



Curbing the Menace of Illegal Tax Collectors in States & LGAs

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Introduction

Illegal tax collection is a major problem in many states and Local Governments in Nigeria as it places a burden on businesses and individuals and also leads to corruption and inefficiency in the tax system.

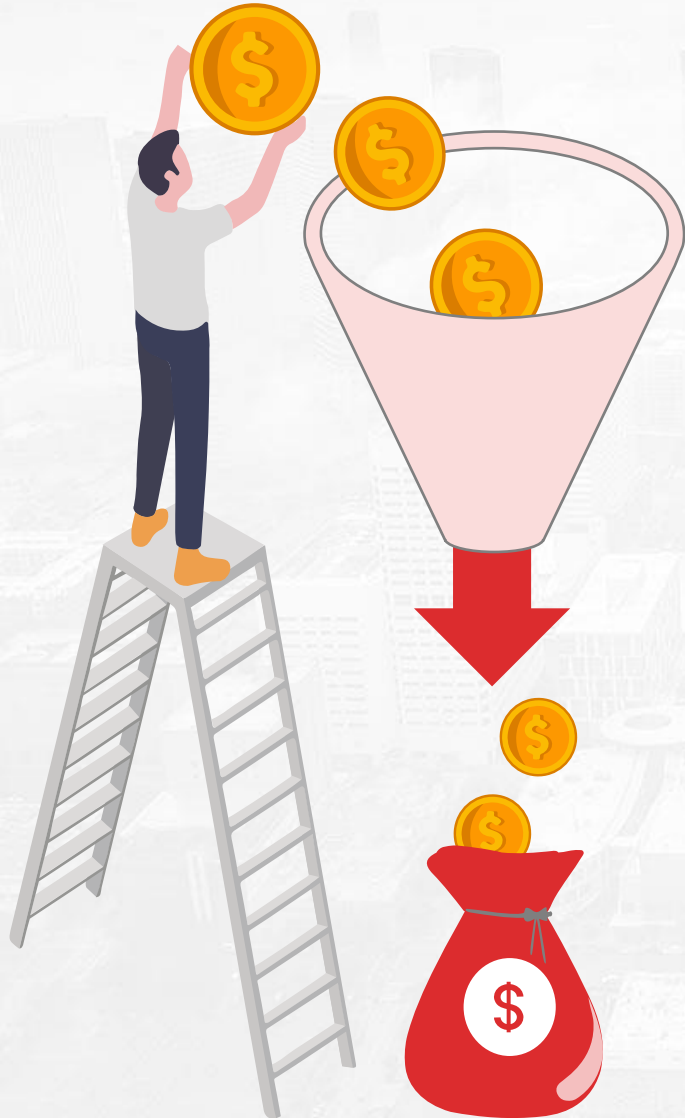
In this presentation, I shall dwell on five steps that can be taken to curb the menace:

- ❑ Strengthening the Legal Framework
- ❑ Automation of Collection Systems
- ❑ Tax Education
- ❑ Punishment for offenders
- ❑ Collaboration with relevant stakeholders

We would also look at some of the benefits to the States & LGAs, the collector and the taxpayer.



The Law & Taxes



The Legal Framework

In Nigeria, the legal framework for taxes is primarily governed by the following laws

1. Taxes and Levies Act (TLA) a
2. State Consolidation Laws
 - ☐ Companies Income Tax (CITA)
 - ☐ Personal Income Tax Act (PITA)
 - ☐ Value Added Tax Act (VATA)
 - ☐ Petroleum Profit Tax Act (PPTA)

Taxes are government first source of revenue, providing the government required revenue to keep the public service operational.



Impact of Illegal Collection In Nigeria

Amongst many of the negative impacts of illegal tax collection are:

- ❑ Loss of vital revenue needed to fuel development at different levels of the State
- ❑ Burdens Taxpayers who are forced to 'pay again' for taxes already paid to illegal collectors.
- ❑ Possibility of uproar during legitimate tax enforcement
- ❑ Discourages Foreign Investments

