

Mr. Speaker, distinguished Honorable members, before I proceed to present the Budget proposals for the 2016 fiscal year, permit me to outline a brief review of the implementation of 2015 Budget.

REVIEW OF 2015 BUDGET

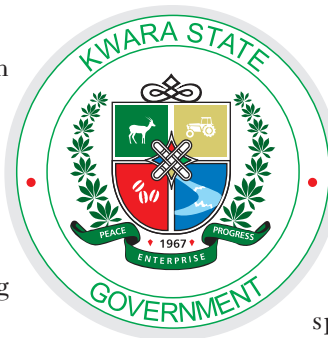
Mr. Speaker, the 2015 budget, which was christened “Budget of Introspection and Job Creation” availed us the opportunity to leverage on our areas of strength in addressing some socio-economic initiatives to grow the state economy. In the 2015 fiscal year, our revenue expectations were not realized due to sustained and significant drop in federal allocation which alone constitutes about 80 percent of our recurrent revenue.

As you are aware, this drawback was the result of fall in the global crude oil prices which necessitated sustained decline in the level of revenue accruing from the federation account. The shortfall in the revenue restricted our capacity to implement people-oriented capital projects and our inability to meet some basic commitments during the year.

However, I wish to place on record our appreciation of Federal Government's quick intervention through the provision of bailout funds to our state and several others. This timely intervention enabled us to meet recurrent obligations and resume stalled capital projects in the state.

Mr. Speaker, in spite of the financial challenge, however, we made some progress in the implementation of 2015 budget.

I will now highlight some of the achievements recorded in the execution of government programs in



the out-going year.

1. WORKS AND TRANSPORT

This administration attaches importance to road development as a tool for economic growth and development of the state. To this end, special attention was paid to the completion of fifty on-going and newly awarded road projects with a total length of two hundred and seventy-eight kilometers across the state.

In addition, the state government also intervened on some federal roads to ease the economic activities of the state in the outgoing year. The roads include:- Patigi-Kpada-Rogun road, dualisation of Offa Garage-Dangote Road (south link road), Ilorin and Kaiama-Kishi road.

In the area of road maintenance, we have continued to strengthen Kwara Road Maintenance Agency (KWARMA) through prompt release of funds on monthly basis for road rehabilitation and maintenance. A sum of four hundred and fifty-eight million, forty-one thousand, one hundred and fifty-three naira was expended as of October this year on various road projects in the state.

2. WATER SUPPLY

In order to bridge the potable water accessibility and availability gap in the state, the state government is set to commence the rehabilitation of the water works at Ballah, Bakase, Gbugbu and Obbo-Ile, as contracts were awarded during the outgoing year. Similarly, contracts for the extension of water pipes from Pepele waterworks to Elesin-Meta Community have also been awarded. The projects are expected to be completed in six months.

In the early part of the outgoing fiscal year, the repair and restoration works on the washed-off water mains around Baba-Ode were completed. Under the special intervention program, fifteen hand pump boreholes were provided to some communities in Ekiti, Baruten and Kaiama Local Government Areas.

3. ENERGY

Our pivotal role in improving the standard of living of citizens through the implementation of power projects remain a priority despite the federal government's privatization policy on power supply.

To this end, two rural communities were connected to the national grid while broken down power networks

and vandalized sub-stations were restored in the outgoing fiscal year.

4. HEALTH:-

During the outgoing fiscal year, the state government continued to pursue the repositioning of the healthcare facilities in the state for more effective service delivery to our people, with a key focus on increasing access to quality and improved healthcare service delivery.

Attention was also focused on preventive and curative health at the primary healthcare level through the distribution of long lasting insecticide treated nets and free malaria drugs to pregnant mothers and under-5 children under the roll back malaria program.

Similarly, the State Government embarked on state-wide immunization exercise during the outgoing fiscal year where more than nine hundred thousand children were immunized against measles. In addition, the State Government, in conjunction with Development Africa, ESSO and NNPC commissioned a Maternity Referral Centre at Eruku, during which free medical and surgical services were rendered to our people in the area. A sum of six million, five hundred thousand naira was spent on the program.

Furthermore, free eye intervention program was conducted in conjunction with MTN Foundation and Eye Foundation Hospital at Sobi Specialist Hospital, where six thousand patients were treated for various medical and surgical ocular challenges with a total sum of six million naira expended on the program.

In order to ensure more efficient and effective health service delivery in our state healthcare facilities, the State Government recruited more qualified health personnel of various cadres (Doctors, Nurses and Consultants etc) during the outgoing year.

5. AGRICULTURE

In the year 2015, the State Government intensified its effort towards sustaining and improving agricultural activities in line with the Shared Prosperity program.

In view of this objective, preventive measures were conducted for Bird flu attack in poultry farms under the Rural Poultry Bio-Security Improvement Scheme (RUPBIS). In order to avert clashes between crop farmers and Fulani Pastoralists in the state, government organized several conflict prevention meetings.

In addition, Fadama farmers across the sixteen Local Government Areas of the state benefitted from highly



subsidized input support ranging from poultry feeds to sprayers among others under the Fadama Project 2015 sustainability plan.

6. EDUCATION

Education continued to receive priority attention in the outgoing year. In line with this administration's policy on provision of free qualitative and quantitative education to the citizenry, the state government paid a total sum of seventy-four million, three hundred and nineteen thousand, eight hundred naira only for NECO Examination fee for six thousand, five hundred and forty-eight students that passed the qualifying examination.

In addition, sixty-seven million, four hundred and ninety-four thousand naira was spent on other internal examinations such as Basic Certificate Examination, School Placement Examination and Senior Secondary 2 (SS II) promotion joint mock examinations.

As part of this administration's effort to give all Kwarans equal opportunity on basic education, four nomadic schools were established at Joroma in Asa Local Government Area, Gide and Bagudu in Moro Local Government Area.

Additionally, in our effort to develop students' interest in Mathematics, twenty-four students from Kwara State participated in Mathematics competition organized by the National Mathematical Centre, Abuja, and received recognition for outstanding performances.

Kwara State also came first in the senior, and third in the junior categories at the Mathematics Association of Nigeria (MAN) competition in Enugu during the outgoing year.

7. HOUSING AND URBAN DEVELOPMENT

The Ministry of Housing and Urban Development continued with its routine activities of improving the per capital ratio of residents occupying standard housing, as well as physical planning, development and upgrading of neighborhoods in the state.

In the year under review, the ministry was able to process six hundred and sixty Right of Occupancy (R of O) certificates while five hundred and fifty-eight Certificates of Occupancy (C of O) certificates were processed. The performance of the ministry was however, hindered by the paucity of funds as

experienced in other sub-sectors.

8. INFORMATION AND COMMUNICATION

The Ministry of Information and Communication continued its activities in line with the policy thrust of this administration on the need for the provision of effective public information services to the citizenry on the activities of government in order to bridge the information gap between the government and the governed.

To this end, government programs and activities were disseminated to all parts of the state regularly through state owned print and electronic media houses.

Meanwhile, the three state-owned media houses (Radio Kwara, Kwara State Television and The Herald Newspaper) are being repositioned to improve on their services in the area of information dissemination.

9. GENERAL PUBLIC SERVICES

In the area of workers' welfare, this administration has continued to sustain regular payment of staff salaries and allowances despite the financial constraints facing the country's economy. Similarly, more than three hundred and forty-nine staff in Ministries, Departments and Agencies were promoted as at when due during the outgoing year.

I am happy to state that during the year, two hundred and nineteen officers were granted study leave with pay, while fifty officers participated in workshops organized by the office of Head of Service.

In the same vein, ten officers benefitted from academic, professional and financial grants in the outgoing fiscal year.

