

COMMUNIQUE ISSUED AT THE END OF THE NATIONAL TAX CONFERENCE, THEMED, “ECONOMIC STABILIZATION FOR EQUITY: ENSURING FAIRNESS IN FISCAL REFORMS” HELD AT ROCKVIEW ROYALE HOTEL, ABUJA ON THE 10TH OF DECEMBER 2024.

Preamble

The 2024 National Tax Conference, themed Economic Stabilization for Equity: Ensuring Fairness in Fiscal Reforms, focused on enhancing equity in Nigeria’s fiscal and tax governance reforms, as outlined by the Presidential Committee on Fiscal Policy and Tax Reforms (PCFPTR). The Tax Conference is an annual event organized by the Tax Justice and Governance Platform (TJ&GP), comprising 19 state platforms and the steering committee members, including Oxfam Nigeria, ActionAid, Christian Aid, the Nigerian Labour Congress (NLC), International Budget Partnership (IBP), Centre for Democracy and Development, (CDD) and Civil Society Legislative Advocacy Centre (CISLAC) which serves as the Secretariat. The purpose of the 2024 conference was to provide clarity on the reforms, and a platform for concerned stakeholders to share their concerns towards building consensus for equitable tax and fiscal reforms in Nigeria.

This year’s conference convened 173 participants from government, civil society, labour unions, international organizations, professional associations, the business sector, informal economy, and the media—both in person and virtually. Some of the government institutions in attendance included the Federal Ministry of Finance, the West Africa Tax Administration Forum (WATAF), the Federal Inland Revenue Service (FIRS), National Orientation Agency, Fiscal Responsibility Commission, Ministry of Solid Minerals Development, Federal Capital Development Authority, and National Identification Management Commission.

The event featured opening remarks from the TJ&GP Steering Committee, Goodwill messages and keynote addresses by diverse stakeholders, including the Chairman of the Presidential Committee on Fiscal Policy and Tax reforms (PCFPTR), representatives from the Federal Ministry of Finance, the West Africa Tax Administration Forum (WATAF), the Federal Inland Revenue Service (FIRS), member organisations of the TJ&GP and other key organizations.

Key Discussions

Updates on Fiscal Policy and Tax Reforms - Mr. Taiwo Oyedele, Chairman of the PCFPTR, provided updates on the ongoing fiscal and tax reform processes. He highlighted progress, challenges, and the rationale behind reforms such as VAT increases and the proposed 5% excise tax, emphasizing the need for equity and sustainable development. The submissions provided insights into the commendably robust and comprehensive tax reforms being proposed and served as yet another demonstration of a participatory and democratized consultative process.

Potential and Current Economic Impact of Reforms – the conference also featured presentations, panel and interactive sessions, on the Economic impact of Recent Reforms on Nigerians and Coping Mechanisms; The Effect of the Removal of Fuel Subsidies and Naira Floatation Policies on Nigerian Women and Girls and findings from a critical review of the Nigerian Tax Bills 2024.

Key issues identified included but not limited to the following:

The timing of a VAT increase is considered problematic given the current inflation rate exceeding 30%.

The degree of involvement of all stakeholders in determining the classification of essential and non-essential items in the proposed VAT reform.

The need for data-driven evidence to justify both the equity and benefits of the proposed VAT sharing formula across the different tiers of government

The need for the government to address the significant infrastructure gap in Nigeria

Review of the technical framework governing tax incentives and waivers and their effective administration to ensure that they are being utilized efficiently and contribute to the country's economic development.

Inadequate emphasis on the economic growth facilitation component of the PFPTRC' work to complement the ongoing reform on revenue transformation towards addressing the prevailing poor business environment constricting the development and growth of small and medium enterprises.

Widespread concern about the feasibility of the proposed reforms addressing the issues of multiple taxation especially on micro and small-scale enterprises and the heavy tax burden on vulnerable groups

Low level of awareness on tax matters including understanding of the fiscal reform process particularly VAT, and their implications for different segments of society.

The need for clear indicators for tracking and monitoring gender inclusivity in the proposed fiscal policy and tax reform.

The need for transparency and accountability in tax revenue, and the linkage to effective public service delivery.