82.1B

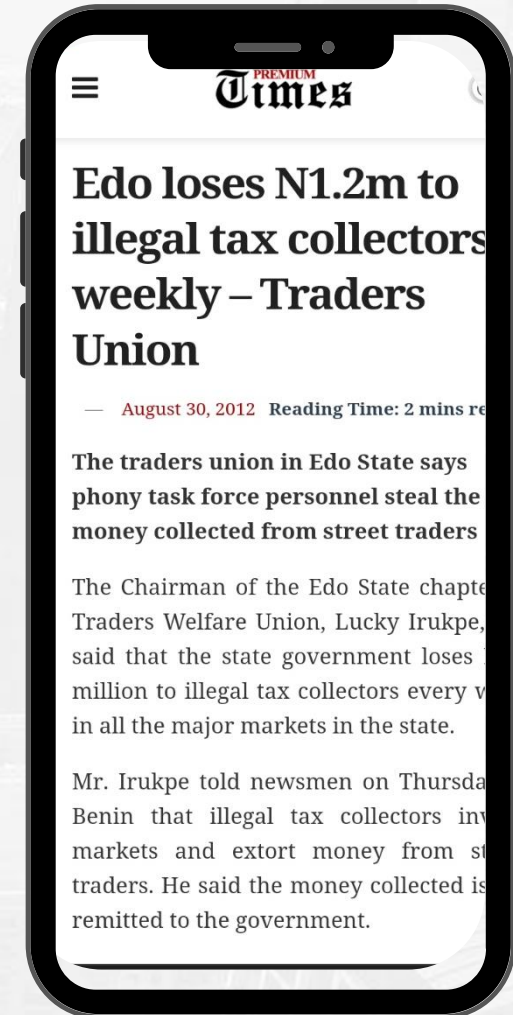
Or more is estimated to be lost each year to illegal tax collectors on **Danfo Buses** alone in Lagos State, Nigeria.

International Centre For Investigative Reporting, 2022

1.B+

Realized to have been previously lost to illegal tax collectors in the Abia State transport Sector until adoption of e-tickets.

Abia Internal Revenue Service Report, 2021





How to Curb Illegal Tax Collection

Strengthening the Legal Framework

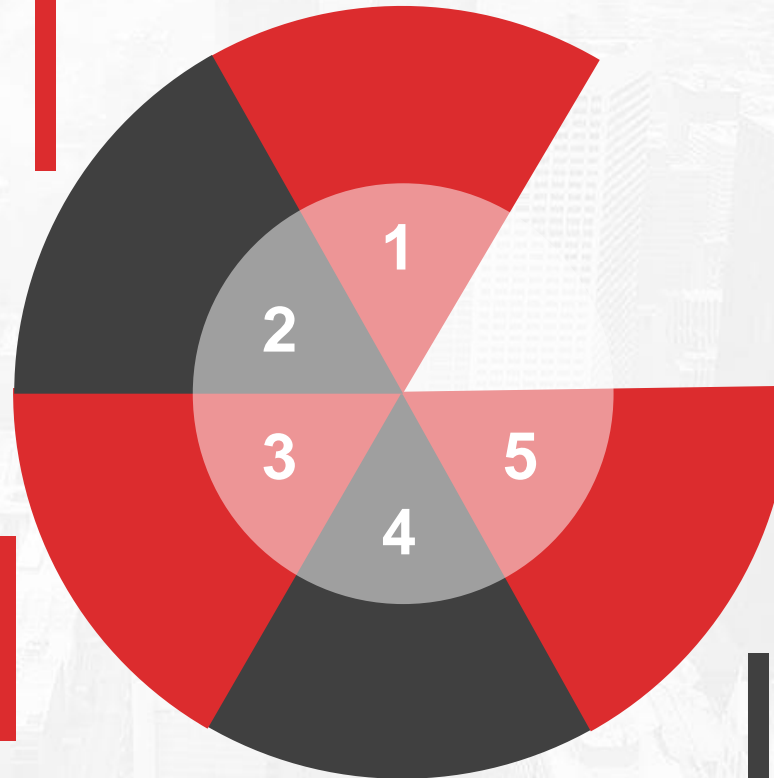
Align with World Bank requirement of Harmonizing State and LGA taxes, giving the BIR the exclusive authority to make collection

Automation of Collection Systems

Automating of collection (One-Serve, E-tickets)
e-identification and validation,
e-enforcement
USSD

Tax Education

Media publicity
Functional call center & Social media handles



Punishment for Offenders

Law enforcement agencies like the police to support the state in identifying and prosecuting illegal operators.

Collaboration with Relevant Stakeholders

Collaboration with MDAs, Local Governments, Unions etc.



Benefits of Curbing Illegal Tax Collectors

The States & LGAs

- ❑ Hugely Increases IGR.
- ❑ Can get better JAAC & FAAC allocation
- ❑ Qualifies States for various World Bank DLI funds.
- ❑ Generate valuable data for decision making and administration.
- ❑ Create legitimate job opportunities

The Collector

- ❑ Develop a functional Agency Network.
- ❑ Expand the tax bracket
- ❑ Improve Efficiency
- ❑ Enthroned specialization
- ❑ Ultimately reduce cost of collection.

The Tax payer

- ❑ Makes tax payment easy and convenient
- ❑ Encourages compliance
- ❑ Reduce business disruption
- ❑ Improves Security

THANK YOU

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