

Perception of Professionals on Introduction of Voluntary Assets and Income Declaration Scheme (VAIDS) in Nigeria

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ABSTRACT

Oil, the major source of revenue for the government is dwindling. But despite that, the government needs to provide public goods, create enabling environment for the financial, material, physical and spiritual developments of the citizenry among others. To perform any of the roles, the government needs money. It is in the quest to turn the tide that the federal government of Nigeria introduced VAIDS. This paper, therefore, attempted to examine the perception of professional on its introduction with a view of guiding the tax payers. The study, grounded in socio-political theory adopted a survey design to administer 200 copies of a research instrument among professionals consisting of accountants and tax practitioners in Lagos Central District of Lagos state, using convenience sampling technique. The data collected were presented in frequency tables and analysed using chi-square technique. The result of the analysis showed that there is significant relationship between government revenue and VAIDS. And that the introduction of VAIDS shall increase the number of taxpayers in the tax net and reduce the cost of recovery of evaded tax liabilities significantly. It therefore, concluded that the introduction of VAIDS to manage tax affairs in the country would enlarge the tax net, thus, affording the government access to revenue so that the infrastructure gaps could be closed and as well meet the needs of the citizenry. However, it recommended that tax evaders should take the advantage of soft-landing vis a vis the amnesty period provided by the scheme. And that every responsible citizen must pay tax, as it is a major source of revenue to drive the economy. Moreover, the government should demonstrate compliance accountability and spend the tax revenue judiciously.

Keywords: VAIDS, Tax amnesty, Tax evasion, Tax net.

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1. INTRODUCTION

Successive governments in Nigeria had depended on oil resources but the recent fall in oil revenue tends to hinder the government from fulfilling her promises. Succinctly, Etanmbi (2005) chronicled that government exists primarily to guarantee safety of life, security of property legitimately acquired by citizen, to protect citizen from want of food, shelters and clothing. But any government that fails to discharge these responsibilities lacks legitimacy and constitutes what Saint Augustine calls a 'band of robbers'.

On the other hand, Eme and Chukwura (2015) argued that large scale fraud in revenue calculation, collection and remittance has become a cankerworm that has eaten deeply into the fabrics of revenue generating and collecting agencies in Nigeria. Indeed, Nigeria is generally regarded as an “oil rich” nation and everything seems to centre on or around it including national budgets. Tax collection was neglected as a result of ‘awufu’ money from oil after civil war (Olabode, 2017). If the tax system had been working well, oil revenue should be miscellaneous income not the main revenue (Oyedele, 2017). For example, the Nigeria Bureau of Statistics (NBS) in 2016 reported that out of 79.9 million Nigerian Labour Force, 14million were registered taxpayers. This indicates that 82% of the labour force are tax evaders. Reuter (2017) observed that tax evaders can be individuals or privately held companies

Tax evasion is an unlawful practice which has the effect of reducing the government revenues needed for the provision of infrastructures, and for public services and public utilities (Otusanya, 2010). Furthermore, it causes loss of revenue, underreporting, illegal market, and distortion of competition, insufficient budget for government spending and other consequences (Juruss 2017) such as undeclared income, cash without bill and incorrect application of personal expenses from business accounts. The feature of tax evasion often highlighted in the literature is the probability of being caught by the tax authorities, which usually comes with a punishment (Lopez, 2016).

Capgemini (2016) espoused that there were several ways of dealing with tax evasion. He cited that the Australian Taxation Office (ATO) posts a strong statement on its website directly addressing taxpayers. The statement was that, ATO is “committed to targeting tax evasion and you can help us to make sure everyone pays their fair share of tax”. In the US, for instance, the Internal Revenue Service (IRS) established the Whistleblower Office which grants the “Informant Award” “to people who blow whistle on persons who fail to pay the tax that they owe. However, In United Kingdom passengers who mistakenly bought a wrong ticket are fined with the same high penalty as those dodging the fare on purpose. In Belgium, the Federal Public Service Finance Department uses multiple analytical techniques to detect VAT fraud, which has reduced loses by 98%, from as much as 1.1 billion euros in 2002 to just under 19 million euros in 2012. The tool allows proactive detection of companies at risk and enables the tax authorities to take appropriate safeguards.

