

# **DRAFT GUIDELINES FOR ELECTRONIC PAYMENTS OF ALL FORMS OF TAXES AT ALL LEVELS OF GOVERNMENT.**

## **1.0 INTRODUCTION**

Electronic payments of tax shall refer to:

- Ability to collect taxes, levies, duties, fees by Government agencies or its authorized agencies electronically
- Ability of Government to refund excess tax payments to organisations/businesses or Individuals electronically.

## **2.0 OBJECTIVES OF THE GUIDELINE**

This guideline sets out to define standard requirements for the enthrone of implementation of e-payments by any Government agency authorized to collect taxes, levies or other such Government dues. Specific benefits to be derived from the adoption of e-payments for tax remittances include:

- ◆ Reduction in the time and cost involved in making tax payments
- ◆ Easier and more user friendly platform/solution for the payments of tax
- ◆ Ensure that the right amounts are paid into the coffers of the relevant agency by providing information for assessment.
- ◆ Facilitate establishment of a comprehensive national Taxpayer database
- ◆ Complement efforts to eliminate or reduce to the barest minimum incidences of leakages in tax payments
- ◆ Assist relevant revenue authorities in tax management information for decision making and reconciliation.
- ◆ Improved revenue generation to the relevant tax offices and ensure that tax loopholes are plugged

- ◆ Accounting for monies collected

### **3.0 SCOPE OF GUIDELINE**

All tax authorities must be able to receive payment of taxes through electronic channels. The Guideline shall cover all bodies concerned with tax payments including but not limited to the following stakeholders:

#### **A. Tax Authorities**

- a. Federal Inland Revenue Service (FIRS)
- b. Nigeria Customs Service
- c. State Internal Revenue Services
- d. Local Revenue Committees

#### **B. Authorised Tax Agents**

- a. All authorised agents of collection
- b. Employers

#### **C. Payment Service Providers**

#### **D. Tax Payers**

#### **E. Other Regulatory Bodies**

- a. Joint Tax Board

#### **F. Govt. Revenue Collecting Agencies**

- a. Banks
- b. Other Government Revenue Collecting Agencies

### **3.1 ROLES & RESPONSIBILITIES OF THE STAKEHOLDERS**

#### **A. Tax Authorities:**

All Tax Authorities must be able to receive payment of taxes through electronic channels.

- Provide information on the amount of tax due from the tax payer

- Deploy e-payment solutions
- Collect taxes, levies, duties and fees using e-payment solutions
- Invest in the required technology
- Regulate and administer the relevant revenue laws
- Report/Account for tax or revenue collected
- Timely posting of incoming funds to the appropriate tax payer account to reduce or clear the tax-payer liability
- Provide evidence of payment to the tax payers e.g e-tickets/receipts
- Address tax payers complaints
- Exchange of information between the tax authorities
- Conduct tax audit and investigation
- Appellate function
- Other duties specified in the tax laws.
- Provide information on tax paid
- Tax Authorities should be obliged not to divulge tax payer information to anyone other than the authorized persons, confidential tax data should never be held in electronic form unless protected. (e.g no downloading to flash drives in clear format)

### **B. Authorized Agents of Collection**

All Authorized Agents of Collection must pay taxes electronically to the relevant tax body, and must offer the tax payer the opportunity to pay electronically to the Authorised Agent.

- Deduct taxes/revenue at source using e-payment platform
- Remit deduction to the appropriate tax authority using appropriate e-payment solution
- Reporting/accounting for amount collected

- Reconciliation functions
- Install appropriate e-payment solution to remit taxes collected to the accounts of the relevant tax authority
- Ensure confidentiality of tax payers data

### **C. Payment Service Providers**

The Payment Service Providers include organizations that provide switching and settlement services for electronic payments. Their responsibilities shall include

- Provide payment/collection solution to drive e-payment
- Provide information on:
  - Payer (payer incase of employee)
  - Amount paid
  - Point of payment
  - Date of payment
  - Type of payment
  - Organization name (employer incase of payee)
  - Mode of payment
  - Location of the amount paid
  - Period covered
  - Provide evidence of revenue collected to the tax payer
  - Other information as maybe required to apply payment
  - Ensure tax payments are made direct to the relevant authorities
- Ensure data security/confidentiality
- Ensure data integrity
- Ensure business continuity of the payment system
- Implement disaster recovery system
- Provide system support

- Ensure confidentiality of tax payers data
- Provide a functional and user friendly platform
- Closely monitor developments in new electronic payment systems
- Create access to the payers database
- Enable each tax payer to view their details
- Provision of audit trail

**D. Tax payers**

All Business tax payers must pay taxes electronically. All personal tax payers must be given the opportunity to pay taxes electronically.

