

AN INVESTIGATION OF THE ROLE OF GOVERNMENT MINISTRIES/ DEPARTMENTS AND AGENCIES IN THE COLLECTION AND REMITTANCE OF VALUE ADDED TAX IN NIGERIA

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Abstract

This research effort is an investigation of the role of the MDAs in the collection and remittance of Value Added Tax in Nigeria. This study has become necessary considering the provision of the new Tax Reform Bill that centralized the collection of Taxes to be performed only by the newly formed Nigerian Revenue Service. The doctrinal approach was adopted in this research with information from Tax Laws, case laws and literature review of the research efforts of other writers. It was found from this research effort that the MDAs were collecting and remitting Taxes to the government. It was also found that due to some challenges, some of these MDAs were not performing optimally in their assigned role as VAT agents. It was further found that with the new Tax Reform Bill, MDAs would discontinue performing their agency role with the centralization of Tax collection, which would now be performed by the newly created Nigerian Revenue Service. Based on this, it was recommended that instead of centralizing Tax collection in Nigeria, Tax Authorities should strengthen their partnership with MDAs so as to perform more effective supervisory role with regular audit of these MDAs. Secondly, MDAs have established structures in the performance of this role and what is needed is to make these structures more effective and efficient instead of scrapping them. Besides, centralization of Tax collection has its own challenges-manpower and logistics challenges, bureaucratic inefficiencies etc. which may actually lead to revenue loss to the government with the new policy.

Keywords: Tax Remittance, Value Added Tax, Nigerian Tax Reform Bill, Government Ministries/ Departments

1. Introduction

Value-added tax (VAT) is a consumption tax levied on goods and services at every stage of the supply chain where value is added, from production to the point of sale. Unlike a sales tax, which is only charged at the retail stage, VAT is applied at each phase of production or distribution.⁴ The tax is added at several steps, including when:

1. A raw material producer sells a product to a factory;
2. The factory sells the finished product to a wholesaler;
3. The wholesaler sells it to a retailer;
4. The retailer sells it to the consumer who will use it.⁵

Value Added Tax (VAT) is a tax on consumer spending, so everyone who pays for goods and services pays VAT. It is built into the cost of many commonly consumed items such as clothing and petrol, so you don't see what percentage of VAT you are paying. However, when you are buying some items or services, such as electricity and professional services, you may see the amount of VAT and the rate at which you are being

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⁴ Investopedia Team, Understanding Value Added Tax (VAT): An Essential Guide. Reviewed by Lead Uradu. Available at <https://www.investopedia.com/terms/v/valueaddedtax.asp>. Accessed on 23rd September 2025

⁵ ibid.

commissioner, and are typically staffed with members of a non-political civil service, who manage its operations; they may also oversee other government agencies and organizations as part of a political portfolio. Governments may have differing numbers and types of ministries and departments. In some countries, these terms may be used with specific meanings: for example, an office may be a subdivision of a department or ministry.¹⁵

1.2 Theoretical Framework

Literature exists on the role of MDAs in VAT collection for the government through the Tax Authorities. According to (FIRS 2020)¹⁶, “All MDAs and Oil & Gas Companies serve dual roles as taxpayers and agents of VAT collection and are also required to file monthly returns not later than 21st day following the month of transaction”. Also, FIRS in a circular¹⁷ to all collection agents including Ministries/Departments stated as follows: “Notice is hereby given to all Federal and State Government Ministries, Departments, Agencies, Local Government Councils of the Federation, Corporate organizations and all other Collecting Agents on the mandatory direct E- Payment of Value Added Tax (VAT) to Federal Inland Revenue Service (FIRS) accounts. Collecting agents are also requested to submit schedules along with the payments as shown under item 6 in approved templates in electronic form (MS-Excel 2003) to the relevant tax offices of the FIRS and send copies to the Coordinating Director Tax Operations Group (TOG) at Revenue House, FIRS Headquarters, Abuja”. Explaining the procedure for the collection and remittance of VAT by the MDAs, (KPMG 2023)¹⁸, stated that Section 13(1) and (2) of the VAT Act requires all ministries, statutory bodies or other agency of government (MDAs) and companies operating in the oil and gas sector to withhold, collect and remit VAT due on all payments made to contractors. Further, Section 14(3) of the VAT Act empowers the FIRS to appoint any person as an agent for VAT collection purposes. Based on Paragraph 3 of the Circular, MDAs, companies operating in the oil and gas sector and any person so appointed by the FIRS to withhold VAT at source from payments to vendors, contractors or suppliers are, in addition to other existing obligation under the VAT Act, required to:

