

A review on the organization, composition and functions of the federal inland revenue service

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ABSTRACT

Tax is any form of charge levied on a person or an institution by a governing body or its equivalent such that defaulted payment is punishable by law. The imposition of taxes and the institution of taxing are as old as civilization itself cutting across religion, race and continental borders. Prompt tax payment and reduced tax evasion is always a primary objective of the government in most civilizations that exist today. The issue of tax evasion has proven to be a difficult practice to curb even in nations with a proper database of its citizenry and the current mode of tax payment is redundant and hectic. The nucleus of the Federal Inland Revenue Service was formed with the appointment, in 1935, of Frank G. Lloyd as the Commissioner of Income Tax for the Colony and Protectorate of Nigeria. Like his counterparts in Gold Coast (Ghana), Sierra Leone, and Gambia, Lloyd was overseen by Walter B. Dare who was the Commissioner of Income Tax for Anglophone West Africa comprising of Nigeria and the aforementioned colonies. The functions of FIRS are Provision of general policy guidelines relating to the functions of the Service; Management and superintendence of policies of the Service on matters of administration of revenue assessment, collection and accounting under the Act or any enactment; Review and approval of strategic plans for the Service; Employment and determination of terms and conditions of service, including disciplinary measures for the Service; Determination of remuneration, allowances, benefits and pensions of staff of the Service in consultation with the National Salaries, Income and Wages Commission; Such other things which in its opinion are necessary to ensure the efficient performance of the functions of the Service.

Keywords: Organization, composition, functions, federal inland, revenue service

INTRODUCTION

Tax is any form of charge levied on a person or an institution by a governing body or its equivalent such that defaulted payment is punishable by law [1]. The imposition of taxes and the institution of taxing are as old as civilization itself cutting across religion, race and continental borders [2]. Prompt tax payment and reduced tax evasion is always a primary objective of the government in most civilizations that exist today. The issue of tax evasion has proven to be a difficult practice to curb even in nations with a proper database of its citizenry and the current mode of tax payment is redundant and hectic [3]. According to a world bank economic report on Nigeria published on the 1st of April, 2017, it was stated that Nigeria's economy grew by 2.7% in 2015, significantly below its growth of 6.3% in 2014. Since the fall in oil prices in mid-2014, growth has been on a downward spiral, and the economy is currently in and out of recession [4]. This was largely due to the fact that 95% of the

government's budgeted expenditure depended on its projected oil revenue based on current world oil prices. It was also recommended in the report that the Federal Government, through the improvement of the domestic tax system, can increase its internal revenue and provide, in the event of a fall in oil prices, a financial backup plan for the economy [5]. It is obvious that taxes are important source of government revenue in both developing and developed countries. But the amount of revenue to be generated by a government from taxes for its expenditure program depends among other things, on the willingness of the taxpayers to comply with tax laws of a country [6]. According to Organization for Economic Co-operation and Development (OECD) [7], the primary mandate of most tax administrations is to ensure compliance with tax laws and improve taxpayers' satisfaction. In order to do that and find the most effective treatment, revenue bodies benefit

from knowledge about taxpayer behavior [8]. For example, OECD indicated that better understanding of taxpayer behavior can be expected to place revenue bodies in a

stronger position to design and implement effective compliance strategies, which contributes to the sustainability of taxation systems [9].

The organization and its environment

Composition of the federal inland revenue service

The nucleus of the Federal Inland Revenue Service was formed with the appointment, in 1935, of Frank G. Lloyd as the Commissioner of Income Tax for the Colony and Protectorate of Nigeria. Like his counterparts in Gold Coast (Ghana), Sierra Leone, and Gambia, Lloyd was overseen by Walter B. Dare who was the Commissioner of Income Tax for Anglophone West Africa comprising of Nigeria and the aforementioned colonies. Lloyd was assisted by Fraser G. Selby as the first

Assistant Commissioner of Income Tax. In 1943, the Nigerian Inland Revenue Department was carved out of the Anglo-Phone Inland Revenue Department and established as an autonomous body, and W.A.B. Carter of the United Kingdom Inland Revenue was appointed as the first Commissioner of Income Tax of the new agency, a position he held until 1951 when he was succeeded by Fraser G. Selby [10]. The Inland Revenue Department was made up of the following:

The Resident appointed by the Governor;
Chief and elders in each district; Any native authority, which by native law and custom was recognized as the tax collection authority; Any native council or group of persons appointed by the Governor.

