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Nigeria's Interest In Sustaining, Consolidating Economic Growth With Executive Order 7 Of 2019

The focus of the Executive Order 007 since it was signed by President Muhammadu Buhari is not misplaced on the Nigerian economy. Its impact on the country's infrastructure development makes the fulcrum of this story. ***Enam Obiosio*** *and* ***Tony Tagbo*** *write*

Mrs. Zainab Ahmed, Minister of Finance, Budget and National Planning, with **Femi Gbajabiamila**, Speaker, House of Representatives

Since the inception of this administration focus has been on building a globally competitive economy as the Nigeria Economic Recovery and Growth Plan (ERGP) seeks to stimulate growth by leveraging the power of the private sector and allowing markets to function.

Alongside being committed to human capital development with investments in the social investment programme that is already yielding great results, the administration is building a country moving in the right direction.

The Muhammadu Buhari-led government, in fact, is committed to creating an enabling environment for investors wishing to do business by removing bottlenecks and easing bureaucratic constraints to doing business in Nigeria.

With policy reforms, initiatives and measures to improve the country's economic performance under the ERGP, the government is also ensuring a partnership with the private sector on infrastructure development, including the road trust fund scheme, road infrastructure development and refurbishment investment tax credit scheme, concessions; and arrangements and public, private partnerships.

For this reason, President Buhari signed, on 25 January 2019, the Executive Order No. 007 on Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (the Scheme). The scheme is for a period of 10 years from its commencement date.

Drawing from Global Tax Alert by Ernst & Young, the scheme is a public-private partnership (PPP) intervention that enables the government to leverage private sector capital and efficiency for the construction, repair, and maintenance of critical road infrastructure in key economic areas in Nigeria.

The scheme is open to any Nigerian company, acting on its own or in collaboration with other Nigerian companies, and institutional investors (hereafter referred to as 'participants') wishing to construct or repair any road identified and designated by the Government as an 'eligible road'1 under the scheme.

Participants will be entitled to utilise the total cost (Project Cost), incurred in the construction or refurbishment of an eligible road as a tax credit against their future companies' income tax (CIT) liability, until full cost recovery is achieved.

As a further incentive, participants will be granted a single non-taxable uplift. The uplift will be a percentage of

Cont. on page 04

Another Award, Another Milestone

Congratulations !

On the conferment

of

Honorary Doctorate Degree in Management

on you

by Kaduna State University

Mrs. (Dr) Zainab Shamsuna Ahmed

Honourable Minister of Finance, Budget and National Planning

Prioritising COVID-19 Stimulus Against Challenges Can Help Countries Build Back - Finance Minister

Felix Omoh-Asun

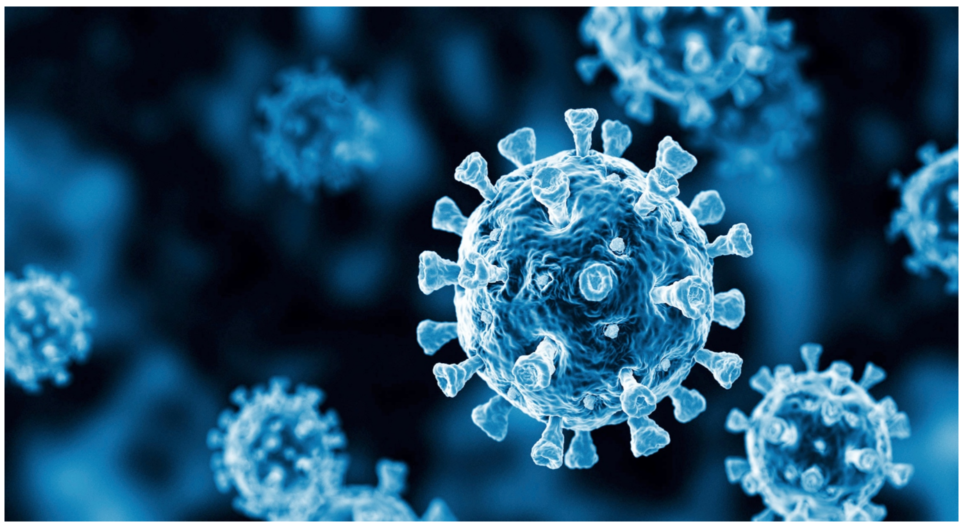
By prioritising COVID-19 stimulus that tackles multiple challenges, countries can build back in a way that is more inclusive, sustainable and resilient, says Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning.

Focusing her acceptance speech at the recent award of Honorary Doctorate Degree Causa in Management by Kaduna State University on governments' efforts towards sustaining the economy, she noted: "You would recall that the COVID-19 pandemic gave rise to what may be the most challenging global health and economic crisis of our time.

"In response, governments around the world have committed at least $12 trillion in stimulus packages to COVID-19 recovery, much of it focused on immediate needs like health, food security and jobs. Yet, countries must also focus on building their economies for tomorrow.

To address the economic challenges of the pandemic, she noted that federal government approved a $5.9 billion (N23 trillion) Nigeria Economic Sustainability Plan in July 2020. "The plan which costs roughly one percent of our gross domestic product (GDP) was intended to stimulate and diversify the economy, retain and create jobs and extend more protection to the poor.

According to her: "The recovery plan includes investments in clean energy, agriculture and infrastructure. The most noteworthy piece of green spending is a $619 million commitment to the solar homes systems project, which will help install solar home systems for up to 5 million households, serving about 25 million individual Nigerians who are not currently connected to the national grid.



"It also provides monetary incentives for private solar installers and aims to create more domestic jobs in the solar industry. This is one of the largest renewable energies COVID-19 stimulus interventions from a middle- income or low-income country to date, and is intended to increase energy access and equity.

"The Economic Sustainability Plan also includes a National Medium, Small and Micro Enterprises (MSMEs) Survival Fund to cushion the impact of COVID-19 on the economy and create an environment for small businesses to thrive. MSMEs are the engine of the Nigerian economy. There are over 37 million MSMEs in Nigeria, according to her, that contribute nearly 48 percent of the nation's GDP.

In her words: "COVID-19 has severely constrained MSMEs in Nigeria, with many either laying off staff or going out of business. The MSME Survival Fund will support the private sector to help diversify the economy, with a particular focus on women. Sixty percent of the MSME Survival Fund has been reserved for women entrepreneurs, who make up at least 41 percent of micro-businesses in the country.

These interventions, as she stated, would help to empower women and close the gender gap, promote gender equality and equal representation and build a fairer Nigeria.

"We recognise that every country's growth and development depend on the level of the resourcefulness of its citizens, especially the youths. Young people form the larger part of the population in Nigeria and Africa by extension. Our young ones are increasingly becoming innovative and creative in the use of technology to address local challenges.

"Our government is putting in place structures and programs to support and empower them to use their energy, creativity, and skills to grow the economy and support government efforts. The President Muhammadu Buhari administration is appreciative of your efforts as a citadel of learning in helping contribute to the development of our youths.

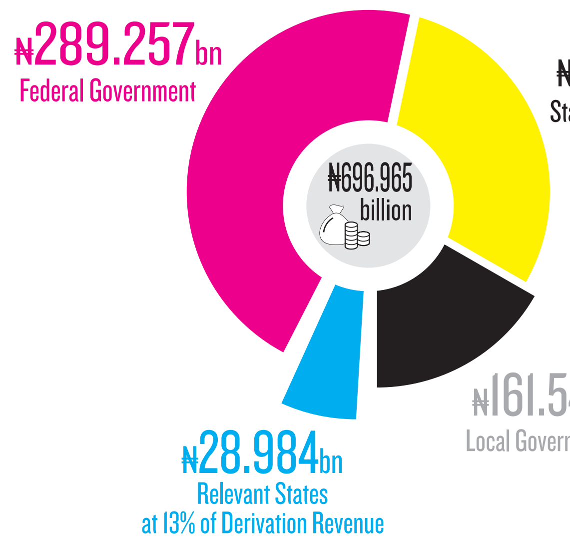
"Education gives us much as individuals, but its benefit to societies is even greater. I am convinced that the works of institutions like Kaduna State University and other Universities will support and help to expand the Nation's educational frontiers to flourish throughout the length and breadth of Nigeria.

FAAC: FG, States, LGCs Share ₦696.965bn for August, 2021

Cost Of Collection, Statutory Transfers And Refunds **₦72.295bn**

The balance in the Excess Crude Account (ECA) **$60.857mn**

Federation Accounts Allocation Committee (FAAC) Share:



Statutory Revenue ₦477.504bn

Value Added Tax (VAT) ₦166.228bn

Exchange Gain ₦2.830bn

Excess Bank Charges ₦0.403bn

Non-Oil Revenue ₦50bn

Value Added Tax (VAT)

Gross VAT ₦178.509bn

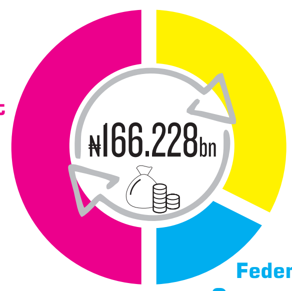
Increase ₦151.134bn

JULY ₦27.375bn

Allocation To NEDC ₦5.141bn

₦7.140bn Cost Of Revenue Collection

Distributable Value Added Tax (VAT) Revenue



Statutory Revenue Distribution

₦477.504bn

Federal Government	₦236.437bn
State Government	₦119.924bn
Local Government Councils	₦92.456bn

Derivation ₦28.687bn Relevant States at 13% Derivation Revenue

Exchange Gain Revenue

₦2.830bn

Federal Government	₦1.334bn
State Government	₦0.677bn
Local Government Councils	₦0.522bn
Relevant State as 13% Derivation Revenue	₦0.297bn

Excess Bank Charges - ₦0.403bn: Federal Government ₦0.212bn; State Government ₦0.108bn; Local Government Councils ₦0.083bn

Non-Oil Revenue - ₦50bn: Federal Government ₦26.340bn; State Government ₦13.360bn; Local Government Councils ₦10.300bn

According to the Communiqué, in the month of August 2021, Value Added Tax (VAT) and Import Duty increased significantly, while Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Oil and Gas Royalties and Excise Duty recorded decreases.

Cont. from cover page

Nigeria's Interest In Sustaining, Consolidating Economic Growth...

the project cost, and the percentage to be applied is monetary policy rate plus two percent on project cost. The uplift will be included in the total tax credit available to each participant.

Objective of the Scheme

The Scheme will:

a. Enable the Government to leverage private sector funding for the construction or repair of eligible road infrastructure projects in Nigeria.

b. Increase the focus on the development of eligible road infrastructure projects in a manner that will generate value for money through the PPP intervention.

c. Guarantee participants timely and full recovery of funds provided for the construction or repair of eligible road infrastructure projects in the manner prescribed in the Executive Order.

Administration of the Scheme

The scheme and its activities will be executed by the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme Management Committee - the Committee. The Committee comprises of top cadre personnel of various government ministries and parastatals such as the Federal Inland Revenue Service, Ministry of Power, Works and Housing, Ministry of Finance, Ministry of Industry, Trade and Investment, Ministry of Justice, Nigerian Investment Promotion Commission, Securities and Exchange Commission, Infrastructure Concession Regulatory Commission, National Bureau of Statistics, Nigeria Sovereign Investment Authority and the Bureau of Public Procurement.

Eligibility to participate

The scheme is open to Nigerian companies (other than sole corporations), institutional investors such as Pension Fund Administrators, Collective Investment Schemes, Insurance Companies, Investment Banks, and a pool of companies operating through a special purpose vehicle set up as an infrastructure fund.

Requirements to benefit

A private company must satisfy the following requirements for it to be able to benefit from the scheme. It must:

a. Register and ensure that its certification by the committee as a participant or representative of participant of the scheme is confirmed.

b. Be designated as a beneficiary2 under the scheme.

c. Provide evidence of certification of the project cost by the committee.

d. Provide evidence that the project is economically viable, cost-efficient and can be completed in a timely manner (within 12 to 48 months).

Definition of Road Infrastructure Tax Credit (RITC)

The scheme entitles participants to utilise the project cost incurred in the construction or repair of eligible roads as a credit against CIT payable. In doing so, participants are afforded a single uplift equivalent to the prevailing Central Bank of Nigeria (CBN) Monetary Policy Rate (MPR) plus two percent of the project cost. And where such uplift is granted, it shall not constitute taxable income in the hands of the participant.

Participants can decide to utilise this RITC from the relevant fiscal year in which the project is incurred until it is fully utilised. However, the amount of RITC that may be utilised in any year of assessment shall be limited to 50 percent of the company's income tax payable by the participant for that year of assessment. Where there is any unutilised tax credit, it shall be available to be carried forward by the participant to subsequent tax years.

Mrs. Zainab Ahmed, Minister of Finance, Budget and National Planning, in a discussion with **Senator Barau Jibrin,** APC Kano North (middle) and **Senator Philip Tanimu Aduda**, PDP, FCT-Abuja

> ***...the Executive Order provides that the tax credit may qualify as an asset in a Participant's or beneficiary's financial records and will have to comply with international financial reporting standards***

However, as with similar schemes in the past, where a participant enjoys the benefits of the RITC, it shall not be entitled to claim any other tax credit, capital allowance, relief or incentive on the project cost incurred in respect of that eligible road under any law in force in Nigeria.