1. prepare a separate schedule showing the name, tax identification number (TIN), address of the vendor, contractor or supplier, gross amount of the invoice, VAT charged on the supply and the month of return, as prescribed in Section 13(3) of the VAT Act;
2. deduct or withhold the VAT stated on the supplier’s invoice;
3. remit the amount withheld directly to the Service in the currency of transaction, separately from VAT collected on sales made by the taxpayer; and
4. file the return of VAT withheld using the relevant module provided on the FIRS’ Tax Pro-Max (TPM) platform.

Still on the performance of MDAs, (Andersen 2023)¹⁹ stated that Ministries, Departments and Agencies and companies operating in the oil and gas sector are required by law to withhold VAT on purchases or payments to their vendors, remit and file monthly VAT returns and payments to the FIRS on or before the 14th day of the following month in which the purchases or supplies were made. (brtnews 2025) reported the remittance of a total of N7.04 billion in Value Added Tax (VAT) to the Federal Inland Revenue Service in October and November 2024. The report showed that the MDAs remitted N4.13 billion in October and N2.91 billion in November, bringing the remittances in the two months to a total sum of N7,038,301,823.65. According to the platform, in October and November VAT remittances from the Federal Ministry of Works on contracts for construction were very high, including N24.98 million by Ultrateam Projects Design & Construction Ltd. and N18.79 million by Bkem Consults Ltd. (Uba 2022) stated that the Federal Inland Revenue Service

¹⁵ *ibid*

¹⁶ FIRS 2020: Taxes/ Levies Collected by FIRS.

¹⁷ FIRS: Public Notice to Federal and State Ministries, Departments and Agencies, Local Government Councils, Corporate Organizations and Other Collecting Agents on Value Added Tax Monthly Remittances and Returns.

¹⁸ KPMG 2023: FIRS Issues Guidelines on the Withholding of and Self-Accounting for Value Added Tax.

¹⁹ Andersen: VAT and WHT Compliance: Preparation Towards the FIRS’ Nationwide Compliance Monitoring Exercise. October 31, 2023.

(FIRS) has warned ministries, departments, and agencies of government (MDAs) not to hire consultants or concessionaires to collect taxes owed to the federal government or any of its agencies. (Andersen 2022) reported that (FIRS or the Service) released a Public Notice announcing the commencement of a nationwide Value Added Tax (VAT) and Withholding Tax (WHT) Compliance Monitoring Exercise in line with the provisions of Sections 2, 8, 26 and 29 of the Federal Inland Revenue Service (Establishment) Act 2007, which empowers the Service to carry out this exercise, and was scheduled to begin on Monday 23rd October 2023. The exercise is expected to cover previously unaudited accounting years up to 2022 for all taxable persons or tax agents, who are required to deduct VAT at source from all qualifying payments, including Non-Governmental Organizations (NGOs), Ministries, Departments and Agencies (MDAs) of governments at the Federal, State and Local Government levels in Nigeria. (Madichie et al 2024)²⁰ questions the efficacy of appointing companies operating in the oil and gas sector as VAT agents to deduct VAT at source and remit to the government. This is because the tax authority occasionally takes a broad view that entities that derive income from (or whose clientele includes) oil and gas companies are operating in the oil and gas sector and therefore are VAT deduction agents. Unfortunately, the taxpayer, who did not consider itself as having such responsibility, would have paid the VAT to the suppliers for onward payment to the FIRS. The tax authority would then ask the taxpayer to account for the VAT on the purchases, in addition to interest and penalties for failure to pay the tax to the FIRS. They therefore recommended that for VAT purposes, companies in the upstream, midstream, and downstream sectors and OSCs (as defined above) are operating in the oil and gas sector and are valid agents appointed to deduct VAT at source and remit it to the FIRS. In directing government to a more viable source of revenue, (Okeke et al 2025)²¹ in directing the government to a more profitable revenue area, opines that the Government needs to issue an Executive Order Mandating Ministries, Departments and Agencies (MDAs) to procure only satellite data generated by NASRDA. This is because the Satellite Technology Revenue is the next big investment arena. Space infrastructure companies received a record \$14.5 billion of private investment in 2021, and the numbers are growing. These companies are ushering in next-generation small satellite capabilities with enormous value to commercial and government customers, including organizations in Energy, Mining, Manufacturing, Transportation, Finance, Security, Agriculture, and Communications. (WATAF 2023)²² revealed that societal institution, economic structure and political development are the main drivers of the performance of VAT performance in West Africa. The study argues that a structural approach to reforming the VAT system would help the countries to have much better performance and that an institution of a peer-review system on VAT policy matters would provide a critical avenue for relatively new VAT-implementing countries to improve their efficiency much faster. Commenting on the new development in the collection of Taxes as introduced in the new Tax Reforms of the present Administration, (Chiejina 2025)²³ reported the plans of Federal Inland Revenue Services (FIRS) and the office of the accountant general of the federation to curb revenue leakages from MDAs' tax non-compliance. Quoting the executive Chairmen of FIRS "The federal government has expressed concern over persistent revenue losses traced to lapses in tax compliance by Ministries, Departments, and Agencies (MDAs). These lapses in tax compliance have been particularly identified in the areas of withholding tax deductions, Value Added Tax (VAT) remittances, and stamp duty administration." This move, according to (Onje 2025)²⁴ aims to overhaul the country's public sector tax compliance systems, in a push to close costly remittance gaps and build a more transparent fiscal framework, comes as part of a broader effort to enhance revenue generation, boost transparency, and align with President Bola Tinubu's