Sandmo (2005) in Gokap, Lee and Peng (2017) said one of the most ubiquitous illegal corporate behaviors in almost every country is corporate tax evasion. He, therefore, defined it as a managerial decision not to fully report taxable corporate profit in order to reduce tax payments. Thoughtfully, Gokap, Lee and Peng (2017) opined that past research has identified several factors that influence the likelihood of corporate tax evasion (Andreoni, Erard, & Feinstein, 1998), such as public sector corruption (Friedman, Johnson, Kaufmann, & Zoido-Lobaton, 2000; Goerke, 2008), tax rates (Cowell, 2004; Fisman & Wei, 2004), degree of penalties (Gordon, 1990), fairness of the tax code (Cullis and Lewis, 1997), and effectiveness of corporate governance mechanisms (Desai & Dharmapala, 2006; Desai, Dyck, & Zingales, 2007). Furthermore, Adebisi and Gbegi (2013) claimed that the most common form of tax evasion in Nigeria is through failure to render tax returns to the relevant tax authority. They wrote that 85 percent of corporate tax revenue in the country accrues from the 196 companies listed on the Nigeria Stock Exchange compared to the 30,000 companies registered with the Corporate Affairs

Commission. They therefore, concluded that this is a serious indictment of the administrative machinery and capacity of the tax authorities in Nigeria.

In view of the foregoing, this study, therefore, attempts to appraise VAIDS with the objective of analyzing views of professional on its introduction to manage tax affairs in Nigeria.

The next section deals with a review of relevant literatures on VAIDS while section three and four deal with research methods and data presentation respectively. Moreover, the conclusion and recommendations are presented in the final section.

2. REVIEW OF LITERATURE

Voluntary Assets And Income Declaration Scheme (VAIDS)

It may be recalled that the federal government in its quest to turn the tide as far as tax compliance is concerned had come up with the Voluntary Asset and Income Declaration Scheme (VAIDS). VAIDS is a tax amnesty scheme launched by Acting President Yemi Osinbajo in Abuja on Thursday, June 29, 2017. The scheme seeks to encourage non-compliant and partially compliant taxpayers to voluntarily declare their correct income and assets and pay the appropriate tax due to the government (N-Power, 2017). Yusuf (2017) reported that since its initial proposition by the Organisation for Economic Co-operation and Development (OECD) in 2010, more than 47 countries in the world have implemented the program in one form or the other, including South Africa, India, Indonesia, Turkey among others and that Nigeria expects to rake in US\$1 billion from the scheme.

According to Agbeyi (2017), some of the objectives of the scheme include;

- i. Curbing non-compliance with existing tax laws and discouraging use of tax havens.
- ii. Broadening the Federal and State tax brackets.
- iii. Increasing Nigeria's tax to Gross Domestic Product (GDP) ratio from 6% to 15% by 2020.
- iv. Discouraging illicit financial flow and tax evasion.

Yusuf (2017) hinted that VAIDS will boost investment and economic activities and creates job opportunities including 7,500 employment places for tax liaison officers under the N-Power scheme of the federal government. To Oyedele (2017) the direct benefits of VAIDS are to increase the number of tax payers in the tax net and raise revenue for government. Nigeria has a total of 69.9 million economically-active individuals but only 14 million of such people are tax payers; 96% of them have their taxes automatically deducted through the Pay As You Earn (PAYE) system and 4% comply by paying willingly (TheCable, 2017). Furthermore, it reported that the only 214 Nigerians that pay 20 million naira or more in taxes annually are based in Lagos state. Likewise, two out of the fewer than 1,000 Nigerians that paid N10 million naira or more in taxes are also based in Lagos state. This corroborated the view of Oyedele (2017) that Lagos state accounts for almost 40% of total Internally Generated Revenue collected by all 36 states, more than all other states combined excluding states of Ogun, Rivers and Delta. He, therefore, opined that Nigeria's revenue profile is at a crisis level and we must find a turning point or we are bound for the tipping point with dire consequences.

Furthermore, he demystified the convenient narrative that people do not pay tax because government is corrupt. He wrote that in reality, the reason why government is corrupt is partly because people do not pay tax. If citizens pay their taxes correctly, they are more engaged and therefore, hold their leaders accountable.

According to Yusuf (2017) VAIDS applies to all tax-paying individuals, companies, executors and trusts and covers all taxes collectible by federal and state tax authorities. The VAIDS disclosure requirements comprise all tax payable to all levels of government in Nigeria such as companies' income tax, personal income tax, petroleum profit tax, capital gain tax, stamp duties, tertiary education tax and technology tax.