Mr. Speaker, honorable members, we were able to accomplish all these in the outgoing year despite revenue shortfalls from federation account and other revenue sources.

In the first week of December, 2015, three billion, two hundred million naira was released out of the ten billion naira Excess Crude Account (ECA) loan facility recently approved by the State House of Assembly.

This facility is for existing and new infrastructural projects in the Education, Energy, Health, Road, and Justice subsectors in the state.

It is against this background of our accomplishment, the need to complete all on-going projects and create



new programs that the 2016 Budget is being formulated.

OUTLOOK FOR THE 2016 BUDGET

Mr. Speaker, Honourable members, the proposed 2016 budget was prepared in line with the emerging economic realities in the country.

We have, therefore taken proactive steps to improve internally generated revenue and reduce our dependence on the statutory allocation without placing burden on the citizenry.

In this regard, we are strengthening tax administration to ensure that all eligible tax payers in the state perform their civic responsibility of paying their taxes.

Mr. Speaker, Honourable members, our administration remains committed to provision of infrastructure that will deepen the socio-economic development of the state and enhance the welfare of our people.

In the light of these realities, the 2016 budget is christened Budget of Sustained Expansion. Sustained Expansion underlines our determination to implement those programs stalled by lack of funds in the outgoing year.

It also underscores our resolve to birth new programs and projects in order to expand opportunities for collective prosperity and economic empowerment for all, especially job creation for our youth. While the financial crisis facing our country is serious, the Budget of Sustained Expansion focusses on opportunities: Opportunities for growth, for new investment, for renewed agribusiness, for strong entrepreneurship and for direct and indirect jobs.

Therefore, the main objectives of the budget are:

1. Revenue reforms that provide the fiscal space required for growth and stability of the state economy.
2. Increase revenue and block leakages to free additional revenue required for the implementation of government programs and projects.
3. Increase infrastructure development in order to boost socio-economic activities in the state through the completion of all ongoing projects in Health, Roads, Energy, Education, Water and Justice and to initiate new projects.
4. Ensure efficient expenditure that will result in significant savings.



Mr. Speaker, Honourable members, in formulating the 2016 budget proposals, the zero-based budgeting approach was used to arrive at our projections in line with the prevailing economic situation in the country. Zero-based budgeting is a system of budgeting where each MDA must justify all expenditure needs before it can be taken into budget proposals. Through this process, financial leakages were blocked and accountability brought into government spending with inherent transparency. With the foregoing, I shall now highlight the salient features of the 2016 budget.

In the 2016 fiscal year, the Kwara State government proposes to spend One hundred and sixteen billion, one hundred and sixty-four million, six hundred and forty-three thousand, seven hundred and seventy-five naira only.

This shows a decrease of one billion, five hundred and fourteen million, one hundred and sixty-three thousand, Eight hundred and thirty-one naira only, over the 2015 revised appropriation which represents 1.3% decrease.

The budget is made up of Recurrent Expenditure of forty-eight billion, four hundred and twenty-three million, eight hundred and forty-four thousand, three hundred and eighty-five naira only. This represents 42% of the total budget size.

The Public Debt Servicing is Ten billion, one hundred and twenty-four million, two hundred and thirty-five thousand, two hundred and fifty-three naira only which represents 9% of the total budget size. The Capital Expenditure is fifty-seven billion, six hundred and sixteen million, five hundred and sixty-four thousand, one hundred and thirty-eight naira only, representing 49% of the total budget size.

The breakdown of the proposed 2016 budget is as follows:

1. REVENUE BUDGET

The total projected revenue estimate from all the available sources to the state for 2016 fiscal year is One hundred and sixteen billion, One hundred and sixty-four million, six hundred and forty-three thousand, seven hundred and seventy-five naira only which is disaggregated into the following sources:

- a) Statutory revenue allocation (FAAC) – Twenty-five billion, three hundred and sixty-three million, two hundred and fifty-five thousand, two hundred and seventy-six

naira only, representing 21.8% of the total revenue budget.

- b) Value Added Tax – Seven billion, three hundred and ninety-three million, six hundred and seven thousand and forty-four naira only, representing 6.4% of the total revenue budget.
- c) Non-Oil Revenue - Four billion, two hundred and ninety-two million, seven hundred and twenty-three thousand, three hundred and thirty naira only, representing 3.7% of the total revenue budget.
- d) Independent Revenue (IGR) – Twenty-nine billion, seventy-seven million, eight hundred and eighteen thousand, eight hundred and ninety-three naira only, representing 25% of the total revenue budget.
- e) Capital Development Fund Receipt/Aid & Grants – Twenty-five billion, eight hundred and thirty-seven million, two hundred and thirty-nine thousand, two hundred and thirty-two naira only, representing 22.2% of the total revenue budget.
- f) Other anticipated source (Bond facility from capital market) – Twenty billion naira only, representing 17.2% of the total revenue budget.
- g) Term loan facility from financial institutions – four billion, two hundred million naira only, representing 3.6% of the total revenue budget.

Mr. Speaker, Honourable members, one area of concern has always been the low proportion of internally generated revenue, to the total revenue which implies high level of dependence on Statutory Revenue for Programs.

In the outgoing fiscal year, dwindling statutory allocation almost crippled the state's activities.

In order to avert the re-emergence of such situation, the newly established Kwara State Internal Revenue Service will be given the necessary support to improve and boost the internally generated revenue base of the state, so as to have enough funds to sustain the state economy.

However, it is pertinent to emphasize that the economic survival and sustenance of our state is a task that must be achieved with the participation of all the citizens of the state.

2. EXPENDITURE BUDGET

Based on the anticipated level of revenue budget, the

expenditure estimates are as follows:

- a. **Recurrent (Non-Debt) Expenditure** - Forty-eight billion four hundred and twenty-three million, eight hundred and forty-four thousand, three hundred and eight-five naira only, representing 41.6% of the total expenditure budget.
- b. **Recurrent (Public Debt charges) Expenditure** - Ten billion, one hundred and twenty-four million, two hundred and thirty-five thousand, two hundred and fifty-three naira only, representing 8.7% of the total expenditure budget.
- c. **Capital Expenditure** – Fifty-seven billion, six hundred and sixteen million, five hundred and sixty-four thousand, one hundred and thirty-eight naira only. This represents 49.6% of the total expenditure budget.



8. **Education:** Thirty billion, four hundred and thirty-five million, nine hundred and ninety-eight thousand, five hundred and ninety-four naira only, representing 26.2% of the total budget size.

9. **Social Protection:** Five billion, nine hundred and thirty-four million, six hundred and two thousand, nine hundred and twenty-eight naira only, representing 5% of the total budget size.

HIGHLIGHTS OF SECTORAL POLICIES AND PROGRAMMES

PROPOSED FOR 2016 FISCAL YEAR

The ability of any government to perform effectively and meet the expectations of its people depends on many factors, among which are adequate resources at the disposal of such a government and support from the citizenry.

Mr. Speaker, Honourable members, the summary of the sectoral allocation of the budget size and percentages based on the main functions of the government in line with global best practice is as follows:

1. **General Public Services:** Twenty-seven billion, one hundred and six million, two hundred and seventy-three thousand, three hundred and fifty-five naira only, representing 23.3% of the total budget size.
2. **Public order and safety:** One billion, five hundred and sixty-one million, two hundred and forty thousand, three hundred and eleven naira only. This represents 1.3% of the total budget size.
3. **Economic Affairs:** Thirty-seven billion, seven hundred and nine million, sixty-one thousand, one hundred and thirty-two naira only, representing 32.5% of the total budget size.
4. **Environmental Protection:** Four hundred and ninety-one million, seven hundred sixty-five thousand, nine hundred sixty-two naira only, representing 0.4% of the total budget size.
5. **Housing and Community Amenities:** Three billion, four hundred and thirty-nine million, five hundred and eighty-eight thousand, eight hundred and twelve naira only, representing 3.% of the total budget size.
6. **Health:** Eight billion, fifty-seven million, three hundred and thirty-nine thousand, eight hundred and six-three naira only, representing 7% of the total budget size.
7. **Recreation, Culture and Religion:** One billion, four hundred and twenty-eight million, seven hundred and seventy-two thousand, eight hundred and eighteen naira only. This represents 1.2% of the total budget size.

