

**ASSESSMENT OF THE EFFECT OF TAXATION AS A
STRATEGIC OPTION FOR REVENUE GENERATION
IN NIGERIA**

{A CASE STUDY OF FEDERAL INLAND REVENUE SERVICE (FIRS)}

BY

SAMSON Daniel Haruna

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DECLARATION

I hereby declare that this research work is original and was carried out by me under the supervision of M.T Sharubutu. To the best of my knowledge and believe, this work has never been submitted to any institution for any award of degree. All materials consulted and used in the study have been adequately acknowledged by means of bibliography.

SAMSON Daniel Haruna
G11BAMP8169

Date

DEDICATION

This project work is first and foremost dedicated to God the Creator of ALL things
To my Wife Mrs. Salamatu Daniel and My Lovely Children Eben-ezer, Enoch and
Princes Mar-beh who have encourage me to succeed. We shall eat the fruit of this
labor.

CERTIFICATION

The project with the title “Assessment of the effect of taxation as a Strategic option for Revenue Generation in Nigeria”

A case study of Federal Inland Revenue Service (FIRS), submitted by Samson Daniel Haruna has satisfied the regulations governing the award of Master in Business Administration, Ahmadu Bello University Zaria, and Kaduna State, Nigeria.

Mallam. M. T Sharubutu
Chairman Supervisory
Committee

Signature

Date

Dr. Bello Sabo
Head of Department

Signature

Date

External Examiner

Signature

Date

Dean Postgraduate
School

Signature

Date

ACKNOWLEDGEMENT

I give glory, honor and adoration to God Almighty for His strength, wisdom and showers of blessings upon my life, for allowing me to be alive to complete this course; you are my source and supplier, thanks for being my pillar.

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ABSTRACT

Taxation has been the option for Revenue generation and has impacted National Development and economic policies of many countries of the world. For a very long time, tax has been a major source of revenue for various levels of governments. For instance, in Nigeria, the laws of the land stipulate the categories of taxes that are collectable by each of the three tiers of government. This is with a view to enhancing basic economic growth and development at all levels of government. However, the use to which taxes are put is a major concern to the majority of Nigerians. This paper examines the major taxes accruing to various governments in Nigeria as reported by the Federal Inland Revenue Service (FIRS). The study adopted the use of secondary data as the major data collection method. Thus, the author relies on data obtained from the Federal Inland Revenue Service report for the analysis of the various revenues accruing to Nigeria. Also, various books, journals and government publications were used extensively for the analysis. Reported opinions of Nigerians on the application of these revenues for developmental activities were also reviewed. The analysis of the taxes collected from 2005 to 2011 suggests that government has not really lived up to its responsibilities in terms of the provision of basic social amenities and other infrastructures necessary for the growth and development of a nation. The study therefore, suggests some recommendations, which if accepted and embraced could enhance a better economic growth and development in Nigeria.

CHAPTER ONE

1.0 Introduction

The research work seeks to study of taxation as a Strategic Option for revenue generation. It's proven over time that no nation can survive with taxation. This chapter introduces the research work and discusses among other things the background to the problem and the statement of the problem. Others are the objective of the study, significance of the study and finally define some terms as used in the research work.

1.1 Background to the study

The basic function of the government to its citizens is the promotion of well being for them by providing facilities for their common use. The responsibilities for the provision of such facilities which constitute the form of social contract, which consist of wide range of activities that geared toward improving the welfare of the citizen. Some of these facilities which cannot be adequately provided by many members of the society on their own and therefore require the support of the government include health care, education, electricity, transportation, water supply, security , road etc. So the responsibility of governments all over the world be it at the Federal, State or Local government level, are concerned with the provision of several goods and services for their citizens. They are also responsible for the

maintenance of laws and order within their nations and also for the protection of their territorial integrity against any external aggression.

In carrying out these social responsibilities, a huge amount of money is needed.

The revenue is derived mainly from natural resources which involve the exploration of natural resources such as oil, solid minerals. This revenue constitutes the highest bulk of income according to the government. Taxation is another source of revenue which involves imposing various types of levies and taxes. And it can be classified into two groups namely Direct and Indirect taxes.

The direct taxes which are based on assessment of income as taxation are: Personal Income Tax, Companies Income Tax, Petroleum Tax, Capital Gain Tax, Education Tax e.t.c. while the Indirect taxes which are taxes levied on goods and services and each person pay according to the level of consumption are: Value Added Tax, Excise Duties, Customs (Import/Export) Duties.

However, since 1987 there has been consistent advice from International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD) on the need for tax reforms in Nigeria to lessen government dependence on revenue derived from petroleum.

Government at various levels enacts laws to impose taxes and to enforce their payment so that enough revenue can be generated to defray their expenditure.

Despite many stringent penalties and fines in the tax laws, it appears that a lot of

Individuals and Corporate entities still do not see the reason why they should pay correct taxes or pay taxes at all. Hence, they try in some cases to avoid payment of taxes and in other extreme cases evade taxes (Buhar, 2004; Omoigui, 2004).

Taxation aids in the implementation of government policies since the budget became an adjunct to monetary policies, taxation has often been increased in order to provide a large budget surplus, or reduced to stimulate demand.

1.2 Statement of the Problem

According to the information gathered from the background of the study, it is evident that one of the major problems of the Federal Government is how to strategically raise adequate revenue to be able to finance the roles of the government at the Federal Governments. To be able to generate revenue, government would use taxation as one of its main options. Therefore, problems of these can be expected;

- I. Inadequate publicity on taxation
- II. Providing wrong information / falsification of documents to reduce amount payable as tax.
- III. Inability of the Federal Inland Revenue Services (FIRS) to meet the high level of tax avoidance and evasion due to the level of sophistication involved in them.

- IV. Aiding and abating the commission of any offence under Tax Decree by an FIRS official.
- V. Failure to keep record and submission of monthly returns by tax payers.
- VI. Resistance, hinderance or obstruction of an authorized FIRS officer in a bid to inspect document(s).

To come out with possible solutions to the above problems research of this nature is very necessary.

1.3 Objectives of the Study

The primary objective of this project is to determine that effective Tax Collection as a strategic options for Revenue generations. Other Objectives are:

- i. To know the contribution of tax collection to revenue base of Nigeria
- ii. To understand the many strategic options adopt by tax authority to raise revenue.
- iii. To know how tax collections is been utilized in Nigeria
- iv. To determine the degree of citizen response to tax payment.
- v. To investigate the application of tax collection for developmental activities

- vi. To examine the taxes accruing to Local, State and Federal governments in Nigeria.
- vii. To evaluate the citizen on their opinion of Tax collections and application.

1.4 Research Question

In reference to the research topic, adequate findings should be made to ascertain the positive or negative assessment of Tax Revenue Collection as a strategic option for generating more revenue towards national development.

1. Is tax revenue collection a basic Option for revenue generations?
2. Is there any relationship between taxation and national development?
3. What is the attitude of citizens to the payment of tax?
4. Are tax fund adequately raised as revenue?
5. Are the three tiers of government functioning appropriately in the collection of taxes in Nigeria?
6. How do you assess the performance of the government in delivering infrastructure?
7. Are there ways to convince the citizens' to pay their tax and improve the level of tax revenue collection?

1.5 Research Hypothesis

As a guide to this research the following hypothesis are formulated

HO1: There is no relationship between Taxation and Revenue generation

HO2: There is relationship between Taxation and Revenue generation

1.6 Significance of the Study

This study should go a long way in assisting persons interested in this field of study as it will serve as a reference material for them. This study should provide a basis for consolidating and modernizing the tax system in order to provide the basis for strong revenue for coordinated regulation in the economy.

The study will be significant because it: -

- i. Provide information on Tax Collection as basic option of revenue generation with a view to improve and strengthen the role it plays in National Development.
- ii. Offer useful Strategic Options as a means to improving the tax revenue collection.
- iii. Create awareness on major taxes accruing to various governments in Nigeria.

- iv. Provide information on the application of tax revenue generation for developmental activities in Nigeria.
- v. Sensitize Citizen on their obligation to regularly pay their tax.
- vi. Create tax literacy to Nigerian citizens.

1.7 Scope of the Study

The researcher would like to emphasize that this research study is limited to Tax authority which is Federal Inland Revenue Service (FIRS). The research work is strictly based on the available data collected and up-to-date materials that the researcher was able to obtain by different authors and from different sources.

1.8 Limitation of the Study

This research study is faced with constraint of collection of data's through the questionnaire by the respondents who are reluctant sometimes to treat the questionnaire, the transportation and the finances involvement in the collection of materials needed for the research project.

1.9 Definition of Terms

For the purpose of this research, the meaning of the following shall apply: -

Act: Can be defined as a law that has been passed by a

Parliament.

Administration: Can be defined as the activities that are done in order to Plan, organize and run a business school or other Institution.

Amendment: This is a small change or improvement that is made to a Law or document.

Assessment: The act of Judging or forming an opinion.

Authority: Is the right to command and control other people.

Avoidance: This is the act of not doing something; preventing Something from existing or happening.

Beneficiary: Having entitlement to a property from someone when That person dies.

Collection: Is an act of collecting money to help in the development Of a country.

Compulsory: It is something you must do or accept because it is either a law or command.

Consultants: An experienced doctor with a high position in one area of Medicine.

Contribution: When you do something to help make it successful or to Produce it.

Corporate: It is a business corporations or a particular business Corporation.

Cost: It is the amount of money that is needed in order to buy, do, or make it,

Country: Is an area of land which has particular characteristics or is connected with a particular well – known person.

Decree: Is an act, official order from a ruler or government that becomes the law or a decision that is made in a court of law.

Definite: If something is firm and clear, and unlikely to be changed.

Defray: To provide money or fund needed for something.

Development: Is the process of producing or crediting something new or more advanced.

Evasion: Is the act of avoiding somebody or an attempt to escape Something that you are supposed to do.

Effect: A change that causes a result.

Federal: Is a system of government which the different states or Provinces are controlled by a strong central government.

Formula: This is a plan that is invented in order to deal with a Particular problem.

Government: Is the group of people who are responsible for Controlling a country or a state.

Group: It is a number of people or things which are together in one place at one time.

History: This is the event of the past.

Impose: to introduce a new law, rule, tax; to order that a rule, punishment e.t.c, be used.

Income: Is the money that a person, a region, a country. e.t.c earns from work, money from business or investments.

Individual: This is relating to one person or thing or a person.

Internal: This is things that exist or happen inside a country or organization.

Jurisdiction: Is an area or a country in which a particular system of laws has authority.

Law: Is the whole system of rules that everyone in a country or society must obey.

Legal: This is things that relate to the law or something that is required by law.

Levy: This is a sum of money that one has to pay.

Local: Belonging to the area where you live, or to the area that

you are talking about.

- Machinery:** This is the system and all the procedures that it uses to deal with things.
- Method:** Is a particular way of doing things.
- National:** This means the whole of a country or a nation rather than to part of it or to other nations.
- Offence:** Is an illegal act.
- Payment:** Is an amount of money that is paid to someone, or the act of paying this money.
- Person:** This is a man, woman, or child.
- Pivot:** Is the central or most important person or thing.
- Proceeds:** This is something done after doing something else first.
- Remit:** This is the area of activity which they are expected to deal with, or which they have authority to deal with.
- Removal:** It is the process of transporting something from a particular place.
- Resources:** This are the materials, money and other things that they have and can use in order to function properly.
- Returns:** Is the amount of profit that you get from business / investments.

Revenue: Can be defined as the total income of an individual, Corporate bodies or state on which tax is imposed.

Society: This is the people in general, or people who live in a country or region, their organizations, and their way of life.

State: The government of a country.

Strategic : A careful Plan or Method

Tax: Can be defined as a compulsory levy imposed by the Government on the income of both Individuals and Corporate bodies to enable the governments provide services for the people.

Taxation: Is the system of collecting money by taxes.

Tax avoidance: Is the way of paying only the smallest amount of tax that you legally have to.

Tax evasion: Is an attempt to escape tax liability (wholly or partially) by breaking the tax law.

Voluntary: This is something done because someone chooses to do them and not because they have been forced to do them.

CHAPTER TWO

2.1 Literature review

In order to articulate this topic we need to start by definition of tax/taxation as postulated by various authorities. According to Ojo (1982) taxation is defined as a compulsory level imposed by the government on individual and business firms and paid by them to the government. According to Linus S. Igboyi; (2005) taxation is the process of machinery by which communities or groups of person are made to contribute... in some of the agreed quantum and method for the purpose of the administration and development of the society. A tax can also be define as the levy by public authorities with a tax jurisdiction, compulsory contributions by the citizens to defray part of the cost of government activities in providing the needs of society.

For a levy or contribution or payment to be term as tax it must possess the following qualities:

- i. It must be a compulsory payment: A tax is a compulsory payment. A levy or payment of which is voluntary is not a tax but a contribution or donation.
- ii. It must be a payment to a government: Tax must be a payment to a public authority or a government. Where a tax is paid to an individual, such as a king, it must be in his capacity as an embodiment of the society or state if not, then it is extortion and not a tax.

- iii. It must have a known formula: The contribution must be in accordance with a known formula. In the traditional society, it may be a flat rate or graduated according to age groups or gender.
- iv. It must be for common benefit: A tax must be for a common use. It must be for a common good. This has to do with the intended purpose(s) of the tax. Thus, where such contribution is made for the use of an individual, it is not a tax.
- v. It must have distinctive beneficiary: The beneficiary society must be a definite and distinctive one such as a kingdom in Yoruba-land or an Emirate in Hausa-land. In modern administrations it can be the government of Federal, State or Local level.

The essence of all taxes is the removal of resources from private hands to the individual, corporate bodies, Trusts, Families, Societies and Communities into the public sector to finance activities that have to do with the whole society.

2.2 History of Taxation

In the beginning the word 'tax' first appeared in the English language only in the 14th century. It derives from the Latin *taxare* which means 'to assess'. Before that, English used the related word 'task', derived from Old French. For a while, 'task' and 'tax' were both in common use, the first requiring labour, the second money.

‘Tax’ then developed its meaning to imply something wearisome or challenging. So words like ‘duty’ were used to suggest a more appealing purpose. Political spin has just as long a history as taxation, and neither has been detained unduly by the meaning of words.

The written record

China has one of the longest of all written records, and we know that taxes were levied here some 3,000 years ago as the Empire was being established. Powers (usually military) that were able to impose taxes created the first bureaucracies to collect and administer them. