

THE DYNAMICS OF MANAGING A SUCCESSFUL TAX PRACTICE

BY: MR. FOLORUNSHO ALBERT, FCTI

December, 2023

Content

- Objective of Session
- Introduction
- Principles of Taxation
- Tax Practice in Nigeria
- Tax practice in Nigeria and Global Best Practices
- Guide in managing a successful Tax Practice in Nigeria
- Attaining Sustainable economic growth and development
- Way forward for Nigeria
- Conclusion

Session Objective

To detail out as much as possible, Principles of Nigerian Taxation, benchmarking same within the framework of Global Best Practices, drawing lessons from other climes on sustainable economic growth and development and suggesting way forward for Nigeria in the committee of nations.

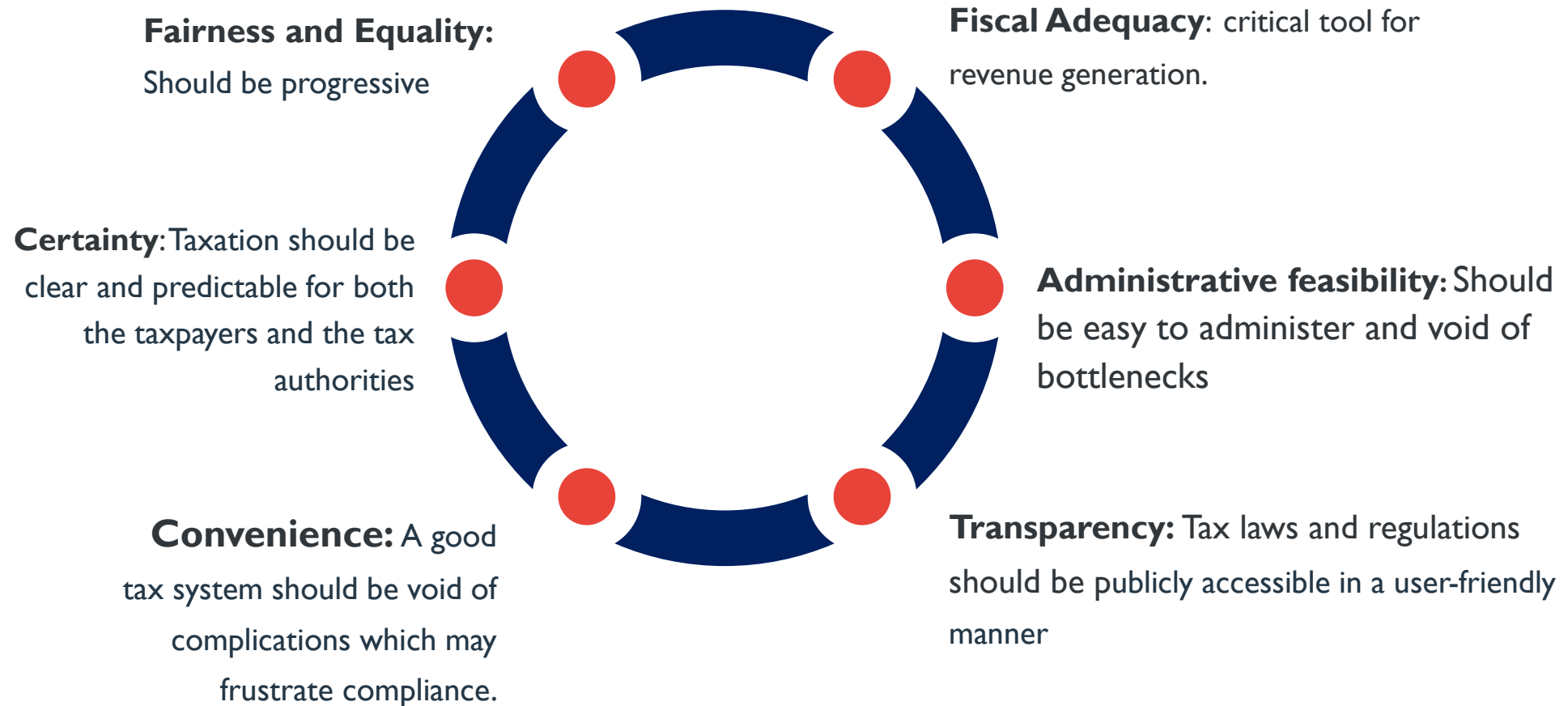
Introduction

The concept of taxation as a tool used by governments to fund public expenditure and regulate externalities, dates as far back as the first known taxation, which took place in Ancient Egypt around 3000–2800 BC.



Principles of Taxation

Globally, taxation is guided by certain principles, which are the bedrock for formulation of tax rules and implementation.



Tax Practice in Nigeria


The taxation landscape in Nigeria has been a rapidly changing one in recent years, with the advent of the Finance Acts since 2019, which introduced a trajectory of regular updates and modification to existing tax laws, in line with global best practices.