I, therefore, call on citizens of Kwara State to continue to co-operate with the State Government in its effort to elevate the state and contribute their own quota to the development of the state.

1. GENERAL PUBLIC SERVICE

The major activities of the State Government in the sector will be vigorously pursued in 2016 fiscal year. All ongoing projects under this subsector will be accorded the highest priority to ensure their completion in 2016 fiscal year.

The state government will continue to place premium on the positive role of the civil service towards the implementation of its policies and programs while sustaining measures to improve the welfare of civil servants and boost their morale. A total sum of seven billion, seven hundred and seventy-six million, seven hundred and seventy-eight thousand, eight hundred and forty-eight naira is earmarked for various programs and projects for this sector in 2016 fiscal year.

2. ECONOMIC AFFAIRS

a) **Agriculture:**

The State Government will continue to put all necessary machinery in place to promote commercial agriculture as well as provide an enabling environment for farmers and expand its agricultural potential in order to ensure food security for its citizen.

In the 2016 fiscal year, the following programs are anticipated to be executed in which a total sum of two hundred and forty-four million, seven hundred and twenty-three thousand, seven hundred and sixty-one

naira only has been allocated.

1. Provision of fence and upgrading government fish farm along New Yidi Road, Ilorin.
2. Development of disease control posts at Bode-Saadu to forestall diseases and other related problems in Alapa, Lata and Babanla.
3. Development of grazing reserve to prevent clashes between cattle grazers and crop farmers.
4. Stock route development.
5. Agric Mall activities.
6. Integrated Youth Farm Settlement, Maleté.
7. Livestock feed quality laboratory.



b) Energy

In order to actualize the new global order on sustainable development goals (SDGs) on energy, the state government is determined to diversify the energy sector to accommodate Public- Private Partnership involvement in clean and renewable energy supply.

In 2016 fiscal year, the state government will continue to improve power supply to our communities through the provision of transformers.

Similarly, effort will be intensified to recoup from the Federal Government our investment on energy in the state which is worth more than six billion naira.

In 2016 fiscal year, the state government is proposing the procurement and installation of 126 units of ABB transformer of various rating: 47 nos of 300/11KVA, 61 nos of 300/33KVA, 10 nos of 500/11 KVA and 8 nos of 500/33KVA to be distributed and installed across the sixteen Local Government Areas of the state.

To checkmate exorbitant bills being issued by Distribution Companies and to also ascertain monthly and annual power consumption by Ministries, Department and Agencies in the state, the State Government will embark on the procurement and installation of meters of various types in all MDAs across the four business hubs in the state. In the new arrangement, 99 units will go to Challenge, 36 units to Baboko, 43 units to Omu-Aran and 19 units to Jebba.

To accomplish these activities, a total sum of Eight billion, one hundred and seventy-two million, seven hundred and seventy-three thousand, three hundred and twenty-one naira only is allocated as capital expenditure for the 2016 priority projects in the sub-sector.

c) Works and Transport

In the 2016 fiscal year, top priority will be accorded to the completion of on-going road projects in order to sustain the progress already made in the past years. Adequate attention will be paid to the construction of new state roads, which will link up with farm settlements, communities, educational institutions, health centers, industries, tourist sites. In addition, rural and feeder roads will be constructed. The roads are:

- i. Kaiama-Kishi road -62.85km
- ii. Patigi-Rogun Kpada road - 43.5km
- iii. Ilesha-Baruba-Gwanara-32.80km
- iv. Geri-Alimi Fly-over Bridge
- v. Expansion of Kwara Polytechnic road – Oyun Bridge-Oke-Ose Teaching Hospital (7km)
- vi. Dualization of Michael Imoudu-Ganmo/Afon junction road (1.9km)
- vii. Alternative Internal roads to decongest Tipper Garage at Tanke, Ilorin.

Accordingly, a total allocation of eight billion, eight hundred and sixty-one million, eight hundred and eighty-nine thousand, seven hundred and eight naira only is voted for this sector.

d) Information and Communication

The state government in its bid to ensure adequate dissemination of information to the people in the state will continue to provide necessary support to the ongoing repositioning of the state owned media houses.

In this vein, the state government will commit the needed resources to the rehabilitation of Radio Kwara, The Herald and Kwara State Television so that they can continue to broadcast the programs and activities of the state government to the world and particularly the grassroots.

A total sum of seven hundred and ninety-eight million, eight thousand, three hundred and ninety-seven naira only is allocated to the capital projects in this sub-sector in 2016 fiscal year.

3. ENVIRONMENTAL PROTECTION

This administration remains committed to the maintenance and sustenance of a clean environment as well as to ensure tree and forest conservation for environmental sustainability.

Attention will, therefore, be given to effective channelization and desilting of drainages to control floods and erosion prone areas in the state. A total sum of two hundred and seventy-two million, two hundred

and ninety thousand naira only is set aside for project activities of this sub-sector.

4. HOUSING AND COMMUNITY AMENITIES

a) Housing and Urban Development

The state government will continue to promote Public Private Partnership (PPP) in the provision of houses and infrastructural facilities and stimulate strategic physical planning as well as development control. In line with this objective, the under listed projects have been slated for implementation during the 2016 fiscal year.

- a) Neighborhood upgrading which is geared towards slum reduction and control of haphazard development.
- b) Mass housing project for citizens in the state.
- c) Construction of an office building/design studio for Ministry of Housing and Urban Development.
- d) Construction of an office building for the Town Planning and Development Authority.

A total sum of One hundred and ten million, six hundred and ninety- eight thousand, two hundred and eight-three naira only (N110,698,283) has been allocated for the accomplishment of these activities.

b) Water Supply

In the 2016 fiscal year, a total sum of One billion, two hundred and eighty-eight million, nine hundred and sixteen thousand, twenty-five naira only is proposed for the expansion and maintenance of water supply infrastructure and services in the state in the following areas:

The State Government will complete the multi-billion naira Ilorin metropolis water project, which has been on-going since 2006.

When the project, which includes the secondary and tertiary reticulation of at least twenty-five locations is completed, the coverage area of the water distribution network in Ilorin metropolis will be increased by about 25 percent.

Similarly, rehabilitation of some waterworks will be carried out in order to make water available all year round.

In addition, seven hundred and ninety-two (792) hand pump and one hundred and forty-four (144) motorized boreholes will be provided to our rural communities across the sixteen Local Government Areas in the state.



To strengthen the water tanker support services as a veritable potable water supply intervention initiative, the state government intends to procure additional water tankers for the service in the 2016 fiscal year.

5. HEALTH

The progress made so far in the implementation of the various health programs and projects will be consolidated during the 2016 fiscal year. In the coming fiscal year, rehabilitation of some hospitals and health centers across the state will be carried out. The facilities include those in Oro, Ajasse-Ipo, Ilofffa, Aran-Orin and Arandun.

In order to ensure universal health coverage, the state government is planning to provide a Health Insurance Scheme for Public Primary School Pupils in the state in partnership with National Health Insurance Scheme (NHIS).

Also, the State Community Health Insurance Scheme will be provided with the counterpart fund to aid the upscaling of the scheme in the rural areas.

