



42ND CATA DAILY

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"Digitisation, DIGITALISATION AND DIGITAL TRANSFORMATION ..."

A publication of the 42nd CATA Annual Technical Conference LOC

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EDITOR'S CORNER

When Mr. Logan Wort, Executive Secretary of the African Tax Administration Forum (ATAF) closed the last of the five panel sessions of the 42nd Annual Technical Conference saying: "you can't drive a Ferrari if you don't have tarred roads," he gave participants a serious food for thought.

The road to Digital Transformation requires a holistic approach if it were to be profitable. That is only commonsensical.

On day three of the conference, three issues were on the front burner for discussion: The road to harmonisation; challenges of digitisation and change management as it relates to digital transformation. The panelists, from the length and breath of the Commonwealth were star-studded. Every phrase struck a chord, every word had a buzz.

In our Newsletter today, we make an attempt to take slices of the many thoughts shared during the three sessions of day three.

On the road to harmonisation of tax systems: one of the key points that was noted by Belema Obuoforibo is the need for synergy among all players. Harmonisation cannot happen when work in silos. Even computer systems talk to each other. Humans and our administrative structures must learn to do so, too. But like almost every speaker agreed, Digital Transformation is a journey. Whether we are driving in Ferraris, Bentleys, Toyotas or Hondas. It is not a single thing that happens at once. "What we need to do is to have the destination in mind."

The consensus destination for tax administrators across the world facing the challenges of the digital economy is that there must be a way to tax Multinational Enterprises for the profits they make within their jurisdictions. ATAF is of the view that Digital Service

Taxes are the solution. The Inclusive Framework Two-Pillar Solution drives a different wheel. Two different vehicles; same destination.

Nigeria's Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed Shamsuna, in her remarks at the Opening Ceremony called on CATA to lead the charge for fairness and equity as it concerns the distribution of profits of multinational enterprises. That is a worthy cause.

Mr. Babatunde Oladapo's illustration of the fallen tree that, by the journalists' standard never fell if it was not reported hits home. Communication, both internally and externally must be proactive. It is fundamental to every course taken by the tax administrator. And it is crucial for a successful digitalisation process.

Change Management is impracticable if the right communication is not made to the right audience. Like Mrs. Chiaka Ben-Obi says, there must be awareness for the change—both taxpayers and tax officers must understand the reason and the urgency for it.

Our front-cover page has a tongue-twister phrase that was shared by Mustapha Ndajiwo of the Africa Centre for Tax and Governance: "Digitisation, Digitalisation and Digital Transformation ..." he notes are three different concepts, which although seem similar are different in their application.

We learn every day, and these past couple of days have been more than a classroom. Thanks to CATA!

Johannes Oluwatobi Wejuola
Editor-In-Chief

November 30, 2022



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THE DAY IN BRIEF

By Aisha A. Jega

On the 2nd Day of 42nd Annual Technical Conference of CATA, the technical sessions were divided into 3; to with:

- Digitalization and the Harmonization of the Tax System.
- Digitalization and the Challenges of the Digitalized Economy
- Change Management Process in a Digitalized Tax Administration.

The first technical session was moderated by Mr. Gary J. Osman Balawe, Deputy Commissioner Domestic Taxes, Malawi Revenue Authority. Panelists discussed Digitalization and the Harmonization of the Tax System and reasons why digital transformations fail, what should change and recommended steps tax administrators should take in digital transformation.

The Panelists:

- Mr Balema Obouforibo - *Director of the IBFD Knowledge Centre, and member of IBFD's Executive Board—Main Presenter*
- Mr Babatunde Oladapo - *Executive Secretary West African Tax Administration Board (WATAF)*
- Mr Chris Sanger - *Global Governance and Risk Tax Leader Ernest & Young LLP*
- Mr Mustafa Ndajiwo - *Executive Secretary African Centre for Tax and Governance*

There are three types of accountants: Those who can count and those who can't.

Mr. Kevin Misfud the Director, Compliance & Investigations, Commissioner for Revenue, Malta moderated the 2nd part of the technical session. Panelists discussed the challenges of digitalization in tax administration and proffered solutions for the way forward, including re-designing the tax system, developing new tax administrative blueprints, and upscaling capacity at all levels.