In building a successful tax practice, it is therefore imperative to pay attention to ever-changing tax environment and keep abreast.




Tax Practice in Nigeria


Some notable changes targeted at promoting an inclusive tax system, improving tax compliance, increasing tax revenue and expanding the tax net include the following:




Amendments to
obsolete tax laws
to reflect current
realities




Taxation of the
digital economy
(e-commerce
and digital assets)




10% Green Tax on Single
Use Plastics to
mitigate environmental
degradation



Tax exemption
for small
companies and
minimum wage
earners



5% Excise duty
on
Telecommunicati
ons services,
amongst others



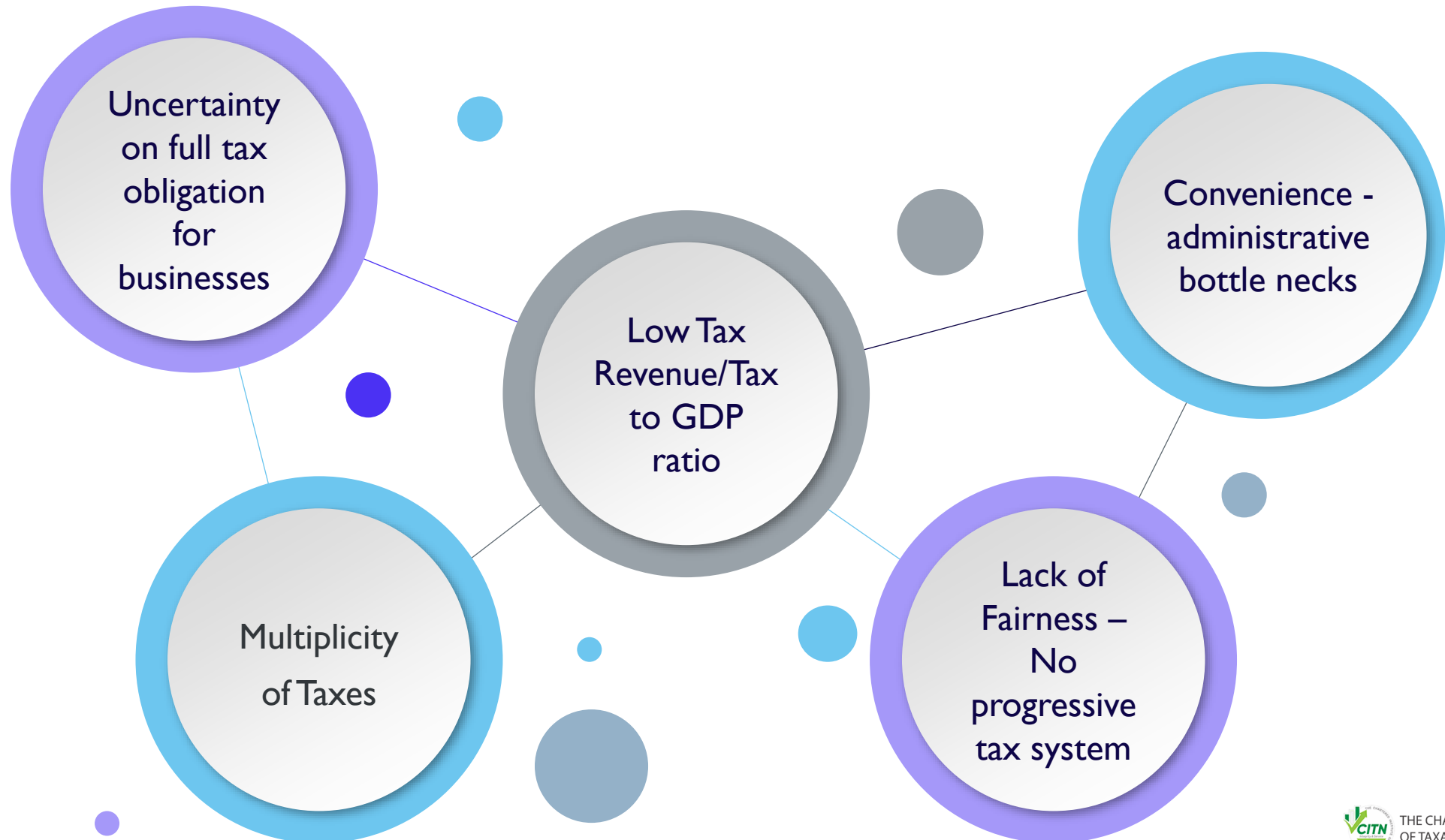
Automation of tax
administration processes