Recommendations

The underlisted recommendations reflect the collective desire of all stakeholders to build a tax system that fosters sustainable economic growth, promotes social equity, and ensures efficient public service delivery through fair and effective taxation system in Nigeria:

1. The tax system be made more progressive to ensure that all taxpayers especially big businesses and high-net-worth individuals pay their fair share of taxes.
2. The proposed Personal Income Tax (PIT) rate risks eroding the relative gains from the minimum wage increase, as most low-income earners would exceed the N800,000 annual threshold. Rather than raising the rate for the second bracket to 15%, we recommend capping it at 10%, considering the inflationary pressures on the cost of living in Nigeria. This income group is

already taxed at a 7% PIT rate when adjusted for the real value of their earnings. To offset the potential revenue shortfall from this adjustment, we propose increasing the rates for the last income bracket (above 50 million Naira) to 26%.

3. The Presidential Committee should make available to the public, detailed data on the current VAT compliance rate, highlighting challenges leading to underperformance, and proffering solutions for improvement.

4. The National Assembly to ensure the passage of the sections of the proposed tax bill that aim to harmonise taxes and digitize tax administration. In anticipation of this, we urge the government to expedite the process of developing an effective implementation framework and ensuring its effective use.

5. In collaboration with the Federal Inland Revenue Service (FIRS), the Presidential Committee should release a detailed framework outlining how VAT changes will be enforced, ensuring consistency and transparency across the system.

6. Government should actively engage in public education and awareness campaigns to clarify the goals of fiscal reforms, focusing on fairness and equity.

7. Provide platforms for wider citizens' engagement in the reform process to ensure their concerns are addressed and integrated into final policies.

8. A portion of the additional revenue should be redistributed to benefit the lower tax brackets and the most vulnerable populations (Women, Girls and Persons with Disabilities).

9. Include clear indicators for tracking and monitoring gender inclusivity in the proposed fiscal policy and tax reform.

10. Advise against increasing VAT rates during a period of high inflation, as it may exacerbate inflationary pressures and reduce the purchasing power of Nigerians.

11. Review and expand the list of VAT exemptions to include all necessary items for basic living, such as energy sources (electricity, cooking gas, fuel) and food-related items, ensuring that they are accessible to all Nigerians.

12. Tax expenditure should be subject to legislation to ensure cost effectiveness and established framework to monitor milestones.

Conclusion

The 2024 National Tax Conference concluded with a united call for reforms that align fiscal policies with equity and economic stabilization. These recommendations underscore the collective effort needed to build a fair and inclusive tax system that fosters sustainable development and equitable growth for all Nigerians.

Signed by representatives from:

1. Tax Justice & Governance Platform
2. State Tax Justice & Governance Platform representatives from Enugu, Ebonyi, Imo, Anambra, Akwa Ibom, Cross Rivers, Rivers, Bayelsa, Delta, Oyo, Ondo, Ogun, Osun, Lagos, Taraba, Kaduna, Kano, Jigawa and the FCT
3. Civil Society Legislative Advocacy Centre (CISLAC)
4. Oxfam in Nigeria
5. International Budget Partnership
6. Christian Aid Nigeria
7. Action Aid Nigeria
8. Nigerian Labour Congress
9. Open Government Partnership
10. Association of Nigerian Women in Business Network (ANWBN)
11. Good Governance Team
12. Budgit Foundation
13. National Youth Inclusive Initiatives
14. Good Governance Ambassadors of Nigeria
15. International Youth Network
16. Activista
17. Movement for a Socialist Alternative
18. Centre for Electoral Association of Nigeria
19. National Association of Small-scale industrialist (NASSI)
20. Chartered Institute of Taxation of Nigeria (CITN)
21. Meluibe Foundation of Nigeria
22. Nigerian Bar Association
23. Right way for Women & Yourh in Africa Development
24. International Budgetary Partnership
25. Social Action
26. Trade Network Initiative
27. National Association of Small Medium Enterprise

28. Centre for Quality Representative & Accountability
29. African Network for Peace Program and Development
30. Follow Taxes
31. Centre for Advocacy Transparency and Accountability Initiatives
32. Clement Isong Foundation
33. Youth for Development
34. OrderPaper
35. African Leadership Strategy and Transparency and Development Initiative