The Panelists:

- Mathew Olusanya Gbonjubola, *Chairman Committee Experts on International Cooperation in Tax Matters United Nations (UN)—Main Presenter*
- Andrew Auerbach - *senior advisor OECD (virtually)*
- Prof Suranjali Tandon - *Assistant Professor National Institute of Public Finance and policy - India (virtually)*
- Dr Gabriel Bellenger - *Global Managing Director, Accenture (virtually)*



The last session was moderated by Mr. Logan Wort (Executive Secretary, ATAF). This session was sub-themed: “Change Management Process in a Digitalized Tax Administration”. Mr SH Ashis Abrol, Principal Commissioner of Income Tax NaFAC-India discussed the faceless tax administration in India and shared how India is managing the change process towards a digitalized tax administration. Other panel members also shared their countries’ experiences as they transition towards a more digitalized tax administration.

Questions revolved around communication strategies for tax harmonization, ways to bring illiterate taxpayers onboard in the digital transformation process and the fear of humans losing their jobs to technology, and technology possibly replacing humans altogether in tax administration to which there was consensus that technology only enhances human capacity.

The Panelists:

- Sh Ashis Abrol - *Principal Commissioner of Income Tax NaFAC India*
- Mrs. Chiaka Ben Obi - *Group Lead Digital & Innovations Support Group FIRS, Nigeria*
- Berlin Msiska - *Revenue Administration Advisor, IMF Nigeria*
- Mr. Geoff Trueman – *Assistant Commissioner, Canada Revenue Agency*

What does the pessimistic accountant think?

It's accrual world.



“DIGITISATION, DIGITALISATION AND DIGITAL TRANSFORMATION”

Digitisation is the conversion of the existing data either text, picture or sound, into digital form to enable digital accessibility.

Digitalisation is the process of using digital technologies to change a business model in order to create more revenue and save cost.

Digital Transformation is the integration of digital technology into all areas of a business... this is fundamental because it integrates both digitization and digitalization of all structures of an organization.

***What do you call
someone without enough
personality to be an
accountant?***

An economist.



WHY DIGITALISATION IN TAXATION IS A NECESSITY

Adaptation is the most difficult phase to Change. Change is a constant in life. Oh yes, the only things constant in life are Death, Taxes and Change. The first known taxation took place in Ancient Egypt around 3000-2800 BC. Over time, Taxation has taken on a more dynamic role in society.



Why are accountants always tired after work?

Because their job is so taxing.

Telling people to pay their taxes is one of the most difficult things to do. Enhancing tax compliance and increasing revenue have become the pulse of any functioning Government. It is a matter of necessity as these taxes and revenues fund public goods and services.

The COVID-19 pandemic left Governments around the world scrambling. Tax Administrators now have to find ways to collect and increase revenue in the midst of dwindling economies. This is why tax administrations are undertaking the digital transformation and automation of their systems. The adoption of technology can enable successful and sustainable tax reforms, ensure the proper taxation of the digital economy, and reduce the obstacles to compliance. The COVID-19 pandemic, which led to a boom in digital commerce has made this change especially urgent for tax administrations worldwide.

Technology provides a riveting backdrop to the theme, Tax Administration in the Digital Era. It is this theme that is driving the discussion at the on-going 42nd CATA Annual Technical Conference, taking place at the Transcorp Hilton, Abuja, Nigeria.

Some of the discussions at the 42nd CATA Conference revolve around the disruptions Technology has caused in various sectors of the economy. These disruptions have provided solutions to long-standing problems facing Taxation and Tax Administrators. Taxation will look a lot different in the future. Digitalisation is here to stay; Governments either tune in or be left behind, so says Ifueko Omogui Okauru.



Why are most accountants so good looking?

They have great figures.

The transformation has progressed increasingly and rapidly over the past decade, as the cost of digital technologies have plunged and powerful tools to develop applications have become more user-friendly.

Digital transformation is also being driven by the rapid growth of e-commerce, which is projected to expand by 24% from 2020 to 2025, making it an increasingly important part of the tax base.

Digitalisation helps ease the burden on Tax Authorities and Administrators. It allows authorities to simplify procedures and reduce the compliance burden on taxpayers.

Tax administrations will streamline the interface between taxpayers and tax officials, for instance by connecting corporate accounting systems with the tax administrations' e-filing and e-payment platforms. Instead of storing huge amounts of taxpayer data, administrations will have access to large databases that allow them to capture tax information seamlessly and in real time. This has the added benefit of making tax administrations less visible to the public.

