

Research Title: Research on Voluntary Assets and Income Declaration Scheme (VAIDS)	Research Objective: To evaluate the economic benefits from implementation of VAIDS and its application towards enhancing remittance to NCDF	Research Team: Patrick Obah Abdulmalik Halilu Silas Omomehin Ajimijaye Kayode Arikewuyo Lilly Warri
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Justification for the study:

The R&S Department was inspired by the huge success of Voluntary Assets and Income Declaration Scheme (VAIDS) to carry out research on its fundamentals and how we can apply same to encourage voluntary remittance into NCDF. This is more compelling at this point for the following reasons:

1. The Board has commenced full implementation of its high impact CDIs such as NOGaPS, modular refinery etc.
2. We are in the process of assuming self-funding status and will be depending solely on NCDF for recurrent expenditure (personnel and OPEX)
3. The Board is moving into HQ building by end of 2018/early 2019 and require huge maintenance budget to sustain the quality of the building

Research Methodology:

1. Desktop research
2. Oral interview with staff of FIRS
3. Oral interview with staff of NCDF Division

Research Findings:

1. *Framework:* VAIDS was launched pursuant to an Executive Order on 29 June 2017 by then Acting President, Professor Yemi Osinbajo. It was for an initial period of 9 month effective 1 July 2017 later extended to 12 months ending June 30 2018
2. *Purpose:* to encourage voluntary disclosure of previously undisclosed assets and income for the purpose of payment of all outstanding tax liabilities
3. *Responsible Agency:* FIRS in collaboration with all the Internal Revenue Services at the sub-national level (States) were mandated to deliver the scheme
4. *Objectives:* Increase the number of taxpayers in the tax net and raise revenue. It is also to curb non-compliance with existing tax laws and discourage illicit financial flows and tax evasion
5. *Incentives:* Taxpayers who make full and honest declarations will enjoy waiver of interest and penalty, immunity from prosecution, confidentiality, exemption from tax audits for the periods covered and flexible payment of tax due
6. *Scope and applicable taxes:* The Scheme is applicable to all persons (individuals, companies, executors, trustees, partnerships etc.) liable to pay tax in Nigeria. Taxes covered include Companies Income Tax, Personal Income Tax, Petroleum Profits Tax, Capital Gains Tax, Value Added Tax, Stamp Duties, Tertiary Education Tax and NITDA levy.
7. *Publicity:* It was declared that every Thursday will be 'Tax Thursday' to focus on tax matters, thereby sensitising taxpayers on their obligations
8. *Non declaration:* Taxpayers who fail to participate in the Scheme will be investigated and if found culpable will be subject to criminal prosecution. A 'name and shame" list of tax evaders will be published
9. *Forensic Audit:* An international forensic and asset tracing company was engaged to support the process of Asset tracking for the purpose of compelling tax settlement and where necessary prosecution



10. *Interagency collaboration:* FIRS has developed a collaboration with CBN wherein it can access transactions of companies using BVN. In this regard business transactions of all registered companies are available to FIRS for the purpose of monitoring tax obligations
11. *Default penalty:* Effective 1st July 2018 Companies that fail to key into VAIDS window shall be charged 29% interest on accumulated tax liability. This comprise:
 - Penalty at Minimum Rediscount Rate MRR (the CBN benchmark lending rate on due date) +5%, current rate is 14%+5% = 19%
 - Interest of 10%
 - Other tax offences including prosecution may apply

Economic benefits:

1. Increased tax payer base from 14 million to 19 million- an increase of 5 million tax payers within 12 months
2. Voluntary remittance of 30 Billion (10% of target estimate of 300 Billion) which would have been lost under a no-action scenario
3. Exposure of eligible and taxable assets that will be pursued to pay outstanding tax obligations and monitored for future tax settlement

Recommendations:

Key insights from applying the principles of VAIDS to NCDF remittance policy include the following:

1. *Scheme on voluntary declaration:* NCDMB may develop a scheme along the following thoughts:
 - Give defaulters a period of 6 months (August 2018- January 2019) to regularise their payment at no cost
 - Effective February 2019 all defaulters uncovered through Forensic Audit will be liable to default penalty as illustrated in 4 below
 - Remittance procedure should provide 30 days window within which all deductions made from contractor (contributors) invoices should be remitted to the Board. All deductions not remitted after 30 days is in default
2. *Publicity:* Continuous sensitisation of public on remittance procedure and consequences of default in remittance
3. *Stakeholder engagement:*
 - All relevant stakeholders should be sensitised on their expected roles in remitting funds to NCDF
 - NCDMB to collaborate with NAPIMS to determine invoices processed (volume of transactions under JVs and PSC)
 - Requirement for Operators to submit procurement reports should include provision for reporting milestone payments - -template to be developed for this as part of required performance reporting
4. *Default penalty:* We propose the following default penalty for defaulters of NCDF remittance:
 - NCDMB lending rate (8%) + recovery cost paid to Forensic Auditors (5%) + administration cost (2%) = 15%
 - Possible prosecution
5. *Forensic audit-* this should be a permanent feature in the remittance procedure and may be carried out every 3 years .

Conclusion:

Management to consider above insights and if adequate approve review of NCDF remittance procedure to reflect same