F.G. Reynolds was appointed Commissioner of Income Tax upon the retirement of F.G. Selby in 1960 and was the helmsman for only one year. F. G. Reynolds was succeeded by the first Nigerian Chairman of the Federal Board of Inland Revenue, Chief Ephraim A. Osindero. Chief Osindero was chairman from 1961 to 1971. Other chairmen that followed, in chronological order are: Chief Vincent O. A. Ogunba (1971-1978), Chief David A. Olorunleke (1978 - 1992), Mr. James K. Naiyeju (1992-1999), Alhaji Ibrahim Zukogi (1999- 2001), Mr. Ballama Manu (2001 - 2004), Ifueko Omoigui Okauru (2004 to date). In 1993, the nomenclature of the chief executive of the Service was again changed from 'Chairman' to 'Executive Chairman. Although section 3 of the *Income Tax Administration Ordinance No. 39 1958*, which was a fallout from the Raisman Commission Report, statutorily provided for the establishment of the 'Federal Board of Inland Revenue',⁴ full effect was only given to that provision under the *Companies Income Tax Act (CITA) 1961*. The Federal Board of Inland Revenue consisted of a Chairman, a Deputy Chairman, and Senior Assistant Secretary with responsibility for revenue matters in the Federal Ministry of Finance; Legal Adviser in the Federal Revenue Department; two other members being Chief Inspector of Taxes or Officers of equivalent rank; and one further

member appointed by notice in the Gazette by the Minister.⁵ In line with this structure, Ephraim Osindero was appointed on 29th April 1961, a position he held until 1971 when he was succeeded by O. A. Ogunba [11]. The process of re-organization of the Board and its executive arm, the Federal Inland Revenue Department was formally approved by the federal government on the 12th of January, 1977. The purpose of the re-organization was to revitalize the Board and the Department to make them serve as potent weapons for combating the twin problem of tax evasion and avoidance and to cope effectively with the geographical and functional expansion within the Department. The highlights of the reorganization were the changes in the designation of the post of Chairman and Deputy Chairman to Director and Deputy Director of the Department respectively and the increase in the number of Deputy Directors from three to four with specific functions assigned to each Deputy Director. The re-organization also included the increase in the membership of the Board from seven to ten, appointment to the Board, representatives of ministries and other organizations whose mandate had bearing with functions performed by the Board, increase in the number of posts of Chief Inspectors and other established senior

posts, upgrading of the post of the Board Secretary, creation of Intelligence Section and so on. The official opening of the inaugural meeting of the Board was performed by the Honorable Federal Commissioner for Finance on the 8th of September, 1977 [12]. The next landmark re-organization of the Board was the promulgation of the *Finance (Miscellaneous Taxation Provisions)*

Omeje (Amendment) Decree No. 3 of 1993 which reconstituted and expanded the Board's membership. Further transformations came in sequel to the recommendations of the Study Group and the Working Group (as earlier analyzed), the most fundamental of which was the passage of the Federal Inland Revenue Service (Establishment) Act [13].

Composition of the Board

The Board comprises of:

- a. The Executive Chairman of the FIRS, who shall be a person experienced in taxation to be appointed by the President as Chairman;
- b. Six members with relevant qualifications and expertise appointed by the President to represent each of the six geopolitical zones.
- c. Chairman of the National Revenue Mobilization, Allocation and Fiscal Commission or his representative;
- d. Representative of the Minister of Finance not below the rank of Director
- e. Group Managing Director of the Nigeria National Petroleum Corporation or his representative
- f. not below the rank of Group Executive Director or its equivalent;
- f. The Chief Executive Officer of the National Planning Commission or his representative not below the rank of Director;
- g. Comptroller-General of the Nigerian Customs Service or his representative not below the rank of Deputy Comptroller-General;
- h. The Registrar General of the Corporate Affairs Commission or his representative not below the rank of Director;
- i. A representative of the Attorney-General of the Federation;
- j. The Governor of the Central Bank of Nigeria or his representative

Powers and Duties of the Board

1. Provision of general policy guidelines relating to the functions of the Service;
2. Management and superintendence of policies of the Service on matters of administration of revenue assessment, collection and accounting under the Act or any enactment;
3. Review and approval of strategic plans for the Service;
4. Employment and determination of terms and conditions of service, including disciplinary measures for the Service;
5. Determination of remuneration, allowances, benefits and pensions of staff of the Service in consultation with the National Salaries, Income and Wages Commission;
6. Such other things which in its opinion are necessary to ensure the efficient performance of the functions of the Service.

There is also a Technical Committee of the Board comprising of the Executive Chairman of the Service as Chairman; all the Directors and Head of Departments of the Service; the Legal Adviser of the Service; the Secretary to the Board; and any person co-opted from the Service by the Committee.

The functions of the Committee

Consideration of all tax matters requiring professional and technical expertise and making recommendations to the Board; Advising the Board on any aspect of

the functions and powers of the Service; and Such other matters as which, from time to time, be referred to it by the Board.

