



FEDERAL MINISTRY OF FINANCE, BUDGET AND NATIONAL PLANNING

TECHNICAL SERVICES DEPARTMENT

Terms of Reference for engagement of Consultant on Domestic Tax Study

1. BACKGROUND

The Federal Government of Nigeria has agreed with the World Bank on a multi-year (2018-2022) project to support the Federal Government of Nigeria to strengthen public finance management through the World Bank USD125 million credit facility in support of Fiscal Governance and Institutions Project. The Project is designed as an Investment Project Financing (IPF) with Disbursement Linked indicators (DLIs). The reform is to support key MDAs in critical reforms to public financial management at the federal level. The Project Development Objective (PDO) is to improve the credibility of public finance and national statistics in Nigeria. It is also to strengthen

The Project is expected to address the following three main governance challenges and bottlenecks hampering the effectiveness of Government in promoting growth and development:

- (i) Poor oversight of revenue accruing to the Federation Account;
- (ii) Weak controls, transparency and accountability in the use of public funds by the Federal Government; and
- (iii) Lack of information and inconsistencies in the Nigeria's fiscal and economic statistics.

The four components of the Project are the following:

- Strengthening Revenue Management;
- Strengthening controls, transparency and accountability in the use of public funds;
- strengthening economic and fiscal statistics; and

- Implementation support.

The Technical Services Department (TSD) of the Federal Ministry of Finance as a beneficiary of the support is expected to implement Sub-component 1.2 on **strengthening revenue analysis and forecasting**, strengthen the capacity of the FMoF and the Federal Ministry of Budget and National Planning in revenue forecasting and analysis. The TSD is through the Tax Policy Division responsible for formulating tax policies that promote the development of Nigeria in a tax regime environment that is competitive, equitable, fiscally sound and resilient.

As part of the capacity building initiatives, the Technical Services Department (TSD) intends to use part of the IDA Credit in carrying out several studies aimed at strengthening revenue analysis and forecasting, including interagency coordination and consistency of fiscal information.

2. THE OVERALL OBJECTIVE

The objective of this bid is to appoint a suitable Tax Consultancy firm who can carry out studies, advise and provide appropriate taxation services to TSD and Tax agencies in Nigeria.

3. REQUIRED SERVICES

The Consultant firm shall be required to carry out the following assignments aimed at strengthening revenue analysis and forecasting:

- i. Impact assessment of the tax amnesty on collection of tax arrears.** The objective of this aspect of the study is to assess the impact of tax amnesty on assets and incomes held abroad to tax revenues and illicit financial flows; assess tax amnesty in Nigeria since its introduction through the Finance Act; establish the effect of the tax amnesty on accountability, fight against corruption and anti-money laundering initiatives in Nigeria; assess the extent to which the tax amnesty achieved its overall objective of encouraging repatriation of foreign assets to spur economic growth in Nigeria; and propose policy recommendations for effective implementation of future tax amnesty programmes
- ii. Cost-benefit analysis of current tax expenditures** in order to estimate lost revenues on account of tax incentives, the cost of an incentive policy as well as undertake analysis and develop recommendations for improvement of the following aspects in

the major federal taxes including Company Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT), Withholding Tax (WHT), Petroleum Profit Tax (PPT), Capital Gain Tax (CGT), Stamp Duties (SD).

- a. Efficiency: to minimize tax distortion to resource allocation by market forces;
- b. Equity: to ensure taxing according to ability to pay;
- c. Coverage and itemization of all import and export tariff incentives in effect during the last five years (2016-2020)
- d. An accurate quantification of all revenues and funds foregone as a result of each tariff incentive and in total for each fiscal period;
- e. An assessment of non-financial impacts achieved or attributable to each tariff incentive or to a combination of tariff incentives;
- f. Recommendations with justification on any changes to each tariff incentive, including cancellations or variations in structure, rates, terms, and conditions; and
- g. Simplicity: to minimize both administration and compliance cost

iii. **Nigeria's Tax laws codification and simplification alongside review of all tax legal provisions for reconciliation and streamlining.** The scope of this assignment includes the following:

- a. To simplify and consolidate all direct tax laws of the central government
- b. In order to make the tax system more effective and efficient, show a schedule of all taxes to be covered by the proposed changes to codification and by simplification
- c. Show a schedule of all taxes that are not affected by changes to improved codification and/or by the proposed simplification.
- d. Provide an accurate description and itemization of the expected benefits of the proposed changes to codification, and of the proposed simplification for each affected tax type;
- e. Draw up Proposals on the following:
 - i. Simplification and consolidation of all direct tax laws of the central government

- ii. Approaches to make the tax system more effective and efficient
- iii. Bringing horizontal equity among different classes of taxpayers in line with best international practices
- iv. Improving compliance.
- f. To draft the consolidated law relating to direct taxes, that is, income-tax, dividend distribution tax, fringe benefits tax and wealth-tax
- g. To bring horizontal equity among different classes of taxpayers in line with best international practices.
- h. To improve compliance further, as tax laws need to be simple, stable and robust and to phase out the multiplicity of tax exemptions and deductions in order to widen and deepen the tax base.

The Consultant should in addition show the following in the study:

Key observations and notes from stakeholders following the exposure of an advanced draft of the bill and the codification and simplification document/report to consultation.

It is expected that the **codification** will enable the Government and decision makers to make the tax system more effective and efficient; bring the consolidated law relating to direct taxes, that is, income-tax, dividend distribution tax, fringe benefits tax and wealth-tax; and introduce horizontal equity among different classes of taxpayers in line with best international practices.

