LEAD DEBATE ON NIGERIAN TAX ACADEMY (ESTABLISHMENT) BILL, 2016 (SB330)

Sponsor: SEANTOR DR ALIYU SABI ABDULLAHI (NIGER NORTH)

Mr. President, Distinguished colleagues, it is another singular honour to stand before you all to lead the debate on a Bill for An Act to establish the Nigerian Tax Academy to provide training, develop standard curriculum for continue education of tax administrators and collectors to facilitate effective service delivery and for other related matters.

The bill was read the first time on Thursday 17th November 2016 in the Red Chamber. This bill is another contribution to the attainment of the noble goals and objectives we all agreed and set in the legislative agenda of the 8th Senate and, our passionate desire to reform the delivery of government services and enhance performance of government Ministries, Departments and Agencies in general and specifically the tax administration agencies to enhance revenue collections.

Mr. President, Distinguished Colleagues, according to the Honourable Minister of Finance (Mrs Kemi Adeosun) "This administration is committed to diversifying the sources of government revenues by significantly increasing tax to Gross Domestic Product (GDP) ratio, among other things. The attainment of this laudable objective will require an overhaul of our tax policy (National Tax Policy 2016).

Tax administration is the framework upon which Nigeria tax system is based. It deals with the powers and duties of relevant tax authorities as contained in the tax laws. Tax administration involves the procedures, principles and strategies adopted by any government to achieve effective tax planning, compulsory levying of tax, easy collection and proper accounting and utilization of the revenue collected. Therefore, taxation is a dynamic subject which grows with the constant changes in the economic environment in which it operates.

Experts are in total agreement that capable, skilled and competent personnel are at the heart of the very burning issues of an efficient and effective tax administration system and specifically:

- how to properly manage tax administration in Nigeria;
- the extent to which the tax laws is properly interpreted and implemented;
- knowing the actual impact of tax revenue on economic growth;

- whether adequate tax revenue is generated from various taxes through proper tax administration machinery which translate into economic growth;
- tax evasion and avoidance, non-compliance, deficiencies in tax collection system.

Mr. President , with the Tax Academy Bill, it is envisioned that the development of human resources management strategy, policies, systems and procedures that support the achievement of the national tax policy objectives and the development of members of staff through structured training and professional development will be achieved.

An effective and efficient tax administration system is underpinned by a functional human resources strategy that supports the following:

i. Development of human resource management strategy, policies and systems which fully support the tax administration 's business strategy;
ii. The tax administration is autonomous in making decisions about recruitment, retention, performance management and assessment, promotion, career progression, training and development, transfer, severance, dismissal and retirement;
iii. Human resource policies and practices that motivate, support and protect employees;
iv. A long-term training and development strategy for employees endorsed at top management level;
v. An organisational structure and systems to support the delivery of employee training and development needs within the tax administration.

The Nigerian Tax Academy Bill is designed to promote the attainment of these lofty goals based on a culture and philosophy of training appropriate for repositioning the tax system for economic growth and development. The academy will provide training, develop standard curriculum for continue education of tax administrators and collectors to facilitate effective service delivery. Other Asian countries such as Japan, China, India, Australia, Singapore and Malaysia have tax academies which train both tax and customs authorities, as well as private individuals in taxation and finance assessment and management. And their economic performance especially their tax to GDP ratio shows a performing system.

Tax revenues as percentage of GDP give a general indication of the success of the tax administration in mobilizing tax revenues. The figure, which should be analysed over several years, is influenced by many factors, such as the macroeconomic policy environment, tax policy decisions, the efficiency and effectiveness of the tax administration, and also the degree of fiscal corruption. A comparatively low tax to GDP ratio in most cases indicates the need to strengthen revenue raising performance. Nigeria currently has a tax to Gross Domestic Product (GDP) ratio of six per cent, which is rated one of the lowest in the world.

The National Tax Policy (2016) identified some constraints notably:

- ✓ insufficient capacity which has led to the delegation of powers of revenue officials to third parties, thereby creating complications in the tax system;
- ✓ use of aggressive and unorthodox methods for tax collection;
- ✓ failure by tax authorities to honour refund obligations to taxpayers;
- ✓ the non-regular review of tax legislation, which has led to obsolete laws, that do not reflect current economic realities; and
- ✓ lack of strict adherence to tax policy direction and procedural guidelines for the operation of the various tax authorities.

