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Association of African Tax Administrators
and Consideration of Major Issues in Tax
Policy, Legislation and Administration

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Summary Findings of the Feasibility Report on the Establishment
of the Regional Centre for Tax Training and Research in Nigeria *

At the request of the Federal Government of Nigeria Mr. Jess Hungate a Consultant provided by the Harvard University Law School International Tax Programme has prepared a Feasibility Report on the establishment of a Regional Centre for Tax Training and Research in Nigeria, more or less on the lines of ITP itself, which inter-alia conducts an intensive high quality 9 months course every year for tax officials from developing countries. The Report is based on the discussions held by the Consultant during August - September 1978 with officials of the Government of Nigeria and the Universities of Lagos and Ife.

The Report is fairly long and is in English. A short summary of its major findings is therefore presented here for information and consideration by the participants of this forum. A brief review of the background under which this Report has been prepared and the issues arising therefrom is also added suitably.

Although there has been keen awareness of shortage of facilities for tax training and research in Africa for quite some time the background for the undertaking of this Feasibility Report was provided by the "International Conference on Creation and Development of Regional Centers for Tax Training and Research held at Berlin (West) in June 1978 under the joint sponsorship of the German Foundation for International Development and the Harvard Law School International Tax Programme. Copies of the Report of this conference have been circulated separately to participants.

It may be mentioned here that the concept of the establishment of a few high quality regional tax training and research centers has arisen primarily from the great importance of taxation in mobilization of resources and their channelling towards productive investment in the developing countries. The need for such training and research is indeed great and it has been found out that the existing training and research facilities (mainly existing in the developed countries and international agencies) are extremely deficient in meeting the growing needs of the developing countries. Moreover it has been strongly felt that training and research in taxation to be really useful to the developing countries should be carried out in the context of the problems and the situation prevailing in these countries.

* Abbreviations used are:-

ITP = International Tax Programme of Harvard Law School.

RTC = Regional Tax Center.

The African Group of the Berlin Conference referred to above felt that there was urgent need for setting up and developing on a priority basis one or more Regional Training Centers in Africa. The Group felt that as the pioneer center gets off the ground and becomes fully operational, the experience gained would be useful in setting up more centers in Africa in the light of emerging needs and requirements. The Group particularly emphasised that the Regional Training Centers should supplement existing national tax training efforts by providing facilities for advanced training in tax policy, legislation and administration. In view of this, the curriculum of these centers should be based on an inter-disciplinary approach so that tax policy and administration should be properly harmonized with efforts that countries are making for their economic and social development.

The Consultant's Feasibility Report therefore suggests that the proposed Regional Tax Center in Nigeria should be a local institution where upper and middle level tax officials from a group of developing countries in the region can learn about tax policy and the relationships between tax laws and their operation, on the one hand, and such broader government objectives as increased equity and economic growth on the other. It would also be a supporter and co-ordinator of research into these relationships.

The finding of the Consultant has corroborated the view of the African Group of the Berlin Conference about the suitability and feasibility of Nigeria as site for one of the Regional Tax Centers in Africa. This judgement of the Consultant is based on the following five factors:

- 1) The interest and support expressed at both the universities of Lagos and Ife for hosting the center.
- 2) The capacity of the universities to play such a role, as evidenced by:
 - (a) sufficient academic staff to ensure adequate local participation and a viable institution. The ability of universities to cross faculty and even university lines to engage the appropriate persons enhances the staff resources available internally;
 - (b) willingness to allow the Center an institutional status such that it could operate independently while taking advantage of existing university resources;
 - (c) present interests and programmes which insure a supportive environment for the center. These include inter-disciplinary programmes, inter-faculty enrollments, practical courses at university level for middle rank government employees, the presence of foreign students and policy oriented as well as academic research.

- 3) The apparent interest and support of the Nigerian Government as expressed by the Permanent Secretary of the Ministry of Finance and by the Director of the Federal Inland Revenue Department.
- 4) The availability of foreign staff which have been or could be identified by the International Tax Programme for short or long term service with the Regional Tax Center.
- 5) The assumption that forward momentum now established will not be lost by failure to identify quickly those persons responsible for action after this report is approved.

The Consultant felt that either university visited would be capable of hosting the center. In his opinion the university of Ife seemed to offer a better environment for learning and research. However, he says it might be advisable to support both universities in developing their ideas and commitments further so that a more informed choice could result.

The Consultant has identified two further issues which need immediate attention but are addressed only briefly in his report.

First, a regional framework for the Regional Tax Center must be developed. One meeting of interested countries could serve both to associate them in support of the center and to determine future channels for communication and action. The Berlin Conference participants requested that the Economic Commission for Africa convene such a meeting as soon as possible.