²⁰ C Madichie and M Ekewenu. VAT in the Nigerian Oil and Gas Sector: Who Should Deduct? *Tax Notes International*, December 2, 2024.

²¹ C Okeke and M Okundaye. *Nigeria's Historic Tax Reform: A Game-Changer with Missing Pieces*. (Mondaq Publication 2025)

²² WATAF (West African Tax Administration Forum): Value Added Tax Collection Efficiency in West Africa. WATAF Discussion Paper. WATAF DP/23/002 2023.

²³ N Chiejina. FIRS, OAGF Move to Curb Revenue Leakages from MDAs' Tax Non-Compliance. *The Nation Newspaper*, August 7, 2025.

²⁴ O Onje. FIRS, OAGF move to enforce tax compliance across MDAs. July 2025. *Business Day Newspaper*.

ambition to grow Nigeria's economy to \$1 trillion by 2030. (Okpi 2025)²⁵ quoted a tax expert as saying that the new laws could affect government efficiency. According to him, "Now that government revenues have been streamlined, all government agencies will have to rely on budgetary allocations. In a case where the release of funds is delayed, the efficiency of the government agency in question would be affected". (Taiwo et al 2013)²⁶ stated that from 1999 to date it has been discovered in FIRS that there has been an increase in the collection of taxes from government ministries and parastatals. It was as a result of this increase that the government business tax department was created in November 2012. It is important to mention here that the newly created Government Business Tax Offices in FIRS depends majorly on the effectiveness and efficiency of the government ministries and Parastatals who act as agent in the collection of WHT, VAT and PAYE from the relevant taxpayer.

These research efforts have highlighted the importance of the Ministries/ Department and agencies in their role as agents of the Federal government in the collection of VAT and WHT. From empirical evidence, the MDAs are performing creditably well in the collection and remittance of VAT to the government. The research effort also stated the audit exercise about to be conducted by FIRS on the accounts of these MDAs to ensure compliance in their activities. This is some form of monitoring which is healthy for the relationship and an attempt by the Tax Authority to ensure efficiency and effectiveness in the collection of VAT by the MDAs. However, the new Tax Reform bill of the current administration has centralized the collection of all Taxes which means that the MDAs are longer charged with the responsibility of collecting VAT for the government with the new Nigerian Revenue Service saddled with the responsibility. This may negatively affect Tax collection and remittances because of the bureaucratic nature of centralization of Tax collection and the manpower requirements and training. However, once the reform is implemented by January 2026, some of these issues may be addressed by the Tax Authority (FIRS).