- Pay the appropriate amount of tax/levy/fee as at and when due using the e-payment platform
- Provide update taxpayer details
- Provide evidence of payment on demand

**E. Other Regulatory Bodies**

Other Regulatory Bodies shall have the following responsibilities

- Ensure compliance to the rules and regulations of tax payments
- Sanction erring members
- Recommend best practices
- Arbitrate in case of disputes

**F. Government Revenue Collecting Agencies**

Government Revenue Collecting Agencies shall be responsible for:

- Collecting taxes/revenue with schedules
- Remitting collections to the right accounts of the authorities as at and when due
- Accounting for revenue collected/reconciliation

- Provision of adequate information on revenue collected
- Ensure confidentiality of tax payers data

#### **4.0 Technology Requirements**

##### **4.1 Taxpayer Information System Requirements:**

<b>Req. No.</b>	<b>Requirement</b>
1.	Functionality to capture Taxpayer bio-data including biometrics
2.	Functionality to be able to generate unique Taxpayer Identification Numbers based on pre-defined business rules e.g based on location or business type etc.
3.	Functionality to allow authorized users add, update and delete Taxpayers
4.	For companies, the system would have the functionality to capture information on companies including contact information and assign TINs to companies
5.	Functionality to relate individuals to the companies they work for
6.	Functionality to search for Taxpayers using different criteria such as TIN, Name, Company, Address, Location etc.
7.	Functionality to create and manage Taxpayer accounts
8.	Functionality to update Taxpayer accounts when payments are made
9.	Functionality to do assessments on Taxpayers for payments
10.	Functionality to calculate penalties and interest for liabilities
11.	Reporting functionality on all Taxpayer information that can be viewed,

	printed and downloaded
12.	Reporting functionality on information on Taxpayer payments against Taxpayer accounts that can be viewed, printed and downloaded
13.	Querying functionality on Taxpayer accounts that can be viewed, printed and downloaded
14.	The Tax Information System will be available to Taxpayers either on a secure Virtual Private Network (VPN) or on the internet.

#### 4.2 Taxpayer Accessibility Requirements

Req. No.	Requirement
1.	Functionality to allow Taxpayers view registered information about them online
2.	Functionality to allow Taxpayers do self registration that will be authenticated by authorized users
3.	Functionality to send email or sms notifications/messages to Taxpayers
4.	Functionality to allow Taxpayers determine what to pay for and how much and be able to connect to at least one internet payment gateway for processing payments
5.	Functionality to query for payments made by different criteria e.g. Date, Bank, etc.
6.	Reporting functionality to allow Taxpayers view their payments, assessments, penalties etc that will allow these information to be viewed, printed and downloaded

7.	Taxpayers accessibility should be built using web based technologies and will be available to Taxpayers on the internet
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#### **4.3 Payment System Requirements**

<b>Req. No.</b>	<b>Requirement</b>
1.	Functionality to capture payments for different tax types and make payment information available on real-time
2.	Functionality to capture payments offline and upload such payments into the system. Offline payments will be made available with online payments after uploads.
3.	Functionality to capture required Taxpayer assessment data based on tax type for payments
4.	Functionality to process payments initiated by Taxpayers from other entities, such as a web site
5.	Functionality to accept payments primarily from bank branches but also from other payment channels such as the internet, ATMs, Point of Sale devices and Kiosks.
6.	Functionality to allow Taxpayer registration in Bank Branches. Registration done this way will be authenticated by authorized users
7.	Reporting Functionality to aggregate payments made at different channels in one interface
8.	Reporting functionality for payments made by taxpayers giving information on outstanding payments based on assessments
9.	Querying functionality on Taxpayer payments



10.	Accessibility of the Payment system to at least all of the banks the government agency has accounts with
11.	Functionality to automatically sweep payments from Collecting banks to authorized banks at agreed frequencies (daily, weekly, monthly etc.)