While Kwara State has the lowest HIV prevalence in the country, Government will continue to support advocacy programs to reduce transmission of the disease in the state. A total sum of five billion, seven hundred and sixty-three million, six hundred and eighty-three thousand, five hundred and fifty-seven naira only is proposed for this sub sector in 2016.

6. RECREATION AND CULTURE

a) Sports and Youth

Attention will be given to sporting activities during the 2016 fiscal year. Accordingly, the following projects will be pursued in the coming year:

- Construction of two new handball courts, one soccer practice pitch, two volleyball courts, two basketball courts and renovation of indoor sport hall complex, all at Ilorin Stadium Complex. A total sum of six hundred and twenty-two million, six hundred fifty thousand naira has been set aside for these activities in 2016 fiscal year.

7. EDUCATION

To improve the quality of education at all levels, government will focus its attention on the infrastructural development of our educational institutions in order to provide a conducive atmosphere for teaching and learning. To this end, major activities planned for implementation in 2016 are:-



- a) Renovation, equipping, furnishing and fittings for thirty (30) existing secondary schools across the 3 senatorial districts of the state.
- b) Education sector-wide portal development and deployment to track the physical infrastructure, teachers' quality and students' progress.
- c) Equipping the International Vocational Technical and Entrepreneurship College (IVTEC) Ajasse-Ipo.
- d) Construction, equipping and fitting of new KWASU College of Agricultural Science in Ilesha-Baruba, Phase I funding.
- e) Construction, equipping and fitting of new KWASU College of Architectural and Environmental Studies in Osi, Phase I finding.
- f) Construction, equipping and fitting of new KWASU School of Business and Governance in Malete. A total sum of sixteen billion, twenty-four million, seven hundred and sixty-five thousand, five hundred and forty-nine naira only.

Presently, government, in collaboration with the World Bank, will expend an initial Eight hundred million naira only in the Rural Areas focusing specifically on the strategic sectors of Water, Health, Education, Roads, Energy and Environment.

All that is required of the community is the contribution of 10% of any felt-need project in these areas, and government will provide the outstanding 90% for the project implementation. The aim is to ensure sustainability and instill community ownership.

CONCLUSION

Mr. Speaker, Honourable members, I have today reviewed the outgoing year's performance and our constraints.

I have also pointed the way forward and demonstrated that the New year holds great opportunities for our state and our people despite the challenges in the national economy.

As I conclude, let me make something clear. We have surmounted greater obstacles in the past. The constraints that confront us now are temporary. Together, we will overcome them and achieve our growth aspirations for our state.

8. PUBLIC ORDER AND SAFETY

Our administration will continue to support the Judiciary and promote a vibrant justice administration system. Accordingly, in 2016 fiscal year, a sum of three hundred and seventy million, eight hundred and sixty-four thousand only has been allocated for the implementation of various capital projects including the new Ministry of Justice office complex.

9. RURAL COMMUNITY AND SOCIAL DEVELOPMENT

This administration is focused on improving the standard of living at the grassroots and providing pro-poor rural infrastructural facilities across the state to stem the tide of rural-urban syndrome.

In essence, government has strengthened the Kwara State Community and Social Development Agency (KWCSDA), an Agency under the Ministry of Planning of Economic Development, with restructuring and repositioning the policies and programs of government for implementation by this Agency in collaboration with the World Bank.

Let me, at this juncture, thank citizens and residents of this state for their support, and understanding in the face of the current economic challenges in the country. I also wish to thank our Royal fathers for their role in maintaining peace in the state.

Finally, I thank Mr. Speaker and the Honourable members of this respected chamber for your support and understanding, which is evident in the synergy between us. I thank you all for your attention and wish you all Happy Holidays and a prosperous new year.

Thank You and God bless.





Aerial view of the House of Assembly during the 2016 Budget Presentation by His Excellency Governor Abdulfatah Ahmed



His Excellency, Governor Abdulfatah Ahmed presenting the 2016 Appropriation Bill



Honourable Speaker of Kwara State House of Assembly, Dr Ali Ahmed



equips staff for efficiency in revenue mobilization



The Kwara State Internal Revenue Service (KW-IRS) graduated its first batch of recruits after three (3) weeks of intensive training. The training exercise which consisted of three (3) stages came to an end on 19 December 2015.

In the first week of the exercise, trainees received orientation on the Vision, Mission Statement Core Values, Organisational

Structure and Policies of KW-IRS. They were also introduced to the Directorates at KW-IRS.

During the second week of the exercise, the recruits went through practical training by conducting enumeration exercise in selected LGAs. Data on the informal sector of the State were collected with the aim of

creating a data base.

The final stage of the training was the professional week where a team of facilitators led by the President of the Chartered Institute of Taxation of Nigeria Dr (Mrs) Teju Somorin were invited to deal extensively on the subject of tax, The Nigerian Tax Laws Challenges of Tax Administration, Tax Offences & Penalties and other related topics.



The newly recruited staff of KW-IRS in a training session with Dr Teju Somorin

Graduates of the first batch of training



Group photograph with the Executive Chairman and the President of the Chartered Institute of Taxation of Nigeria



PEACE STANDARD PHARMACEUTICALS PLEDGES CONTINUOUS SUPPORT TO GENERATING REVENUE IN KWARA STATE

The team of Kwara State Internal Revenue Service (KW-IRS) led by its Executive Chairman, Dr. Muritala Awodun paid a courtesy visit to Mr. Samuel Akinlaja, MD, Peace Standard Pharmaceuticals on Monday, 21 December 2015.

The Chairman, KW-IRS appreciated Mr Samuel Akinlaja for positively accepting the team in a very short notice. He updated him on the law that established Kwara State Internal Revenue Service (KW-IRS) Dr Awodun mentioned that for the newly formed KW-IRS to be successful in its assignment, the organization is required to sensitize and acquaint itself as well as develop and maintain relationships with high net worth individuals in the State such as Mr. Samuel Akinlaja who had been a part of the State's success even with the defunct Board of Internal Revenue (KBIR).

In his response, the MD Peace Standard Pharmaceuticals expressed his profound appreciation to the Chairman, KW-IRS and his team for the special recognition accorded to his company. He assured the team of the continuous cooperation of Peace Standard Pharmaceuticals. He however cautioned KW-IRS not to encumber the few industries in Kwara State with excessive tax in view of the fact that the cost of power and staff maintenance is high while profit margins are growing slimmer. He however promised that they will continue to pay their tax promptly.

Dr Awodun assured him that KW-IRS is not out to overburden the populace but to ensure that the revenue due for payment is collected through the right channel and gets to the appropriate account. He emphasised the fact that no new taxes are to be introduced by KW-IRS.



The Executive Chairman, Dr Muritala Awodun, MD Peace Standard Pharmaceuticals Mr. Samuel Akinlaja and Director, Admin, Mrs Adenike Babajamu



KW-IRS Directors



The Executive Chairman presents a gift to the MD, Peace Standard Pharmaceutical



KW-IRS team



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Meeting with the Local Government Officials on Harmonization of Revenue Collection in Kwara State



Group photograph with the LGA Chairmen present for the meeting

The Kwara State Internal Revenue Service (KW-IRS) team led by the Executive Chairman, Dr Muritala Awodun held a meeting on 30 December 2015 with stakeholders of the sixteen (16) Local Governments (LGs) in Kwara. The meeting which was declared open by the Honourable commissioner for Local Government and Chieftaincy Affairs had in attendance the Chairman Association of Local Governments of Nigeria (ALGON), Alhaji Abdullateef Okandeji, LG Chairpersons, Vice Chairpersons, LG Treasurers (LGTs) and Revenue Officers (ROs).