Digitalisation in Taxation has helped plug revenue leakages otherwise evident in systems that had overlapping policies.

The shift should also focus on providing value by simplifying procedures and permanently bringing taxpayers into the e-filing, e-payment, and e-document ecosystem. The value could be provided by reduced compliance costs, increased tax certainty, and higher compliance.

Various bodies and financial institutions like CATA, WATAF, ATAF, World Bank, IMF, ADB have important roles to play. Countries are increasingly leaning on each other. Through the sharing of unique technical know how, capacity building, strengthening collaborations

and building a citizen centric system, huge strides have been made. The digitalisation and harmonisation of various tax systems can be strategically put into a streamlined system.



Digitalisation should not only be seen as a problem-solving tool. This approach makes it reactive and reduces the pro-active potential of digitalisation. It is important to note that the Legal boundaries in utilising Technology in Tax Administration have to be respected. Tax Administrators have to respect laws guiding citizens Privacy and Data Protection. There should be enabling laws that firmly set the tone for directing Digitalisation to drive Taxation in the 21st Century.

There are generally two perspectives to digitalisation in Tax Administration: Operational perspective and Strategic perspective.

The Operational perspective is often the focus when it solves the problem of compliance cost to the Taxpayer and Tax Administrator. It provides better support for internal processes.

Strategic perspective is a pro-active approach that looks at setting up a system that harmonises the systems, provides a direction for Tax Administrators and provide a broader vision. This perspective looks beyond Technology; it also focuses on the human element and political will to drive a pro-active system.

If the organisational structure is not proactive, the implementation of Digitalisation in Taxation will be non-existent. This approach provides a Domestic Resource mobilisation target that looks at an aggressive and sustainable revenue drive.

It is important to take advantage of digitalisation in Taxation. However, it is also imperative to adapt digitalisation to fit into the needs unique to each country.

Oluwaseyi Ogunghesan

Communications and Liaison Department

FIRS



PROFILE: DUNCAN ONDURU

EXECUTIVE DIRECTOR, COMMONWEALTH ASSOCIATION OF TAX ADMINISTRATORS

Mr Duncan Onduru is the Executive Director of Commonwealth Association of Tax Administrators, a position he attained in August 2013 at the Commonwealth Secretariat in Marlborough.

He was before now the Head of Audit Policy at the Kenya Revenue Authority, designing audit guidelines/manual, carrying out quality assurance on audits, and also international liaison role with other international tax bodies.

He holds a Masters degree in Laws, International Taxation, and International Tax from the Thomas Jefferson School of Law.

What do accountants' spouses say to fall asleep when they have insomnia?

"Sweetie, tell me about your job."

ANNUAL
CAL CONFERENCE
Commonwealth Association of Tax Administrators
"Taxation in the Digital Era"





WHO SAID WHAT

“Executives who fully appreciate their role in project success and who leverage change management best practices, experience a better return on investments because better planned and budgeted projects increase their chances of meeting timelines, staying within budgets and meeting or exceeding objectives.”

“Change management activities are planned, integrated and implemented from the onset of the projects’ lifecycle, allowing for better support to executives/sponsors, project teams, managers and employees, enabling quicker mitigation of people risks.”

“Thinking digitally means that employees know how digital tools and processes can be used to improve how they work, and that employees actively integrate digital into their day to day operations.”

“We know that people are key to managing change in any organization. This is why the CRA is focusing on providing our employees with the right information, tools and skills to become a part of our digital transformation.”

Geoff Trueman,
Assistant Commissioner, Canada Revenue Agency

***Why are
accounting
departments the
most welcoming?***

***Because they
know everyone
counts.***



“The “digitalised economy” is that economy whose processes, transactions, interactions and activities are based on, or performed through digital means.”

“The digital economy depends on interconnectedness of people, organisations and machines enabled by the internet, mobile technology and the internet of things (IoT)”

Babatunde Oladapo,
Executive Secretary West African Tax Administration Forum (WATAF)

“Before we embark on any data transmission project, however long it takes, we must get the executive management onboard because they will give you the authority to overcome many of the resistance you will experience.”

Mrs Chiaka Ben Ohi
Group Lead Digital & Innovations Support Group FIRS, Nigeria

“As an administration it is important that you provide an enabling environment that promotes innovation because innovation cannot evolve without risks.”

