

## **REPORT OF THE ADVOCACY VISIT BY PUBLISH WHAT YOU PAY (PWYP) TEAM TO THE CHAIRMAN OF FEDERAL INLAND REVENUE SERVICE (FIRS) HELD ON THE 27TH MARCH 2008.**

The meeting had in attendance the following;

- |                       |  |
|-----------------------|--|
| • MRS.IFUEKO OMOGUI   | Chairman (FIRS)                            |
| • KABIR M. MASHI      | Coordinating Director Support Services     |
| • ABBA GARBA .DALHATU | ADT Tax Operations                         |
| • CHRIS N. ONYEBULE   | Board Secretary                            |
| • MS.MIMIDOO ACHAKPA  | WREP/PWYP                                  |
| • UCHE IGWE           | PWYP/NEITI                                 |
| • MS.ENE EDE          | The Woman Today Newspaper/Equity Advocates |
| • DR ROIBITO EKANEM   | WAO/PWYP                                   |
| • EMMANUEL ALEXANDER  | PWYP/WREP                                  |

The Publish What You Pay (PWYP) team was led by Ms. Mimidoo Achakpa and the meeting started exactly 5:15pm with general introductions.

### **Meeting Objective:**

The team leader told the Federal Inland Revenue Service (FIRS) team that the aim of the advocacy meeting was at strengthening areas of collaboration between the Federal Inland Revenue Service as the apex tax collecting agency in Nigeria and the PWYP coalition for a more transparent and accountable revenue generated from the extractive sector of the economy.

The team was received by the Chairman of FIRS Mrs. Ifueko Omogui and other representatives of the Board. The chairman expressed her delight about the visit and pledged to work with Publish What You Pay to ensure that tax revenue is increased for government. She challenged the members of PWYP visiting to complement her effort to also ensure that the monies collected are well spent by government. She encouraged the team members to understand the work FIRS as a beginning of effective advocacy and partnership. On the remedial action the Chairman confirmed that FIRS is on the forefront of all other government agencies in implementing the remedial action as recommended by the NEITI audit report.

In her response Ms Achakpa thanked the Chair FIRS and pledged to work with her to ensure increased revenue for government and transparent expenditure for sustainable development and national prosperity. The chair further asked the Secretary of the Board to lead the team members to a comprehensive study of the work of FIRS. See below

The FIRS is the executive arm of the Federal Board of Inland Revenue made up of:

- a chairman appointed by the President
- Directors and Head of Department of FIRS
- A member of the Board of the National Revenue Mobilization, Allocation and Fiscal Commission
- A member each from
  - Federal Ministry of Finance (a Director)
  - National Planning Commission (a Director)
  - Nigeria Customs Services (a Director)
  - Nigerian National Petroleum Corporation (not lower than Executive Director)
  - Corporate Affairs Commission (not lower than a Registrar)
- Two persons appointed by Minister of Finance on merit
- A legal Advisor
- A Board Secretary who is Ex-officio member

### **Composition and Function of FIRS.**

The Composition of FIRS include

- Executive Chairman as Chairman
- All Directors and Heads of Department of the Federal Inland Revenue Service
- The Legal Adviser to the Board
- The Board Secretary

The functions of FIRS include:

- Assessment of Taxes
- Collection of Taxes
- Advising the Federal Board of Inland Revenue on professional and technical tax issues refer to it.
- Maintaining records of taxes collected

Taxation of Oil and Gas sector of the economy is handled by the pioneer and petroleum Division of the FIRS.

### **The Petroleum and Pioneer (P&P) Division**

The P&P Division of FIRS is headed by a Director of Taxes assisted by

- Chief Inspection of Taxes (CIT);
- Assistant Inspector of Taxes (ACIT);
- Principle Inspector of Taxes (PIT);
- Senior Inspector of Taxes (SIT);
- Inspector of Taxes (IT);
- Executive Officers (EO); and
- Clerical Officers (CO).

P&P Division is responsible for the assessment and collection of all taxes including:

- Petroleum Profit Tax (PPT);

- Taxation of Gas;
- Education taxes;
- Withholding Tax (WHT);
- Value Added Tax (VAT); and
- Company Income Tax (Gas, Petrochemical and downstream)

The main activities of the P&P Division of the FIRS may be broadly classified into three (3) main units namely:

- Assessment Unit,
- Collection Unit; and
- Accounting Unit.

These broad units are further sectionalized into sub-units as the need may arise.

## **Assessment of Taxes**

### **Introduction**

The assessment section is responsible for the following duties among others:

- the receipt of Tax returns
- examination of Financial Statements
- raising of assessment and tax queries
- follow up on all issues of Tax Clearance Certificate (TCC)
- Maintenance of assessment lists.

The different classification of taxes handled by the P&P Division is;

- Petroleum Profit Tax
- Education Tax
- Company Income Tax (Taxation of Gas and downstream)
- Withholding Tax
- Value Added Tax (handled by various local VAT offices up to 31 December, 2004).

### **Petroleum Profit Tax**

#### **Introduction**

Petroleum Profit Tax (PPT) Act is an Act to impose tax upon the profits of companies engaged in petroleum from in Nigeria, to provide for assessment and collection thereof and for purpose connected therewith (Decree No. 15 1995).

Petroleum means any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in Nigeria but does not include

- liquefied natural gas,
- coal,
- bituminous shares or

- Other stratified deposits from which oil can be extracted by destructive distillation.

These exceptions are fixed under different tax laws in Nigeria.

The PPT Act was enacted in 1959 as a result of discovery and production in commercial quantities, which was first exported in 1958. The 1959 Act was therefore backdated to take effect from January 1, 1958.

The PPT Act is modified by the Memorandum of Understanding (MOU) with effect from January 1, 1986. Further statutory provision is the "Production Sharing Contract" (PSC) enacted under Decree 39 of 1999 on exploration and production in deep offshore territorial waters of Nigeria.

The PPT Act is administrated by the Federal Inland Revenue Services on persons involved in petroleum operation in Nigeria. Petroleum operation means;

“winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling mining, extracting or other like operations or process not including refining at a refinery in the course of business carried on by the company engaged in such operations, and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company” (PPTA 1958 5.2).

Income chargeable under the provisions of the PPT Act include

- sale of chargeable oil
- chargeable oil disposed by the company
- Value of chargeable natural gas in accordance with the fourth schedule of the PPT Act.
- Income incidental to and arising from one or more of its petroleum operations.

The meeting came to an end at about 6pm with photographs taken and members dispersed.