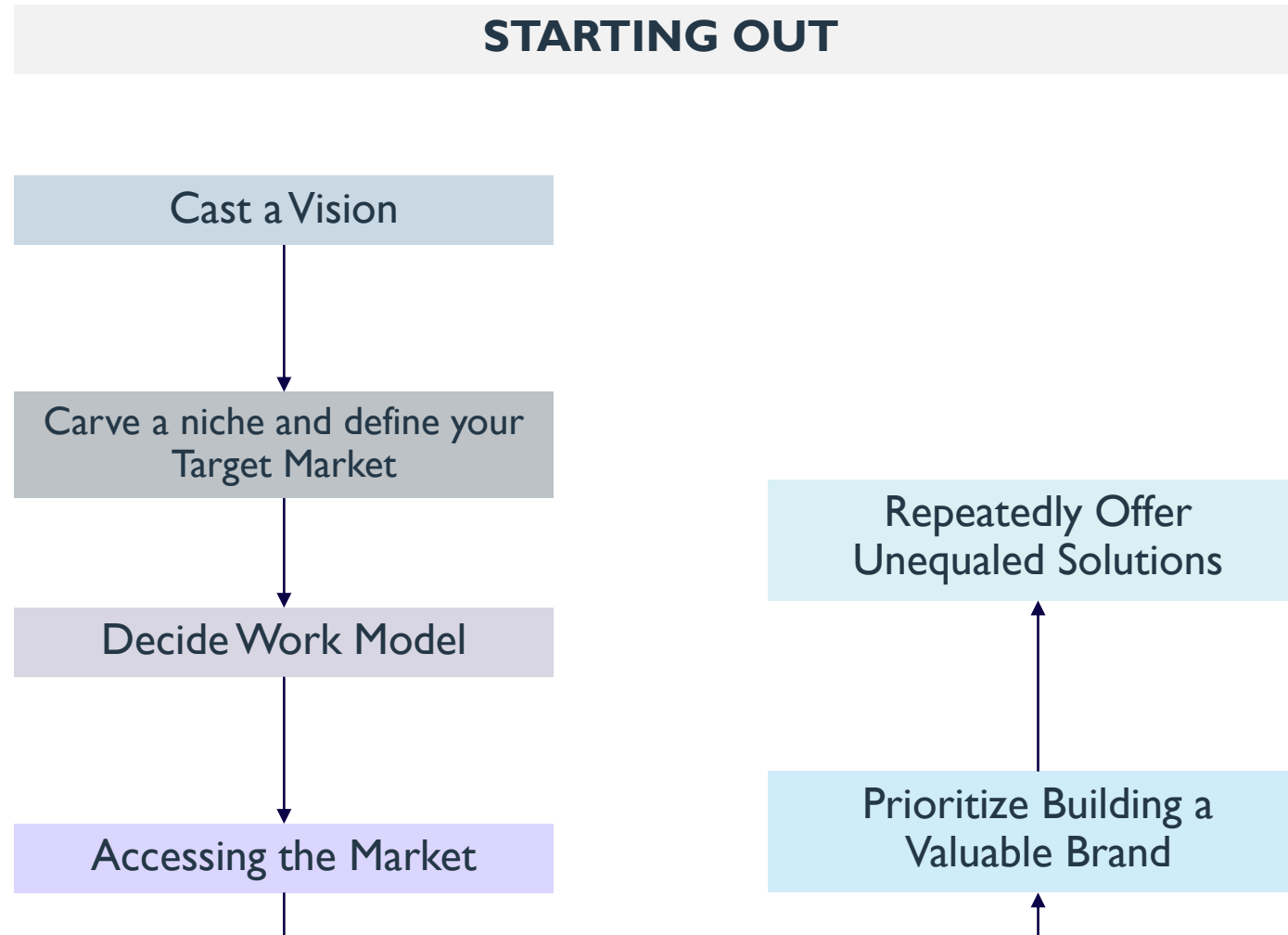
Increase in VAT rate to
7.5%

Tax Practice in Nigeria and Global Best Practices

While efforts are ongoing to improve on the **Nigeria Tax System**, currently, we are still a bit far, as it relates to generally acceptable taxation principles on the global landscape.