“Where are we as tax administrators, are we digitizing, digitalizing or are we in the process of digital transformation?”

“For digitization, the main focus is data conversion, the goal is change from analogue to digital format.”

Mr Mustafa Ndajiwu
Executive Secretary African Centre for Tax and Governance

Why was the accountant excited to complete a jigsaw puzzle in 59 weeks?

Because the box said eight to 12 years.



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THINGS YOU SHOULD KNOW ABOUT THE APPOINTMENT OF MTN, AIRTEL & DEPOSIT MONEY BANKS AS VAT WITHHOLDING AGENTS

- 1** VAT is a consumption tax charged at 7.5% and every taxable registered person remains an agent of collection.
- 2** Section 14(3) of the VAT Act gives the FIRS powers to appoint any person as further agent to withhold the tax from whoever invoices that person and remit to the Service. By implication, such persons have roles to play as VAT agent.
- 3** The Federal Inland Revenue Service has, in the exercise of its powers, under section 14(3) of the VAT Act, appointed MTN, AIRTEL and Deposit Money Banks as agents to withhold VAT and remit to the Service. (Note that this is in addition to Lottery Operators previously so appointed)
- 4** This appointment is with effect from January 1st 2023.
- 5** This arrangement is not new as Section 13 of the VAT Act already mandated every Ministry, statutory body or other agency of Government and companies in the oil and gas sector to deduct at source and remit the VAT to the Service in the stimulated manner.
- 6** Customers of MTN, Airtel and Deposit Money Banks will not be affected in any form, and the prices of telecom and banking services should remain the same. However, suppliers whose VAT has been withheld by appointed agent are required to declare other VAT due whilst filing on Taxpromax and make payment as usual.
- 7** Suppliers who are on boarded on the VAT automation platforms must remain connected to ensure transparency of their own VAT.
- 8** This appointment does not affect the obligation of Taxable Person to render returns or any part of the VAT Act.
- 9** The Service will release detailed guidelines soon.

***How do accountants manage their money?
They act their wage.***



PHOTO STORY - DAY 2



Group Lead, Digital Support & Innovation Group, FIRS, Nigeria, Mrs. Chiaka Okoye; during a panel session themed: Digitalisation and the challenges of the Digitalized Economy; at the 42nd Annual Technical Conference of Commonwealth Association of Tax Administration (CATA); held in Abuja. 29th November 2022.



Principal Commissioner of Income Tax, NaFAC-India, Sh Ashis Abrol; during a panel session themed: Digitalisation and the challenges of the Digitalized Economy; at the 42nd Annual Technical Conference of Commonwealth Association of Tax Administration (CATA); held in Abuja. 29th November 2022



Delegates listening during an ongoing panel session at the 42nd Annual Technical Conference of Commonwealth Association of Tax Administration (CATA), themed: Digitalisation and Taxpayer Information Security and Confidentiality; held in Abuja. 29th November 2022.



(L-R) Executive Secretary, African Centre for Tax and Governance, Mustapha Ndajiwo; Deputy Commissioner Domestic Taxes, Malawi Revenue Authority, Gray J Osman Balawe and Executive Secretary West African Tax Administration Forum (WATAF), Babatunde Oladapo, in a group photo after a panel session themed: Digitalisation and Harmonisation of the Tax System; at the 42nd Annual Technical Conference of Commonwealth Association of Tax Administration (CATA); held in Abuja. 29th November 2022.



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Chairperson, Committee of Experts on International Cooperation in Tax Matters, United Nations (UN); Mathew O. Gbonjubola, during a panel session themed: Digitalisation and the Challenges of the Digitalised Economy; at the 42nd Annual Technical Conference of Commonwealth Association of Tax Administration (CATA); held in Abuja. 29th November 2022