Scheme's grant of the RITC

The Federal Inland Revenue Service (FIRS), through the committee, will issue the RITC to a participant or its representative, based on the proportion of work done, upon presentation of the following documents:

Global Tax Alert 3

- An authorisation to participate in the scheme issued by the committee
- Approval of the project cost and completion timeline bid by the committee
- Contract award letter
- Certification of work done issued by the committee

Tax credits will be issued to participants annually based on construction milestones achieved and will become immediately available for use.

The scheme allows the holders of the RITC certificate to trade it as a financial instrument on a relevant securities exchange and have same registered accordingly.

Consequently, participants are at liberty to undertake disposal of the whole or part of their certificate to willing buyers on a relevant securities exchange in the same manner as they would in the instance of shares, bonds and other securities. However, such trade must be brought to the attention of the committee, which will then have to de-register the participant and register the new participant or in this case, the new beneficiary.

Furthermore, the Executive Order provides that the tax credit may qualify as an asset in a Participant's or beneficiary's financial records and will have to comply with international financial reporting standards.

Implications

The introduction of the scheme is an innovative plan aimed at sourcing funds to support the government's road infrastructure development initiative. However, it is anticipated that the implementation of this scheme may present challenges, which, unless addressed, could limit the benefits participants may receive from the scheme.

Some of the challenges identified include gaps in the Executive Order which might limit the successful execution of the scheme. The following queries summarise some of such identified gaps:

a. What happens to unutilised RITC after the 10-year duration of the Scheme?

b. What is the impact of the Scheme on roads managed by state and local governments?

c. Are there potential restrictions on claimable tax credits?

d. What are the strategies developed to mitigate bureaucracy and potential administrative bottlenecks?

e. Would the transfer of unutilised RITC as employed in the scheme be extended to other tax assets such as unutilised withholding tax credits, unrelieved tax losses, or unutilised capital allowances?

The committee and other stakeholders may need to, through recommendations and proposed amendments to the President, secure clarity around some of the questions posed above.

Nonetheless, the scheme presents an opportunity for companies, especially manufacturing companies, to channel funds towards the construction and/or repair of eligible roads, including feeder roads and highways, which are most critical to the movement of inventory and products, shortening supply lead times, optimising the manufacturing supply chain and ultimately enjoying the tax incentive for the cost incurred as specified under the scheme.

Also of importance is the need for companies with large balance sheets, to avail this opportunity in order to enjoy the various incentives and the reliefs the Scheme provides.

Endnotes

Eligible road refers to any road approved by the President as eligible for the scheme on the recommendation of the Minister of Finance and as duly notified to participants and published pursuant to the Executive Order.

Beneficiary means a company appointed by a participant to utilise the whole or part of the RITC initially issued to a participant in the scheme or any other person that has acquired the rights to utilise the RITC initially issued to a participant in the scheme.

Executive Order 007: How The Scheme Impacts Economy, Road Infrastructure

Precisely on 25 January, 2019, President Muhammadu Buhari signed the Executive Order No. 007 on Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme.

The Scheme which is for a period of 10 years from its commencement date, is a public-private partnership intervention that enables the Federal Government to leverage private sector capital and efficiency for the construction, refurbishment and maintenance of critical road infrastructure in key economic areas of the country.

The EO7 comprises six paragraphs, with each containing several sub-paragraphs, and deal with issues ranging from establishment of a management committee charged with responsibility for implementing and administering the Scheme to the issuance of the road infrastructure tax credit itself.

The main objective of the Scheme is to accelerate road infrastructure development for balanced economic growth in of the country by granting approval to private sector entities to construct and refurbish eligible roads across the country in exchange for tax credits, which could then be applied against company

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NDIC

Nigeria Deposit Insurance Corporation

Protecting your bank deposits

The Nigeria Deposit Insurance Corporation (NDIC) is an agency of government of the Federal Republic of Nigeria. It was established in 1988 and is responsible for administering deposit insurance in the country. It protects depositors and guarantees payment of insured funds in the event of failure of an insured licenced deposit-taking financial institution, thereby helping to maintain stability in the financial system.

The NDIC's Public Policy Objectives (PPOs) are: To Protect depositors by providing an orderly means of compensation in the event of failure of an insured financial institution; Enhance public confidence by providing a framework for the resolution and orderly exit of failing and failed financial institutions; and Contribute to financial system stability by making incidence of bank runs less likely. The NDIC had achieved these PPOs through the implementation of its following Mandates:

DEPOSIT GUARANTEE

Insurance of deposit liabilities of licensed deposit-taking financial institutions (banks) and guaranteeing payment to a maximum amount as stipulated in the NDIC Act, in the event of failure of a licensed financial institution. Thus, the sum of N500,000.00 or US$1,613 is paid to each depositor of Deposit Money Bank, Primary Mortgage Bank and Non-Interest Bank while the sum of N200,000.00 or US$645 is paid to each depositor of a Micro-Finance Bank;

BANK SUPERVISION

Supervision of banks to reduce the potential risk of failure, ensure effective payment system and healthy competition in the banking system; hence contributing to financial system stability;

DISTRESS RESOLUTION

Provision of financial and technical assistance to failing or distressed eligible insured institutions, in the interest of depositors; and

BANK LIQUIDATION

Orderly and efficient closure of failed institutions with minimal disruption to the banking and payment system.

NDIC's activities over the years had contributed to the development of the Nigerian economy through the promotion of soundness and safety of the banking system thereby enhancing confidence in the country's financial system.

More adult Nigerians now have access to formal financial services and are deriving numerous benefits through access to savings, credits, insurance and pension. NDIC, in collaboration with other Safety-net Players such as the Central Bank of Nigiera (CBN), has contributed to reducing the percentage of adult Nigerians that do not have acess to financial services from 46.30% in 2010 to 39.50% in 2014 (EFInA Financial Inclusion Study, 2014) in line with the Financial Inclusion policy of the Federal Government.

NDIC is also involved in social and developmental endeavours. Over the years, it has supported many community-based projects. Most of the projects were in the areas of Education and Human Capital Development.

> "ENGENDERING CONFIDENCE IN THE BANKING SYSTEM, PROMOTING FINANCIAL INCLUSION AND EXCELLENT IN CORPORATE SOCIAL RESONSIBILITY ACTIVITIES TOWARDS SUSTAINABLE DEVELOPMENT IN NIGERIA"

OUR CORE MANDATES

- → Deposit Guarantee
- → Bank Supervision
- → Distress Resolution
- → Bank Liquidation

Buhari Orders FIRS To Adopt Technology In All e-Commerce Transactions

- **As Finance Minister explains why Nigeria is yet to adopt OEC tax solutions**
- **FIRS rakes N664 billion in a single month**
- **Digital economy solution to Africa's economic challenges - WATAF Chair**

*Nigeria recently hosted the 10th Anniversary and 17th General Assembly of the West African Tax Administrations Forum (WATAF) which held at the Transcorp Hilton in Abuja from the 21st to 23rd September 2021. Our correspondent, **Musa Ibrahim**, reports.*

Musa Ibrahim

Tax administrators and stakeholders in the West African region gathered in Abuja, Nigeria's capital, to mark the 10th Anniversary of the West African Tax Administrations Forum (WATAF) and also brainstormed on ways to scale up the performance of the Organisation.

The high level gathering became relevant especially at a time when the world is tilting towards adoption of digital technology in every aspect of life.

In a keynote address, President Muhammadu Buhari, while acknowledging the importance of technology, directed the Federal Inland revenue service (FIRS) to deploy necessary technology to effectively tax all digital transactions carried out in Nigeria, in a bid to improve the country's revenue base.

The President, who was represented by the Secretary to the Government of the Federation (SGF) Mr. Boss Mustapha, noted that current realities have made it relevant to digitally tax all e-commerce transactions.

According to him, "It is pertinent to highlight that no matter how sound out policy and enabling legislation is, we may realise little or nothing unless we give every effort to putting in place effective collection measures.

"Digital transactions must be taxed digitally and the goal of our efforts must be to achieve seamless digital collection and remittance of tax revenue that accrues from the digital economy.

He also noted that the advent of the internet has continued to grow and one key area where this has increasingly become obvious was in the development of e-commerce.

The SGF added: "Many platforms that started as social media platforms have transited into big businesses generating significant income as it has since become commonplace for entities to consummate business relations remotely, without a physical presence in the countries where goods and services are exchanged.

"Suffice it to say that while this presents great economic and business opportunities, on the one hand, it also presents a challenge on the other as governments must find our way round what is still very much an emerging area of tax administration."

Also, in her remarks, the Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, explained why the federal government had yet to approve the solution proposed by the Organisation for Economic Cooperation and Development (OECD) on tax issues in a digital economy.

Mrs. Ahmed made this known while delivering a paper on the theme "The Taxation of the Digital Economy: Exploring Untapped Revenue Sources in Africa."

She said: "The finance ministry has actively participated in the global discourse around the issue of taxation of the digital economy, particularly as it affects the allocation of taxing rights."

In this regard, she also said that the Ministry would continue to contribute its quota in different fora, most importantly at the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, otherwise known as the Inclusive Framework.

She further said that the basis of the Ministry's involvement in that process was the understanding that a coordinated, universal solution to the tax challenges of the digitalised economy was necessary and that the solution would be fair and acceptable for all members.

Ahmed explained further that the Federal Government had hoped that all jurisdictions would be participating in the project on equal footing and that the agreed solution would benefit all while preserving jurisdictions' existing taxing rights, which are not aimed at digital businesses.

However, she expressed concern that while Nigeria seeks to prioritise the importance of securing a fair deal that provides for equitable global re-allocation of profits to all market jurisdictions under the proposed OECD solution on digital economy taxation, the agreement has not met this objective.

She added: "I am aware that some countries have endorsed the agreement. While I believe that the decision to do so lies within the policy choice of each jurisdiction, I crave your indulgence to highlight one or two implications of the proposed solution, for us.

"First of all, the scope threshold of Pillar 1 covers only Multi National Enterprises (MNEs) with €20billion global revenue and above 10 per cent profitability, which means just about 100 companies across the world, are within the scope of the rules.

"This threshold has left many of the well-known MNEs exploiting the digital space out of the scope of Pillar 1, and will significantly reduce any benefit that may accrue to market jurisdictions from Amount A taxing right.

'Even where the non-resident company meets the revenue and profitability threshold, there is still the requirement of operating in and meeting a local sales threshold of 1m euros in the market jurisdiction, except for jurisdictions with a GDP of $40million and below that have the in-scope revenue threshold fixed at 250,000 Euros.

President Muhammadu Buhari

Meanwhile, the Federal Inland Revenue Service (FIRS) has said that it generated N664billion in a single month, following the deployment of TaxPro-Max, an online platform developed by its members of staff.

The theme was: "The Taxation of the Digital Economy: Exploring Untapped Revenue Sources In Africa."

The FIRS in June launched the integrated tax administration system dubbed TaxPro-Max. The agency described the technology as a home-grown solution developed by staff of the FIRS.

The FIRS boss, Mr. Muhammad Nami, told the 2021 General Assembly of WATAF that the TaxPro-Max was designed to bring efficiency in the tax system and increased tax collection rates. According to him, the deployment was responsible for the realization of N664bn as revenue generated in June his year.

He said: "This cost saving, effective solution that was developed in-house by staff of the FIRS, is a user-friendly technological platform which is accessible by tax officers and taxpayers alike, for most tax operations.

"Following the deployment of the TaxPro-Max in June 2021, the Service generated over N664 billion representing the highest revenue generated by the FIRS in a single month since the outbreak of COVID-19.

"We believe that with the simplification of tax remittances through the deployment of TaxPro-Max and the resultant efficiency, the Service is geared towards recording increased collection rates, which will further enhance government revenue and improve transparency in tax administration."

The revenue agency explained at the WATAF that among other features, the platform enables seamless registration, filing, payment of taxes and automatic credit of withholding tax as well as other credits to the Taxpayer's account.

"TaxPro-Max also provides a single-view to Taxpayers for all transactions with the Service. It was fully deployed nationwide, effective 7th June 2021 as the channel for filing Naira-denominated tax returns,"

The Chairman of the West African Tax Administration Forum (WATAF), Yankuba Darboe, and the commissioner general of Gambia Revenue Avenue (GRA) in his keynote address, says that the solution to Africa's economy is to develop a well-articulated digital economy.

He said the forum provides a platform to encourage strong collaboration amongst all ECOWS Member States towards the improvement of the quality of revenue administration in their respective states.

According to Mr. Darboe, since the advent of the internet, the world economy is rapidly transforming from its traditional nature into a digital one. "The digital economy is increasingly becoming the economy itself.

According to him, untapped digital economy could be the solution to Africa's fiscal deficit problem.

"Taxation of the digital economy could be an important measure for governments to generate new fiscal space and increase tax revenues. However, taxing the digital economy is particularly challenging in countries with low tax administration capacity. In the face of donor fatigue and the high debt profiles of many African countries, devising means to tax the untapped digital economy could be the solution to solving Africa's perennial fiscal deficit problem. Africa has the largest youthful population and a fast-growing internet penetration.