For effective administration, the authorities need to strengthen tax officers' capacity and competencies, both for the frontline operations of assessing and collecting taxes and the back-office operations of managing taxpayer accounts and records.

For example, in Japan the National Tax College provides necessary training to all tax officials. The college, which consists of the main campus and 12 regional training centers, trains new recruits graduated from high schools and universities and provides training programs for tax officials so they are fully equipped with necessary knowledge and skills for field activities.

When established, the Nigerian Tax Academy shall develop and implement a curriculum which includes those pertaining to: (a) the technical aspects of tax collection, administration and compliance with focus on field operations; and (b) the career orientation and development for tax personnel.

Mr President, Distinguished Senators, Staff training is a central part of effective tax administration, and in many countries initial training and education for new recruits are a critical part of staff training policy; effective tax administration is sustainable only with highly skilled and motivated frontline tax officers. Moreover, staff training and education can serve as a tool for attracting, developing, and retaining talent, which is particularly important for tax administration.

Mr President, the Nigeria tax Academy will achieve its outcome by introducing a new and systematic approach to staff training to ensure high-quality standards. The current training policy and system will be reviewed under the Academy with a particular focus on new staff recruits, and their effectiveness for staff development will be assessed.

The Bill has 18 sections which are briefly described hereunder:

Section 1 provides the Declaration of policy, Section 2 -Establishment of the Nigerian Tax Academy and Section 3 provides the Functions of the Academy and its powers is captured under Section 4.

Section 6 -10 provides for the governing board, executive officers, corps of professional instructors and staff appointment. To leverage on external expertise from both the public and private sector Section 11 provides for authority to enter into training agreements.

Section 14 provides for the development of an Implementation Rules and regulation to guide the operations of the Academy in line with provision of this Act.

The various agencies involve in tax administration currently provides all forms of training to their staff and the Nigerian tax Academy is now expected to structure these trainings by providing a unified tax training curriculum which focuses on the same national tax policy goals and objectives as capture in the 2016 policy document. This will no doubt remove duplication of efforts, create synergy among the MDAs with focus on effective tax system for enhance government revenue and promote best practices across the system.

In line with the Senate Standing Order 77 (3) the Compendium for this Bill is attached as Annex I. In view of the foregoing I earnestly urge my colleagues to support that this bill be read the second time.

Thank you all.

4th October 2017.

Annex I

COMPENDIUM OF THE NIGERIAN TAX ACADEMY (EST) AND RELATED MATTERS

In compliance with Order 77 (3) of the Standing Rules of the Senate of the Federal Republic of Nigeria with respect to the procedure of Bills, Compendium and Consolidation, which states inter alia that " On the introduction of a Bill, a compendium of background information and financial implications of such Bills if passed into Law shall be delivered to all Senators", the following compilation with regard to the aforementioned Bill is herewith presented for the general information of Senators.

It is worthy of note that the compilation shown below is a summary of the anticipated recurrent and capital expenditure in the first twelve months immediately following the commencement of this Act.

TOTAL PROJECTIONS/ESTIMATES FOR THE RECURRENT AND CAPITAL EXPENDITURE FOR THE BOARD IN THE FIRST TWELVE MONTHS IMMEDIATELY FOLLOWING COMMENCEMENT

1. **Projected Recurrent Expenditure**
   N200, 186, 723. 36
   (Salaries and Allowances of Personnel and especially transfer allowances)
2. **Projected Recurrent Expenditure**
   N150, 544, 000.00
   (Maintenance of vehicles, management costs of offices, and other related costs for take-off of the Academy such as preparation of Implementation Rules and Regulation)
3. **Estimated Capital Expenditure**
   N300,000,000.00
   (Office Accommodation, Furniture and Instructional Materials)
4. **Estimated Capital Expenditure**
   N50,000,000.00
   (Purchase of vehicles and training software)

Total Projected/Estimated Costs for First Year of Commencement of the Board
= N700, 730,723.36

SURMISES

The foregoing compilation proffers a fair approximation of the financial implication for the establishment of the Nigerian Tax Academy in the first year immediately following commencement.

For all intent and purposes, the financial outlay estimated and projected for the Nigerian Tax Academy (Est.) and Related Matters is a modest one appropriate for the effective discharge and performance of the duties contemplated in this Act. It also presupposes that the scattered training cost by the various agencies such as Federal Inland Revenue Services, Nigerian Customs Services and other revenue generating agencies will be consolidated into a shared cost structure which will save government millions of naira and even foreign exchange for international training.