The Executive Chairman, KW-IRS welcomed all attendees including the Chairman of ALGON executives of the sixteen (16) LGs. He said there was a need for the State to gear up revenue base and that is why KW-IRS was brought up by the State Government. He explained that both the State and Local are expected to take advantage of this window to improve and diversify their revenue drive. He added that the stakeholders are witness to the fact of the inadequacy of Federal Allocation and the need to fall back to Internally Generated Revenue (IGR). He identified the purposes for the establishment of KW-IRS to include generating revenue and blocking leakages.

Dr Awodun pointed out that what is needed most is maximum





Executive Chairman, KW-IRS (Standing)



Cross section of Chairmen of LGAs



Chairman, Irepodun LGA



Chairman, Baruten LGA



Chairman, Offa LGA



Chairman, Oke-Ero LGA

cooperation so that revenue generated can be another bail out that will complement whatever meagre and dwindling funds is received from Federal Allocation. He wished for a robust deliberation that will benefit all the 16 LGs and Kwara at large. He then invited the Chairman, ALGON, who he described as cooperative, prompt to respond and gives drive to whatever is agreed upon.

The Chairman, ALGON in his opening remarks said that while being mindful of what is constitutionally assigned to the LGs, there was a need to enter a new regime with State Government to improve Internally Generated Revenue (IGR). The Chairman said that while he was in support of synergy, there are a few questions to be mindful of including: Will the State further encroach or erode autonomously guided economy? Will there be more tax burden on the people? How can KW-IRS and the LGs partner? In the event of collaboration, what happens to the LGs staff charged with tax assessment and collection?

The Chairman, KW-IRS explained that the State Government was not satisfied with the current revenue collection and therefore desired to make progress particularly because of the realities of the time. He mentioned that the Laws on taxation have been in existence and tax

has always been collected; the issues have been that there is no proper monitoring of the collection process i.e. how much is collected and whether it is being remitted to the appropriate account. These issues are being faced at Local, State and Federal Government levels. There is a dire need for proper monitoring and control. This need led to the establishment of KW-IRS.

Dr Awodun said that KW-IRS would commence collection of tax in January, 2016. He mentioned the need to recognise limitations and added that the best results will be achieved if there is a harmonious relationship between the LG and the State Service. He explained that the Law has made provisions for both the LG and the State on tax, but when the same person is approached by each of these tiers of Governments, both Government will seem to be incoherent and people will begin to feel burdened as compared to being approached once.

The Chairman assured the attendees that



Chairman, Offa LGA



Chairman, Ifelodun LGA

KW-IRS does not intend to burden people. He also justified this with the fact that KW-IRS does not plan to introduce any new taxes now; the goal for 2016 is to block all leakages. This implies that the same amount being collected from the people already paying will be collected, but now, KW-IRS will set out to ensure every kobo gets to the coffers of Government.

Dr Awodun proposed that rather than



Directors of KW-IRS at the meeting

the KW-IRS going to the people for tax and the LGs also going to the same people for tax, KW-IRS collect on behalf of the LGAs and remit to the appropriate accounts. He emphasised that the Law makes provision for both the State and the LG, and such, there will be no encroachment. The advantage with this plan is that of convenience. He explained the Service's intention to allow people pay conveniently through instalments (per day, per week or per month). He said each payment will be recorded with the issuance of a ticket and the balance will be reflected. A Tax Certificate will be issued only when the full payment has been made. He added that KW-IRS intends to give the people six (6) months to pay its taxes and enforcement will only start in July. He said that this instalment method would place less burden on the populace.

The Chairman, KW-IRS explained that the proposal was for the LGs to ride on the channels designed and put in place by the State. He explained that it was a proposal which if agreed would be a collaboration that would be sealed with a Memorandum of Understanding (MOU).

The Chairman, KW-IRS reiterated his point that synergy is in the interest of all; the people are better served through one efficient vehicle. He also pointed out that as it is, KW-IRS is not working alone, and most of the consultants the LGs used to engage are onboard. KW-IRS will make sure these consultants remit the appropriate amount to the State Government so should there be collaboration with the LGs, KW-IRS can also help protect the LG interests by ensuring they also get the appropriate amount from such consultants.

Dr Awodun responded to the issue of LG workers charged with tax assessment and collection becoming redundant by saying that Revenue Officers (ROs) will only become redundant if the LGs so wanted. As an example, he cited the defunct Kwara Board of Internal Revenue (KBIR), where staff were posted to the State Ministries and those who wanted to work with KW-IRS were welcome, some of whom are

now with KW-IRS. He said KW-IRS is open to work with those interested. He added that should there be a collaboration with the LGs, some of the ROs will be needed to represent the LGs on the committee.

At the interactive session, the Chairmen of the LGs expressed joy for the possibility of such harmonisation and many admitted that getting the appropriate amount of revenue generated to the appropriate account has been a major challenge. They also agreed with the importance of being more efficient in collection so as to increase revenue generated as many LGs admitted they are currently running at a loss.



Cross section of participants at the meeting

FAUSAT ISMAIL: EMERGES THE BEST TRAINEE IN CONCLUDED ENUMERATION EXERCISE



Fausat Ismail being presented with a certificate of excellence by Mr Temi Kolawole, Snr Manager, Admin & Corporate Affairs

The Kwara State Internal Revenue Service (KW-IRS) has recognised Fausat Ismail for her high performance as she not only had the highest score but also exceeded the target set for her in the last Enumeration Exercise. Fausat who was one of the trainees

involved in the enumeration and data gathering activity of the state informal sector explained that her strategy were persistence and consistency. She explained that her ability to relate well with the people gained their confidence and as such she was able to capture their data with ease.

The Director of Admin and Corporate Affairs Mrs Adenike Babajamu, advised trainees to constantly put in their best. She added that KW-IRS will ensure that excellence is rewarded.



Independent Petroleum Marketers of Nigeria (IPMAN) Kwara State chapter supports KW-IRS



The Executive Chairman KW-IRS and Director, HNI Corporate addressing the IPMAN Executives

The Kwara State Internal Revenue Service (KW-IRS) led by its Chairman, Dr Muritala Awodun on 11 December 2015, met with the Independent Petroleum Marketers of Nigeria (IPMAN) Kwara State Chapter. The meeting was part of the sensitization campaign embarked upon by the new Revenue Service to solicit the support of members of IPMAN in its revenue drive.

Speaking at the meeting, the chairman IPMAN Alh Okanlawan Olanrewaju, expressed dissatisfaction at the series of tax IPMAN members were subjected to in the past. He added that the issue of multiple taxation was worrisome especially with the current challenges facing petroleum marketers in the State. The Chairman KW-IRS in his response explained that the service will be humanistic in its approach to revenue collection and assured that all incidences of multiple taxation will be eliminated in the new arrangement. Dr Awodun appealed to members of IPMAN to cooperate with the service in its bid to

mobilize revenue for the strategic development of Kwara State. He added that compliance would enable government perform its civic responsibilities of providing infrastructures and conducive business environment and that collection process which would be electronic driven, would no longer be burdensome.



The IPMAN Executives at the meeting

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His Royal Highness, Olofa of Offa, Oba Muftau Oloyede Gbadamosi and His People approve KW-IRS



Olofa of Offa with the management team of KW-IRS

The Kwara State Internal Revenue Service (KW-IRS) team led by the Chairman, Dr Muritala Awodun and the Kwara State Government Chief of Staff visited His Royal Highness, Olofa of Offa, Oba Muftau Oloyede Gbadamosi on 1 December, 2015.

The Chief of staff in his opening speech gave a background to the establishment of KW-IRS. He explained the importance of the Service, stating the need to diversify Kwara State revenue base in the face of dwindling fund from the Federal allocation. He requested for the Olofa's assistance and explained that His highness is needed to communicate KW-IRS mission and importance to the citizens.