These two factors present a great opportunity to African countries to maximise revenue to bridge the infrastructure gap upon which the digital economy hinges. The digital economy is no more a dream. It is upon us. It presents a great opportunity for Africa. To untape this revenue source, we must confront the current challenges of taxing the digital economy to unlock its

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CBN Launches N15trn Infrastructure Fund

Enam Obiosio

InfraCorp Plc, the N15trillion Infrastructure Fund which will boost funding for capital projects, will come on stream this month, according to the CBN Governor, Godwin Emefiele.

Speaking recently at the annual banking and finance conference of the Chartered Institute of Bankers of Nigeria (CIBN), the project, which was conceptualised by the CBN alongside African Finance Corporation (AFC) and the Nigerian Sovereign Investment Authority, will help to address the challenge of infrastructure deficit in the country.

"In this regard, I am pleased to announce that InfraCorp, the infrastructure company being created by the CBN, AFC and the Nigerian Sovereign Investment Authority (NSIA) to raise N15trillion, will be unveiled this month.

He explained that the InfraCorp would enable the use of mostly private capital to support infrastructure investment that will have a multiplier effect on growth across critical sectors.

"The purpose of the N15trillion being raised is to address some of our infrastructure needs, while providing reasonable returns to investors', stating that the well-structured fund can act as a catalyst for growth in the medium and the long run. The support of the banking community will be important in achieving this objective."

The CBN Governor also noted that Nigerian banks have become not only strong and resilient, but have also carved a good niche in the world.

To consolidate on the growth and resilience of Nigerian Banks in the last decade, he said that the Central Bank, will, in the next 12 months be establishing the Nigerian International Financial Centre (NIFC).

The NIFC, according to him, will act as an international gateway for capital and investments, driven by technology and payment system infrastructure.

"The NIFC will take advantage of our existing laws such as the Banks and Other Financial Institutions Act (BOFIA) 2020, the Nigeria Export Processing Zones Authority (NEPZA) and other CBN regulations to create a fully global investment and financial hub where monies, ideas, and technology will move freely without hindrance," he also disclosed.

This new financial hub, he noted, would curate local and international banks to make them global champions.

He said that the NIFC would be a 24/7 Financial centre that will complement London, New York and Singapore financial centres and enable an acceleration of Nigeria's home-grown initiatives such as the Infracorp Plc.

> *The purpose of the N15trillion being raised is to address some of our infrastructure needs, while providing reasonable returns to investors*

The NIFC, he noted, would also complement the CBN's initiatives on the Nigerian Commodity Exchange (NCE) and the National Theatre creative hubs for our youths as well as the e-naira project which will also debut in October 2021.

On digital connectivity, he said that robust payment system has continued to evolve towards meeting the needs of households and businesses in Nigeria.

Reflecting on the confidence in the country's payment system, he said that between 2015 and 2020, close to $500million worth of funds have been invested in firms run by Nigerian founders.

He added that the bank was targeting a 15 percent inflation rate and an annual Gross Domestic Product (GDP) growth of between 2.5 percent – 3.0 percent at the end of the year.

Cont. from page 06

Buhari orders FIRS to adopt technology in all e-commerce transactions

huge potentials by designing tax rules that are fair and equitable."

"Policymakers around the world are steep in finding workable solutions on taxing the digital economy and in that regard, different policy options to address these challenges are being floated," he pointed out.

"The digital economy represents today about 15 percent of the global world GDP with a net worth of US$ 11.5 trillion and it is projected to grow as access to internet in developing countries becomes cheaper, faster, and reliable. The outbreak of the COVID-19 pandemic in 2020 and 2021 has also positively impacted online retail sales as a result of lockdown and social distancing measures."

"The use of new digital technology has not only transformed traditional business models that pose challenges to how economies have traditionally been taxed, it has also created untapped revenue sources for Africa.

"Unfortunately, Africa's participation in this new digital economy has left a lot to be desired in terms of untapped revenues. The low participation of Africa in this new digital economy is not due to lack of foresight or laziness on our part but due to the very many challenges that taxing the digital economy presents." he lamented.

Darboe indicated that digitalisation has created a new borderless world economy, which, in turn, has brought to the fore how increased world trade affects the ability of governments to tax economic activities to fund public projects.

According to him, increased international digital trade has put in check established tax rules, needing to be updated. "In the absence of an international digital tax system and a global tax authority, the digital debate demands multilateral cooperation mechanisms and compromise from all parties involved."

"Therefore, it is incumbent on all of us to find solutions to tackle the challenges that the digital economy brings with it. This Forum has provided the right platform for dialogue among national tax authorities with a view of finding workable solutions to this untapped revenue source by forging inclusive cooperation and dialogue among national tax authorities on international tax matters.

This effort is especially relevant in the midst of the COVID-19 pandemic when countries are facing an unprecedented fiscal deficit and online commerce is growing worldwide." he added.

EDITORIAL

Stimulating Public Desires To Pay Tax

Raising revenue to fund government expenditures such as infrastructural projects and public services is one of the core tasks of any country. However, in Nigeria, a long-time floppy tax base has undermined the prospects for revenue generation, leading to somewhat obvious lopsided economy.

Of course, most citizens are often reluctant to pay their taxes. Historically, this problem has been particularly acute in the emerging nations for three reasons. First, high levels of corruption and mismanagement which means that people often feel that giving their money to the government is a poor investment Second, the colonial origin of some taxes means that they will continue to be viewed as coercive and illegitimate. Third, weak enforcement mechanisms facilitate tax evasion, and citizens are less likely to pay their taxes, if they feel that others are avoiding paying theirs. Given this, the glaring lack of effort with past Nigerian governments has resulted in changing public perceptions of tax payment.

Indeed, tax collection in Nigeria has a bad reputation. Many revenue generating agencies have been accused of corruption and of selectively enforcing taxes so that allies of the government do not have to pay. At the same time, some investigations have found that people are often asked to pay a variety of taxes by a number of different bodies, some of which employ coercion and extortion.

Over the last 20 years, there has been desire of leaders to embrace reform in order to boost their revenues, looking to build up the skills base, professionalism and human resources of the nation's tax authority. So far, just as in this present administration, this has generated major gains in a relatively short space of time.

Research conducted on Nigeria has demonstrated that four strategies can improve 'tax morale' and so make it easier for governments to raise revenue.

Citizens in receipt of a higher number of government services near their home are significantly more likely to be willing to pay tax. It is, therefore, important that the expansion of the tax net goes hand in hand with the provision of more and better quality services.

In the past, survey evidence suggests that Nigerians do not make the connection between the taxes that they pay and the services that are provided. It is, therefore, our position that governments educate citizens in taxation and service provision through rallies, roadshows, newspaper adverts, radio jingles and signs on public buildings.

Willingness to pay tax is also shaped by whether individuals trust the government, which is related to how people think that the government uses revenue. In fact, this is most draw back in tax administration when citizens do not believe that the money from tax is used for their betterment.

The order that reforms are implemented is likely to have a significant impact on the success of such initiatives. If efforts to raise more tax revenue take place before governments enhance their credibility, they are likely to prove unpopular and to meet with considerable resistance. It is, therefore, important that the government, makes serious moves to demonstrate its credibility to the people first, with tax increases coming later, just as this present government has done.

To date, it is evident that governments have relied heavily on taxes from trade, and, to a lesser extent, sales taxes, in the absence of significant taxes on income. In general in the past, the country had hitherto witnessed limited success increasing direct taxation for three main reasons. First, it is very difficult to collect income tax, unless citizens are working within the formal economy – and this typically accounts for a small proportion of the population. Second, the revenue agencies tasked with collecting revenue are often undeveloped and lack the capacity to track and collect personal taxes. Third, collecting income tax is typically unpopular with voters, and so governments concerned about maintaining their support base have often shied away from increasing the level of direct taxation.

This situation has had a number of negative consequences. On the one hand, it has left the nation's economy overly dependent on trade taxes, and so vulnerable to fluctuations of the price of exports on world markets. On the other hand, it has undermined the link of accountability between citizens and governments, because the funds which sustain the country do not come directly from voters' pay slips but from international donors and lenders, along with the sale of natural resources of which oil is our mainstay. In turn, the combination of these two trends has stalled the development of our economy.

For a significant headway as a result of one or more of the following developments, there must be professionalisation of tax revenue agencies; campaigns to increase the willingness of the public to pay tax; raising property taxes; and harnessing local innovation, all to boost revenue generation in the country.

A review of the country's tax revenue position and other relevant statistics reveals the low level of tax compliance in Nigeria. According to the Federal Inland Revenue Service (FIRS), the country's total tax collection in 2020 fiscal year was only N4.9 trillion.

This is an abysmal figure considering the tax payments by publicly listed companies and the remittances from the oil and gas sector, and for a country where companies pay a minimum tax irrespective of their profitability. The personal income tax (PIT) rate in Nigeria stands at 24 percent.

Evidently, the level of tax compliance is dismal, and this accounts for the low ratio of tax revenue to the country's gross domestic product (GDP).

It is to be noted that the relationship between the taxpayer and the tax authority is a contract that involves a complex interaction, and which must include the tenets of fairness and reciprocity.

Government must prioritise removal of the pain points of existing compliant taxpayers and ensure the economic benefits of paying tax are delivered to taxpayers and citizens at large. A mutually beneficial relationship will lead to an increase in the number of taxpayers and, therefore, tax revenue for government on the one hand, and direct economic benefits and growth for taxpayers, on the other hand.

Beyond public awareness, evidence of tax compliance should be a precondition to access certain benefits. For instance, companies or businesses without evidence of tax registration should not be able to access Central Bank of Nigeria's intervention facilities.

In this regard, the provision of the Finance Act, 2019 which requires mandatory tax registration as a precondition to operate a bank account is highly commendable. Government, at all levels, must ensure full implementation of this initiative and promote more initiatives that restrict access of delinquent taxpayers and tax evaders to certain public benefits.

On the other hand, government must put provision of services at the centre of its tax compliance efforts to motivate willingness.

While the government has implemented several measures to foster government–taxpayer partnerships, the current tax revenue indices reflect that these measures are yet to materially change the tax revenue position of the country much.

e-Naira Website Goes Live, Displays CBN Digital Currency Features

Felix Omoh-Asun

The Central Bank of Nigeria (CBN's) e-Naira website has gone live ahead of October 1 official launch, though still at the development stage, according to checks by some media organisations.

As stated in the website, www.enaira.com, "e-Naira is a CB -issued digital currency that provides a unique form of money denominated in Naira."

Some of the details on the website are yet to be hyperlinked, while some features are not yet active.

Godwin Emefiele, governor of the CBN, had said the pilot scheme of e-Naira would kick off on October 1, 2021.

"We have all the approvals and mandates to launch on October 1, but it is important to understand that e-Naira is not a one-off, it's a journey that starts on October 1," Emefiele said during the last monetary policy committee meeting.

"From October 1, a Nigerian will be able to download the e-Naira app from either Google Play Store or App Store, fund their e-Naira wallet using their bank accounts or with cash at a registered agent, location."

Osita Nwanisobi, spokesperson of the CBN, confirmed the uniform resource locators (URL) address to news media on Monday — but did not state further details. Url is a reference (or address) to a resource on the internet.

The CBN stated that e-Naira would serve as both a medium of exchange and a store of value, offering better payment prospects in retail transactions when compared to cash payments.

It added that e-Naira had an exclusive operational structure that was both remarkable and nothing like other forms of central bank money.

"There are several benefits from a central bank-issued digital currency in Nigeria, and this cuts across different sectors of, and concerns of the economy," it stated.

According to the CBN, the e-Naira app would feature and reflect brand values centred around ease of use and efficiency while bearing in mind security.

"We have developed this App with a deeper understanding of customers, what they value, their abilities and also their limitations," it stated.

In the website is stated that customers would be able to move money from their bank account to their e-Naira wallet with ease; monitor their e-Naira wallet, check balances and view transaction history; make in-store payment using their e-Naira wallet by scanning QR codes; and send money to one another through a linked bank account or card.

It stated that the e-Naira was crafted with interesting elements for modern solutions that paid keen attention to details.

According to the website, the Nigerian digital currency that would be issued and regulated by the CBN had benefits which included fast, cheap, reliable and available payment channel; supports digital economy; improved economic activities; and simplified and easy cross border payments and trade.

It also said that it would ensure inclusion of excluded people in the financial system; improved effectiveness of monetary policies; ease in tax remittance and collection to support the country's growth; and ease in targeted social interventions to support Nigerians.

He said that On October 1, a Nigerian should be able to download the e-Naira app either through Google play store or Apple App store, onboard themselves, fund their e-Naira wallet, using their bank accounts or with cash at a registered agent."

...We have developed this App with a deeper understanding of customers, what they value, their abilities and also their limitations

According to him, the e-Naira launch was not going to be a one-off thing, but a journey that would start on October 1.

"e-Naira is a Central Bank of Nigeria-issued digital currency that provides a unique form of money denominated in Naira," details on the website read.

"e-Naira serves as both a medium of exchange and a store of value, offering better payment prospects in retail transactions when compared to cash payments. e-Naira has an exclusive operational structure that is both remarkable and nothing like other forms of central bank money."

Bitt Inc., a Barbados-based company, is the apex bank's technical partner in digital currency operations.

