INTERNATIONAL CENTRE FOR TAX RESEARCH AND DEVELOPMENT

# THE IMPACT OF FINANCE BILL ON PERSONAL INCOME TAX IN NIGERIA

**December, 2019**

Taxation has a significant influence for the conduct of public policy and it applies to countries that are either developed or developing. It is a general knowledge that taxation contributes in government economic stabilization and income re-distribution by attaining high rate of revenue generation.

We can say taxation is a key factor of public policy that is essentially concerned with the manipulation of financial operation of both the government and non-government sectors with a view of furthering certain economic objectives. In Nigeria, these economic objective includes the attainment of appreciable level of full employment, avoidance of excessive inflation, achievement of satisfactory balance of payment position, appreciable increase in the national income and a reduction of extreme inequality among the citizens, provision of other essential necessities of life like water, schools, building of bridges, roads and so on

Although, taxation is not the only source of revenue for the government, other sources are:

- Fines and fees
- Rent on government quotas
- Interest
- Dividends and royalties on government and so on.

However, taxation remains the major source of revenue for the government in Nigeria. In a bid to improve economic growth; government initiates financial policies by the means of annual budgets and tax laws to fund and provide necessary extension services for business enterprises and also using various government financial policies to guarantee certain allocation of funds for small scale businesses.

On the 21st November 2019, the Finance Bill 2019 was passed by the Senate after scaling through third reading on the floor of the Senate. Earlier on October 14, 2019, the National Assembly had received the bill along with the 2020 Budget from His Excellency, President Muhammadu Buhari. The Objectives of the Bill is to promote fiscal equity, align domestic laws with global best practices, and support Micro, Small and Medium-sized businesses. In addition, the Bill is expected to increase government revenues and stakeholder investments in investment/capital market through the introduction of incentives

The Bill amends numerous sections of Tax Act, like Value Added Tax Act (VAT), Company Income Tax Act (CIT), including sections 33, 49 & 58 of the Personal Income Tax Act (PITA). The amendment of the PITA that appears to have caught the interest of many is the provision that henceforth, individuals would be required to produce their Tax Identification Numbers (TINs) before they can operate new or existing bank accounts in Nigeria. The Minister of Finance, Mrs. Zainab Ahmed, the bill when signed into law will take effect from the 2nd of Jan 2020.

This could require banks to start asking their customers for TIN starting from January 2nd, 2019, and it could possibly become difficult to obtain in 2020 due to high demand. In order to prevent unfortunate delay in Bank transaction in the future, customers should obtain the TIN as soon as possible. The TIN is not limited to Bank customer only, but to companies and individual taxpayers. Therefore, an employee of an organization that remits PAYE should already have some form of tax identification from the State Internal Revenue Service, likewise a consultant doing business with government or any organization where withholding tax was deducted, certainly must have provided a TIN. A TIN is also required for students, but without any form of deduction, as it only verifies them as a registered tax payer in Nigeria.

According to Joint Tax Board for registration or verification of TIN, it is automatically assigned to individuals based on their BVN (Bank Verification Number) or NIN (National Identity Number) on using their website link which is https://tinverification.jtb.gov.ng/
and for Non Individuals such as (Limited Liability Companies, Incorporated Trustees, Enterprises, Cooperative Society, MDAs, Trade Association etc) using the link
https://tin.jtb.gov.ng/TinRequestExternal

However the controversy, we at ICTRD note that, in order to maximally achieve the planned boosting of revenue through dragging many Nigerians into the tax net, it is important for the Nigerian government to ensure that, the agenda should be more of development driven, rather than revenue driven. If Nigerians and her residents are pleased with infrastructural development, more people will be willing to pay tax, rather, than being coerced through mandatory registration of Tax Authority, which, in the long run will not motivate people to be tax compliant.


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