Second, a Director must be found who can guide the center effectively during the initial period of its development and existence.

Finally, the consultant has suggested that once his report is approved, provision must be made for the next steps. In particular, financing must be identified to enable more detailed planning and further examination of some issues raised too briefly in his report. Support for backstopping work is also needed, to ensure availability of necessary materials, local staff training and orientation and recruitment of foreign staff. Finally, a plan of implementation is also needed, reflecting the order in which actions should be taken, and setting the time deadlines necessary for their accomplishment.

The Consultant has assumed that the core curriculum prepared by the International Tax Programme would be followed by the Regional Tax Center with suitable revisions and additions (this along with the staff requirements is enclosed as Annex).

The Report on its own admission has not touched upon some extremely important aspects. Among others two areas stand out.

- 1) No analysis of regional problems was made. These include identification of countries interested in associating with the RTC; possible patterns of regional control, if any, over the RTC; the real and perceived needs of possible participating countries; other possible sites for the center and the best and most expeditious way of organizing regional support behind an embryonic RTC.
- 2) No analysis of funding requirements, constraints and sources of donations was made. Particular problem areas - eg. financing for buildings - were not highlighted. Where donors have already expressed interest in principle (eg. the OPEC Special Fund) no discussions were held to determine how their more detailed interest and regulations could be accommodated.

Both these areas are crucial and deserve prior consideration and attention along with other issues referred to above.

REGIONAL TAX CENTERS: CURRICULUM ASPECTS

A. Introduction

Taxation is inherently multidisciplinary. The tax officer or tax planner must administer a developing legal structure, applying it to the business and individual financial affairs of taxpayers. The legal structure itself is formed through political processes in which social and economic pressure are accommodated. Accounting systems supply specific information; statistical analyses are used for general guidelines, policy formation and managerial decisions.

Every tax officer and tax planner exercises some degree of discretion. Both efficiency and fairness through consistency require that they understand the implications of their decisions in the broad context of the policies that the tax laws are designed to achieve. They must also have the technical skills and experience appropriate to their assigned duties, being familiar with the tools of the trade—the tax laws, the records of taxpayers and the underlying economic realities of taxpayer affairs.

The curriculum outlined below is designed for a nine-month course of instruction in the analysis of tax problems and the interpretation of tax laws, financial records, administrative organization and tax commentary in the context of governmental and economic activity. It supplies a thorough grounding in modern tax technology and should give tax officers and tax planners the vocabulary and conceptual framework to deal with the financial information generated by sophisticated multinational business enterprises as well as the technical information supplied by economists and statisticians to guide them in their work.

B. Brief Course Descriptions

1. The Core Courses

- (a) Tax Policy Analysis
(class - 90 hours; preparation/review - 170 hours) *

The course integrates legal, economic and administrative aspects of tax bases (income, sales, property, wealth, etc.), tax rate structure (progressivity, aggregation, integration, and exemption-zero rating), international tax problems and tax treaties, tax incentives, and the taxation of special sectors, including natural resources and public enterprise.

- (b) Tax Administration
(class - 60 hours; preparation/review - 150 hours)

The course examines the major functions of a modern tax administration - assessment, audit, collection, appeals and the control of tax evasion in the context of organizational patterns of internal control, communication and planning information and procedures.

* Time estimates of total student hours, assuming language fluency.

- (c) Economics of Taxation
(class - 45 hours; preparation/review - 135 hours)

The course is designed to introduce students to the standard techniques of economic analysis, covering elementary concepts, issues and terminology in both microeconomics and macroeconomics.

- (d) Public Finance
(class 45-60 hours; preparation/review 180-240 hours)

The course involves more advanced technical analysis of fiscal tools used to implement resource allocation, income redistribution, capital formation, and inflation control. Project evaluation is also covered.

- (e) Accounting
(class - 30 hours; preparation/review - 90 hours)

The course is a short introduction to basic accounting methods, records, and terminology. The development of modern accounting procedures for internal control of business operations is examined to determine the utility, for tax assessment purposes, of the information provided.

2. Examples of Supplementary Workshop/Seminar Offerings are:

- (a) Tax Research
(class - 15 hours; preparation/review - 90-120 hours)

Research materials and techniques - comparative legislation, regulations, rulings and legislative history; standard treaties and useful journals; sources, evaluation.

- (b) Valuation
(class - 30 hours; preparation/review - 60 hours)

Practical application of valuation methods to specific types of property for different tax purposes.

- (c) Tax Treaties
(class - 15 hours; preparation/review - 45 hours)

Comparison of the several model treaties, with discussion of negotiation trade-offs, and the variations of accommodating particular situations.