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Revenue Sharing Formular: RMAFC To Conduct Public Hearing

- **As FG Goes After 77 Oil Companies Who Failed To Remit N2.66trillion Revenue**

Musa Ibrahim

The Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) has announced that it will commence public hearings on the review of the revenue sharing formula on Oct. 3, starting with the South West geopolitical zone.

The chairman of the commission, Elias Mbam, disclosed this in Abuja recently when the commission paid a courtesy call on the leadership of the House of Representatives.

According to him, "We are going to start the public hearing with the South West zone On October 3, and we appeal to state governors to attend".

He said that the essence is to look at the objectives and subject of the revenue formula, which he described as long overdue.

Mbam said views on the new formula for sharing would also be sourced through a questionnaire, while urging the leadership of the House to assist the commission in letting people know the objectives of their mission.

He said that the last time a review of revenue sharing took place was in 1999, stressing that the commission felt strongly that the review had become necessary because many things had changed.

"There are some concerns such as security, environmental degradation, and erosion; so there is need to look at the sharing formula to ensure that what every tier of government gets is in line with their needs.

"This is a process and the end will determine it. We cannot do this without seeking advice from the leadership of the House," he stated.

He said that the review of the revenue formula often took a process which was what happened after independence, adding that the commission would carry out extensive sensitisation and public hearing in the six geopolitical zones to ensure that everyone was carried along so that what it could come up with would be an equitable and acceptable formula.

"Your input and advice will go a long way. When we finish, we will bring our recommendation to the National Assembly for further legislative action," he added.

Meanwhile, while addressing the media recently, Mr. Mbam, announced that the commission had commenced the process of reviewing the existing Revenue Allocation Formula (RAF) among the federal, state and local governments.

He said the new formula will be ready before the end of 2021 and would be submitted to President Muhammadu for onward transmission to the National Assembly.

In the current sharing arrangement, the federal government (Including special funds) is entitled to 52.68 per cent while state governments receive 26.72 per cents as well as local governments which receive 20.60 per cent.

Mbam said the review will focus on the vertical allocation of the revenue allocation formula – to the federal, state and local governments.

Speaking at a briefing in Abuja, the RMAFC boss pointed out that the consideration for the review exercise was informed by the fact that the last general review of the formula was carried out 28 years ago in 1992.

He also said that the political structure of the country had since changed with the creation of six additional states in 1996, bringing the number of states to 36 while the number of local governments also increased from 589 to 774.

He added that there had been considerable changes arising from policy reforms that altered the relative share of responsibilities of the various spheres of government including controversies over the funding of primary education, primary health centers among others.

Mbam said the review was also necessitated by the inadequate and decaying infrastructure which had heightened widespread internal security challenges across the country.

He said ecological challenges like global warming, desertification, flooding and population explosion as well as the inability of the current vertical formula to adequately address the apparent mismatch between statutorily assigned functions and tax powers of each of the three levels of government informed the decision to embark on a fresh exercise.

Furthermore, he pointed out that the agitation for a review by various interest groups including states and local governments were also considered.

He said,"In view of the above the commission has commenced the review of the current vertical revenue sharing arrangement with a view to producing a fair, just, and equitable revenue sharing formula that will be acceptable to majority of Nigerians."

In another development, the federal government has vowed to recover a total tax debt of N2.66trillion currently being owed by 77 Oil Firms to the federation.

The Nigerian Extractive Industry Transparency Initiative's Executive Secretary, Orji Ogbonnaya-Orji, said this recently in Abuja while speaking on the status of EITI implementation in Nigeria.

He said already, the 77 oil firms have been reported to the Economic and Financial Crimes Commission and the Nigeria Financial Intelligence Unit for necessary action.

He said the 77 oil Firms have failed to remit petroleum profit tax, company income tax, education tax, value added tax, withholding tax, royalty and concession on rentals.

A breakdown of the figures showed that a total of $143.99million is owed as petroleum profit taxes, $1.089bn as company income taxes and $201.69million as education tax.

Others include $18.46million and £972,000 as Value Added Tax, $23.91million and £997,000 as withholding tax, $4.357billion as royalty oil, $292.44million as royalty gas.

Similarly, he said about $41.86m were unremitted gas flare penalties and $270.187million and concession rentals respectively.

> *In 2021, if the money is recovered the N2.66trilion could fund about 46 percent of Nigeria's 2021 budget deficit of N5.6trilion and is even higher than the entire projected oil revenue for 2021*

He explained that the total liabilities of the 77 companies were captured in the agencies' 2019 independent audit report of the oil and gas sector.

Ogbonnaya-Orji said, "The NEITI reports based on findings in its 2019 audit of the oil and gas sector show that oil and gas companies in Nigeria owe government about $6.48billion, which equals N2.66trillion at today's exchange rate of N410.35."

The N2.66trillion debt according to comparative analysis could have covered the entire capital budget of the Federal Government in 2020 or even be used to service the Federal Government's debt of $2.68billion in 2020.

The NEITI Boss added, "In 2021, if the money is recovered the N2.66trillion could fund about 46 percent of Nigeria's 2021 budget deficit of N5.6trillion and is even higher than the entire projected oil revenue for 2021."

This, he said, was why NEITI had decided to work with the government to provide relevant information and data to support efforts at recovering this money.

"We therefore appeal to these companies to ensure that they remit the various outstanding sums against them before the conclusion of the 2020 NEITI audit cycle to the relevant government agencies responsible for collection and remittances of such revenue," he stated.

Elias Mba, RMAFC chairman

NEWS IN PICTURES

The Honourable Minister of Finance, Budget and National Planning, ***Mrs. (Dr) Zainab Shamsuna Ahmed*** *was honoured with a Doctorate Degree, Honoris Causa in management by Kaduna State University. The event was at the fourth combined convocation of the university. Other recipients of the honorary degrees by the university were* ***Mr. Mele Kyari,*** *Group Managing Director NNPC,* ***Muhammad Maigari Dingyadi****, Minister of Police Affairs,* ***Dr Seinde Fademi-Oladepo*** *and* ***Sulaiman Dauda- Umar.***

NEWS IN PICTURES

The Honourable Minister of Finance, Budget and National Planning, ***Mrs. (Dr) Zainab Ahmed****, was the guest speaker at the 19th convocation of the Nigerian Defence Academy (NDA). The convocation lecture entitled: "The Governance, Security and Development Nexus in Nigeria: Innovative Financing as an Essential Enabler", explored the governance, security and development nexus in Nigeria with a specific focus on critical role that innovative financing must play.*

Innovative Financing, Critical Enabler For Sustainable, Inclusive Development In Nigeria - Finance Minister

Enam Obiosio

Mrs. Zainab Ahmed, Minister of Finance, Budget and National Planning, being welcomed by the Commandant, Nigerian Defence Academy (NDA) Maj Gen Ibrahim Manu Yusuf at the event

Given the link between poverty and insecurity, innovative financing is a critical enabler for sustainable and inclusive development in Nigeria, according to Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning.

Mrs. Ahmed, who recently delivered this year's Nigerian Defence Academy (NDA) convocation lecture entitled 'The Governance, Security and Development Nexus in Nigeria: Innovative Financing as an Essential Enabler', explored the governance, security, and development nexus in Nigeria with a specific focus on the critical role that innovative financing must play; particularly against the backdrop of the COVID-19 pandemic, the 2020 drop in crude oil prices, and the recent increase in insecurity across the country.

She noted that progress in critical areas (such as agriculture, human capital development, infrastructure, job creation and security) is severely constrained due to low revenues, high debt servicing, and limited financing options.

She reflected on the important nexus; and also discussed some of the innovative initiatives of this administration and specifically of the Ministry of Finance, Budget, and National Planning and its agencies that are aimed at ensuring financing for the country's sustainable and inclusive development, particularly in the wake of the COVID-19 pandemic.

On her position that sustainable and inclusive development is the goal, Mrs. Ahmed stated: "At the core of the programs and projects under implementation by this administration is the attainment of sustainable development. By sustainable development, I mean 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs', a definition adopted by the United Nations (UN). It means development that is not only sustainable but is inclusive with the wellbeing of our citizens at its core.

She noted: "This definition is in line with the Addis Ababa Action Agenda, the global framework for the Sustainable Development Goals (SDGs), which defines three dimensions of sustainable development: the promotion of inclusive economic growth, protection of the environment, and promotion of social inclusion. Goals 16 and 17 of the SDGs specifically address the goal of sustainable development. The former seeks to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels while the latter recognises the need for a strong implementation framework and global partnerships to achieve this goal.

In her words: "The goal of attaining sustainable development across the African continent is further distilled in Agenda 2063, the African Union's masterplan for the transformation of the continent. The first aspiration of the agenda is a prosperous Africa marked by inclusive growth and sustainable development with the second and third aspirations referencing a desire for good governance, peace and security.

According to her, these continental and global commitments to which Nigeria is a signatory align with this administration's short to medium-term development plans, which centre on economic, social and environmental sustainability issues. Yet, with sustainable development as the goal, several underlying conditions in our domestic environment must be established and maintained. Governance, specifically good governance, and security are critical enabling factors for sustainable development.

On good governance and security as precursors to sustainable development, Mrs. Ahmed noted that governance is a ubiquitous phrase in development circles and its definition varies across development organisations. "The United Nations Development Program (UNDP) defines governance as 'the system of values, policies and institutions by which a society manages its economic, political and social affairs through interactions within and among the state, civil society and private sector.' For the European Commission, 'governance concerns the state's ability to serve the citizens and refers to the rules, processes, and behaviours by which interests are articulated, resources are managed, and power is exercised in society, she also noted'.

"At the World Bank, governance is defined as 'the traditions and institutions by which authority in a country is exercised for the common good'. The importance of governance in sustainable development is underscored by its selection as a special theme for the IDA 18 and 19 replenishment cycles of the World Bank Group. These replenishment cycles are the means by which development programs implemented by low-income country members of the group are financed. The 'Abidjan's Declaration' which sets the framework for the IDA20 replenishment also prioritises peace and security as 'prerequisites for a sustainable economic recovery' following the coronavirus pandemic.

Stating further, she said: "By placing the modifier, 'good' before the word governance it is implied that a specific type of governance is sought while another type, which we can call misgovernance, is to be discouraged. Rather than engage in an academic debate about the appropriate definition of good governance, I will take the liberty to simply define it as governance synonymous with the goals of sustainable development.

On security, Mrs. Ahmed said that the concept of security is much easier to grasp as it affects the wellbeing of individuals, families, communities, and nation states. "However, it extends beyond the safeguarding of lives and property to the protection of computer systems and networks from cyber-attacks and the use of resilient and flexible strategies to respond to the unconventional tactics of asymmetrical warfare.

"According to the African Development Bank (AfDB), the annual global cost of conflict is estimated at $100 billion. Fragile and conflict-afflicted states are found to lag behind on most development indicators, experiencing higher levels of malnutrition, child mortality and lower school completion rates. As we all know, insecurity discourages investment, lowers productivity, and destroys livelihoods. Progress on the Millennium Development Goals (MDGs) was found to be slowest in fragile and conflict-afflicted countries and for this reason, human security is viewed as essential to the attainment of the SDGs.

She further noted that a consensus has emerged recognising security as a precondition for sustainable development. "Defence and security agencies are an intrinsic and essential element of the governance structure of any nation with the level of security determining the sustainability of development. In the absence of security, the governance structures in a nation state are vulnerable to collapse, thus undermining sustainable development.

"Thus, security and good governance are foundational and fundamental to the attainment of sustainable development. They form a critical part of the super-structure on which economic growth and development can be achieved in any country.

Further looking at the poverty-insecurity-governance nexus: 'the doom spiral', she brought to bear the positions of world leaders and experts. "There is a near global consensus amongst world leaders, policy experts and academics declaring that the fight against poverty is essential to ensuring global peace, security and stability. A direct relationship exists between governance, poverty, and insecurity.

"Poverty is a direct cause of insecurity, and insecurity in turn further exacerbates poverty and impacts governance. These mutually reinforcing phenomena have been coined the 'doom spiral'; poverty is both a cause of insecurity and an outcome of it.

According to the Honourable Minister, empirical analysis by renowned scholars such as Paul Collier has confirmed the causal link between poverty and conflict. "He cites that the biggest predictors of conflict are not ancient ethnic hatreds, political rivalries but rather weak economic performance, low incomes and an over reliance on natural resources. As economies prosper, and incomes increase, the risk of conflict decreases; for each percentage point increase in per capita income the chance of conflict decreases by the same one percent.

"According to the former United Kingdom (UK) Department of International Development, a country with a per capita income of $250 has a 15 percent likelihood of internal conflict over a period of five years, much higher than a country with $5000 per capita income which has only a one percent chance of conflict.

"We recognise, therefore, that peace, justice, and accountable institutions are critical to the achievement of Nigeria's sustainable development agenda. Therefore, the challenge is clear, the biggest priority for African nations including Nigeria is to address the root causes of insecurity, and strengthen governance. To guarantee sustainable development peace, and stability Nigeria must rise and tackle poverty decisively. Signalling the importance of this, the federal government has made it a national priority to lift 100 million Nigerians out of poverty in the next 10 years.