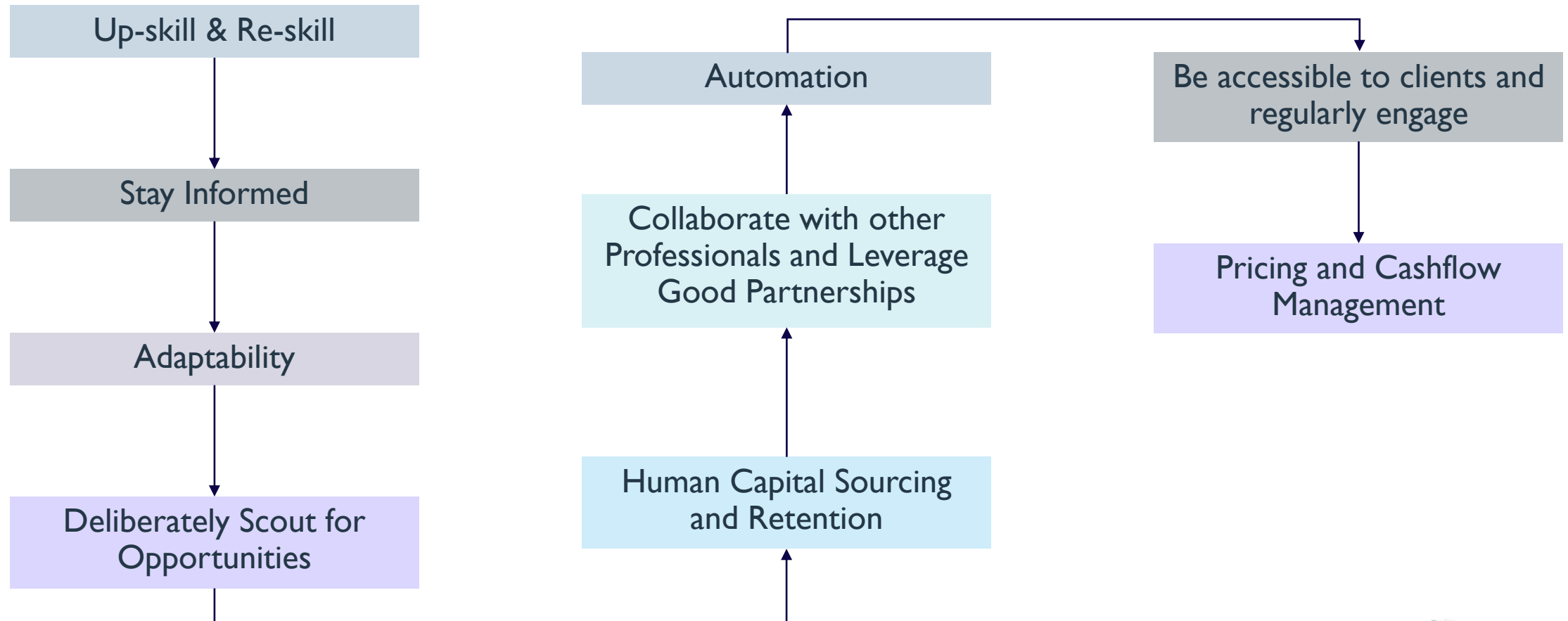


Guide in Managing a Successful Tax Practice in Nigeria



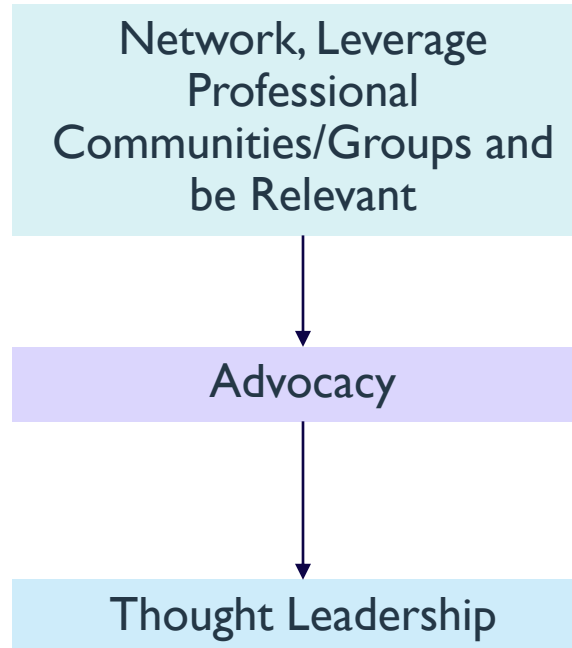
Guides in Managing a Successful Tax Practice in Nigeria