Some of the provisions of the scheme are enumerated below:

1. A nine month period commencing from the 1st of July 2017 to 31st March, 2018 for taxpayers who are in default of their tax liabilities to declare their assets and income from sources within and outside Nigeria relating to the preceding six years assessment.
2. The scheme provided an opportunity for eligible taxpayers to:
 - a. Regularize their tax status for all the relevant years
 - b. Pay all outstanding taxes
 - c. Prevent and stop tax evasion; and
 - d. Ensure full tax compliance

With respect to eligibility to participate, the scheme provides as follows:

- a. The scheme is open to and targeted all persons and entities that are in default of their tax liabilities in anyway whatsoever, including those who:
 - i. earn an income or own an assets but are yet to register with the relevant tax authorities
 - ii. are registered tax payers who have additional disclosures to make or need amend prior disclosures ; and/or are registered but have not been filing returns
 - iii. have not been fully declaring their taxable income and assets
 - iv. have been underpaying or under remitting
 - v. are under a process of tax audit or investigation with the relevant tax authority
 - vi. are engaged in a tax dispute with the relevant tax authority but are prepared to settle the tax dispute out of court.

Furthermore, VAIDS provides that for an application pursuant to the scheme to be valid, the following requirements must be met:

- a. The disclosures by the taxpayer should be voluntary
- b. The disclosure must be full, frank, complete and verifiable in all material respects
- c. The assessment of tax payable must be carried out by relevant tax authority.

Succinctly, it provides further that any taxpayer, who truthfully and voluntarily declares his assets and income, complies with the regulations and guidelines and pay all outstanding taxes shall obtain the following benefits:

- i. Immunity from prosecution for tax offences
- ii. Immunity from tax audit
- iii. Waiver of interest
- iv. Waiver of penalties; and

- v. Option of spreading payment of outstanding liabilities over a maximum period of three years as may be agreed with the relevant tax authority

On the other hand, the consequences of failure to apply and comply with the provision of VAIDS are outline thus:

- a. liability to pay in full, the principal sum due
- b. liability to pay all interest and penalties arising there from
- c. liability to be prosecuted in accordance with relevant extant laws or tax offences
- d. withdrawal of any reliefs, which may have been granted to the participant
- e. liability to undergo comprehensive tax audit; and
- f. any sum paid in relation to the scheme may be counted as part payment of any further outstanding tax in respect of undisclosed information.

3. THEORETICAL FRAMEWORK

This study was grounded in socio – political theory of taxation: The theory maintained that the essence of tax is to bridge the gap between national development needs and funding of the needs (Uzonwanne, 2015). To her, taxes are found to be unable to achieve macro objectives except when re-engineered. Also, the theory stated that taxes are designed as a strategic option to cure the ills of the society thereby improving the economic development of the state and the whole nation at large.

While advocating a modern welfare approach in evolving and adopting a tax policy Chigbu, Akujuobi & Appah (2012) noted that Adolph Wagner advocated that social and political objectives should be the deciding factors in choosing taxes. Also, they noted that Wagner did not believe in individualist approach to a problem but wanted that each economic problem should be looked at in its social and political context and an appropriate solution found thereof. Conclusively, they submitted that a tax system should not be designed to serve individual members of the society, but should be used to cure the ills of society as a whole. Therefore, the socio-political theory is adopted as framework for this study. This is in tune with aim of VAIDS which is to increase the number of tax payers in the tax net and raise revenue for government.

4. RESEARCH METHODOLOGY

This study employs a survey design to gather data from selected professionals which comprises accountants and tax practitioners in private sector. Based on convenience and proximity, a well-structured questionnaire was distributed and administered in Lagos Central District of Lagos State. The validity and reliability of the questionnaire was subject to cronbach's apha tests. A sample size of 200 was chosen using convenience sampling while the data collected were analysed using chi-square technique and presented using frequency tables.

5. PRESENTATION OF RESULT

This section deals with the analysis and presentation of data collected through the administration of the research instrument designed for this study. Out of 200 copies of the questionnaires distributed, 146 copies representing 73% were returned. This indicates high success rate.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.670	17

Source: Field Survey (2017)

Table 1 exhibits the reliability statistics of the 17 items that compose the scales. It shows that the cronbach alpha coefficient for the study is 0.670. This, therefore, indicates that the scales and the items of the research instrument show a high measure of internal consistency.

The table 2 depicted that 12 respondents out of 146 total respondents were less than 31 years, 62 respondents were of age 31 years to 40 years, 57 respondents' ages ranges from 41 years to 50 years while 15 respondents were above 50 years. This implies that most of the respondents were of age 31 to 40 years. With respect to years of experience, majority of the respondents had 5 years to 10 years experience on tax matters. This therefore, signifies that most of the respondents are middle-aged and experienced in tax issues.