Mrs. Ahmed did spend some time discussing the impact of the COVID-19 pandemic on the Nigerian economy, and highlighted some of the government interventions that resulted in the exit in Q4 2020 from a 1-month recession, and the continued increase in gross domestic product (GDP) growth.

On Nigeria's approach to innovative financing, she stated that the government has continued in its efforts to proactively close the SDG financing gap and ensure the appropriate conditions for national development, partially through ongoing reforms aimed at enabling the business environment, creating the right fiscal space for investments, and supporting our diversification away from oil and gas. This, according to her, is being achieved in part through continued implementation of the Strategic Revenue Generation Initiative (SRGI) (a suite of initiatives aimed at enhancing revenues); strategic cost-cutting measures; and through incremental fiscal reforms via the introduction of annual Finance Bills.

"Furthermore, we are currently finalising our next generation medium and long-term national development plans; and thinking critically about financing that is sustainable, with increased private sector engagement. Our goal is that external funding and borrowing will serve as catalysts, while we shore up our domestic revenues and put in place the necessary frameworks and implementation plans to ensure a resilient recovery. Such an approach will allow us to sustainably finance critical sectors, including human capital development, infrastructure, agriculture, and security.

"We are also working collaboratively across ministries, departments and agencies (MDAs), and with the state and local governments to address financing for key cross-cutting issues. This includes working to significantly reduce poverty and harness our demographic dividend to achieve sustainable and inclusive growth, partly through job creation and by enabling the private sector, particularly micro, small and medium enterprises (MSMEs), and prioritising human capital development.

"We continue to re-imagine the social contract between government and its citizens, and deepen our commitments to the Open Government Partnership (OGP), and to open and transparent governance and citizens engagement. The OGP is an international multi-stakeholder initiative focused on improving transparency, accountability, citizen participation and government responsiveness to citizens through technology and innovation.

"Since joining the OGP in July 2016, Nigeria has made progress in deepening transparency, accountability and openness in the management of public resources, especially in terms of the budget process. Nigeria is currently implementing 16 commitments from its 2019-2022 Action Plan. These commitments relate to fiscal transparency, anti-corruption, extractive transparency, inclusiveness and public service delivery.

In her lecture, Mrs. Ahmed also stated: "Furthermore, we are scaling interventions aimed at improving the economic empowerment of women and girls - a key driver of economic growth, improved development outcomes, and improved economic resiliency.

This includes enhanced access to financing and capacity building for women-owned businesses. Additionally, we are focusing on enabling digital transformation and disruptive innovation, a key driver for MSME innovation and scale up across the country. Without a pragmatic financing strategy, development plans simply remain lifeless aspirations. With this important recognition the Ministry of Finance, Budget, and National Planning has leveraged the current shift in development financing practice, and is adopting new and scaling up existing innovative financing approaches to set Nigeria decisively on the path of sustainable development, peace and prosperity.

Apart from speaking on the impact of COVID-19 on Nigeria's economy, innovative financing as an essential means to sustainable development, peace and security in Nigeria, and some other specific initiatives, among others, concluding, she said: "Although good governance and security are instrumental to sustainable development, I believe that causality also runs in the other direction with growth and economic development creating a safe and secure environment where all Nigerians can pursue their livelihoods. The most recent GDP data which reports real GDP growth of 5.01 percent in the second quarter of 2021 is very encouraging news as it indicates the Nigerian economy is on a solid path to recovery. It is important to note that much of the growth was driven by the expansion of the non-oil sector of the economy where most Nigerians are employed.

"Successful implementation of Nigeria's sustainable development agenda requires that we mobilise domestic and innovative financing; while also fostering collaboration at the national and regional levels; between governments, the private sector and international financial institutions. A resilient and thriving Nigeria requires that we work collaboratively across the federal and state government, and hand in hand with citizens, civil society organisations (CSOs) and the private sector.

"We will continue working to accelerate revenue generation and mobilise the necessary domestic resources to fund our budgets and support the development of targeted social intervention programmes where necessary. With this approach, international aid and financing will be used to boost domestic funds, rather than replace them. This is especially true in critical human development areas such as health and education, where funding constraints remain a challenge.

"Through innovative financing, meaningful private sector engagement, strategic deployment of development funds and the strategic use of tools, Nigeria and the entire African region will be better positioned to grow back better, sustainability, and more inclusively.

The first aspiration of the agenda is a prosperous Africa marked by inclusive growth and sustainable development with the second and third aspirations referencing a desire for good governance, peace and security

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FG Highlights Reason For Not Endorsing OECD Solution To Issues Affecting Digital Economy

Enam Obiosio

Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning

The federal government of Nigeria has highlighted the reason that Nigeria has not endorsed the Organisation for Economic Co-operation and Development (OECD) proposed solution to the issues affecting the digital economy, particularly as it affects the allocation of taxing rights.

Nigeria has not endorsed the OECD proposed solution because the country seeks to prioritise the importance of securing a fair deal that provides for equitable global re-allocation of profits to all market jurisdictions, according to Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning.

In her special address at the 17th General Assembly and 10th Anniversary of the West African Tax Administrations Forum (WATAF) recently held in Abuja and virtually, Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning, noted: "As the competent authority in tax matters for Nigeria, ...we have actively participated in the global discourse around the issue of taxation of the digital economy, particularly as it affects the allocation of taxing rights."

Speaking at the two-day event on the theme: 'The Taxation of the Digital Economy: Exploring Untapped Revenue Sources in Africa', which she said is perhaps the most topical one at the moment in tax circles and for good reason, Mrs. Ahmed noted: "As the so called 'e-economy' continues to grow and develop internationally, it is only natural to expect that there will be issues associated with taxation of the income that accrues from it and how this income can be properly tracked, assessed and taxed."

In this regard, the country has continued to contribute its quota in different fora, most importantly at the OECD/G20 inclusive framework on base erosion and profit shifting, otherwise known as the inclusive framework (IF).

The Honourable Minister stated that the basis of Nigeria's involvement in that process was the understanding that a coordinated, universal solution to the tax challenges of the digitalised economy was necessary and that the solution would be fair and acceptable for all members. "And it is our view that the current agreement has not met this objective.

In her words: "We had hoped that all jurisdictions would be participating in the project on equal footing and that the agreed solution would benefit all while preserving jurisdictions' existing taxing rights which are not aimed at digital businesses, and that the project would provide universally acceptable rules, by consensus.

Some countries, according to Mrs. Ahmed, have endorsed the agreement. "While I believe that the decision to do so lies within the policy choice of each jurisdiction, I crave your indulgence to highlight one or two implications of the proposed solution, for us.

"First of all, the scope threshold of Pillar 1 covers only multinational enterprises (MNEs) with €20billion global revenue and above 10 percent profitability, which means just about 100 companies across the world, are within the scope of the rules. This threshold has left many of the well-known MNEs exploiting the digital space out of the scope of Pillar 1, and will significantly reduce any benefit that may accrue to market jurisdictions from Amount A taxing right.

"Even where the non-resident company (NRC) meets the revenue and profitability threshold, there is still the requirement of operating in and meeting a local sales threshold of 1million euros in the market jurisdiction, except for jurisdictions with a gross domestic product (GDP) of $40 million and below that have the in-scope revenue threshold fixed at €250,000.

Furthermore, the proposed scope reduction after seven years of implementation provides for some conditions, which, as she stated, include effective implementation of mandatory binding dispute resolution mechanism. "Thus, there is no certainty of the reduction in the scope threshold, and the rule may continue to apply to only the few companies that fall under the scope revenue and profitability threshold.

In addition, Mrs. Ahmed stated: "The building blocks on unilateral measures require that all jurisdictions withdraw their existing legal framework for taxing all NRC deriving income through digital means without a physical presence, and refrain from introducing any other ones subsequently.

"The implication of this is that it restricts the number of non-resident companies engaged in digitalised businesses that may pay tax in our jurisdictions to only the 100 that are in-scope of the threshold, to the exclusion of all others, regardless of the actual number.

Speaking further, she also said: "It should further be noted that the unilateral measures to be withdrawn is not restricted to digital service taxes but also includes other relevant measures that have not been defined, that taxes non-resident companies without physical presence in the market jurisdiction.

"This is a challenge because withholding taxes on royalties and fees for technical services, which represent a significant source of revenue generation to countries where payments are made, may be included in subsequent definitions of those measures. Thus, such taxes may no longer be collectible under the proposed rule.

One other critical issue is that the project, as she said further, introduces a mandatory binding dispute resolution mechanism for Amount A and issues connected to it including all transfer pricing and business profits disputes, which implies that most tax disputes involving multinational enterprises cannot be determined under the domestic legal framework, but under international arbitration. This will most likely lead to conflict with the requirements of domestic law for many jurisdictions.

"Under the constitution of Nigeria, for instance, tax revenue disputes are within the exclusive jurisdiction of the relevant court. In addition to this, the cost associated with international arbitration, the unreasonableness of arbitral awards which Nigeria has experienced, and low capacity in the arbitral process are germane concerns for developing countries.

Nigeria's concerns are "centred around the strong possibility that the terms of the proposed agreement may result in undesirable outcomes for the revenue accruable to taxing jurisdictions. Many developing jurisdictions may experience negative or reduced revenue collection from the implementation of the outcome of the digital economy project.

The "destiny of our economies lies in our hands. We may, therefore, need to put on our thinking caps and explore possibilities of developing local solutions that works, either within our domestic tax rules or along the regional blocs.

In view of the foregoing, she urged all delegates to remain focused on the fact that the ultimate goal is the equitable re-allocation of profits, to maximise revenue for the member states.

Pension Funds Rise By N480bn In Seven Months

Fatima Bintu Yussuf

The total pension fund assets under the Contributory Pension Scheme rose by N480billion between January and July 2021.

Figures obtained from the National Pension Commission (PenCom) on its unaudited report on the pension funds industry portfolio for the period ended July 31, 2021, also provided data on the approved existing schemes, Closed Pension Fund Administrators and Retirement Savings Funds (including unremitted contributions at the Central Bank of Nigeria (CBN) and legacy funds).

The funds which stood at N12.3trillion as of the end of December 2020 rose to N12.78trillion as of the end of July, the data showed.

According to the data, the number of registered workers, however, had a slow growth of 189,745 from 9,215,788 as of December ending to 9,405,533 as of the end of July.

The commission disclosed that the largest part of the funds was invested in Federal Government's securities.

It added that the funds were invested in portfolios such as domestic and foreign ordinary shares; corporate debt securities comprising of corporate bonds, corporate infrastructure bonds, corporate green bonds and supranational bonds.

The funds were also invested in local money market securities, comprising bank placements, commercial papers and foreign money market securities.

The Pension Fund Administrators (PFAs) invested the rest in mutual funds comprising open/close-end funds, real estate investment trusts, real estate properties, private equity funds, infrastructure funds, cash and other assets.

PenCom

NATIONAL PENSION COMMISSION

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Nigeria's Interest In Sustaining, Consolidating Economic Growth...

income tax payable. Thus, the motivation for the Scheme derives from the desire to take advantage of private sector funding and discipline to enhance road infrastructure development in the country. The Scheme has a life span of ten years reckoning from the commencement of EO7.

Participation in the Scheme is open to every Nigerian company, acting on its own or in concert with other Nigerian companies, and institutional investors (hereafter referred to as "Participants") wishing to construct or refurbish any road identified and designated by the FGN as an "eligible road" under the Scheme.

Participants are entitled to utilise the total cost, hereafter referred to as "Project Cost", incurred in the construction or refurbishment of an eligible road as a Tax Credit against their future Companies Income Tax (CIT) liability, until full cost recovery is achieved.

As an incentive, Participants will be granted a single non-taxable uplift on Project Cost. The uplift will be included in the total Tax Credit available to each participant.

Some of benefits which scheme guarantees participants include a minimum recovery of 100 percent of their project cost. This is a significant improvement on previous infrastructure development incentives that offered taxpayers limited cost recovery ranging between 30 percent – 70 percent of their investment.

*Participants are permitted to act in concert (i.e., as a collective) to finance and oversee an eligible road project(s). Each Participant in the collective will be separately entitled to a tax credit in proportion to its financial contribution.

*Tax credits will be issued to participants annually based on construction milestones achieved, and will become immediately available for use. This is another noteworthy distinction from previous infrastructure development incentives.

*Participants may sell or transfer the whole or part of its unutilized tax credit to any interested party, subject to complying with protocols prescribed in the Scheme. This means that a participant, who for any reason does not wish to utilise its tax credit, may easily recover its investment without recourse to the FGN.

The scheme will be administered and implemented by the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme Management Committee ("the Committee"). The committee, which will serve as a one-stop liaison office for the scheme, is expected to reduce the administrative bottlenecks typically associated with dealing with multiple ministries/parastatals in obtaining approval of road projects.

In the opinion of independent observers, a strategic imperative for economic growth and recovery in Nigeria is the development of road/transportation infrastructure by leveraging private sector capital and capability. The ultimate objective is to encourage industrialisation, improve productivity of and competitiveness in the manufacturing sector.

To the observers, road infrastructure has an enabler effect, either directly or indirectly, on most sectors of the economy – particularly the manufacturing sector. Currently, about 90 percent of passenger and freight movement across Nigeria is done by road. This implies that road transportation is quite integral to the growth and development of the economy.