MANAGING THE PRACTICE



Guides in Managing a Successful Tax Practice in Nigeria

OTHERS

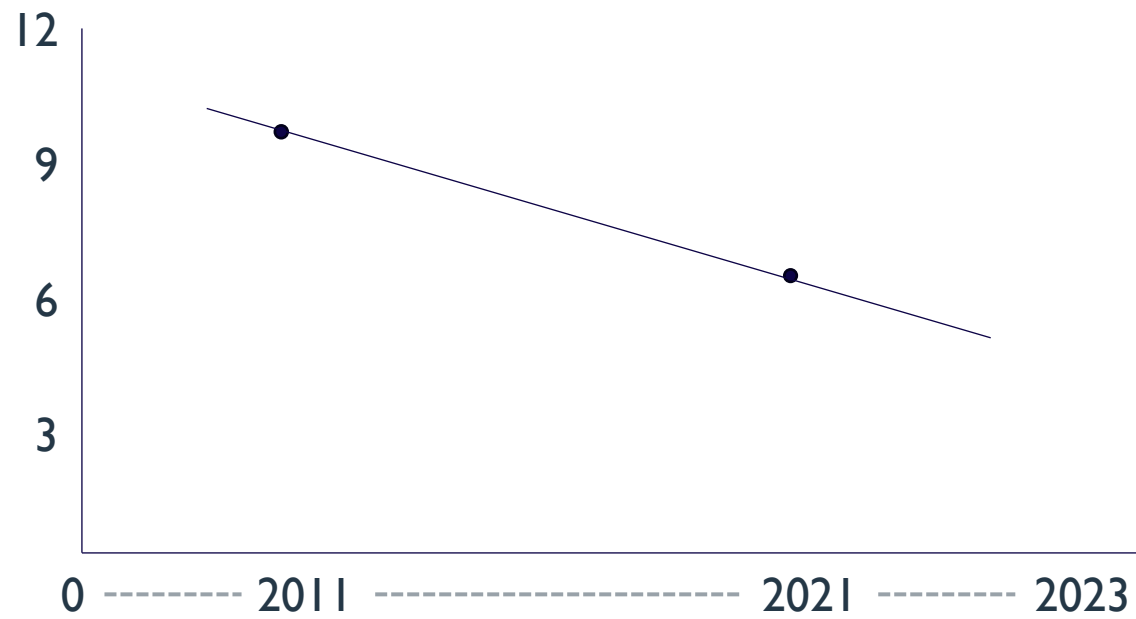


Quote:

Success is not a destination; it is a journey of continuously overcoming obstacles.

Lessons from other Climes on Sustainable Economic Growth and Development

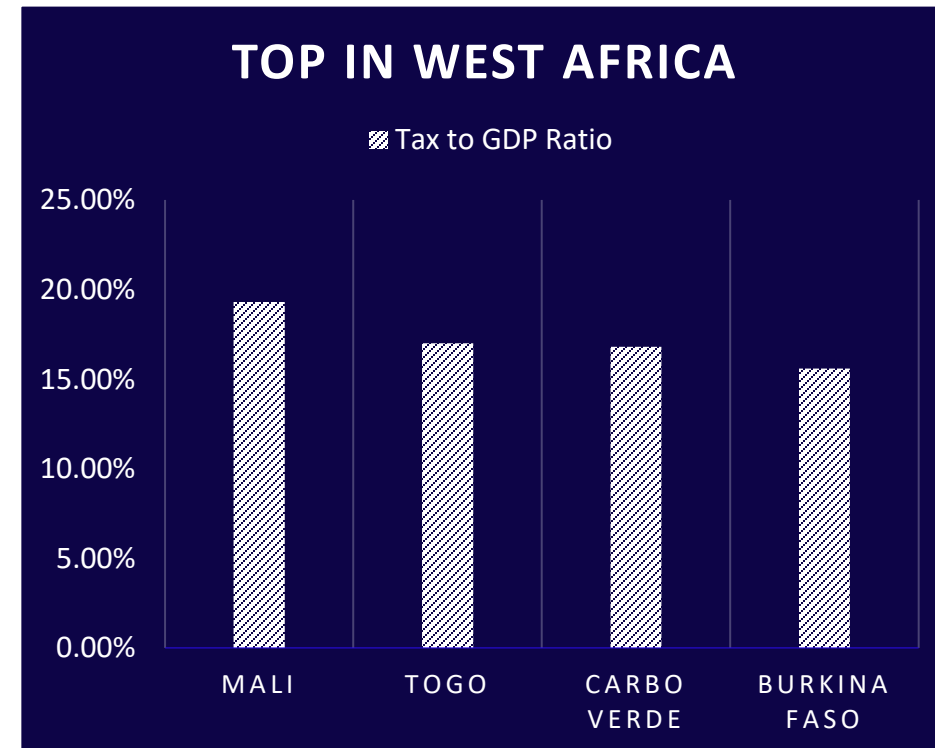
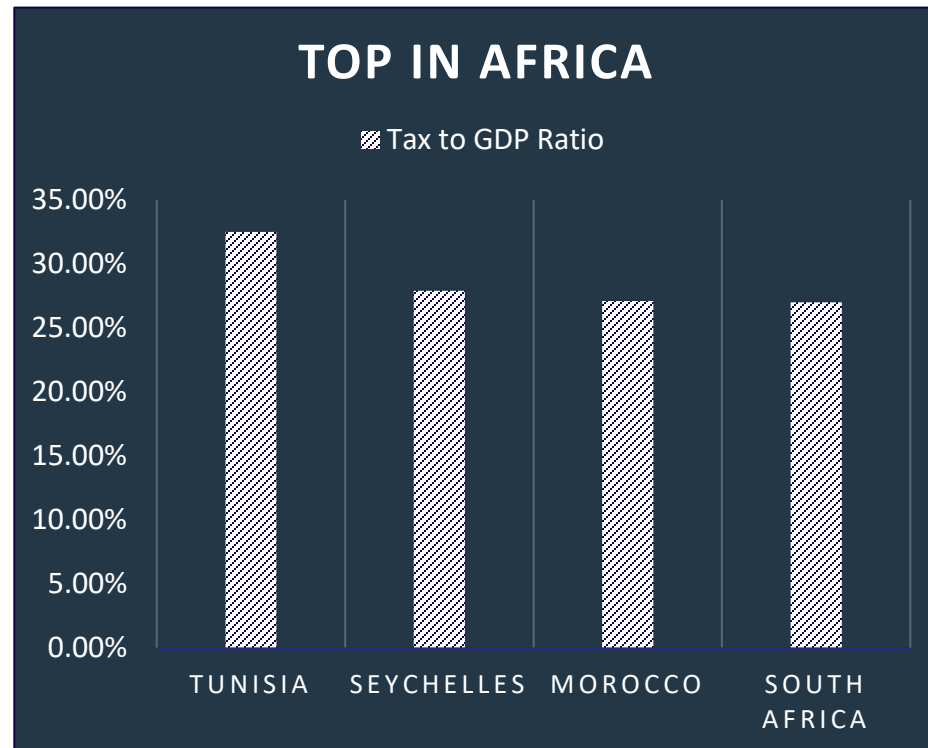
An Organisation for Economic Cooperation and Development (OECD) report on Revenue Statistics in Africa, shows a highest tax to GDP ratio of 32.5% amongst 33 countries, with an average of 15.6%.