2. Legal Framework on the Agency Role of MDAs in VAT Collection under the Value Added Tax Act in Nigeria.

Section 9 of VAT Act provides that every Government Ministry, Statutory Bodies and others shall register as agents of the Board for the purpose of collection of the Tax under this Act. It further provides that every contractor transacting business with a Government Ministry, Statutory Bodies body and other agencies of the Federal, State or Local Government shall produce evidence of registration with the Service as a condition for obtaining a contract. In the case of *Bolt v FIRS*,²⁷ the Tribunal appears to grant the FIRS unfettered powers to appoint any person as a collection agent in respect of VAT. By implication, the FIRS is not constrained to perform any kind of practicality or capacity check, conditional vetting, or even consider the business arrangements or reputational perception of a person it intends to appoint as a collection agent²⁸. This judgement is in consonance with Section 31 of the FIRS (Establishment) Act (FIRSEA) which empowers the FIRS to appoint any person, by notice in writing, to be an agent of a taxpayer, where such person is in custody of any money belonging (or due) to the taxpayer. The persons appointed by the Service for the purpose of deducting VAT at source and remitting same are charged with the following responsibilities;

- a) Withhold or collect VAT charged on all taxable supplies made to them;
- b) Give an account through rendition of returns within 21 days of the following month;
- c) Remit the tax so collected or deducted in the currency of transaction to the Service on or before 21 days of the month following;

²⁵ A Okpi, FACTSHEET: From VAT to income tax: how Nigeria's new tax rules affect you.

²⁶ K Taiwo. Agency Arrangement in Tax Collection. September 2013. Vanguard Newspaper.

²⁷ Appeal No. TAT ILZIV AT 107412022

²⁸ Anderson (Tax Alert): Tax Appeal Tribunal Rules on FIRS' Power to Appoint a VAT Collection Agent

- d) Give an account of the tax due on companies' taxable supplies and remit same to the Service within the specified timeline of 21 days.²⁹

Accordingly, Under the Nigerian VAT regime, three groups of taxpayers are obligated to deduct VAT at source and remit directly to the tax authority. These are:

- 1) Nigerian companies that are carrying on Vatable transactions with non-resident companies within the country;
- 2) Government ministries, statutory bodies and other agencies of government;
- 3) Companies operating in the oil and gas sector.³⁰

The Role of ministries, departments and agencies (MDAs), federal, state and local governments as Agent of Collection are:

- 1) MDAs are required to deduct VAT at source from all contracts/transactions and remit to the VAT pool accounts in line with the provisions of section 9 of the VAT Act 1993 (amended).
- 2) MDAs are expected to attach schedules of the beneficiaries of the VAT deducted when making payments.
- 3) MDAs are also required to deduct WHT at source from all contracts and transactions and remit to the federation account in line with the provisions of sections 78 to 82 of CITA LFN 2004. (Taiwo 2013).

Section 31 of FIRS (Establishment) Act 2007 provides for the appointment of agents. The section states that;

1. The Service may by notice in writing appoint any person to be the agent of a taxable person if the circumstances provided in sub section (2) of this section makes it expedient to do so.
2. The agent appointed under sub section (1) of this section may be required to pay any Tax payable by the Taxable person from any money which may be held by the agent of the Taxable person.
3. Where the agent referred to in sub section (2) of this section defaults, the Tax shall be recoverable from him.
4. For the purpose of this section, the service may require any person to give information as to any money, fund or other assets which may be held by him for, or of any money due from him to, any person.
5. The provisions of this section with respect to objections and appeals shall apply to any notice given under this section as if such notice were an assessment.

Section 13 of Value Added Tax Act provides that every Ministry, Statutory body or other agents of the government shall, at the time of making payment to the contractor, remit the tax charged on the contract to the nearest Value Added Tax Office. It further provides that the Service may by notice, determine and direct the companies operating in the oil and gas sector which shall deduct VAT at source and remit same to the Service. Finally, the Act provides that the remittance shall be accompanied with a schedule showing the name and address of the contractor, invoice number gross amount of invoice, amount of tax and month of return. VAT is remitted as follows: "VAT collectors are authorized agents of FIRS for collecting VAT. FIRS can appoint a non-resident supplier (NRS) to collect and remit VAT where the supply is performed via electronic means. A Non-Resident Supplier is a person making the supply directly or the intermediary through which the supply was made to Nigeria"

Section 41 of Value Added Tax Act provides that the service may, by notice in writing, appoint any person to be the agent of any manufacturer or importer and the person so appointed shall be the agent of the manufacturer or importer for the purposes of this Act. It also provides that an agent may be required to pay any tax which is or may become payable by the manufacturer or importer from any money which may be