4. DELIVERABLES/REPORTING

The consultants will as a minimum submit:

- An **inception report** (within 3 weeks of Contract signature) consisting of the review of existing literature, methodology for the coverage of each area as contained in 3 (i-iii) as well as Structure of the Report. This report will be discussed with a reference group appointed by the Director, Technical Services Department and if timing allows with the Tax Policy Implementation Committee (TIPC) and others including FIRS, FMBNP, plus selected sector Ministries.
- A **draft full report** (within 10 weeks of Contract signature) containing (i) Impact assessment of the tax amnesty on collection of tax arrears, (ii) Cost-benefit analysis of current tax expenditures, and (iii) Nigeria's Tax laws codification and simplification

alongside review of all tax legal provisions for reconciliation and streamlining, reflecting the scope described in the Required Services section. The report should also contain statistical annexes in a format that allows further analyses. This report will also be discussed with the stakeholders mentioned above at **Validation Workshops organized for each study** and comments will be incorporated as appropriate.

- A **final report** (within 18 weeks of Contract signature) incorporating the above and including a **brief policy paper version** of the study findings to be discussed with key stakeholders and subsequently presented to the Federal Ministry of Justice for onward submission to the National Assembly, Private Sector and Civil Society.

5. DURATION AND STAFF EFFORTS

The assignment is expected to be completed within 20 weeks after the Contract signing. The estimated staff input is 300 expert days.

6. PAYMENT SCHEDULE

The following Payment Schedule will subsist for this assignment:

Upon submission and acceptance of Inception Report – 10% of the Contract

Upon submission and acceptance of a draft full report – 50% of the Contract

Upon submission and acceptance of a final Report – 40% of the Contract

7. QUALIFICATIONS

The assignment will require a mix of international and local experience.

The shortlisting criteria are:

Qualification of the consultant/Firm:

- A reputable firm with a minimum of 10 years' expertise and experience in advising on tax issues. Attach a list of current and past clients where the bidder carried tax consulting along with the name of the organization, contact person, designation, and contact number, nature of the consulting services and length of the appointment.
- Demonstrated experience in the analysis of Nigeria's tax system. At least 2 prior experiences on similar or related assignments delivered in the public sector in the last five years.
- Demonstrable understanding of international practice and methodologies used for cost-benefit analysis of tax expenditures.

- Number of tax experts with ICAN/ANAN/ CPFA Certification.
- Evidence of Tax Compliance Certificate.

Team Composition & Qualification Requirements for the Key Experts

Key Expert 1 (Team Leader)

- Minimum of master's degree in public finance, accounting, economics, public policy, development studies or other relevant professional qualification.
- Minimum of 12 years of relevant work experience in tax and taxation issues and 5 years in Tax Administration.
- At least 3 prior experiences of development programs or projects in relevant subject areas.
- Excellent report-writing skills in English.
- Demonstrated capacity to lead a team.
- Openness to change and ability to receive and integrate feedback.
- Excellent analytical and organizational skills.
- Excellent speaking and presentation skills.
- Ability to communicate effectively in English language to a varied audience in a simple and concise manner.

Key Expert 2 & 3 (2 Tax Experts)

The proposed team should collectively have the following qualifications:

- At least Master's degree in Finance or Economics or another relevant field, ICAN/ANAN/ CPFA Certification.
- Tax policy and administration experience in relevant fields (public financial, macroeconomic policies and open government).
- Minimum of 10 years of experience in development and implementation of policies guiding Nigeria Taxation System, the Nigeria Tax Law and Public Financial Management practice in Nigeria is required.
- Expertise in tax law/legal drafting
- Experience in public financial management but specifically proficient in theories and practices of taxation and financial reporting.
- Local knowledge/familiarity with the operations and processes of the Federal Government of Nigeria, knowledge of relevant FIRS and FMF data bases.
- Senior level international economic expertise; ability to conduct advanced macro-economic statistical analysis.

- Experience in tax policy expertise in other African countries is desirable.
- Experience in donor funded projects is desirable.
- Highly computer literate with demonstrable proficiency in Microsoft Suites.

Key Expert 4 (PFM Expert)

- At least a Master's or advanced degree in relevant field (e.g. development, law, political science, public administration, accounting or international relations etc.);
- At least 10 years of working experience on issues related to public finance management with emphasis on domestic tax study;
- Proven track-record and at least 3 years of working experience in international context on tax, taxation and tax expenditure analysis;
- At least 3 years' demonstrated experience working on tax amnesty, tax expenditures and tax arrears;
- Familiarity with tax and taxation system in Nigeria;
- Fluency in oral and written English is required.
- Highly computer literate with demonstrable proficiency in Microsoft Suites.

Key Expert 5 (Legal Expert)

- At least a Master's degree in Law, additional degree in Economics or Finance will be a plus
- Knowledge of Nigeria Tax System
- Minimum of 7 years of expertise in tax law and drafting in Nigeria
- Experience with tax legislation and legal drafting in other African countries is desirable
- Experience in donor funded projects is desirable
- Excellent writing skills in English
- Highly computer literate with demonstrable proficiency in Microsoft Suites

8. SELECTION METHOD

The Consultant will be selected through Consultant Qualification Selection Method as stipulated in World Bank Procurement Regulations for IPF Borrowers dated November 2020.