

# Nigerian Government Declares Voluntary Asset and Income Declaration Scheme (VAIDS)

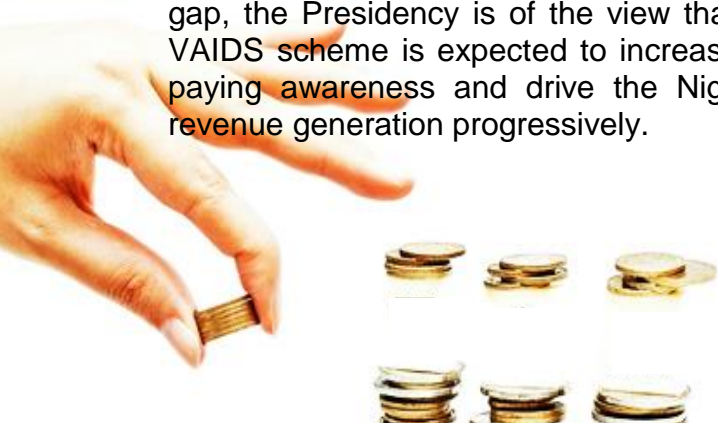


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## Introduction

The Federal Government of Nigeria joined the global train of encouraging voluntary tax compliance in its effort to increase income generated from taxation. The Acting President Professor Yemi Osinbajo on Thursday 29 June 2017 launched the Voluntary Asset and Income Declaration Scheme (VAIDS) and also signed an Executive order to the effect.

With the scheme, the Government aims to generate over \$1billion (one Billion US Dollars). Referring to the report of the Joint Tax Board (JTB) as at May 2017, the total number of Tax payers in Nigeria is around 14 million out of an estimated 69.9 million who are economically active. In view of this gap, the Presidency is of the view that the VAIDS scheme is expected to increase tax paying awareness and drive the Nigerian revenue generation progressively.



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## Features of the Scheme

Under the VAIDS, tax amnesty will:

- ✓ run for a period of nine months,
- ✓ start from 01 July 2017 to 31 March 2018
- ✓ generate at least US\$1billion
- ✓ require tax payers to voluntarily declare their assets and income from all sources
- ✓ cover the preceding six (6) years of Assessment
- ✓ be for the Federal and State Government taxes
- ✓ be for corporate and individual taxpayers
- ✓ involve full waiver of penalty and interest in respect of all declarations
- ✓ engender immunity from tax investigation
- ✓ guarantee non prosecution for delayed payment of taxes; and
- ✓ Involve payment of all outstanding taxes within the duration.

The scope of VAIDS covers all taxes administered by the Federal Inland Revenue Service (FIRS) and the State Boards of Internal Revenue on individuals and companies, especially High Net Worth individuals and Multinational companies in Nigeria.

The VAIDS offers voluntary declaration of unpaid taxes fully and honestly, upon which the relevant government would grant waiver of penalties and interest; as well as immunity from tax audit and prosecution for tax offences.

### Comments:

This seems to be a laudable effort from the Federal Government; However, the success of the scheme will be hinged on its efficient implementation by the relevant government agencies. It is also important that the Scheme should be implemented with transparency and honesty by all parties. For instance, there should be no conflicting measures by the Tax administrators to counter the benefits of the Scheme (e.g. non-approval of payment plans) and eligible Tax defaulters should be issued

their annual Tax clearance certificates while they are voluntarily cooperating with the Government and complying with the terms of the VAIDS.

Hence, Detailed guidelines should be published by the Federal Inland Revenue Service (FIRS) and the various State Internal Revenue Service (SIRS) as to the modalities for the implementation of the Scheme and to clarify the concerns of Stakeholders.

Also, Taxpayers should take advantage of this window of opportunity to regularise their tax affairs with the Government. There should be a realistic analysis of the defensibility of tax positions that are currently in dispute with the Tax authorities and tax provisions stated in the Financial statements. Taxpayers should also take advantage of the option of spreading payments of undisputed tax liabilities over the maximum period approved under the Scheme, in order to ease the pressure on their cash flow.

In conclusion, while this is a short-term measure to encourage voluntary tax compliance, the Government should work on installing long-term measure to eliminate impediments to the ease of voluntary tax compliance in Nigeria, such as multiplicity of taxes, ambiguities in the tax laws, inefficient tax litigation process, as well as, addressing concerns over professionalism of tax administrators in Nigeria.

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