
A Bill to establish Social Security Trust Fund has been introduced

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In brief

A new Bill has been introduced by the National Assembly seeking to establish an Unemployed Youth, Elderly and Indigent Persons Sustainability Allowance Trust Fund to be financed by the proposed Communication Service Tax. The Fund will be managed and utilized for the emergency needs of Nigerians including payments of stipends to the unemployed, subsidising infant drugs, hypertension drugs, diabetes drugs and other related matters.

In detail

Background

The Unemployed Youth, Elderly and Indigent Sustainability Allowance Trust Fund Bill (UYEISA or the "Bill") is meant to go hand-in-hand with the Communication Service Tax (CST) Bill ([see our alert here](#)).

The CST Bill imposes a 9% tax on electronic communication while the UYEISA Bill seeks to use 30% of the CST to provide for unemployed youths, elderly and indigent persons and subsidise drugs for infants, hypertension and diabetes among other related needs.

Overview of the Bill

Establishment of the UYEISA Fund

The Fund shall be a body Corporate which can be sued in its corporate name and acquire/manage its properties.

The Federal Inland Revenue Service (FIRS) will administer and pay the tax collected into the Fund and shall also submit returns showing;

- (a) The name of companies making the payments
- (b) The amount collected
- (c) The assessable profit of the companies making payment
- (d) Such other information as may be required by the Fund for proper administration of the tax

The Fund is required to set aside annually, an amount not exceeding 5% of the total monies accruing to the Fund in the preceding year for the administration and management of the Fund.

Establishment and functions of the Board of Trustees

There will be established for the Fund a Board of Trustees made

up of a Chairman, 6 persons representing each geo-political zone in Nigeria, a secretary and a representative from selected ministries.

Functions of the Board include monitoring and ensuring collection of CST by the FIRS and transfer of same to the Fund; disbursement of funds to relevant bodies; receive requests and approve projects; invest funds in appropriate and safe securities; among other functions.

The Board may make regulations for the operation of the Bill on matters relating to the assets of the Fund, the regulation of payments into and out of the Fund and requirements to keep proper accounts.

Management and administration of the Fund

The Board shall disburse the amount in the Fund to Nigerian

citizens and families, institutions and organisation involved in;

- (a) Creating and managing a Nigerian employment database
- (b) Payment of stipends for the unemployed Nigerian citizen
- (c) 911 emergency security services
- (d) 911 paramedic services
- (e) Special 911 free legal services both for citizens in Nigeria and in diaspora
- (f) Payment of tuition for the “child of the poor” and the “gifted Nigerian child”
- (g) Nigeria education services support call centres in order to bring education to the fingertips of every Nigerian
- (h) Subsidizing infant drugs, hypertension drugs and diabetes drugs
- (i) Setting up and managing state agricultural territories so as to provide affordable food and create massive nationwide employment
- (j) Providing full scholarship funds for students in Nigeria and diaspora
- (k) Any other need which in the opinion of the Board is critical and essential for the improvement of quality and maintenance of standards of life of the Nigerian citizen and families.

Basis for disbursement of funds

The Board shall administer, manage and disburse the fund on the basis of:

- (a) Funding of all Nigerian citizens emergency needs satisfaction as listed above.

- (b) Equality among the 6 geopolitical zones of the Federation in the case of special intervention.
- (c) Equality among the states of the Federation in the case of regular intervention.

The Fund shall not later than 30 September each year, submit to the National Assembly an estimate of expenditure or income of the Fund for the next fiscal year.

Our comments on the Bill

No section referred to the percentage of the CST payable to the Fund

An important piece of information in the Bill is that the UYEISA Fund will be financed by 30% of the CST collected. However, this was only mentioned in the explanatory notes as no section in the Bill expressly stated this. Consequently, where the explanatory memorandum does not carry the force of law, the UYEISA Trust Fund will be starved of funds.

Normally, explanatory notes only guide ones understanding of the sections. In addition, where such rates change in future it will be difficult to present the change in the form of an amendment to the law.

Definition of some terms

Certain expressions in the Bill which in their literal meaning can be misinterpreted, were not defined in the Bill. Such terms include “unemployed youth, “child of the poor” and “gifted Nigerian child”.

Scope and coverage

It is not clear why Nigerians in the diaspora are included as beneficiaries under the Bill given that in most cases they would not have contributed to the fund through payment of CST and people who can afford to travel out of the country are not the most vulnerable people in society unless in the undesirable event of internally displaced persons fleeing the country.

Danger of subsidising consumption

The Bill to a large extent will subsidise consumption rather than production or providing empowerment. There is very little focus on creating employment, as opposed to managing unemployment. For instance, creating unemployment database or setting up agricultural territories will not of their own generate employment.

The takeaway

The stated intention of the Bill is to provide means for the government to make transfer payments and provide economic assistance to the poor and needy. The Fund created by this Bill which is to work in tandem with the CST may have been drawn up to ensure that the additional tax imposed by the CST is acceptable to Nigerians.

This initiative appears to be directed towards the campaign promise made by the present administration to make

conditional cash transfer and social welfare for the poor.

While the aim of providing some form of safety net to vulnerable members of the society has some merit, there is an understandable degree of scepticism that revenues generated from earmark taxes like the CST often do not find

their ways to the rightful beneficiaries.

The concept of “Social Contract” is very important in understanding the perception of taxpayers on the UYEISA Trust Fund Bill. Similar interventions in the past such as the Tertiary Education Trust Fund, Industrial Training Fund and National Housing Fund have

done very little to justify the additional burden imposed on taxpayers/contributors.

There should also be reliable data, accountability and transparency as well as robust controls to avoid mismanagement and misappropriation of the funds collected.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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