The Organizational Structure (Organogram) of the FIRS

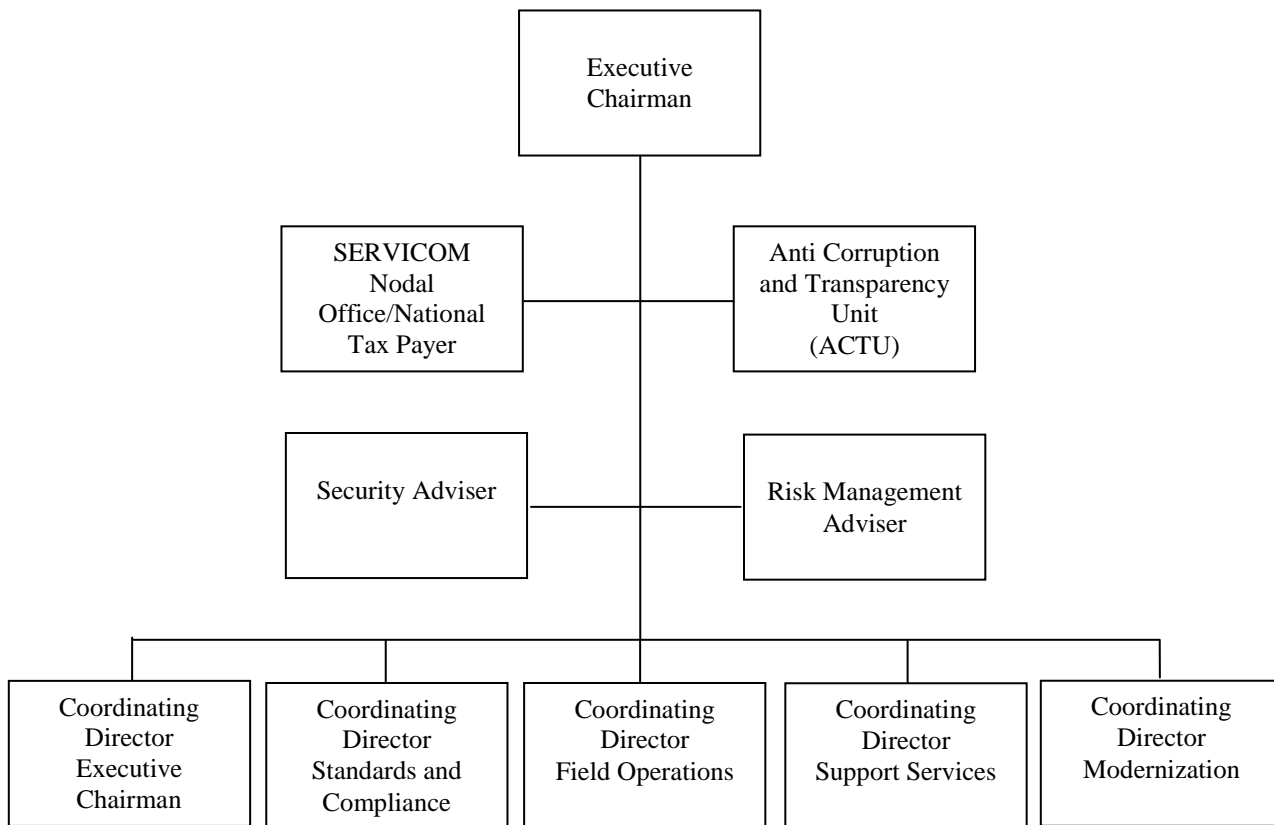


Figure 1: Organizational Structure of Federal Inland Revenue Service

The Federal Inland Revenue Service (FIRS) has announced the introduction of six (6) new electronic tax services (e-services) [5]. The initiatives underscore the efforts of FIRS towards ensuring that key tax processes are automated in order to improve transparency, ease and speed of tax administration; for both taxpayers and tax administrators. It is also in alignment with the goals of the Presidential Enabling Business Environment Council (PEBEC), which

was setup February, 2017. However, FIRS is making more efforts at going fully automated and becoming paperless in the near future, whereas, their state and local government counterpart hardly fosters a functioning websites. It is very imperative to state, as a matter of clarity, that the process of tax payment, assessment and clearance, despite efforts to automate, remain largely, a manual operation[8].

Personal Income Tax Rate Structure (Old and the New)

Based on the amendment dated 14 June 2011, President Goodluck Jonathan on Tuesday 13 December 2011 announced signing into law the new Personal Income Tax (Amendment) Bill. The new Personal Income Tax (Amendment) Bill has this key change on the introduction of a consolidated tax free allowance of N200,000 or 1% of gross income, whichever is

higher, plus 20% of the gross income. Gross emolument (or income) is defined to include benefits in kind, gratuities, superannuation and any other incomes derived solely by reason of employment [11]. The tax rate newstructure use in assessing the tax rate payable by the tax payers comparing to the old rateis shown in table 1.

Table 1 Personal income tax rate structure

.Old Bands		Old Rates	New Bands		New Rates
First	N30,000	5%	First	N300,000	7%
Next	N30,000	10%	Next	N300,000	11%
Next	N50,000	15%	Next	N500,000	15%
Next	N50,000	20%	Next	N500,000	19%
Above	N160,000	25%	Next	N1,600,000	21%
			Above	N3,200,000	24%

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