However, budgetary allocation to road projects has repeatedly proven to be insufficient to meet road infrastructure demands. In 2018, for instance, the Federal government allocated approximately 12 percent (about N344billion) of its planned capital expenditure for the year to the construction and rehabilitation of about twenty roads nationwide.

Presumably, it is the insufficient capacity to finance road projects from the budgetary allocations that had necessitated several public private partnerships (PPP), including the Infrastructure Tax Relief introduced in 2012. While these programs have had their merits and recorded successes, the outcome of these initiatives have not necessarily matched the demands for road Infrastructure.

It is, indeed, arguable that drawbacks of the past initiatives have contributed to their limited success. For instance, issues around full cost recovery, administrative bottlenecks, ease of participation, funding, etc. have had a deterrent effect on taxpayers would otherwise have participated in a PPP road project.

In theory, the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme should address most of these limitations and encourage private sector participation in road development. With emphasis placed on ease of participation in the Scheme, the extent and timing of capital recovery and alternative methods for extracting the value of tax credits, it is expected that large corporates, particularly those whose operations are currently hindered by access to motorable roads required for evacuation of their products, will be encouraged to channel capital towards road development and refurbishment - both as corporate social responsibility and also with a view to eventually recovering their cost through tax credits.

The Executive Order presents a golden opportunity for manufacturing companies, particularly those operating around industrial clusters, hubs and trade zones to mobilise and direct capital towards the refurbishment of those roads, including feeder roads and highways, which are most critical to the movement of inventory and products, shortening supply lead times and optimising the manufacturing supply chain.

Likewise, corporate bodies with large balance sheets, which have the ability to aggregate private sector capital and manage large projects efficiently, should see this Scheme as an opportunity to fast-track rehabilitation and provision of the much-needed road infrastructure in Nigeria.

On the part of government, adequate road infrastructure should improve the conditions for business operations in Nigeria, increase business profitability, enhance employment and, by extension, tax revenue in the long run. There is also the opportunity for the government to redirect funds that ought to be used for road projects towards the development of other sectors of the economy.

In fact, during the inauguration of the scheme, the President indicated that it would provide another opportunity to demonstrate the commitment of the administration to conceive, design, develop and deliver PPPs with notable investors in order to close the road infrastructure gap in the transportation sector due to revenue shortfalls that have hampered government's efforts to fully fund critical projects.

The President further explained that through these innovative funding mechanisms, government would be able to address the challenges of project funding, cost variation and completion risks that have plagued the development of the nation's critical roads infrastructure assets.

Under the scheme, companies that are, for instance, disposed to spending their own funds on constructing roads to their factory and business locations, will recover their construction costs by paying reduced taxes, over a period of time. Consequently, the scheme focuses on the development of eligible road infrastructure projects in an efficient and effective manner in order to create value for money and guarantee participants in the scheme timely and full recovery of their construction/project costs by way of company income tax credits.

Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning, in a chat with Mr. Ben Akabueze, Director-General, Budget Office of the Federation

Senate Endorses N13.98trn Budget Projection For 2022

Fatima Bintu Yussuf

The Senate has paved the way for the presentation of a N13.98 trillion budget for 2022, following the passage of the 2022-2024 Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) for the anticipated fiscal policy.

President Muhammadu Buhari presented the 2021 budget in October 2020 to ensure early passage of the national fiscal policy and also sustain the January-December budgeting cycle that was reintroduced by his administration.

Details of the approved framework by the Senate show that $57 per barrel was approved as the oil benchmark, while the 2022 fiscal policy will be anchored on N410/US$1 exchange rate.

The 2022 budget which framework was approved by the lawmakers, shows a revenue projection of N8.36 trillion to fund a proposed expenditure of N13.98 trillion and leaving a fiscal deficit of N5.62 trillion.

The anticipated fiscal policy for 2022 will hinge on an approved daily crude oil production of 1.88mbpd, while subsequent years of 2023 and 2024 are to be predicated on 2.23mbpd, and 2.22mbpd respectively particularly "in view of average 1.93mbpd over the last three years and the fact that a very conservative oil output benchmark has been adopted for the medium term in order to ensure greater budget realism.

In the approved framework, the Gross Domestic Product (GDP) is projected at a 4.20 percent growth rate while inflation is projected at a 13 percent rate.

In addition, the chamber approved a new borrowing of N4.89 trillion – an amount which includes foreign and domestic borrowing – subject to the provision of details of the borrowing plan to the National Assembly.

The Senate also approved other parameters such as Statutory transfers totalling N613.4 billion; Debt Service estimate of N3.12 trillion; Sinking Fund to the tune of N292 billion; Pension, Gratuities and Retirees Benefits of N567 billion.

Out of the Aggregate Federal Government's Expenditure of N13.98 trillion, the upper chamber approved the sum of N6.12 trillion for Total Recurrent (Non-debt); N3.47 trillion as Personnel Cost for Ministries, Departments and Agencies (MDAs); N3.26 trillion for Capital Expenditure (exclusive transfers); N350 billion Special Intervention (Recurrent); and N10 billion for Special Intervention (Capital).

The upper chamber in its report recommended that the Fiscal deficit estimate of N5.62 trillion also be sustained due to the Federal Government's conservative approach to target setting and its determination to improve the collection efficiency of the major revenue-generating agencies.

The passage of the 2022-2024 MTEF followed the consideration and exhaustive deliberation of a report by the Joint Committees on Finance; Local and Foreign Debts; Banking, Insurance and other Financial Institutions; Petroleum Resources (Upstream); Downstream Petroleum Sector and Gas.

The Joint Committee report was presented by Senator Solomon Olamilekan Adeola (APC, Lagos West), who chairs the Finance Committee.

It further called on the Salaries and Wages Commission to review the salary structure of all Ministries, Departments and Agencies (MDAs), in other to come up with a new salary structure that will reflect the true financial position of the Agencies.

The chamber also demanded a continuous review of the Fiscal Responsibility Act (FRA) to ensure that all revenues are remitted to the Consolidated Revenue Fund (CRF) as when due, in order to curtail frivolous deductions and diversion of funds by the MDAs.

The anticipated fiscal policy for 2022 will hinge on an approved daily crude oil production of 1.88mbpd, while subsequent years of 2023 and 2024 are to be predicated on 2.23mbpd, and 2.22mbpd respectively

It further maintained that all laws relating to mining businesses be reviewed as a matter of urgency, to ensure upward review of rates applied to royalties, ground rent and licenses renewal of all mining companies operating in Nigeria to ensure transparency in the collection of revenue by relevant agencies, as well as recommend stringent sanctions in proposed new laws to address illegal mining.

The Senate amid its recommendations also called on the Nigeria Customs Service (NCS) to accelerate the process of installing scanners at all ports across the country to curb the issues of smuggling and underpayment of customs duties on imported goods which has resulted in a huge loss of revenue to the government.

It also charged the Federal Government to urgently implement the Petroleum Industry Act recently assented to by the President in order to curtail the problems of smuggling and round-tripping of petroleum products imported into the country.

In addition, the chamber recommended that the proposed budget of Government Owned Enterprises (GOEs) be reviewed upward to show the reflection of their capabilities to generate more revenue as a result of the findings of the Joint Committee.

Consequently, it further recommended that the offices of the Accountant-General of the Federation (AGF), Auditor General of the Federation (AuGF) and Fiscal Responsibility Commission (FRC) be strengthened in the area of staffing and proper funding of its activities to ensure optimal performance of their duties in order to adequately monitor the remittances of all government revenue.

The chamber posited that the Act establishing some MDAs such as – Nigeria Investment Promotion Council (NIPC), National Lottery Trust Fund Act, Bank of Industry Act, Bank of Agriculture Act, Energy Commission Act and Nigeria Nuclear Regulatory Commission – if reviewed and amended as a matter of urgency, would assist to generate more revenue to the coffers of government.

It also recommended that the federal government budget be reviewed and purged of some agencies with demonstrated capacity to stand on their own without any recourse to the federal government budget.

The chamber gave examples of such agencies to include the National Agency for Food and Drug Administration and Control (NAFDAC) and the Nigerian College of Aviation Technology, Zaria.

Taxation in Digital Economy: Way Forward for Nigeria

Financial experts from across the world gathered in Abuja between September 21 and 22 at the 17th General Assembly and 10th Anniversary of the West African Tax Administrations Forum (WATAF) to ventilate their thoughts on taxation in digitalised economy. The experts took a look at e-commerce and how Africa, albeit West Africa, especially Nigeria, can leverage on its economic growth.

Felix Omoh-Asun

The Hon. Minister of Finance, Budget and National Planning, Dr. Zainab Ahmed, who delivered a special address at the occasion, however, harped on why Nigeria has not adopted the Organisation for Economic Co-operation and Development (OECD) agreement on digital economy.

Speaking on the theme: "The Taxation of the Digital Economy: Exploring Untapped Revenue Sources in Africa," she said Nigeria has been at the forefront on the discussion on how to maximize the opportunities offered by digitised economy.

According to her, as e-economy continues to grow and develop internationally, it is only natural to expect that there will be issues associated with taxation of the income that accrues from it and how this income can be properly tracked, assessed and taxed.

"This special General Assembly of Tax administrations in the West African sub region is provides a unique opportunity for frank and forthright discussions on how best we can protect our interests and maximize our benefits, not just as individual countries but as a regional bloc.

"As the Competent Authority in Tax matters for Nigeria, I am pleased to say that we have actively participated in the global discourse around the issue of taxation of the digital economy, particularly as it affects the allocation of taxing rights. In this regard, we have continued to contribute our quota in different fora, most importantly at the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, otherwise known as the Inclusive Framework (IF).

"Let me highlight that the basis of our involvement in that process was the understanding that a coordinated, universal solution to the tax challenges of the digitalised economy was necessary and that the solution would be fair and acceptable for all members. We had hoped that all jurisdictions would be participating in the project on equal footing and that the agreed solution would benefit all while preserving jurisdictions' existing taxing rights which are not aimed at digital businesses, and that the project would provide universally acceptable rules, by consensus.

"The question therefore arises: why has Nigeria not endorsed the OECD proposed solution to the issues affecting the digital economy? Simply put, Nigeria seeks to prioritise the importance of securing a fair deal that provides for equitable global re-allocation of profits to all market jurisdictions, and it is our view that the agreement has not met this objective.

"I am aware that some countries have endorsed the agreement. While I believe that the decision to do so lies within the policy choice of each jurisdiction, I crave your indulgence to highlight one or two implications of the proposed solution, for us. First of all, the scope threshold of Pillar 1 covers only Multi National Enterprises (MNEs) with €20billion global revenue and above 10% profitability, which means just about 100 companies across the world, are within the scope of the rules. This threshold has left many of the well-known MNEs exploiting the digital space out of the scope of Pillar 1, and will significantly reduce any benefit that may accrue to market jurisdictions from Amount A taxing right.

"Even where the non-resident company (NRC) meets the revenue and profitability threshold, there is still the requirement of operating in and meeting a local sales threshold of 1m euros in the market jurisdiction, except for jurisdictions with a GDP of 40 million USD and below that have the in-scope revenue threshold fixed at 250,000 euros.

"Furthermore, the proposed scope reduction after 7 years of implementation provides for some conditions, which include effective implementation of mandatory binding dispute resolution mechanism. Thus, there is no certainty of the reduction in the scope threshold, and the rule may continue to apply to only the few companies that fall under the scope revenue and profitability threshold.

"In addition, the building blocks on Unilateral Measures require that all jurisdictions withdraw their existing legal framework for taxing all NRC deriving income through digital means without a physical presence, and refrain from introducing any other ones subsequently. The implication of this is that it restricts the number of non-resident companies engaged in digitalised businesses that may pay tax in our jurisdictions to only the 100 that are in-scope of the threshold, to the exclusion of all others, regardless of the actual number.

"It should further be noted that the unilateral measures to be withdrawn is not restricted to Digital Service Taxes but also includes other relevant measures that have not been defined, that taxes non-resident companies without physical presence in the market jurisdiction. This is a challenge because Withholding Taxes on Royalties and fees for Technical Services, which represent a significant source of revenue generation to countries where payments are made, may be included in subsequent definitions of those measures. Thus, such taxes may no longer be collectible under the proposed rule.

"One other critical issue is that the project introduces a mandatory binding dispute resolution mechanism for Amount A and issues connected to it including all Transfer pricing and business profits disputes, which implies that most tax disputes involving Multi National Enterprises cannot be determined under the domestic legal framework, but under international arbitration. This will most likely lead to conflict with the requirements of domestic law for many jurisdictions. Under the constitution of Nigeria, for instance, tax revenue disputes are within the exclusive jurisdiction of the relevant Court. In addition to this, the cost associated with international arbitration, the unreasonableness of arbitral awards which Nigeria has experienced, and low capacity in the arbitral process are germane concerns for developing countries.

"In summary, I would say that our concerns are centred around the strong possibility that the terms of the proposed agreement may result in undesirable outcomes for the revenue accruable to taxing jurisdictions. Many developing jurisdictions may experience negative or reduced revenue collection from the implementation of the outcome of the digital economy project.