The Olofa in his response agreed that tax revenue reform is long overdue. He advised KW-IRS to ensure that the plan for the investment of the revenue generated is shared with the public. He encouraged the State Government to ensure that people begin to see results soon, adding that changes need to be prompt. He also agreed



with the notion that if revenue is collected properly, people will be motivated to pay. He emphasised the need to assure people that revenue generated will be used judiciously.

Olofa of Offa assured KW-IRS not only of his readiness to support the Service, but also that his people will fulfil their civic obligations. He suggested that all the royal fathers be invited to a forum with His Excellency, the Executive Governor of Kwara State, Alhaji Abdulfatai Ahmed.

He reiterated his point that revenue generated should be judiciously utilized and to continuously inform the public about the strategic developments. He



also used the opportunity to remind the State and the Service of the need for road construction in Ajase, Offa, Erinle Road.

The Chairman, KW-IRS, thanked the Olofa for his support and advice. He assured the Olofa that proper collection as well as appropriate remittance of revenue in order to drive strategic development in Kwara is core to KW-IRS. He stated his agreement with the State Government sharing its plans with the public. He added that the reform in tax collection will embolden the people to demand transparency and accountability from the Government. He mentioned that even KW-IRS intends to embark on community development projects.

INFORMAL SECTOR IDENTIFIES WITH THE KWARA STATE MARKET TRADERS ASSOCIATION



KW-IRS team with the Market Traders Association

As part of its advocacy program, the Kwara State Internal Revenue Service (KW-IRS) represented by the Deputy Director, Informal Sector, 'Lekan Rotimi, were part of the recently concluded end of the year gathering of the Kwara State Market Traders Association. The ceremony which took place at the Kwara State Stadium Complex was well attended by the representatives of all the markets: Ojo-oba, Baboko, and Mandate among other markets. It was an occasion to get together and mark the end of the year's activities.

In a similar development, the Kwara State Market Traders Association met with the KW-IRS Management team on 30 December, 2015 at the KW-IRS Head Office. The meeting was to arrive at a working agreement for collaboration.

At the meeting, the Babaloja General Alhaji Tunde Jimoh who spoke on behalf of the association declared the support of the traders to the Kwara State Government and also requested that KW-IRS assist in securing more rewards for this support. He said the



KW-IRS Management Team with the executives of the Association

Government would only be able to generate revenue if it fulfils its promises to the people.

The Chairman KW-IRS, Dr Muritala Awodun in his response explained that it was important to work with the market officials who were conversant with the market terrain, have the market documents & data, and would be able to convince the market people to comply to paying tax promptly and appropriately.

KW-IRS Informal sector

joins the Market Traders Association in their End of the year party



Deputy Director, Informal Sector and Iyaloja, Kwara



KW-IRS staff distributing leaflets at the event



The Market Traders Association members at the occasion

KW-IRS MEETS WITH THE ATTORNEY GENERAL OF KWARA STATE

The Executive Chairman of KW-IRS, Dr Muritala Awodun and his team of Directors had a meeting with the Attorney General of the State, Kamaldeen Ajibade and his team at the Ministry of Justice, Ilorin, Kwara State on the 8 December, 2015.

Dr Awodun in his opening remarks appreciated the AG and his team who represented the body responsible for enforcement of law in the State. He recognized the contribution of the AG to the birth of KW-IRS and the magnitude of his position as the Attorney General of the State. The Chairman mentioned the issue of new rates of taxation coming up and expressed the need to work with the AG especially on implementation. He appealed that the AG assist to speed up the amendment of laws relating to the new rates and solicited his support in the area of compliance and enforcement. The Chairman also demanded for some clarifications about the revenue courts that had been put in place by the Ministry.

The AG in his response welcomed the KW-IRS team and stated that KW-IRS is established by law and will operate by law. He identified areas of law that established the Service and the court. He mentioned his liaison with the Honourable Speaker of the House of Assembly about speeding up the prospect of amendment of the law especially in the area of litigations.

The AG informed the KW-IRS team that four (4) revenue courts have been completed and furnished and as soon as there are cases Judges will be posted there for necessary judicial measures. He also added that there is a need to review the charges in some of the ministries where many of such fees have not been reviewed in decades.

He concluded by identifying some areas that need great attention with regards to leakages which must be blocked. These include the Judiciary Area Offices, KWARTMA and Bureau of Lands, especially in the areas of issuance of Certificates of Occupancy (C of O) and Mortgage where without current tax clearance such documents should not be signed.

Mrs. Banire, one of the Directors at the Ministry included that Ministries should be advised to look at areas of laws and identify revenue items that are not being collected. She also advised that short sensitisation training be organised so as to educate people about the law establishing KW-IRS and other laws of Kwara State.





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KICK-STARTING THE INFORMAL SECTOR

When I saw the advertisement for the position of “Director Informal Sector” in the Herald Newspaper of 26 June 2015, I instantly searched on Google the clause “Informal Sector in Nigeria”. I found it defined on Wikipedia; “The **informal sector**, **informal economy**, or **grey economy** is the part of an economy that is neither taxed, nor monitored by any form of government. Unlike the formal economy, activities of the **informal** economy are not included in the Gross National Product (GNP) and Gross Domestic Product (GDP) of a country.” After reading the entry, I became even more intrigued. Thank you, Google! I began to search for more definitions and asking questions like how has this been handled in other spheres of life, particularly in Nigeria.

I then applied and was invited for interview in Lagos with the Consultants hired for recruitment. Pronto! I called my wife to allow me speak with a family who works with Lagos State Internal Revenue Service (LSIRS) in preparation for the interview. Good thing they were Closed User Group (CUG) lines as we had to talk for long. I prepared adequately, went for the interview and got the job, now that's history.

I kept asking questions bearing in mind the peculiarity of Kwara State which is not as cosmopolitan as Lagos. I attended a workshop organized by the Department for International Development (DFID) in collaboration with LSIRS. Before the workshop, I had been looking forward to meeting someone who will tell me how the informal sector is handled in Lagos, so I quickly made friends with participants from Lagos State. But guess what? Lagos State doesn't have a model! And even now, no template and no model to replicate.

CHARACTERISTICS OF INFORMAL SECTOR

Having continued on my quest for what exists on Informal Sector, I found the characteristics of Informal Sector to include:

- Ø Economic activities in Informal Sector do not comply with legal regulations but the products are considered legal.
- Ø Economic activities in Informal Sector are



mostly unrecorded with scanty and disorganized information.

- Ø Most of the business transactions in the Informal Sector are cash based.
- Ø Some of the operators in Informal Sector have very low-income level.
- Ø Most operators of Informal Sector lack the ability to understand the different taxes collected by various tiers of government.
- Ø Some individuals in Informal Sector operate with the intention to avoid tax payment.

Really, these are a group of people in an Economy who feel alienated from governance and most times feel disenfranchised. In the last few weeks, I have been able to engage leaders, some artisan groups and markets. One quick lesson for me is that these people are willing to listen to and partner with government, if government and governance will be TRANSPARENT.

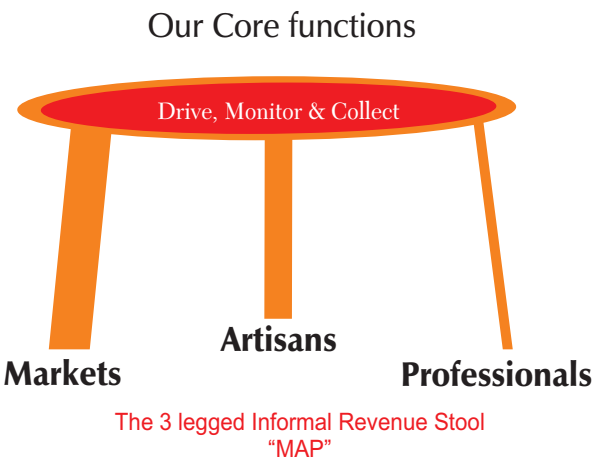
The questions they have include “what did government do with the money it had before? How are we sure some people in government won't squander the tax and levies we pay? This calls for more accountability on our part as a responsible government of the people.