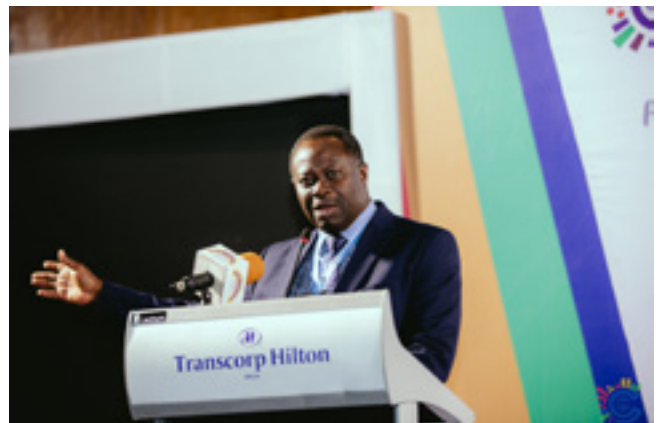


(L-R) Chairperson, Committee of Experts on International Cooperation in Tax Matters, United Nations (UN); Mathew O. Gbonjubola and Assistant Professor, National Institute of Public Finance and Policy-India (Join Virtually), Prof. Suranjali Tandon, in a group photo after a panel session themed: Digitalisation and the Challenges of the Digitalised Economy; at the 42nd Annual Technical Conference of Commonwealth Association of Tax Administration (CATA); held in Abuja. 29th November 2022



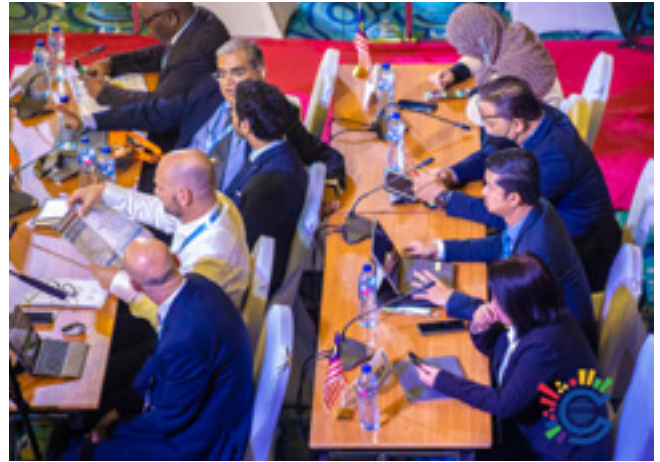
PANEL SESSION 3







PANEL SESSION 4







PANEL SESSION 5







PHOTOS FROM THE SIDELINES



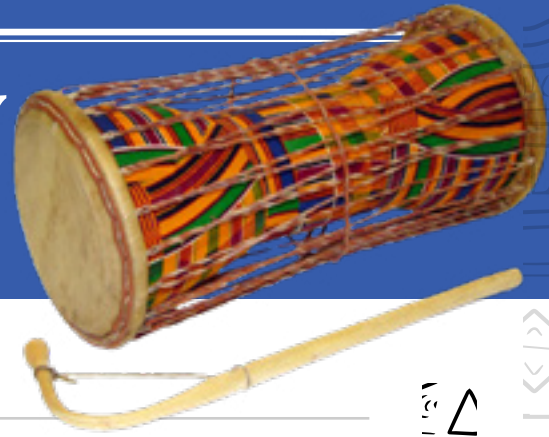






OKANGA DAILY

by Kelechi Okoronkwo



Opportunity bogged in Challenges

With our minds filled up with the ideas of tax digitalisation, we are like adventurers who can see the promised land from a distance.

The promised land is flowing with milk and honey. But the adventurers must traverse seven seas and seven mountains to get there.

The challenges facing tax digitalisation are many. Experts say CATA must contend with the following: how to attribute values to generated data; how to track digital transactions; how to reform and restructure our respective tax authorities; how to allocate taxing rights to jurisdictions, bearing in mind the concepts of Physical Presence and Permanent Establishment; and also, how to create nexus.

Nexus is the requirement that a qualifying connection exists between the state exercising its taxing power on one hand and a taxable subject and/or taxable object on the other hand. Quite a galaxy of challenges if you ask me.

So what do we do? To dare traverse all the way to the promised land, no matter what it takes; or do we give up the struggle and resign to fate?

Resigning to fate is never an option.

Experts are already building Pillars to proffer solutions. We can refer to Pillar 1 and Pillar 2 of the Inclusive Framework for Digital Taxation.

It is gratifying that the whole essence of this meeting is to proffer solutions that would be easily understandable and administrable. This is a task that must be done.

Mathew Gbojunbola hinted that if CATA is able to solve the challenges of Nexus and that of Permanent Establishment, then about 95 percent of all challenges facing tax digitalisation would have been solved and then we would be accelerating to the promised land, flowing with milk and honey.