C. Student Workload

30-week programme - two 15 week terms:

	<u>First Term</u>			<u>Second Term</u>	
	<u>Class</u>	<u>Out of Class</u>		<u>Class</u>	<u>Out of Class</u>
Tax Policy Analysis	3	9	TPA	3	9
Tax Admin.	3	5	TA	2	5
Econ.	3	9	Pub. Fin.	3-4	12-16
Acctng.	2	6	Workshop or Seminar	1-2	3-8
	11	29		9-11	29-38

Total - 40 hours

Total 38 to 49 hours

D. Details of Core Courses:

(A number of the topics outlined in the curriculum proposal are marked with an asterisk. If time does not permit a full nine-month course, the marked items could be dropped from an initial course and covered in special intensive seminars or workshops at an advanced level.)

Course Content:1. Tax Policy Analysis

a. Fiscal Goals — Perspective

- * Historical and comparative materials
- * Alternatives to fiscal tools

*b. The Process of Formulating Fiscal Goals

Normative tax structure
Tax incentives and tax expenditures

c. Case Studies of Tax Systems

Base analysis — valuation, incidence and elasticity
Rate structure
Measuring tax effort
Constitutional and economic variables

d. Components of Tax Systems — Introduction:

Broad Outlines and Major Problems
Real property taxes: agricultural and urban
Consumption taxes
Import and export taxes

Licenses, turnover taxes and other methods for
taxing hard-to-tax groups (professionals,
small business)

Income taxes: corporation, personal integration
Wealth, death and gift taxes

e. The Domestic Interrelationships of tax system Components

f. International Tax Impacts and Adjustments

Taxing domestic source income received by foreigners

Taxing foreign income received by residents

Border tax adjustments in international commodities
trade

Tax treaties

Tax harmonization in common markets

*g. Domestic and International Harmonization

With other Governmental Economic Activity

Subsidies penalties and prohibitions

Public enterprises and mixed public/private
participation

Monetary Policy and Exchange Controls

h. Tax Reform Process

2. Tax Administration

a. Structural Aspects

* Organizational patterns: function and subject

The assessment function

Identification of taxpayers

The taxpayer's records and declarations

Obtaining information for assessment from
other sources

Variations in audit scope

Assessment on incomplete information —
estimation systems

The collection function

Withholding systems

Advance tax payment

Procedures, liens and seizures to compel payment

The enforcement function

Measuring non-compliance

Sanctions against non-compliance

Voluntary disclosures and tax amnesties

The dispute settlement function

Taxpayer education

Rulings and regulations/administrative appeals

- b. Problems of Organizing and Managing a Tax Bureau.
 - Allocations of authority, responsibility and review
 - * Personnel training and recruitment
 - Relationship of tax bureau to other government agencies
 - * Cooperation among multiple taxing jurisdictions
 - Internal communication and management
 - The administration manual
 - The use of computer technology
 - The evaluation of statistical information
 - * Research and planning
 - * Decision theory and risk analysis
 - c. Administrative Application and Development of the Tax Law.
 - * Comparative conflict resolution procedures in taxation
 - * Procedural due process and rules of evidence in administrative appeals
3. Economics of Taxation
- a. Economic Decision-making and Growth.
 - b. Microeconomic Terminology and Concepts.
 - Supply and demand — curves
 - Marginal cost and competitive supply
 - Market structure: monopoly and imperfect competition
 - c. National Income, Aggregate Functions and National Accounts
 - * Determination of savings, consumption and investment functions.
 - *d. Banking Systems and Deposit Creation.
 - *e. International Trade.
4. Public Finance
- a. Provision and Evaluation of Public Goods
 - Theory of public goods
 - * Evaluation of government expenditures (cost-benefit analysis)
 - b. Tax Analysis in Developing Countries
 - Measuring tax effort
 - Tax incidence theory
 - Taxation and income distribution
 - Direct and indirect taxation

- c. Taxation and International Trade
 - Import and export taxes
 - Foreign investment and tax incentives.
- *d. Taxation of Natural Resources
- e. Public Enterprises
- 5. Accounting
 - a. The Accounting Cycle
 - Basic records
 - Financial statements
 - Comparative formats
 - Transaction analysis
 - b. Special Corporation Records and Procedures
 - c. Typical Adjustments — Accounting Income, Sales, etc. vs. Taxable Income, Sales, etc.
 - d. Simplified Accounting Systems
 - e.g., Basic records for "forfait"
 - *e. Analysis of Accounting Information
 - Percentages and ratios
 - Trends
 - *f. Cost Accounting
- E. Sample List of Workshops/Seminars

Curriculum areas that may be suitable for short-term intensive seminars or workshops are:

 - 1. Tax Research: research materials and techniques; comparative legislation, regulations, rulings and legislative history; standard treaties and useful journals; source, evaluation and comparison of economic statistics.
 - 2. Legislative Drafting: drafting techniques — systems of interpretation and styles of application; transitional devices.
 - 3. Valuation: practical application of valuation methods to specific types of property for different tax purposes.
 - 4. Decision Theory and Risk Analysis: identification of factors involved in decision-making, their weighting and interrelationships.