#### 4.4 System Architecture Requirements

Req. No.	Requirement
1.	The solution's database must be built using a Relational Database Management System (RDBMS) Engine such as Microsoft SQL Server or Oracle and must be able to support large database sizes of over 10GB. The RDBMS should allow for scalability, availability, internet integration, ease of installation, deployment, and use, and data warehousing.
2.	The solution should be accessible to Taxpayers over the internet and to authorized users either over a secure Virtual Private Network (VPN) or a website with Secure Sockets Layer (SSL)
3.	The solution's architecture should include provision for Disaster Recovery and Data Archiving
4.	The solution should include operational support and support for upgrades
5.	The solution should include support for customization and provision for peculiar requirements
6.	A detailed User Manual and Solution Specification documents should be made available

7.	The solution's running environment must be on a server type Operating System
8.	The system should support messaging/interconnectivity with external applications using web services or other data exchange formats
9.	The solution architecture should be client-server preferably a web-based thin client application that allows multiple concurrent access to different users

#### 4.5 System Security Requirements

Req. No.	Requirement
1.	Role based accessibility to ensure only authorized users can use or view designated functionality and will be given access to the system using Basic Authentication and Tokens.
2.	Audit Trail functionality for all activities carried out in the system. These activities will include but may not be limited to the following; Creates, Updates, Deletes and who performed what task and when
3.	Reporting functionality to allow only authorized staff view and print audit trail information
4.	The system will guarantee data integrity and security across all its system and within each entity. Only authenticated systems and users should have access to data.
5.	

## **5.0 Electronic Database**

There is need for a comprehensive electronic database of all tax payers which should include the tax payer's Basic Information necessary to identify the payer. This information should include:

### **5.1 Static Data**

- Name
- Address
- Tax Identification Number (TIN)
- Registration number and date for enterprise
- Date of incorporation
- Type of tax
- Tax Reference Code (TRC) (number and date)
- Nature of business
- Name of auditors
- Tax consultants
- Date of commencement of business

### **5.2 Transaction Data**

- Due date
- Date of Payment
- Transaction code
- Accounting date
- Bank

**For this purpose, a secured Relational Database Management System (RDBMS) should be put in place.**

## **6.0 INCOMING PAYMENT PLATFORM**

The Payments platform should be able to accept payments from various channels and enable easy retrieval and reporting of payment information in a secure manner.

As a minimum, the platform should have the following features:

- Reporting system
- Unique system generated transaction code
- Retrieval and archiving
- Feedback- e-receipt
- Audit trail/transaction log

## **7.0 CHANNELS**

Tax shall be considered paid once it is received into the account of the tax authorities and payment service providers must meet their obligations on timely credit to the accounts of the tax authorities. Channels through which payment of tax shall be made electronically through any payment channel authorized by CBN including but not limited to:-

- Directly through banks
- Internet banking facility
- Use of ATM/debit card/credit card
- Direct Debit
- RTGS System
- NIBSS

To ease nationwide deployment, a robust web based application is to be put in place. This eradicates the need to install stand-alone software thereby eliminating system compatibility challenges that may arise. Payment of tax electronically could be made in either of these ways:

### **7.1 Directly through Bank Account;**

- I. Tax payer pays tax into a collecting bank by cash/cheque.
- II. Tax payer Logs-in to a bank website using his tax user name and password and then enters tax amount to be paid and authorise the payment using transaction password.
- III. An e-receipt would be made available on-line real-time on the screen with TIN, TRC and unique transaction code for reference.

### **7.2 Through ATM/Debit Card/Credit Card:**

- I. Tax payer logs onto the relevant tax authority/ revenue collecting agency website
- II. Choose tax/levy type and fill in the required form and click pay using ATM/Debit Card/Credit Card
- III. Tax payer inputs ATM/Debit/Credit Card number and authorizes the payment using his PIN
- IV. Payment is effected and a printable e-receipt would be made available on-line real-time on the screen with TIN, TRC and unique transaction code

### **7.3 Through NEFT/CIFTS/RTGS**

- I. Tax payer instructs a bank to make payment through NEFT/RTGS to the account of the tax authority at the designated bank on Tax payers behalf
- II. Bank process based on instruction and provide tax payer with printed feedback showing a transaction reference number.
- III. Tax payer logs onto the relevant tax authority website/revenue collecting agency and inputs TIN, TRC and transaction reference number supplied by the bank to confirm that the payment has been made.

- IV. An e-acknowledgement of receipt of payment will be made available on the screen.

#### **7.4 Through Direct Debit**

- I. Tax payer fills a Direct Debit form
- II. Tax payer notifies paying bank
- III. On the due date, tax authority sends direct debit instruction
- IV. Bank issues evidence of payment and sends to tax payer

#### **8.0 INFRASTRUCTURE**

Tax authorities would be required to deploy a robust web-site which supports on-line payment for taxes and should contain printable tax return form. Tax authorities will also need to link with their designated banks as well as the e-payments providers to retrieve electronic account statements that show all payments received, including all reference information required including tax identification numbers for reconciliation of receipts.

Tax authorities will provide tax payers with payment reference information, unique payment numbers as well as enable on-line verification of tax amount due, payment made and confirmation of tax payment made through e-receipt.

A basic requirement is the availability of PC/Laptop with internet connection mainly at the Headquarters of the relevant agencies for tracking and reconciliation purposes. Outstations would be linked to the Headquarters through WAN to enable them have records of tax payments from their jurisdiction.

#### **9.0 DISPUTE RESOLUTION:**

Errors could be caused by systems malfunctions or posting errors for that reason the following would be required:

- It is necessary that a dispute resolution process be put in place
- Transactions should be designed in such a way that they could be reversed immediately in cases of wrong or double posting
- Proper call over of transactions by relevant agencies
- Close monitoring and reporting in cases of double or wrong posting

#### **10.0 SANCTIONS:**

Sanctions should be clearly defined by each tax authority. These sanctions should be in forms of tariffs/charges or as stipulated by the laws guiding the tax/revenue regulatory agencies.

#### **11.0 IMPLEMENTATION**

For a smooth implementation of e-payment of taxes, the following should be executed and taken into consideration.

- a) Electronic Database:** A comprehensive electronic database of the Tax payers is to be put in place. A database is collection of data on a computer. A database is a systematically arranged collection of computer data or records, structured so that it can be automatically retrieved or manipulated. Therefore, for tax purposes, a database refer to collection of taxpayer records such as Name, taxpayer identification number (TIN), address, LGA, State, etc.
- b) Taxpayer Identification Number (TIN):** A database includes Taxpayer Identification Number (TIN); this number is generated automatically by the system (application).
- c) Security and Access control:** To ensure security and accessibility, each tax payer should only have access to their data using the TIN as well as a User I.D and password.

- d) Connectivity to the Internet:** Broadband and other forms of Connectivity to the Internet including dial-up can be used to connect to the internet; Broadband is sometimes referred to as VSAT. This is the best form of connectivity to the internet. In the absence of broadband, other mode such as the dial-up (through land line telephone) can be used to connect to the internet.
- e) Electronic Platform:** Refers to the application used by the Banks to receive and post all taxes into the system. It provides a platform for the Banks to interface with the offices.
- i      Swift:** Subscription to swift is required for payment of taxes in foreign currencies (USD, Pound sterling, CFA, etc).
- f) Web Portal application (software);** This is the software that the tax offices use to interface with the Banks in order to know and monitor what was collected on behalf of each tax office.
- g) E-Card (e-tax card):** In order to take advantage of the electronic age, where payments can be made online real-time using ATM card from the comfort of your office or home, an e-tax card was introduced. This is an ATM (debit) card which allows the tax payer to pay the tax online without having to go to any Bank to do that. It is a payment option that the Tax payer can use.
- h) Provision of Computers (PCs):** Both desk tops and Laptops are required to build and maintain the electronic Database as well as connect to the internet and use the Portal.
- i) Provision of other hardware like printers and scanners:** After the Banks have collected and posted the taxes, there will be need to print the reports in the various tax offices.
- j) Automated Flow line Receipt:** In addition to printing online reports, specialized printers will be used to print automated flow line receipt.



- k) Provision of Local Area Network (LAN):** Local Area Network for the inter-connectivity between computers in tax offices.
- l) Provision of Wide Area Network (WAN):** To connect between the Head Office and the other Tax Offices. WANs, connect distant equipments across the country or internationally.
- m) ICT Knowledge and training;** Basic computer knowledge will be required to use the system. Computer appreciation courses (MS excel, word, explorer) will be needed for the officers who shall use the System. This can be provided by ICT Departments or it can be contracted to professional ICT trainers.
- n) Sensitization and Publicity:** This is the creation of awareness of the initiative through all forms of media like audio, print and electronic media.

## **12.0 IMPLEMENTATION TIME-PLAN**

### **12.1 Taxes – Business**

By end 2009 (for Federal and State Government) and by 2011 (for Local Government), all business taxes will be paid electronically. FIRS and Customs will enable on-line verification of the amount to be paid, and the status of tax payments made and/or due. The on-line service will support various methods of electronic payment that can be selected, and will provide a unique reference number that can be passed with the payment. Confirmation of tax receipt will be sent back to the payer if requested.

### **12.2 Taxes – Individual**

By end 2009 (for Federal Government), end 2011 (State Government) and by end 2012 (for Local Government) electronic payment of taxes (covering the tax deducted at source, tax determined by self

assessment and levies) will be supported. Payments will be made directly into accounts owned by the relevant tax authority, not the accounts of agents. The tax authorities will provide payment reference information to the tax payer that must be quoted when making the payment in order to identify the tax being paid.

By end 2012, all tax agents must pay electronically to the tax authorities.

**13.0 Legal Framework**

Subject to public pronouncement or amendments of the relevant laws/provisions by the relevant Tax Authority/Revenue Collecting Agency making electronic payment mandatory for all taxes, this guideline is in line with the Payments System Vision 2020 and in pursuance of Section 47 of CBN Act of 2007.

**14.0 General**

- 1 This Policy guideline was written on .....
- 2 This Policy will be effective as follows:
  - Federal Government.....
  - States Government.....
  - Local Government.....
- 3 This policy was created by the Taxes Working Group of the Payments System Vision 2020
- 4 This policy is hereby approved by.....

## **APPENDIX**

### **TAX TYPES TO BE COLLECTED BY THE FEDERAL GOVERNEMENT, STATE GOVERNMENTS & LOCAL GOVERNEMENTS**

#### **A Tax Types To Be Collected By The Federal Government**

- CIT – Company Income Tax
- PPT – Petroleum Profits Tax
- VAT – Value Added Tax
- PIT- Personal Income Tax (include PAYE – Pay As You Earn)
- Capital Gains Tax
- Education Tax
- Stamp duties Tax
- With holding Tax (Advance payment of taxes)
- National Technology Levy and other Levies
- Custom Duties
- Road Taxes including vehicle license, drivers license & stickers
- Fees and Levies

#### **B Taxes & Levies To Be Collected By State Governments**

- PIT- Personal Income Tax (include PAYE – Pay As You Earn)
- With holding Tax (Individuals Only)
- Capital Gains Tax (Individuals Only)
- Development Levy (Individuals Only)
- Naming of Street registration fees in the State Capital

- Right of Occupancy on lands owned by the State Government in urban arrears of the State.
- Market taxes and levies where State finance is involved

### **C Taxes & Levies To Be Collected By Local Governments**

- Shops & Kiosks rates
- Tenement rates
- Slaughter slab fees
- Marriage, birth and death registration fees
- Naming of street registration fee, excluding any street in the State Capital
- Right of Occupancy fees on lands in rural arrears, excluding those collectable by the Federal and State Governments
- Market taxes and levies excluding any market where State finance is involved
- Motor park levies
- Bicycle, truck, canoe, wheel barrow and cart fees, other than a mechanically propelled truck
- Cattle tax payable by cattle farmers only
- Merriment and road closure levy
- Radio and television license fees (other than radio and television transmitter)
- Wrong parking charges
- Public convenience, sewage and refuse disposal fees
- Customary burial ground permit fees
- Religious places establishment permit fees
- Signboard and advertisement permit fees

## **Glossary of Terms**

In this framework, the terms below shall have the following meaning

- **Tax:** It is a compulsory levy imposed by a government on its citizens and used to run the government and finance projects.
- **Levies:** Money raised under government authority.
- **Duties:** These are taxes levied on imported or exported goods
- **Fees:** These are charges made by government institutions and sometimes for services rendered.
- **Tax authority:** refers to the relevant agency with authority to collect tax on behalf of the federal government
- **Tax payer:** Refers to the individual or organization paying tax on behalf of its employees
- **Service providers:** refer to system providers who own the technical infrastructure
- **ATM/Debit Card:** a card used for withdrawals or making payments
- **CIFTS:** Central Bank Inter-bank Funds transfer
- **RTGS:** Real Time Gross Settlement System
- **NEFT:** National Electronic Funds Transfer
- **NIBSS:** Nigeria Interbank Settlement System
- **Tax amount:** the amount of tax due to be paid by the tax payer
- **Due Date:** the date the tax is due for payment
- **TRC:** Tax reference code refers to the code used by your employer to calculate the amount of tax to deduct from your pay.

- **TIN:** Tax identification number is a unique 14 digit (or any specified digit) sequential number generated electronically as part of the registration process and assigned to a tax payer, company, enterprise or individual for identification

EXPOSURE