Nigeria's tax-to-GDP ratio in 2021 (6.7%) was lower than the average of the 33 African countries by 8.9 percentage points. The highest tax to GDP ratio Nigeria has ever had was 9.7%, in 2011.

The Nigeria Bureau of Statistics however quotes the figure at 10.86% in 2021.

Lessons from other Climes on Sustainable Economic Growth and Development

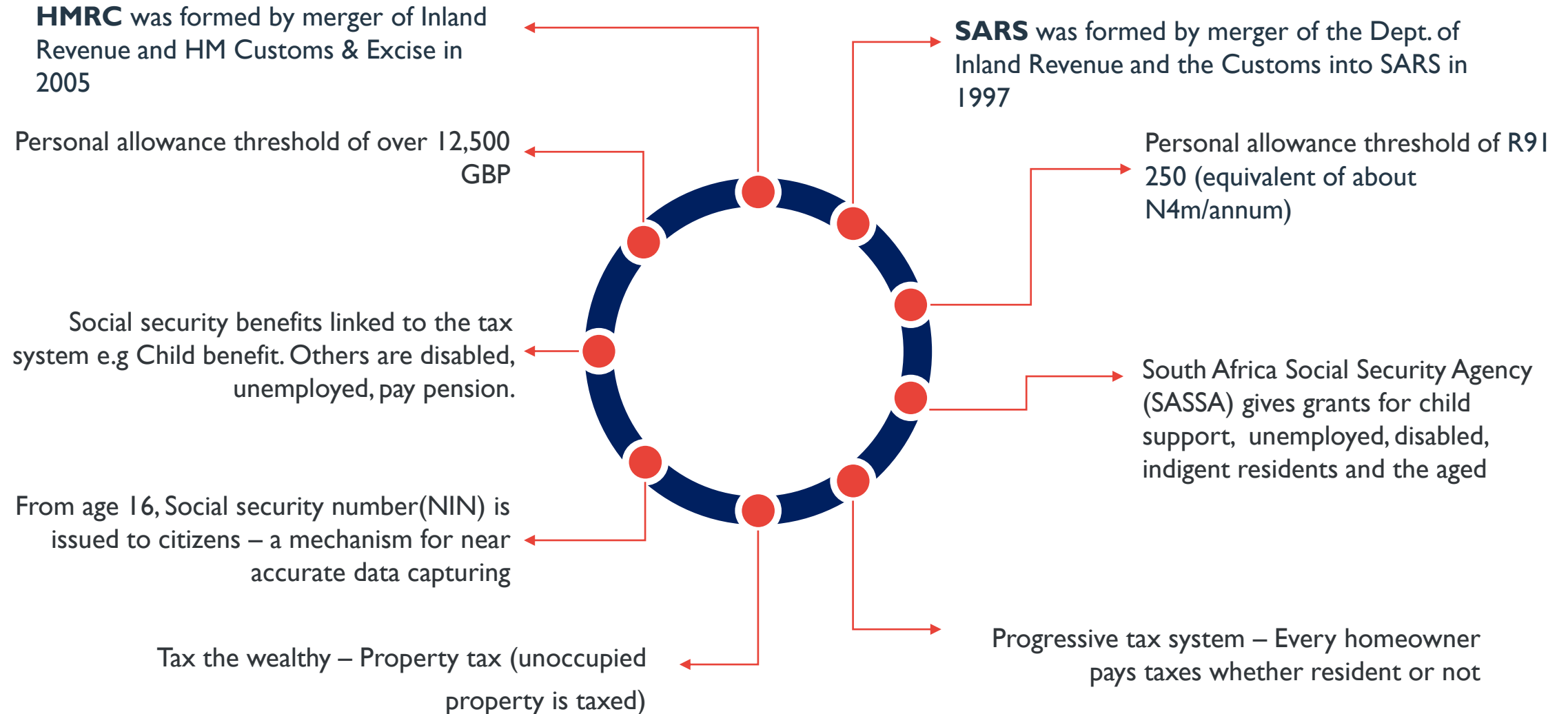


The highest globally is 44% for Nauru, followed by Denmark's at 35.5%

Few Learnings from the UK & South Africa Tax Systems



UK & South Africa Tax System



Attaining Sustainable Economic Growth and Development

According to an International Monetary Fund report, Nigeria's economic growth is predicted to shrink to 2.9% in 2024, from 3.2% in 2023.

