

RMAFC Questions Constitutionality, Equity in Tinubu's Tax Reform Bills

The Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) has strongly opposed President Bola Ahmed Tinubu's contentious tax reform bill currently under consideration by the National Assembly. In a comprehensive nine-page memorandum obtained by Economic Confidential, RMAFC outlined a range of legal, constitutional, and technical objections to the proposed legislation. The document, signed by RMAFC Chairman Mohammed Bello Shehu, emphasized that Section 162(2) of the 1999 Constitution (as amended) grants the Commission the authority to determine the formula for equitable revenue sharing among the three tiers of government. This mandate also includes ensuring that the formula reflects principles of fairness and justice. "The Constitution designates RMAFC as the final authority on matters of revenue allocation," the memorandum stated. "As such, no Act of Parliament, including the VAT Act, can infringe upon this constitutional responsibility. Any such attempt would constitute a violation of the Constitution." RMAFC maintained that its role as the exclusive arbiter in developing fair revenue allocation formulas must be respected. Any deviation from its constitutional duties, it argued, could undermine the integrity of the Commission and compromise the principles of justice in revenue sharing. In its submission, the Commission called for an approach to Value Added Tax (VAT) allocation that accounts for the unique nature of VAT as a consumption tax. It proposed a formula developed by RMAFC that would ensure equitable distribution among federal, state, and local governments. The memorandum outlined the following points:

1. Equitable Allocation Formula: VAT allocation and derivation should be based on a formula developed by RMAFC. This formula would consider VAT's consumption-based nature, ensuring fairness in distribution. C2. Recognition of Consumption Patterns: The formula would factor in consumption rather than merely production or the location of company headquarters, ensuring balanced benefits. 3. Support for

Weaker Economies: Special consideration would be given to states with weaker economies, promoting national cohesion and fairness across all tiers of government.

RMAFC concluded the memorandum with several recommendations. It urges the federal government to empower the Commission to finalize a VAT allocation formula in line with its constitutional mandate; reinforcing Constitutional Mandates by ensuring that VAT allocation strictly follows RMAFC's framework, not arbitrary provisions in the VAT Act or the proposed reform bill. The memo urges dialogue among federal, state, and local governments to secure consensus on the RMAFC's formula, thereby reducing tensions and ensuring acceptance. The memo also cautions legislative or executive measures that undermine



RMAFC's authority and advocates implementing systems like electronic invoicing to tag VAT collections to end-user locations, enhancing transparency and accuracy. The Commission warned that the proposed tax reform bill threatens national

unity and constitutional harmony. By adhering to its constitutional mandate, RMAFC believes it can provide an equitable solution to revenue allocation disputes while safeguarding the principles of fairness and justice. The Revenue Mobilization, Allocation, and Fiscal Commission (RMAFC) is a constitutional empowered to ensure the equitable distribution of the country's financial resources among the three tiers of government: the federal, state, and local governments. It is mandated that the revenue allocation formula be reviewed to ensure equitable distribution among the three tiers of government to reflect fairness, justice, and equity, taking into account. It is also empowered to monitor the accruals and disbursements from the Federation Account to ensure compliance with the revenue-sharing formula and advise the federal, state, and local governments on fiscal efficiency and revenue diversification.