For ease of classification we have segmented the Informal Sector into three (3) broad categories with the acronym “MAP” (**M**arkets, **A**rtisans, **P**rofessionals). These have been further classified as follows:

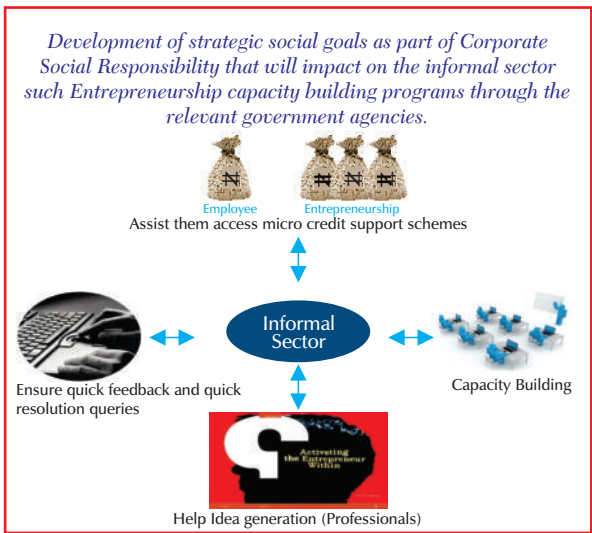
1. **Markets:** These are people into buying and selling. They are further classified as:
 - a. Open Market (Tiny, Micro, Small, Medium & Large) – Based on Turnover, Number of

- Employees, or Size of business
 - b. Shop
 - c. Cooperatives
2. **Artisans:** These include both people with skilled and unskilled labour. They are further classified into;
- a. Vocational Line
 - b. Trade Unions/Associations
3. **Professionals:** These are people who are self-employed or freelancers, such as self-practicing Lawyers, Accountants, Surveyors, Nurses, etc.

Therefore, the Directorate of Informal Sector of KW-IRS stands on the above tripod for revenue collection. This collection process has been designed in such a convenient way to make compliance voluntary with time.



As a responsible agency of government, KWIRS has designed a lot of community impact programs for the year 2016 and the Directorate of Informal Sector has also designed value adding activities for the tax payers within the Sector.



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ADMINISTRATION OF TAX INCENTIVES and REVENUE LOSSES

Dr. Teju Somorin



Abstract

This work examines the administration of tax incentives in Nigeria and a few other countries. From this paper, written primarily to evaluate the administration of tax incentives within dwindling revenue, it has been explained that tax incentives would enhance economic growth and development in Nigeria and other countries, if such incentives are well focused and available to only deserving companies and sectors, otherwise, they lead to revenue losses.

INTRODUCTION

As far back as 1952, Nigeria has put in place policies to attract foreign direct investment (FDI) in order to promote economic growth and development. Nigeria's experience in the granting of tax incentives is traceable to the inception of British Administration in Nigeria, when reliefs, allowances, and tax holidays were granted to the British Companies and individuals as attraction to establish trade links with the country. Specifically, tax incentives for industrial development came on stream in 1958 and included:

- i. Pioneer companies relief, which exempted companies operating in pioneer industries for up to 5 years from paying company income tax;

- ii. loss carry-forward facility;
- iii. Import duties relief which exempted selected pioneer companies from paying import duties on imported inputs; and
- iv. Approved user scheme, under which import duties were refunded to approved enterprises.

The Federal Government, through the approved Budgets, used to roll out numerous tax incentives annually as part of fiscal policies to attract targeted sectors of the economy. Thus, plethora of general incentives and specific tax incentives are available in the various statutes and Acts to encourage and attract local and foreign investors. However, experience has shown that the incentives are often not taken up probably due to the expense of processing the required documentation.

Nigerian Legislation and Tax Incentives

The following tax laws contain numerous tax incentives:

The statutes are-

- (a) Companies Income Tax Act, CAP C21, LFN, 2004 (as amended in 2007);
- (b) Petroleum Profits Tax Act, CAP P.13 LFN 2004;
- (c) Personal Income Tax Act CAP. P 8, LFN 2004 (as amended in 2011).
- (d) Value Added Tax Act CAP V1, LFN 2004 ((as amended in 2007);
- (e) Industrial Development (Income Tax Relief) Act, CAP 17 LFN 2004;
- (f) Capital Gains Tax Act, CAP C1 LFN, 2004; and
- (g) Deep Offshore and Inland Basin Production Sharing Contract Decree No. 9, 1999.

Tax Incentives are granted on sector basis-agriculture, mining, oil and gas etc. and are reviewed regularly especially during tax reforms and amendments to tax legislation. In 1996 alone, the Federal Government released over 80 tax incentives. Tax incentives, a prominent feature of developing countries' strategies for attracting Foreign Direct Investments (FDIs) are popular policy measures used in many countries whether

low or high-income countries. Indeed, the high-income countries which are mostly member states of the Organization for Economic Cooperation and Development (OECD) recognize that a tax incentive is a type of government spending in the form of a tax expenditure.

What are Tax Incentives (TI)?

(Dotun Philips) has defined a TI as a deliberate reduction in (or total elimination of) tax liability granted by government in order to encourage particular economic units (e.g. corporate bodies) to act in some desirable ways such as to invest more, produce more, employ more, export more, save more, consume less, import less, pollute less and so on. The reduction in tax liability which a tax incentive constitutes can be achieved through reduction in tax rate, reduction in tax base, outright tax exemption, tax deferment and so on. The term "tax incentive" encompasses all the measures adopted by Government to motivate taxpayers to respond favourably to their tax obligations. (Manuwa, 1996)

The United Nations Conference on Trade and Development (UNCTAD) (2000), defined tax incentives as any measurable advantages accorded to specific enterprises or categories of business by (or at the direction of) a Government, in order to encourage them to behave in a certain manner.

Bruce (2004) defined tax incentives as fiscal measures that are used to attract local or foreign investment capital to certain economic activities in particular areas in a country.

Tax incentives according to Kuewumi (1996) encompass all the measures adopted by government to motivate tax payers to respond favorably to their tax obligations. It includes adjustments to tax policy aimed at lessening the effects of taxation on an industry, a group of persons or the provision of certain services. Such measures may subsume the adoption of benign low tax rate; the effective dissemination of fiscal information by tax authority; or the non-imposition of tax at all.

In other words, a TI is created when a government deliberately manipulates the tax system to the advantage of a potential taxable person or adopts policies that favour the tax payer.

Most countries, irrespective of their stage of development, employ an array of incentives to realize their investment objectives.

Objectives of Tax Incentives

Philips (1996) itemized five objectives of TI:



- (i) Regional Investment,
- (ii) Sectorial Investment,
- (iii) Performance Enhancement,
- (iv) Transfer of Technology and
- (v) Structural Development,

Regional Investment:

Tax incentives may be designed for development at regions that are disadvantaged due to their remoteness from major urban centers. Operating in a remote area entail higher costs of transportation and communication in delivery. The first best solution would be for Government to develop adequate infrastructure and amenities so as to reduce these cost, Government could also compensate the investors for the cost of developing the area and in training workers in the region. UNCTAD (2000).

Nigeria offers a regional incentive in form of accelerated capital allowances which are granted on the basis of the cost of qualified capital expenditure to investors that establish operations in rural areas where facilities such as electricity, tarred roads, and water supply are not available.