²⁹ Siao. Appointment of Collection Agents for Value Added Tax. Available at <https://siao.ng/appointment-of-collection-agents-for-value-added-tax/>. Accessed on 31st October 2025

³⁰ FIRS. 'Value Added Tax.' Available at <https://www.firs.gov.ng/vat>. Accessed on 31st October 2025

held by him for, or due by or to become due by him to the manufacturer or importer, as the case may be, and in default of such payment, the tax shall be recoverable from him. Finally, it provides that the service, for the purposes of this section, may require a person to give information as to any money, fund or other assets which may be held by him for, or of any money due from him to a manufacturer or an importer.

3. Judicial Interpretations of the Role of Agents in Nigeria

- a) ***SDV Nigeria Limited v Phillip Kayode Olusegun Ojo & Anor*** :³¹This case defines agency as a relationship where an agent has the authority to act on behalf of a principal, creating legal relations between the principal and a third party.
- b) ***Okweijimonor v Gbakeji***³²: This case reiterates the fundamental element of agency: the agent's authority to act on behalf of the principal.
- c) ***Cotecna International Ltd v Churchgate Nigeria Ltd & Anor***:³³ This case highlights that an agent who exceeds their authority is personally liable for their actions.
- d) ***Febson Fitness Centre & Anor v Cappa Holdings Ltd & Anor***³⁴: This case emphasizes that a principal is liable for an agent's actions taken within the scope of their authority, but not for actions outside that scope.
- e) ***Tax Appeal Tribunal (TAT) decision on Bolt Operations***: This case validates the FIRS's power to appoint agents for tax collection under the VAT Act.
- f) ***Amah Etuwewe v FIRS***³⁵: The Federal High Court (FHC) held that that it is unlawful for the FIRS to appoint the Bank as its collecting agent to recover alleged Companies Income Tax (CIT) liability from the Plaintiff. This judgement does not in any way overrule the power of FIRS in appointing agents to collect VAT. The judgement rather states that the Plaintiff is not liable to pay CIT (only liable to pay Personal Income Tax) and so should not also pay VAT. "In 2007, companies operating in the oil and gas sector were appointed as agents for collection of VAT on all taxable supplies made to them. It appears that, given the effectiveness recorded with companies operating in the oil and gas industry, the FIRS has extended this obligation to money deposit banks and specific telecommunication companies (Telcos). The appointment will allow the FIRS to leverage the resources, technology and reach of these companies to improve VAT collection and reduce the incidence of VAT debt while reducing cost of collection."³⁶
- g) ***Michael Oluwole Oladotun (Liquidator, Nu Metro Retail (Nig.) Ltd) & Anor v The Executive Chairman, Federal Inland Revenue Service & 2 Ors.***³⁷ Here, the Tax Appeal Tribunal listed conditions to be fulfilled before appointing an agent:
 - i. the appointment of the agent must be in writing;
 - ii. the agent must have in his custody funds belonging to the taxpayer; and
 - iii. the unpaid tax will be or has become payable.
 - iv. All conditions for appointing an agent must co-exist;
 - v. the appointment of the agent must be writing;
 - vi. the agent must have in his custody funds belonging to the taxpayer; and
 - vii. the unpaid tax will be or has become payable.

When does tax become payable?

- i. a tax assessment has been issued by the tax authority and is accompanied by a demand notice;
- ii. the taxpayer does not object to the tax assessment within the time limited by statute (30 days); and

³¹ (2016) LPELR-40323 (CA)

³² (2008) NWLR (Pt. 1079) 172

³³ LLPELR – 897 (SC):

³⁴ LPELR – 24055 (CA)

³⁵ APPEAL NO. TAT ILZIV AT 107412022

³⁶ KPMG: FIRS appoints MTN, Airtel and Deposit Money Banks as Value Added Tax (VAT) Collection

³⁷ TAT/LZ/WHT/020/2019

- iii. the taxpayer does not appeal against the tax assessment within the time limited by statute (30 days)

4. Duties of an Agent

The duties of an agent are³⁸:

1. Duty of Care. In the landmark case of *Donoghue v Stevenson*³⁹ in 1932, Duty of Care has historically been connected to legal negligence.⁴⁰ The duty of care requires an agent to act with the level of skill and care that is reasonably expected of someone in their position. Duty of care is a legal obligation requiring individuals or organizations to act with reasonable care to avoid causing harm to others. It's a fundamental principle rooted in the concept of negligence, where failure to meet this standard can lead to legal liability for damages.;
2. Duty of Loyalty; The duty of loyalty is a legal and ethical obligation for individuals in positions of trust to prioritize the interests of the entity they represent, be it a company, organization, or individual, above their own personal interests. This duty is particularly important in fiduciary relationships, where one party is entrusted with managing the assets or affairs of another. It prevents conflicts of interest and ensures decisions are made in good faith and with integrity.⁴¹ In *US W., Inc. v. Time Warner Inc.*,⁴² the Court held that "Most basically, the duty of loyalty proscribes a fiduciary from any means of misappropriation of assets entrusted to his management and supervision.
3. Duty of Obedience; The duty of obedience requires the agent to follow the instructions of the client and to act in accordance with the client's wishes.⁴³ In *Roth v. Robertson*⁴⁴, a New York court held directors of an amusement park (Coney Island) personally liable for "hush money" paid by the corporation to avoid prosecution for violating "blue laws" that forbade business on Sunday. The court made clear that the payments were illegal, "bad in morals," and ultra vires.
4. Duty to Account; The duty of accounting obligates real estate agents to timely account for all money or property belonging to his client that is entrusted to him. This duty compels a real estate broker to safeguard any money, deeds, or other documents entrusted to him that relate to his client's transactions or affairs. This includes earnest money funds, rents collected or any expenses paid on behalf of a client. In *Ibrahim v Osunde*,⁴⁵ Aderemi JSC observed as follows: "It is wrong in law, for an administrator of an estate or anybody claiming through him, to assimilate that property to his own. Equity will not even permit that under any guise. To say the least, it is a gross abuse of office."
5. Duty to Avoid Conflict of Interest; The agent should ensure that his personal interest does not conflict with those of his client. In the case of *Aberdeen Railway Co v Blaikie Bros*⁴⁶ Lord Greene M.R stated that directors are required to "act bona fide in what they consider – not what a court may consider- is in the interests of the company, and not for any collateral purpose".
6. Duty of disclosure: The duty of disclosure means that agents have a legal obligation to disclose any known material facts about the property or the transaction to their clients. Material facts are facts that could reasonably be expected to affect the value or desirability of the property. In *Fairline Pharmaceutical Industries Ltd & Anor. v Trust Adjusters Nigeria Ltd*,⁴⁷ the Court of Appeal re-emphasized the position of the law in the following words: "*The general principle of law is that a contract made by an agent acting within the scope of his authority and for a disclosed principal is in law the contract of the principal and the principal and not the agent is the proper person to sue or be sued upon such a contract*".

³⁸ Kwik Attorneys: Duties of an Agent

³⁹ [1932] AC 562

⁴⁰ International SOS: What is duty of care?

⁴¹ *ibid*

⁴² 1996 WL 307445, at *21 (Del. Ch. June 6, 1996)

⁴³ Gbreb. Everything Agents Should Know About Fiduciary Duties

⁴⁴ 87 Va. L. Rev. 1279, 1281–82 (2001)

⁴⁵ (2009) All FWLR (Pt 465) P. 1651

⁴⁶ (1854) UKHL 1

⁴⁷ [2012] LPELR – 20860 (CA)

7. **Duty of confidentiality:** The duty of confidentiality requires the agent to keep confidential any information that might weaken his principal's bargaining position if it were revealed. This includes any personal or financial information provided by the client, as well as any information obtained during the course of the transaction. In *Primary Group (UK) Ltd v Royal Bank of Scotland Plc*⁴⁸, the bank was held liable for a breach of its duty of confidentiality when it disclosed four detailed reports about the claimant company's account with the bank to one of its subsidiaries.

