

COMMUNIQUE ISSUED AT THE END OF A TWO-DAY SENSITIZATION AND CAPACITY-BUILDING WORKSHOP THEMED “IDENTIFYING AND STRENGTHENING LEGISLATIVE PATHWAYS FOR REFORMING TAX EXPENDITURE GOVERNANCE IN NIGERIA” ORGANISED BY CIVIL SOCIETY LEGISLATIVE ADVOCACY CENTRE (CISLAC) IN COLLABORATION WITH THE NATIONAL INSTITUTE FOR LEGISLATIVE AND DEMOCRATIC STUDIES (NILDS) HELD AT JOHNWOOD HOTEL ON 9TH AND 10TH OCTOBER 2023.

PREAMBLE:

The Civil Society Legislative Advocacy Centre (CISLAC) in collaboration with National Institute for Legislative and Democratic Studies (NILDS) held a Two-day Sensitisation and Capacity Building Workshop for relevant Legislative Committees in the National Assembly. The Workshop aimed at improving the understanding and capacity of members of relevant Legislative Committees on the concept of Tax expenditure governance in Nigeria, gaps in its implementation and its implications for revenue mobilization, debt management and citizens’ welfare.

The session opened with a Remark from the Executive Director of CISLAC, Auwal Ibrahim Musa (Rafsanjani); and Keynote Address on the Rationale for tax justice advocacy by Director General, National Institute for Legislative and Democratic Studies (NILDS), Prof. Abubakar O. Sulaiman. Goodwill messages were delivered by the Deputy Chairman, House Committee on Aids, Loans and Debt Management, Hon. (Arch) Lanre Okunlola and Deputy Chairman, House Committee on Institutional reforms, Hon. Abdullahi El-Rasheed.

The Workshop was graced by the Chairman, Senate Committee on Trade and Investment, Sen. Sadiq Suleiman Umar; Deputy Chairman, Senate Committee on Trade and Investment, Sen. Olubiyi Fadeyi; Chairman, Senate Committee on Excise, Customs and Tariff, Sen. Isah Jibrin; Deputy Chairman, Senate Committee on Excise, Customs and Tariff, Sen. Ali Sharafadeen Abiodun; Chairman, Senate Committee on Anti-corruption and Financial Crimes, Sen. Udende Emma; Deputy Chairman, Senate Committee on Anti-corruption and Financial Crimes, Sen. Tony Nwoye; Chairman, House Committee on Financial Crimes, Hon. Ginger Obinna; Chairman, House Committee on Financial Crimes, Hon. Ginger Onwusibe; Chairman, House Committee on Aids, Loans and Debt Management, Hon. Abubakar Hassan Nalaraba; Deputy Chairman, House Committee on Aids,

Loans and Debt Management, Hon. (Arch) Lanre Okunlola; Deputy Chairman, House Committee on Institutional reforms, Hon. Abdullahi El-Rasheed; Deputy Clerk, House of Representatives; Director, Committee Services, House of Representatives; respective clerks of the committees in attendance; the Chairman, Presidential Committee on Fiscal Policy and Tax Reforms, Mr. Taiwo Oyedele; the Director, Tax Incentive, Management Department, Federal Inland Revenue Service (FIRS); Team Lead, National Assembly Business Environment Roundtable (NASSBER); National Coordinator (Public Financing) Tax for SDGs, UNDP; and the ECOWAS-PATF team.

The programme included technical sessions on the Overview: Definition, Classification and Governance of Tax Expenditure (TE) and its implications for transparency, accountability and equity; Design features of ideal Tax incentive frameworks and Benchmark Tax systems; Identifying entry points for legislative action on Tax Expenditure (TE) governance in Nigeria; Highlights and status update on the Tax Expenditure report for Nigeria; and Understanding the role of legislators in TE governance in Nigeria.

Following extensive deliberations on various thematic sessions, the following observations and recommendations were made:

OBSERVATIONS:

1. As taxation constitutes the most viable and reliable fiscal policy tool for revenue mobilization in financing critical sector for sustainable development, repositioning domestic businesses/industries for improved fortunes and attainment of international competitiveness has become imperative.
2. Despite numerous domestic opportunities, Nigeria has hitherto been confronted with a revenue challenge with resultant rising debt profile, hence the need to harness funding gaps to adequately finance public expenditure for sustainable national development.
3. While tax incentives were presumably initiated to drive and expand investments, and accelerate economic growth, the long-term impacts deepen development challenges, discourage local industrial revolution, hamper growth in gross domestic production as well as national development.

4. The unresolved challenges of fairness, justice, and equity in tax expenditures, create inherent inequalities between the multinational firms, which receive tax waivers to continue operations; and common citizens who pay higher prices for goods and services.
5. Indiscriminate waivers issued by the government coupled with needless tax incentives as well as weak legislative oversight exacerbate identified loopholes revenue governance and expenditure management for socio-economic development in Nigeria.
6. The observable tax abuse reported among Nigeria, indiscriminate waivers and concessionary approvals, manifest in consistent monumental revenue loss by the Federal Government with merely 6.68 trillion Naira, approximately 4% of the GDP realized as Tax Expenditures in 2021.
7. Needless discretionary powers accorded the executive arm of government in granting of incentives widens the existing gaps in transparency and accountability as well as lack of fairness in the overall governance of tax incentive regime in Nigeria.
8. Lack of legal backing empowering the National Assembly to prosecute erring officials in various Committees' probes of tax abuse, results in continuous monumental revenue loss to tax incentives, waiver abuses by public institutions and companies benefiting from such incentives.
9. The existing governance systems and structures across developing countries including Nigeria, creates serious burdens in tax income and expenditure management.
10. Inadequate synergy among stakeholders, inherent abuse in incentive process, weak tax administration and inequity are contributory barriers to impactful management of tax expenditure in Nigeria.

RECOMMENDATIONS:

The participants recommended as follows:

1. Institutionalise a governance framework on tax expenditure in Nigeria to promote transparency and accountability, and enhance a fair balanced socio-economic development at all levels.
2. Enhanced technical assistance to relevant Legislative Committees in the National Assembly through continuous capacity building, training and retraining programmes to inform legislative decisions and strengthen oversight activities on revenue and expenditure management in Nigeria.
3. Harmonise tax laws to address various duplication and multiplicity; create a dedicated Committee/sub-committee on Tax in the National Assembly; and strengthen legislative oversight to facilitate constant tax review, ensure prudence in public financial management, drive coordination, activate continuous review, monitoring and evaluation.
4. Adequate domestic tax expenditure reform and strengthened technical knowledge in tax system and process to bridge identified gaps, provide clarity and address inefficiencies in tax regime.
5. Institutionalise Monitoring and Evaluation system in tax expenditure management schemes within the National Assembly to identify implementation impact, systemic relevance, and document progress for periodic review.
6. Strict adherence to Tax Expenditure Management cycle to fully integrate the critical role of the relevant institutions (FIRS/NCS/FMOF); provide information to taxpayers, compel compliance; activate automation process that to minimises discretion; detect abuse; and impose appropriate sanctions.
7. Enhanced synergy between Exemptions Monitoring and Control Unit (EMCU) in the Federal Ministry of Finance, Budget and National Planning and relevant Ministries, Departments and Agencies to enhance efficiency in tracking of tax compliance system and process.
8. Create a coordinating Body in the EMCU to supervise management of exemptions and ensure appropriate implementation of enforcement actions; with deliberate policy effort to efficiently manage tax

expenditures for effective deployment of purpose-driven financial resources and value addition.

9. Strengthen collaborations among relevant stakeholders in information sharing and dissemination through harmonised platform on tax information to institutionalise compliance and maintain best practices in tax expenditures management in Nigeria.
10. Immediate consideration for thorough scrutiny and review of the existing legal provisions backing revenue management in the country to strengthen implementing institutions, tax governance process, and aid efficient monitoring of incentives.
11. Reinforce transparency in tax incentives regime through proper implementation monitoring and periodic review to discourage monopoly and justify the benefits against forgone revenue.
12. Maintain fiscal equity through adequate review and amendment to the existing legal framework, while democratising prosperity to encourage inclusive participation and contributions to the revenue generation regime.
13. Embrace ethical relationship in tax regime through transparency, accountability and judicious utilisation of revenue to restore public trust and encourage compliance.
14. Formulate comprehensive tax incentive frameworks for implementation, taking into cognisance some significant features like decision-propelled evidence, clarity in objectives and expected outcomes, cost-benefit analysis, well-articulated eligibility criteria, established legal basis, analytical data collection, all-inclusive public participation.
15. Improve Tax Expenditure Reporting through data automation, proper documentation, operational strengthening, enhanced communication between decision-makers and tax authorities, capacity development, institutionalised Monitoring and Evaluation Framework for performance measurement.

Signed:

1. Prof. Abubakar O. Sulaiman- DG, NILDS
2. Auwal Ibrahim Musa (Rafsanjani)- ED, CISLAC
3. Chika Okoh- For CM, IBP
4. Deputy Clerk, House of Representatives
5. Director, Committee Services, House of Representatives
6. Clerk, Senate Committee on Trade and Investment
7. Clerk, Senate Committee on Excise, Customs and Tariff
8. Clerk, Senate Committee on Anti-corruption and Financial Crimes
9. Clerk, House Committee on Financial Crimes
10. Clerk, House Committee on Aids, Loans and Debt Management
11. Clerk, House Committee on Institutional reforms
12. Team Lead, National Assembly Business Environment Roundtable (NASSBER)
13. National Coordinator (Public Financing) Tax for SDGs, UNDP