



2. The input VAT credit mechanism may have significant cashflow impact on taxpayers whose output VAT is withheld at source, particularly the Fast-Moving Consumer Goods companies, large manufacturing companies and suppliers to companies operating in the oil and gas industry, banks, MTN Plc, Airtel and government ministries, statutory bodies and agencies. For example, in order to claim allowable input VAT on monthly purchases, the input VAT credit mechanism requires that the supplier must have remitted the VAT collected on the supplies before the credit becomes available to the customers. While the logic behind the update may seem reasonable, as suppliers are expected to remit the VAT collected from their customers on a monthly basis; however, this is not always the case. The reality is that some suppliers, based on their business exigencies, may not always remit the VAT collected from their customers on monthly supplies as and when due. The implication of restricting the available input VAT amount to the amount of VAT remitted by the suppliers is that the affected customers will be required to make additional cash payments in such months that the suppliers fail to remit the VAT collected to the FIRS.
3. Finally, the input VAT credit mechanism does not consider the allowable input VAT paid to Nigeria Customs Service (NCS) on imported goods. Section 17(1) of the VAT Act (as amended) defines allowable input VAT to include "the tax on goods purchased or imported directly for resale..." The omission of the VAT paid to the NCS on imported goods in the input VAT credit mechanism feature is a significant oversight which must be promptly addressed to ensure that the operation of the system is consistent with the provisions of the law.

While we commend the continued efforts of the FIRS to leverage technology to improve tax collection and voluntary compliance in Nigeria; however, it is

important that the operations of these technology tools are designed in line with the compliance provisions stipulated in the relevant tax laws. This will help to mitigate unintended adverse effects on taxpayers and their businesses. It is, therefore, hoped that the FIRS will review the updates to VAT compliance process on TPM in line with the issues discussed above to ensure the achievement of the twin objectives of improving revenue collection for the government and reducing compliance cost for taxpayers.

The effective automation of tax processes requires ongoing communication/ consultation between tax authorities and taxpayers. Consequently, the success of any 'innovation' is highly dependent on continuous engagements with stakeholders. Though the FIRS has consistently done this, except in this instant case. Consulting with stakeholders when the actions have already been taken is not the way to go towards 'making tax just happen'. It is also important that the innovation must be user-friendly and valued adding. Where these elements are not present, there will be resistance and such innovation will fail.

One area that needs urgent innovation is in data entry. Taxpayers are still required to populate line by line details of all monthly transactions in the sales schedule before they can upload. This is a manual, repetitive, time-consuming and low value task which is not required. The time spent on data entries into the sales schedule can be spent on more important and value-adding activities. The system should, therefore, be designed in a way that can allow taxpayers to directly upload their sales schedule on the TaxPro-Max platform. FIRS, using data analytical tools, can sort out the information in the way it requires. The FIRS only needs to specify the key information that the taxpayer's sales ledger must contain. This will certainly reduce compliance burden on taxpayers.



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