5. Tax Treaties: comparison of the several model treaties, with discussion on negotiation trade-offs and the variations for accommodating particular situations.
6. Administrative Appeals: appellate structure and procedures.
7. Taxation of Public Enterprises: general theoretical analysis on resource allocation, case studies comparing treatment and performance evaluation.
8. Projects Evaluation: U.N. guidelines and general cost-benefit analysis.
9. Simplified Accounting Records for Estimated Income Systems: comparison and analysis of estimation methods and records required.

The African Working Group identified some major issues of regional importance.* Those issues at the Berlin Conference, and their places in the proposed curriculum, are given below.

Major Issues

Place in Curriculum

- | | |
|--|---|
| (1) Tax Policy Planning Institutions and Procedures | <u>Workshop/Seminar</u>
Topics 1,2,4
<u>Tax Policy Analysis</u>
Topics 1,2,8
<u>Economics</u>
Topics 1 through 5
<u>Public Finance</u>
Topic 2 |
| (2) Modern Techniques of Organization and Management of Tax Administration | <u>Tax Administration</u>
Topics 1,2
<u>Accounting</u>
Topics 3,4
<u>Workshop/Seminar</u>
Topics 4,6 |
| (3) Role of Taxes in Redistribution of Income and Wealth | <u>Tax Policy Analysis</u>
Topics 1,2 |
| (4) Property Taxation Including Land and Agricultural Taxes | <u>Tax Policy Analysis</u>
Topics 3,4
<u>Tax Administration</u>
Topic 1
<u>Workshop/Seminar</u>
Topic 3 |

*Berlin Report pp 10-11 (See Appendix 1).

- (5) Establishment of General Sales Tax
- Tax Policy Analysis
Topics 3,4
- Tax Administration
Topic 1
- (6) Tax Incentives for Exports and Investments
- Tax Policy Analysis
Topics 1,2,4,5,6,7
- Public Finance
Topics 3,4
- (7) New Taxes: Wealth Tax, Capital Gains Tax, Capital Transfer Tax, etc.
- Tax Policy Analysis
Topics 1,2,4
- Tax Administration
Topic 1
- (3) Tax Evasion
- Tax Administration
Topic 1
- Accounting
Topics 3,4,5,6
- (9) Taxation of Small Business
- Tax Policy Analysis
Topic 4
- Tax Administration
Topic 1
- Accounting
Topic 4
- Workshop /Seminar
Topic 9
- (10) International Tax Issues
- (i) Taxation of Multi-national Enterprises
- Tax Policy Analysis
Topic 6
- (ii) Tax Treaties Between Developed and Developing Countries
- Workshop/Seminar
Topic 5
- (11) Regional Coordination of Taxes
- Tax Policy Analysis
Topics 6,7
- Economics
Topic 5
- Public Finance
Topic 3

RTC Staff Requirements, as derived from the proposed curriculum

Instructor for Course in	Preferred Background (roughly in order of importance)	% of Full Time ** (40-hour week/ 9 month academic year)
Tax Policy Analysis	<ul style="list-style-type: none"> -University degree with courses in law, economics and public administration -Experience at planning level in government -Teaching certificate -I.T.P. certificate 	40% - 30 weeks
Tax Administration	<ul style="list-style-type: none"> -University degree with courses in law, economics and public administration - Experience at management level -I.T.P. certificate -Teaching certificate 	25% - 30 weeks
Economics	<ul style="list-style-type: none"> -Economics degree (B.A.) -Teaching experience 	10%-15% - 15 weeks
Public Finance	<ul style="list-style-type: none"> -Economics degree (B.A. and M.A. or Ph.D.) -Teaching experience -Experience at planning level in government -I.T.P. certificate 	15% - 15 weeks
Accounting	<ul style="list-style-type: none"> -Accounting certificate -Experience in tax administration - Audit with corporations, small business and professionals 	10% - 15 weeks

** Includes time not only in class but needed for preparation, grading, and meetings with students and with other staff directly related to the course.

<u>Instructor for Course in</u>	<u>Preferred Background (roughly in order of importance)</u>	<u>% of Full Time (40-hour week/ 9 month Academic year)</u>
Seminars/ Workshops	15-hour subject: -Experience in area and appropriate degrees	10% - 15 weeks
	30-hour subject: -Same as above	20% - 15 weeks