Table 2: Age Of Respondents * Tax Practice Experience Crosstabulation

AGE OF RESPONDENTS	TAX PRACTICE EXPERIENCE			Total
	LESS THAN 5 YEARS	5 YEARS TO 10 YEARS	MORE THAN 10 YEARS	
LESS THAN 31 YEARS	5	7	0	12
31 YEARS TO 40 YEARS	25	23	14	62
41 YEARS TO 50 YEARS	13	28	16	57
ABOVE 50 YEARS	0	4	11	15
TOTAL	43	62	41	146

Source: Field Survey (2017)

On assessing the provisions of the scheme, 27.7% of the respondents strongly agreed, 41.2% agreed while 31.1% disagreed but no respondent strongly disagreed that assurance of no audit investigation tends to secure compliance with VAIDS provision. Since the largest percentage of the respondents agreed, this therefore, implies that the assurance of no audit investigation has a tendency to prompt tax payers to comply with the scheme.

Also, the table revealed that majority of the respondents opined that VAIDS tends to increase number of taxpayers in tax net thus, raising revenue for government and reducing cost of recovery of evaded tax liabilities from the tax evaders while providing opportunity for eligible tax payers to regularize their tax status for the relevant years. Furthermore, 18.2% and 41.9% strongly agreed and agreed respectively that compliance with VAIDS indicates stoppage of tax evasion.

Whereas, 39.9% of the respondents disagreed but none strongly disagreed that compliance with VAIDS indicates stoppage of tax evasion. This proves that the largest percentage of the respondents concurred that compliance with VAIDS implies stoppage of tax evasion by tax payers. Furthermore, the 31.1% of the respondents strongly agreed, while 48% agreed that VAIDS provides soft-landing for tax evaders. But 20.9% disagreed. This indicates that major respondents concurred that VAIDS provides soft-landing for tax evaders in Nigeria.

Test of Hypothesis

Null Hypothesis: There is no significant relationship between government revenue and VAIDS.

Table 3: Chi-Square Test Statistics

	Relationship between government revenue and VAIDS
Chi-Square	37.027 ^a
Df	3
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 37.0.

Source: Field Survey (2017)

The result of test of hypothesis using chi-square techniques depicted in table 3 reveals that calculated value is 37.027 at 3 degree of freedom and 95% confidence level, whereas the tabulated value is 0.352. Since the calculated value is more than the tabulated value, the null hypothesis is therefore rejected. This implies that there is a relationship between government revenue and VAIDS.

Table 4: Recovery of tax liabilities

	frequency	percent
Very High	114	77
High	34	23
Moderate	0	0
Low	0	0
Total	148	100

Source: field survey, 2017

The table 4 reflected the feasible extent of reduction in cost of recovery of evaded tax liabilities by relevant tax agencies. Out of 148 respondents, 114 respondents representing 77% of the respondents indicates that the feasible extent of reduction in cost of recovery of evaded tax liabilities is very high while 34 respondents representing 23% claimed that the feasible extent is high. No respondent chose other options. It is therefore, deduced that the feasible extent of reduction in cost of recovery of evaded tax liabilities in accordance with VAIDS is very high.

Table 5: Government Revenue

	frequency	percent
Very High	78	52.7
High	70	47.3
Low	0	0
Moderate	0	0
Total	148	100

Source: field survey, 2017

The table 5 portrayed that 52.7% of the respondents opined that the extent of expected increase in government revenue if tax evaders complied with VAIDS will be very high while 47.3% claimed the extent shall be high. This indicates that effective operation of the scheme shall lead to increase in government revenue.

6. CONCLUSION & RECOMMENDATIONS

6.1 Conclusion

The assurance of no audit investigation, spreading of tax liabilities and waiver of penalties provided by the scheme signaled soft - landing for tax defaulters in Nigeria. The significant relationship of the scheme with government revenue is expected to contribute in high measure, to government revenue. Therefore, this paper concluded that the introduction of VAIDS to manage the tax affairs in the country would enlarge the tax net, thus, affording the government access revenue to close the infrastructure gaps and as well meet the needs of the citizenry.

6.2 Recommendations

It is hereby recommended that:

- a. Tax payers should approach their tax responsibility as conduct that goes beyond legal compliance and reflect their roles to contribute to the provision of public goods on which all categories of tax payers develop.
- b. Every responsible citizen must pay tax, as it is a major source of revenue to drive the economy. Likewise, the government should demonstrate compliance accountability and spend the tax revenue judiciously.
- c. Tax evaders should take the advantage of soft-landing vis a vis the amnesty period provided by the scheme. By doing so, they shall be exempted from prosecution for tax offences committed during the relevant periods and enjoy waiver of interest and other penalties stipulated for defaulters in the scheme.

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