This will be a decline, having grown from 3.0% in 2022 to 3.2% in 2023, due to intervention to address insecurity in the oil sector.

MONETARY FUND

Attaining Sustainable Economic Growth and Development

1

Promote industrialization

4

**Maximize natural resources and
State-owned assets**

7

Tackle insecurity

2

Prudency in govt. spending

5

**Transparency and Accountability
in govt. expenditure**

8

**Tackle high debt profile and
rising debt servicing cost**

3

**Address infrastructure deficit
problems**

6

**Prioritize the Social contract
with the citizens**

9

Address lack of data problem

Way Forward for Nigeria in the Committee of Nations

It is important that we upgrade the Nigerian tax system into a sustainable one by bridging some of the observed gaps in our tax system:



Simplify complicated tax laws




Leverage data to increase the tax net



Address multiplicity of taxes



Introduce structure to deplete the informal economy

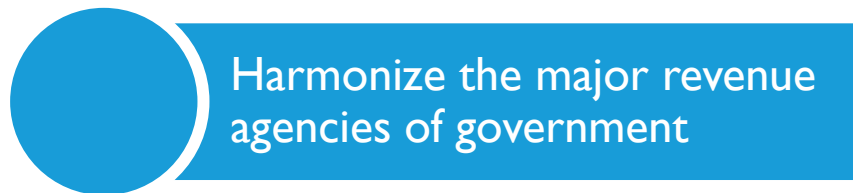
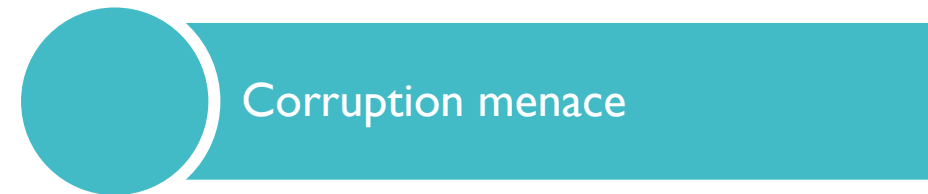


Elimination of Administrative bottlenecks and complexities



Prioritise the social contract with the citizens

Way Forward for Nigeria in the Committee of Nations



Conclusion

Taxation, if properly deployed and maximized as a tool, has huge effect on economic development and growth. Reforming the tax policy and administration to make it more efficient, effective, equitable and transparent is critical in enhancing tax compliance and fostering growth and stability.

As tax practitioners, it is important we contribute our quota in building a sustainable economy by demonstrating professionalism in our dealings always, and constantly advocating for an improved tax system.

About Us

Kreston Pedabo is a professional services firm providing Audit & Assurance, Tax Compliance & Advisory, Financial Advisory & Risk Management, as well as Management Consulting & other specialised Support services to clients across all sectors of the Nigerian economy.

A full-service firm of chartered accountants, auditors, tax practitioners, and management experts, with a staff strength of over 150 persons, most of whom are professionally certified. The firm was established in 1998 and is led by ten (10) partners.

The firm offers various routine and bespoke solutions aimed at facilitating compliance and meeting clients' expectations for improved business performance.

25 years in business with over 500 satisfied clients, our firm takes a holistic approach to all its engagements, aimed at developing constructive and result oriented reports on all assignments.

Our focus is to create real economic value for clients through radical improvements with strategic insights and impacts leading to tangible economic results; practical analysis and strategies that make sense to business managers and are germane to clients' businesses.

For more information, visit - krestonpedabo.com

Kreston's Global Footprint

We are longstanding members of the Forum of Firms – THE quality mark for transnational Audits.

We are members of IFAC and actively involved in setting standards in accounting worldwide.

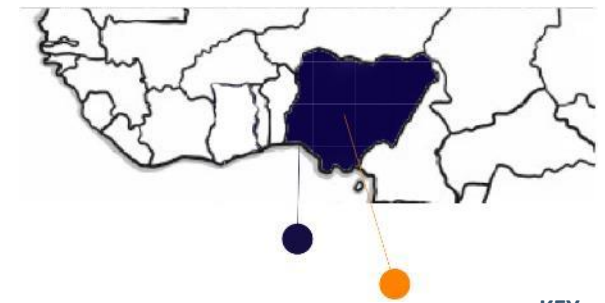
We perform both external quality control reviews and Kreston quality control reviews for every firm on a three year cycle.