A synopsis of types of incentives carried out by UNCTAD on 14 African countries namely Angola, Cameroon, Côte d'Ivoire, Egypt, Ghana, Malawi, Mauritius, Morocco, Namibia, Nigeria, South Africa, Uganda, Zambia and Zimbabwe revealed that countries in the African region have put in place an array of tax incentives to promote regional development. They offer such incentives as income tax exemption or reduced rate of taxes, investment allowance and remission from customs duty for equipment and goods destined for production in designated remote areas. Manufacturing, plantation, timber, horticulture and tourism are encouraged wherever possible by offering reduced tax rate and exemption from duty and VAT. Exploration and extraction of minerals is

given priority. Another salient feature is the promotion of export of specified goods. Wherever special economic zones or free trade areas are present, they offer liberal exemption from profit tax, customs duty and VAT.

Sectorial Investment:

Some of the TIs in Nigeria are sector-based; they are targeted at agriculture, petroleum industry, mining etc and businesses with new technology. Tax holidays which cover an initial period of three years, renewable for an additional two years are available for pioneer products and companies involved in industries that are not fully developed. A new company going into mining of solid materials is exempted from tax for the first three years of operation. A company engaged in marketing and distribution of natural gas for commercial purposes, enjoy a three-year tax-free period, renewable for an additional two years; accelerated capital allowances at the rate of 90 per cent of plant and machinery after the tax-holiday period.

Companies engaged in exploration of petroleum in deep offshore areas (water depths over 200 metres) and inland basin areas are granted a concessionary profits tax at the rate of 50 per cent of chargeable profits for the duration of the production-sharing contracts (PSCs) instead of the normal rate, 85 per cent. Royalties for deep offshore PSCs are graduated from 12 per cent to 0 per cent depending on water depth, while inland-basin PSCs are charged a flat rate royalty of 10 per cent.

Performance Enhancement

Tax incentives can be used to enhance performance in certain sectors of the economy e.g MTN Ltd was granted pioneer status and declared a pioneer company to enhance performance in the communication sector.

Structural Development

Another objective is the structural development (OECD, 2010). Some governments offer incentives to develop certain industries or activities considered crucial for development, such as industrial parks, export activities, the film industry or business with new technologies. Thus, Singapore offers exemptions from taxation for a period of five years for companies which work in industries that are not sufficiently developed.

Features of Tax Incentives

- developing countries use tax incentives to attract Foreign Direct Investments;
- Discriminate in favour of a particular sector;
- Require imposition of a heavier tax burden on other sectors to cover the tax shortfall arising from the grant of incentives to the favoured sector;

- Complicate the tax system due to the additional cost and time required to monitor the beneficiaries of such incentives in order to avoid possible abuse; and
- May not be beneficial to the economy especially where the **tax forgone** exceeds the anticipated benefits from granting the incentives.

Bruce (2004), identified certain costs that are key features of tax incentives: Foregone Revenues, Resource Allocation, Enforcement and Compliance Cost, Fairness and Lack of Transparency

Forgone Revenues:

The losses of tax revenue from tax incentives come from three sources; first the forgone revenue that otherwise would have been collected from the activities undertaken, second the forgone revenue from project that would have been undertaken even if the investor do not receive any incentives, and third, lost revenue from investors and activities (taxpayers abuse) or shift income from related firms to those firms qualifying for favorable tax treatment.

Types of Tax Incentives

Manuwa (1996) referred to the following as tax incentives: tax credits, tax cuts, tax deferments and write-offs, tax exemptions, tax holidays, tariff reductions, reliefs and allowances, reduction in the number of effective taxes and low tax rates. But UNCTAD provided the following :

Reduced corporate income tax rate

Governments may set a lower corporate income tax rate as an exception to the general tax regime. This is simply to attract FDI into specific sectors or regions. Hong Kong (China), Indonesia, Ireland, Cambodia and Estonia are a few countries that use this type of incentive. It may be targeted at the income of foreign investors who meet specified criteria, or it may be applied for attracting additional FDI. Malaysia did this in the mid-1980s when investment inflows were below expectations.

Others are Loss carry forwards, Tax holidays, Investment allowances, Investment tax credits, Reduced taxes on dividends and interest paid abroad, Preferential treatment of long-term capital gains, Deductions for qualifying expenses, Zero or reduced tariffs, Employment-based deductions and Tax reductions/credits for foreign hard currency earnings.

As stated earlier, generous incentives are provided in the Nigerian legislation. Teju (1993) identified 36 tax incentives . In 1996, in an attempt to encourage domestic production and investment, Ani (1996) in

the Budget Speech of the Federal Government, rolled out a large-scale package of eighty-three tax incentives. The TIs included increase in tax free earned income of individuals from N7500, to N10,000, exemption of retirement gratuities, abrogation of capital transfer decree, low rate of tax at 20% for small manufacturing companies for the first year of commencement of business and tax exemption of dividends. Solid minerals sector was not left out in the largesse, as there was an increase in both initial and annual allowances. The rate of capital gains tax was also reduced from 20% to 10%.

In *General Tax Guide for Tax Administrators and Practitioners* (Teju, 2000), published by FIRS, Teju listed 86 types of tax incentives. The list keeps on growing, in TEJUTAX (2012), not less than 124 TIs were listed. The list includes Tax exemptions provided to individuals, corporate bodies or tax-exempt organizations which fall within a protected class of some kind that government wishes to promote economically, such as charitable organizations.

Some Acts or Agreements can also confer tax exemptions on profits, incomes and gains. These Acts include: Industrial Development (Income Tax Relief) Act (under which Pioneer status/ tax holiday are granted to qualified industries located in economically disadvantaged local government area of the Federation).

Double Taxation Agreements; Acts setting up some Government Organisations or companies, e.g. Nigerian Liquefied Natural Gas Limited and Nigeria Export Processing Zone Authority Act (NEPZA).

EXAMPLES OF TAX INCENTIVES IN NIGERIA

The tax incentives include the following:

Dividends Distributed by Unit Trust

Dividends distributed by Unit Trust are exempt from tax. (Section 23 (f) CITA)

Investment incomes

Exempt from tax are Investment incomes (dividend, interest, rent or royalty) derived by a company from a country outside Nigeria and brought into Nigeria through Government approved channels. (Section 23, (k) CITA)

Interest on Deposit Accounts of a Foreign Non-resident Company

The Interest on deposit accounts of a foreign non-resident company is exempt from tax provided the deposits in the account are transfers wholly of foreign currencies to Nigeria on or after 1st January, 1990 through Government approved channels. (Section 23 (l) of CITA) {Inserted by 1991 No 21}

Dividend received from Small Companies

Any dividend received from small companies in the manufacturing Sector in the first 5 years of their operation is exempt from tax

(Section 23, (o) CITA)
{Inserted by 1996 No 31}

Dividend received from Investments

Any dividend received from investments in wholly export oriented businesses is exempt from tax. (Section 23, (p) CITA)
{Inserted by 1996 No 31}

Rural Investment Allowance

In addition to Initial allowance, Rural Investment Allowance is available to a company that incurs capital expenditure on the provision of essential facilities such as water, electricity, road etc, which is located at least 20 kilometres away from such facilities provided by the Government. (Section 34 CITA. This incentive is not to be given in respect of the same asset as that of Reconstruction Investment Allowance as specified in Section 32. {Introduced by Act

No.3 of 1993}

Mining of Solid Minerals to be Exempt

Any new company going into the mining of solid minerals is to enjoy a tax-free holiday for the first three years of its operations. (Section 36 of CITA)
{Introduced by Act No.32 of 1996.}

To be completed in the next edition

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