

Voluntary Assets and Income Declaration Scheme (VAIDS)



The National Executive Council recently gave an approval in principle for a Voluntary Asset and Income Declaration Scheme in Nigeria.

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Introduction

The National Executive Council [NEC] recently approved in principle, the implementation of a Voluntary Assets and Income Declaration Scheme (VAIDS). The Scheme is expected to come into effect from May 2017 once formal guidelines have been issued.

The Scheme encourages voluntary disclosure of previously undisclosed assets and income for the purpose of payment of all outstanding tax liabilities. The Scheme will offer a limited waiver for declaration within the specified period of time.

The Scheme is expected to help expand Nigeria's tax base and therefore improve the low tax to Gross Domestic Product [GDP] ratio currently about 6%. It also seeks to curb the use of tax havens for illicit fund flow and tax avoidance.

It is estimated that the Scheme would generate approximately USD1 billion in tax revenues.

Objectives

Some of the objectives of the Scheme include:

- Increasing Nigeria's tax to GDP ratio from 6% to 15% by 2020.
- Broadening the Federal and State tax brackets. Only 214 individuals nationwide pay N20 million or more in tax annually.
- Curbing non-compliance with existing tax laws and discouraging use of tax havens.
- Discouraging illicit financial flows and tax evasion.

Highlights of the Scheme

Limited Amnesty: The Scheme would grant some waivers as a reward for voluntary declaration of assets and payment of tax liabilities.

Scope: All individuals resident in Nigeria and companies operating in Nigeria. However, the primary targets are multinational enterprises and high net worth individuals.

Applicable taxes: The disclosure requirements would be in respect of all taxes payable to all levels of government – federal, state and local government taxes including Companies Income Tax, Personal Income Tax, Petroleum Profits Tax, Capital Gains Tax, Stamp Duties, Tertiary Education Tax and Technology Tax.

Non declaration: Any taxpayer who fails to embrace the voluntary disclosure Scheme will be investigated and if found culpable will be prosecuted in addition to full payment of tax due including penalty and interest.

Takeaway

The Scheme aims to address tax evasion and illicit financial flows particularly by individuals.

Given that there are no formal guidelines yet, the details of the limited waiver are not yet known.

The Scheme is in line with global best practices on disclosure of information and declaration of assets.

A similar scheme was adopted in India which resulted in the addition of over 350,000 individuals to the tax net yielding approximately US\$1.2 billion.

There will be collaboration with foreign governments where assets and illicit funds are likely to be held by Nigerians. Government will leverage on various international agreements including the recently ratified Convention on Mutual Administrative Assistance in Tax Matters which has been signed by over 100 countries.