MEMBER OF THE
FORUM OF FIRMS*



For more information on Kreston, visit – www.kreston.com

Kreston Pedabo's Footprint



KEY:

Head & Annex Office – Ikoyi, Lagos, Nigeria
Abuja, Nigeria

What We Do

Management Consulting & other Specialised Support

- Business Process Management
- Commercial Due Diligence
- Market Research & Project Feasibility
- Strategy Design
- Operations/Interim Management
- Customer Experience Evaluation
- Project Management
- Loan Staff Provision [Outsourcing]
- Recruitment & Executive Search
- HR Consulting
- Training
- Compensation & Benefits Consulting
- Corporate Governance & Board Evaluation
- HNI Portfolio Support
- Liquidation & Insolvency
- Receivership
- Payroll Management Services
- Debt Recovery
- Secretarial Services & Company Incorporation

Audit & Assurance

- Accounting
- Forensic Accounting
- Model Audit
- Internal Audit
- Forensic Audit

Financial Advisory & Risk Management

- IFRS Conversion
- Due Diligence
- Regulatory & Compliance Review
- Valuation Services
- Actuarial Services (Gratuity Valuation)
- Business Modeling
- Reporting Accountant Services
- Agreed upon Procedures

Tax Compliance & Advisory

- Tax Planning & Consultation
- Corporate Income Tax (CIT, PPT, EDT)
- Transaction Tax (VAT & WHT)
- Personal Income Tax
- Transfer Pricing
- Certificate of Acceptance
- Corporate Restructuring
- Design of transaction structures
- Formal tax opinions
- Tax rulings from the tax authorities
- Agreement reviews
- Transactional Regulatory Approvals – Processing of Acceptance Certificates | Pioneer Status Incentive, NOTAP, etc.

Professional Affiliations

- The Chartered Institute of Taxation of Nigeria (CITN)
- Financial Reporting Council of Nigeria
- Federal Ministry of Industry, Trade & Investment (FMITI)
- Institute of Chartered Accountants of Nigeria (ICAN)
- Office of the Auditor-General for the Federation
- Securities and Exchange Commission (SEC)

General Experience

Power & Natural Resources

- Eko Electricity Distribution Company Plc
- Benin Electricity Distribution Company
- Azura Power West Africa Limited
- Servipower Company Ltd
- Egbin Power Plc
- Ikeja Electric Plc
- Geregu Power Plc
- Excel Exploration and Production Limited
- Ardova Plc
- Habrams Energy Services Limited
- Midwestern Oil & Gas Company Limited
- Excel Energy Services Limited
- Exterran Nigeria Limited
- Suntera Nigeria 205 Limited
- Eterna Plc
- Vertex Energy Limited

Industrial & Consumer Markets

- Emzor Pharmaceutical Industries Limited
- Sonnex Packaging Nigeria Limited
- The Big Bottling Company Limited
- Crown Flour Mill Limited
- Olam Sanyo Foods Limited
- Elizade Nigeria Limited
- Somotex Nigeria Limited
- Toyota Nigeria Limited
- Jubaili Bros Engineering Limited
- Jotna Group of Companies
- GZ Industries Limited

Financial Services

- New World Asset Management Ltd Ghana
- Chapel Hill Advisory Partners Limited
- Cornerstone Insurance Plc
- Nigerian Exchange (NGX) Group Plc
- Central Securities Clearing Systems Plc
- Access Bank Plc
- Capital Alliance Nigeria Limited
- Afrinvest West Africa Limited
- Fidelity Bank Plc
- Guaranty Trust Bank Limited
- First City Monument Bank Limited
- Coronation Insurance Plc
- FMDQ Group

Government, Non-Profits & Education

- African School of Economics – Benin Republic
- Bambini Schools
- Elizade University
- Bowen University
- Obafemi Awolowo University (OAU)
- The 16 Plus School
- Joseph Ayo Babalola University
- Private Sector Health Alliance of Nigeria (PSHAN) Ltd/Gte
- One Campaign Nigeria Ltd/Gte
- Aigboje AIG-Imoukhuede Foundation Ltd/Gte
- African Business Coalition for Health Ltd/Gte
- Regenesys Business School

Real Estate & Infrastructure

- Blueline Urban Project Limited
- Sermatech Nigeria Limited
- Design Union Group
- Primrose Development Company Limited
- First Concept & Properties Limited
- Lousol Properties Limited
- Craneburg Construction Company Limited
- Oando Wings Development Limited

Information Technology & Telecommunications

- Airtel Nigeria Limited
- Selectium Nigeria Limited
- Dimension Data Limited
- Emerging Markets Telecommunications Limited (9Mobile)
- Smile Communications Nigeria Limited

Thank you



Lagos Office:

67, Norman Williams Street
SouthWest, Ikoyi
Lagos - Nigeria

Tel: 01-2919041 || 0912 093 3932

info@krestonpedabo.com || www.krestonpedabo.com

Abuja Office:

4th Floor, Grand Square
Mohammed Buhari Way
Central Business District,
Abuja FCT - Nigeria
Tel: 0706 546 8982

© Kreston Pedabo 2023