"To conclude, I dare to say that the destiny of our economies lies in our hands. We may therefore need to put on our thinking caps and explore possibilities of developing local solutions that works, either within our domestic tax rules or along the regional blocs.

"In view of the foregoing, I urge all delegates to remain focused on the fact that the ultimate goal is the equitable re-allocation of profits, to maximize revenue for our member States. The issues I have pinpointed and others which I have not, should agitate our minds in the course of our discussion sessions and it is my hope that this conference will produce an actionable communique that will contribute to policy formulation particularly for member States," she summed.

The Executive Chairman, Federal Inland Revenue Service (FIRS), Muhammad Nami, said the service generated N664billion through the deployment of digital platform, the integrated tax administration system known as the TaxPro Max, saying this eased tax administration and compliance.

"This cost saving, effective solution that was developed in-house by staff of the FIRS, is a user-friendly

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DMO's $4bn Eurobond Boost Nigeria's Reserves To $36.1bn

- **Attracts investors from America, Europe, others**

Musa Ibrahim

Nigeria's reserves has bounced back to the levels it was in January 2021 as a result of the $4billion Eurobond raised from the international market.

Nigeria's external reserves rose to N36.1billion by September 24 6.1 per cent up from the $34billion balance as of August 31, this year.

This follows the announcement by Debt Management Office (DMO) that it has raised $4billion for the country from the international debt market.

Nigeria's reserves held by Central Bank of Nigeria(CBN) was $36.52billion on January 25, which was highest reserves amount held by the apex bank since 2021.

The federal government announced plans for a Eurobond issuance in the International Capital Market (ICM).

It would be recalled that the DMO revealed the result in a circular dated September 21 that the money raised from the issuance of the Eurobond would be part of the new external borrowing in the 2021 Appropriation Act.

The $4billion would be channeled to finance the projects in the 2021 Appropriation Act, said the debt office.

DMO said, "After an intensive two days of virtual meetings with investors across the globe, Nigeria has raised the sum of USD4 billion through Eurobond.

"The Order Book peaked at USD12.2 billion which enabled the Federal Government to raise USD1 billion more than the USD3 billion it initially announced.

"The exceptional performance has been described as 'one of the biggest financial trades to come out of Africa in 2021, and 'an excellent outcome'.

The debt manager said bids for the Eurobond were received from investors in Europe and America, as well as Asia.

DMO also said local investors participated in the round, adding that the "size of the Order Book and the quality of investors demonstrate confidence in Nigeria."

The Eurobonds were issued in three tranches of 7 years at $1.25billion at 6.125 percent per annum.

The second tranche is 12 years of $1.5billion at 7.375 per cent per year and the 30 years bond of $1.25billion at 8.25 per cent per year.

DMO said that the long tenors of the Eurobonds and the spread across different maturities are well aligned with its Strategy of 2020 to 2023.

Prior to the issuance, the DMO said the Eurobond would serve as an inflow of foreign exchange, leading to an increase in External Reserves.

DMO said, "External Reserves help support the Naira Exchange Rate, and Nigeria's sovereign rating.

"When Nigeria raises funds externally, through Eurobonds, it frees up space in the domestic market for private sector and sub-national borrowers. In effect, it helps the sovereign not to crowd out other borrowers in the domestic market.

"The issuance of Eurobonds by Nigeria has opened up opportunities for Nigeria's corporate sector, notably banks, to issue Eurobonds to raise capital in the ICM."

Earlier, the Honourable minister of Finance, Budget and National Planning, Mrs Zainab Ahmed had stated that the nation plans to raise about $3billion in the Eurobond market in the second week of October.

According to the minister, the country was working on increasing revenue, restructuring the dead portfolio and also borrowing less.

"We should be going to the market on the second week of October. Approval for the budget is $6 billion and we are looking at doing half of that in the Eurobond market and the other half in multilateral and bilateral resources," Ahmed said.

- **Ms Patience Oniha,** Director-General, DMO

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Taxation in Digital Economy: Way Forward for Nigeria

technological platform which is accessible by tax officers and taxpayers alike, for most tax operations. The early signs are good; following the deployment of the TaxPro Max in June 2021, the Service generated over N664 billion representing the highest revenue generated by the FIRS in a single month since the outbreak of COVID-19. We believe that with the simplification of tax remittances through the deployment of TaxPro Max and the resultant efficiency, the Service is geared towards recording increased collection rates, which will further enhance government revenue and improve transparency in tax administration," the Executive Chairman said.

He stressed the importance of the West African Administrations Forum (WATAF), to the sub region of West Africa.

He noted, "I am of the opinion that the importance of the role of WATAF cannot be overemphasized because the reasons it was set up by the founding fathers, including the need to create the atmosphere for dialogue on collaborative efforts, are not only still valid but growing in importance. I therefore welcome all delegates from sister countries as well as other friends and stakeholders who are here in different capacities."

Speaking on the need for collaboration, he said the theme: The Taxation of the Digital Economy: Exploring Untapped Revenue Sources in Africa, was as good an illustration as any that "we will get on the need to work together as partners in the progress of our region as a whole. When you speak of taxing the digital economy, you are talking about an economy without physical borders, trade and commerce that transcends our natural geographical delineations. In terms of tax administration, the only way that this can possibly be done with any accuracy and effectiveness is if it is done digitally since the commercial activity itself is also done digitally.

"Tax regulators and other industry stakeholders must therefore rise up to the challenge of being in a position to tap into the stream of opportunity that advancements in science and technology afford us. Science & Technology is not only about rockets going to space; it is also about effective tax collection and we must maximize it in every possible way we can! For instance, the coming of the COVID-19 pandemic with the lockdown created challenges for us as far as work flow and communication so we took to using the Zoom platform for meetings, dissemination of information and other important aspects of our work, with good output! Opportunity is often clouded by adversity."

Also speaking at the occasion, Secretary to the Government of the Federation (SGF), Boss Mustapha, said the topic was appropriate, considering the fact that Africa as a whole and West Africa region in particular, is determined to advance the course of transiting from the trend of dependence on revenue natural resources or foreign aid.

"Without doubt, taxation presents itself as sustainable, controllable and independent source of public revenue and we are all as stakeholders in the tax system must make every effort to uphold the renewed urgency of highlighting domestic resource mobilisation as the key to efficient and sustainable revenue generation for developmental projects, particularly for developing countries.

"Over time, the importance of the advent of the internet has continued to grow and one key area where this is increasingly obvious is in the development of e-commerce. Many platforms that started as social media platforms have translated into big businesses, generating significant income as it has since become commonplace for entities to consummate business relations remotely, without a physical presence in countries where goods and services are exchanged."

To him, the era of "brick-and-mortar" business is gone in the face of emerging different business model.

He noted that this presents great economic and business opportunities on one hand and a great challenge to government in finding a way around it for tax administration.

He said Nigeria was putting in place measures to ensure that "we keep up to date with these developments and answer the question of what to collect and how to collect it as far as digital economy is concerned."

The two-day event, indeed, focused on how African countries can explore the untapped revenue resources from e-economy.

Digital Economy, a new language of today's world commerce, requires new thinking, new economic policy framework, especially taxation policies to give Nigeria and other African Countries a robust economic advantage. No doubt, the new technological innovations have transformed the way businesses are carried out in the world today.

Panelists, speaking on various sub themes of the summit, looked at the prospective, challenges and opportunities opened to African countries, and how the continent, sub-region of West Africa and individual countries, can leverage on the new order for economic growth. The high-Level dialogue also postulated ways Nigeria.

Many of the panelists urged to upgrade technological skills and bridged infrastructural deficiency in order to tapped from the resources offered by digital economy, adding the world has moved away from owning physical properties to data.

Finance Minister Says Insecurity Direct Cause Of Poverty

Tony Tagbo

The Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed has blamed insecurity as the direct cause of poverty in the country, adding that this Impacts negatively on governance.

Mrs Ahmed made the assertion whole delivering the 19th convocation lecture of the The Nigerian Defence Academy (NDA), titled, "The Governance, Security, and Development Nexus in Nigeria: Innovative Financing as an Essential Enabler," in Kaduna.

She pointed out that there was a near-global consensus among world leaders, policy experts and academics that the fight against poverty was essential to ensuring global peace, security and stability.

According to her, "These mutually reinforcing phenomena have been coined the 'doom spiral'; poverty is both a cause of insecurity and an outcome of it".

The finance minister noted that any discourse on the link between poverty, security and development must be situated within the current context.

According to her, the federal government recognises that peace, justice, and accountable institutions were critical to the achievement of Nigeria's sustainable development agenda.

She, therefore, observed that the challenge was clear, adding that the biggest priority for African nations, including Nigeria, was to address the root causes of insecurity, and strengthen governance.

The minister who submitted that to guarantee sustainable development, peace and stability, Nigeria must rise and tackle poverty decisively, adding that the federal government made it a national priority to lift 100 million Nigerians out of poverty in the next 10 years.

"We recognise therefore that peace, justice, and accountable institutions are critical to the achievement of Nigeria's sustainable development agenda.

"Therefore, the challenge is clear, the biggest priority for African nations including Nigeria is to address the root causes of insecurity, and strengthen governance.

"To guarantee sustainable development, peace, and stability, Nigeria must rise and tackle poverty decisively. Signaling the importance of this, the Federal Government has made it a national priority to lift 100 million Nigerians out of poverty in the next 10 years", she stated.

Ahmed identified good governance and security as critical enabling factors for sustainable development, adding that in the absence of security, the governance structures in a nation are vulnerable to collapse, thus undermining sustainable development.

The minister said the goal of attaining sustainable development across the African continent is further distilled in Agenda 2063, the African Union's masterplan for the transformation of the continent.

According to her, the first aspiration of the Agenda was a prosperous Africa marked by inclusive growth and sustainable development with the second and third aspirations referencing a desire for good governance, peace and security.

She affirmed that these continental and global commitments to which Nigeria is a signatory align with the federal government's short to medium-term development plans, which centre on economic, social and environmental sustainability issues.

Ahmed said: "Yet, with sustainable development as the goal, several underlying conditions in our domestic environment must be established and maintained. Governance, specifically good governance, and security are critical enabling factors for sustainable development."

The minister explained that the concept of security is much easier to grasp as it affects the well-being of individuals, families, communities, and nation states.

She however added that it extends beyond the safeguarding of lives and property to the protection of computer systems and networks from cyber-attacks and the use of resilient and flexible strategies to respond to the unconventional tactics of asymmetrical warfare.

She stressed that a consensus has emerged recognising security as a precondition for sustainable development, adding that defence and security agencies are an intrinsic and essential element of the governance structure of any nation with the level of security determining the sustainability of development.

The minister said: "In the absence of security, the governance structures in a nation are vulnerable to collapse, thus undermining sustainable development. Thus, security and good governance are foundational and fundamental to the attainment of sustainable development.

"They form a critical part of the super-structure on which economic growth and development can be achieved in any country."

The minister noted that Nigeria's economy, like others, was not spared from the dual impact of the COVID-19 health crisis and the drop in crude oil prices, as well as the consequent disruptions to economic activity globally.

She regretted that even with what has been achieved so far, the sobering reality was that the pandemic has had a significant global impact on financing for sustainable development, with domestic and external financing remaining insufficient, particularly for developing economies.

She lamented that the levels of financing available both domestically, externally from donors, and other partners, and the current mechanisms for mobilising and utilising them were insufficient to meet the nation's development agenda, noting that it was clear in the current context of dwindling resources that countries must innovate and find other avenues to sustainably finance their development agendas.

"We must all therefore look beyond short-term solutions, and work towards sustainability, addressing the long-standing challenge of domestic revenue mobilisation, and leverage innovative financing as an essential enabler for sustainable and inclusive growth", Mrs Ahmed added.

To guarantee sustainable development, peace, and stability, Nigeria must rise and tackle poverty decisively. Signaling the importance of this, the Federal Government has made it a national priority to lift 100 million Nigerians out of poverty in the next 10 years

External Borrowing Plan: Presidency Lists Projects, Beneficiaries

Felix Omoh-Asun

A total of 15 projects, spread across the six geo-political zones of the country, are to be financed with more than $4 billion from multilateral institutions, under the 2018-2021 medium term (rolling) external borrowing plan.

President Muhammadu Buhari had requested the Senate to approve sovereign loans of $4.054bn and €710million as well as grant components of $125m for the proposed projects.

According to the letter by the President, the sovereign loans would be sourced from the World Bank, French Development Agency (AFD), China-Exim Bank, International Fund for Agricultural Development (IFAD), Credit Suisse Group and Standard Chartered/China Export and Credit (SINOSURE).

The President's request to the Senate listed 15 proposed pipeline projects, the objectives, the implementation period, benefiting States, as well as the implementing Ministries, Departments and Agencies (MDAs).

A breakdown of the "Addendum to the Proposed Pipeline Projects for the 2018-2021 Medium Term (rolling) External Borrowing Plan," shows that the World Bank is expected to finance seven projects including the $125million grant for "Better Education Services for All".

The Global Partnership for Education grant is expected to increase equitable access for out-of-school children and improve literacy in focus states.

The grant, which will be implemented by the Federal Ministry of Education and the Universal Basic Education Commission (UBEC), will strengthen accountability for results in basic Education in Katsina, Oyo and Adamawa States.

Other projects to be financed by the World Bank are, the State Fiscal, Transparency, Accountability and Sustainability Programme for Results as well as the Agro-Processing, Productivity, Enhancement and Livelihood Improvement Support Project.

The benefiting States for the agro-processing project are, Kogi, Kaduna, Kano, Cross River, Enugu and Lagos with the Federal Ministry of Agriculture and Rural Development as the implementing ministry.

The objective of the project is to enhance agricultural productivity of small and medium scale farmers and improve value addition along priority value chains in the participating States.

Similarly, the World Bank is also financing the Nigeria Sustainable Water Supply, Sanitation and Hygiene (WASH) project in Delta, Ekiti, Gombe, Kaduna, Katsina, Imo and Plateau States, for the next five years.

The project, when completed, is expected to improve rural water supply, sanitation and hygiene nationwide towards achieving Sustainable Development Goals (SDGs) for water supply and sanitation by 2030.

Under the external borrowing plan, the World Bank supported projects also include Nigeria's COVID-19 Preparedness and Response Project (COPREP), under the supervision of the Federal Ministry of Health and Nigeria Centre for Disease Control (NCDC).

The project, which has an implementation period of 5 years, will respond to threats posed by COVID-19 through the procurement of vaccines.

Furthermore, no fewer than 29 States are listed as beneficiaries of the Agro-Climatic Resilience in Arid Zone Landscape project, which is expected to reduce natural resource management conflicts in dry and semi-arid ecosystems in Nigeria.

President Muhammadu Buhari

The benefiting states for the project to be co-financed by World Bank and European Investment Bank (EIB) are: Akwa Ibom, Borno, Oyo, Sokoto, Kano, Katsina, Edo, Plateau, Abia, Nasarawa, Delta, Niger, Gombe, Imo, Enugu, Kogi, Anambra, Niger, Ebonyi, Cross River, Ondo, Kaduna, Kebbi, Jigawa, Bauchi, Ekiti, Ogun, Benue, Yobe and Kwara.

The World Bank is also funding the Livestock Productivity and Resilience project in no fewer than 19 States and the Federal Capital Territory (FCT).

The China EXIM Bank is expected to finance the construction of the branch line of Apapa-TinCan Island Port, under the Lagos-Ibadan Railway modernisation project.

The French Development Agency will finance two projects, which include the National Digital Identity Management project and the Kaduna Bus Rapid Transport Project.

The digital identity project will be co- financed with World Bank and EIB.

The Value Chain Development Programme to be financed by IFAD and implemented in Anambra, Benue, Ebonyi, Niger, Ogun, Taraba, Nasarawa, Enugu and Kogi States will empower 100,000 farmers, including over 6,000 and 3,000 processors and traders respectively.

The loan facility to be provided by European ECA/KfW/IPEX/APC will be spent on the construction of the Standard Gauge Rail (SGR) linking Nigeria with Niger Republic from Kano-Katsina-Daura-Jibiya-Maradi with branch to Dutse.

The specific project title, Kano-Maradi SGR with a branch to Dutse, has an implementation period of 30 months and will be implemented by the Federal Ministry of Transport.

The Chinese African Development Fund through the Bank of China is expected to provide a loan facility of $325 million for the establishment of three power and renewable energy projects including solar cells production facility Phase 1 & II, electric power transformer production, Plants 1, II, III and high voltage testing laboratory.

The National Agency for Science and Engineering Infrastructure (NASENI) will implement the project aimed at increasing local capacity and capability in the development of power and renewable energy technologies and infrastructure.

Credit Suisse will finance major industrialisation projects as well as micro, small and medium enterprises schemes to be executed by the Bank of Industry while SINOSURE and Standard Chartered Bank will provide funds for the provision of 17MW Hybrid Solar Power infrastructure for the National Assembly (NASS) complex.

The project, with an implementation period of five years, is expected to address "NASS power supply deficit and reduce higher overhead burdensome cost of running and maintaining fossil fuel generators (25MW installed capacity) to power the assembly complex."

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What Makes e-Naira Different From Money In Your Bank Account

According to the website, www.enaira.com, "e-Naira is a CB - issued digital currency that provides a unique form of money denominated in Naira."

Find out what makes the e-Naira different from the money in your bank account — according to the apex bank itself.

What is e-Naira?

e-Naira is a central bank digital currency (CBDC) issued by the Central Bank of Nigeria as a legal tender. It is the digital form of the Naira and will be used just like cash.

What is an e-Naira wallet?

The e-Naira wallet is a digital storage that holds the e-Naira. It is held and managed on a distributed ledger.

The e-Naira wallet is required to access, hold and use e-Naira.

Is e-Naira wallet safe?

Yes. The e-Naira system uses a two-factor authentication system in addition to cryptographic encryption to ensure the safety of customers' wallets and the e-Naira holding.

How are e-Naira wallets created?

For smartphone users, download the e-Naira app (termed "Speed") from either the Google Play Store or Apple Store and complete the registration process.

For feature phone users, utilize USSD codes and follow the registration prompts.

How do I connect my e-Naira wallet to my bank account?

The e-Naira app allows customers to identify a bank of their choice, connect to their bank accounts and perform transactions.

What makes e-Naira different from the money in my bank account?

e-Naira is the digital form of the cash and is a direct liability on the Central Bank of Nigeria while the customer deposits are direct liabilities on the financial institutions.

How do I resolve failed transactions or raise enquiries on e-Naira?

Reach out to the customer support of the bank you selected when registering for e-Naira through their available channels which include: phone, email, whatsapp, etc. Disputes will be resolved as soon as possible.

If issues are not resolved within 48 hours, send an email to CBN's e-Naira Customer Support via helpdesk@enaira.com

What are the different tiers of e-Naira wallets that I can open as an individual?

These are different tiers of wallets and they include:

	CATEGORY	REQUIREMENT	DAILY LIMIT	CUMULATIVE LIMIT
0	No Existing Bank Account	NIN verified telephone number	20,000	120,000
1	No Existing Bank Account		50,000	300,000
2	Has an Existing Account	BVN + valid means of identification	200,000	500,000
3	Has an Existing Account	Tier 2 requirement + public utility receipt	500,000	5,000,000


Taking Steps
• Operationalised the NSIA-LUTH Cancer Centre (NLCC), a full-service out-patient cancer centre
• Advanced Diagnostic Centre in Aminu Kano University Teaching Hospital completed
• Finished civil and construction works at the Advanced Diagnostic Centre in Federal Medical Centre Umuahia (FMCU)
Touching Lives
• Increased access to quality oncology care and treatment in Nigeria
• More than 2,000 patients have now undergone treatment
• National radiotherapy equipment-to-people ratio boosted
• Major healthcare programme set to reverse medical tourism and reduce foreign currency exposure
Nigeria Sovereign Investment Authority
Nigeria Sovereign Investment Authority
The Clan Place, 4th Floor Plot 1386A, Tigris Crescent, Maitama, Abuja, Nigeria.
Tel: +234 (0)9 461 0400
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POLICY BRIEF WITH
ENAM OBIOSIO

Monday 4th October - Monday 18th October, 2021

All Eyes On Finance Minister Ahmed

Arguably, everything fiscal in Nigeria now is to echo the federal government's target of N2.2trillion from VAT in 2022.

Over the last few weeks or so, Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, appears to have stepped on the public glare as it were. While she has — in spite of the recent value added tax (VAT) furore — diligently gone about her task of driving the fiscal policies, putting together and managing the national budget, she at the same time and as usual has kept her gaze fixed on how to see the economy buoyant.

This is only natural as she can hardly afford any distraction; not only is the country facing some economic headwinds that require urgent buffers as a result of COVID-19 pandemic, there are other factors that have stoked major expectations looking at next year's budget. At the moment, Mrs. Ahmed and her team are already understandably keeping busy seeking inputs, both formally and informally, on the budget from economists.

The federal government is looking to get about N2.26 trillion from the VAT federation account in 2022. It is also expecting another N10.5 trillion from the main federation account. These are contained in the 2022-2024 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP).

This is despite the clamour by some state governments to collect VAT in their states. Some states in the South have been at loggerheads with the federal government over their bid to become the sole collectors of VAT in their domains.

Rivers and Lagos States have since signed into law bills authorising the state governments to collect VAT, a move being resisted by the Federal Inland Revenue Service (FIRS) while others are in the process of doing so.

Governors of the southern states under the aegis of Southern Governors Forum (SGF) in their recent meeting in Enugu, expressed support for the collection of VAT by state governments. The governors affirmed the position that the collection of VAT fell within the powers of state governments.

There are, however, moves by FIRS to legally empower the federal government to collect VAT across the country through an amendment to the Nigerian Constitution.

While we await the next development with the Appeal Court's ruling, halting the execution of the judgement of the Federal High Court which requires all parties to maintain status quo ante bellunum, the very glaring position is that FIRS shall continue to administer VAT in all states of the federation unless the appellate court rules otherwise.

Obviously, the ruling of the Court of Appeal, therefore, employs all taxpayers in all the states to continue to pay VAT, and for the FIRS to continue to collect VAT on behalf of the government in compliance with the VAT Act.

According to Mrs. Ahmed, the ruling of the Court of Appeal has provided the much-needed certainty, clarity and consistency meant to enable compliance without disruption to business while the nation awaits the final resolution. "The federal government shall continue to update the tax-paying public on this matter as the proceedings unfold at the appellate courts. All businesses are hereby encouraged to continue with their lawful operations," she also said.

The Honourable Minister of Finance is of the opinion that the uncertainty caused by the recent pronouncement of the Federal High Court sitting in Rivers State and subsequent enactment of VAT laws by some States is unnecessary and very regrettable.

Of course, the Nigerian economy, just as the economies of other nations, is facing serious challenges occasioned by the COVID-19 pandemic. Her position is in that "the federal government is facing serious revenue challenges and, therefore, this is not the time for litigations, but for all hands in the country to be on deck; to pull through this difficult period."

On the same issue, Mr. Abubakar Malami, Attorney-General of the Federation (AGF) and Minister of Justice, would say: "The position of not only the federal government but indeed the judiciary is the fact that status quo associated with the collecting of VAT should be maintained."

The chief law officer of the federation explained that: "And as far as the judicial system is concerned, the status quo as at the time the parties approached the court, it was the FIRS that was indeed collecting the VAT.

So, with that in mind, "the federal government has succeeded in obtaining an order that establishes the sustenance of the status quo, which is that the FIRS should continue with the collection. "This is pending the determination of the cases that were instituted by states, particularly the Rivers State government and the Lagos State government. The cases are being determined by the court."

In all this, Mrs. Ahmed is mindful of federal government's plan; the approval of the 2022-2024 Medium Term Expenditure Framework (MTEF) was sequel to the consideration of the report of the Senate Joint Committee on Finance. The MTEF shows that of the N2.26 trillion that the federal government is projected to receive in 2022, the states are expected to receive N1.13 billion, local governments N791.73 billion and federal government, N339.3 billion.

"Based on the key parameters driving the fiscal framework, the net amounts accruable to the main pool and VAT pool federation account are projected at N10.52 trillion and N2.26 trillion respectively in 2022. The share of oil revenue is about 51.1 percent of total federation account receipts. Other components of the federation account revenues include revenues from corporate tax N1.87 trillion, Customs revenue N1.72 trillion, special levies N148.40 billion, solid minerals N6.01 billion and electronic money transfer Levy of N209.77 billion.

The share of the federal government from the main federation account pool is N5.51 trillion while the states and local governments are projected to get N2.80 trillion and N2.16 billion, respectively in 2022. From the VAT pool, the federal government is projected to receive N339.31 billion, the States N1.13 trillion, and the local governments N791.73 billion," chairman of the committee, Adeola Olamilekan, said in his presentation.

The VAT, he said, was estimated using projected aggregate nominal consumption, taking into account 'vatable' items and collection efficiency. He explained that aggregate consumption is estimated at N149.35 trillion in 2022 from the revised N136.57 trillion estimated for 2021 (the initial estimate from NBS was 118.89 trillion).

Meanwhile, some senior lawyers, among whom are Chief Mike Ozekhome (SAN), and Ifedayo Adedipe (SAN), have faulted Mr. Malami over claim on FIRS exclusive powers. Ozekhome said contrary to Malami's claim, VAT is in the residual list, and is strictly within the purview of state governments. He said: "He (Malami) is dead wrong. There is nowhere VAT is reflected as a matter within the exclusive or concurrent list in the Constitution of Nigeria.

On his part, Adedipe warned that VAT is a serious constitutional issue and should not be politicised. He said: "Is this in the 1999 Constitution or a new one? Which number or section? Let him state it. It is not enough to say it. "I am not aware that VAT is on any exclusive list of the Constitution of the Federal Republic of Nigeria.

Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning

All businesses are hereby encouraged to continue with their lawful operations

Published by SA Media and Communications to the Honourable Minister of Finance, Budget and National Planning (07033828294);
All correspondence to Editor: ***Enam Obiosio*** *(08058334933);* D2-32 Atiku Abubakar Crescent, Cityview Estate, Dakwo, Abuja;
E-mail: info@fmfinsights.com; **Website:** www.fmfinsights.com
Printed by **The 1065 Konsult;** Tel: **08023130653**