5. Evaluation of the Appointment of MDAs as Agents in the Collection of VAT in Nigeria.

The benefits of appointing MDAs as collection agents are:

- 1) Ministries, Departments and agencies of government do not bear the burden of WHT but they merely act as agent of collection of the tax. By this, the risk involved in serving as agents is reduced;
- 2) **Remuneration:** Tax Collection agents are paid for the services rendered as Collection agents. There are other revenue streams available to tax accountants, such as auditing services, business advisory, financial planning, and bookkeeping services. By offering a suite of financial services, tax accountants can increase their value to clients and generate more
- 3) They assist the government in providing some information and educational services to Taxpayers. This function is available to them because of their proximity with the Tax Authorities and the government.
- 4) They provide technical support to Taxpayers in the course of collection. Examples of such are: computation of Tax returns, training of their staff on the preparation of Tax Returns, submission of Tax Returns, Tax Education etc.
- 5) They reduce the workload of the Tax Authorities in attending to the needs of Taxpayers. Without the MDAs, the responsibility of attending to the needs of the Taxpayers will pose a major challenge to the Tax Authorities.
- 6) MDAs generate revenue for the government: This has been established empirically from the research efforts of many writers. Many Taxpayers who are under their jurisdiction, pay their VAT to them and they remit directly to the Tax Authority. But for these MDAs, it would have been very difficult for FIRS to monitor and collect from these Taxpayers because of the manpower and logistics challenge.

However, there are obvious issues with the use of MDAs as agents in the collection of VAT. They are as follows:

- 1) Many MDAs are involved in Tax planning and falsification of accounts, thereby involved in Tax Evasion and Tax Avoidance;
- 2) Some MDAs exploit the Taxpayers by charging them for some services that ordinarily should be done free of charge.
- 3) Lapses and Leverages in Revenue collections and remittances. Most MDAs collect these Taxes but do not remit them immediately. Some use them to off- set salaries and allowances or even in the purchase of capital equipment and refund when allocations are given to them by the government.
- 4) Technical constraints and a lack of understanding of tax compliance obligations, continue to result in significant revenue leakages and recurring audit findings.
- 5) Weak Partnership between the Tax Authorities and these institutions result in poor performance and loss of revenue for the government.
- 6) **Contractual issue:** Contracts are signed with MDAs based on the rate of existing VAT. When there is an increase in VAT rate, MDAs may not collect Tax at that rate except if there is a renewed contract based on the new rate. According to (Nwabughio) ⁴⁹ and quoting the chairman of FIRS,

⁴⁸ [2014] EWHC 1082.

⁴⁹ L Nwabughio MDAs can't pay new 7.5% VAT, says FIRS boss. Vanguard March 9 2020.

“some ministries, departments and agencies, MDAs, could not pay the new 7.5 Value Added Tax, VAT. The reason, he said, was they awarded contracts on the old 5 percent VAT.”

6. Conclusion

MDAs have been performing their assigned role as agent of the government in the collection of VAT and WHT and they have remitted a lot of revenue to the government. This has been established empirically by various research efforts of writers. It is possible there may have been some issues that have resulted in underperformance of some MDAs, but conscious effort may be put in place by the government to overcome these challenges. This may have necessitated the need for audit exercise by the Tax Authority (FIRS). It is instructive to mention that the recently passed Tax Reform Bill of the Federal Government has centralized the collection of all Taxes in Nigeria. This means that MDAs are no longer charged with the responsibility of collecting any Tax; that responsibility has been shifted to the newly formed Nigerian Revenue Service as the sole collector of all Taxes in Nigeria. This means added responsibility to the Tax Authority and more volume of work with accompanying manpower and logistics requirements.

7. Recommendations.

Based on this new development, it is hereby recommended that instead of relieving these MDAs of this very important role as agents to the Federal Government in the collection of VAT and WHT, the partnership arrangement between the Tax Authorities with the MDAs should be strengthened with the Tax Authorities playing a more serious role with more regular supervision and auditing of the accounts and records of these MDAs to ensure efficiency and effectiveness in the performance of their function. Secondly, structures have been established by these MDAs for the collection of these Taxes and instead of scrapping these structures, it is better and more cost efficient to make them more effective in Tax collection. Again, the new centralized system has many constraints including manpower and logistics challenges which cannot be resolved before the implementation of the new Tax Law in January 2026. This centralized collection process has been in existence before and it was the challenges they posed that led to the use of MDAs in Tax collection. What MDAs need to efficiently perform their role is adequate supervision and regular auditing by the Tax Authorities. The centralized collection process introduced by the new Tax Reform Bill, because of the inherent bureaucratic inefficiencies of centralization of processes, may actually lead to revenue loss to the government.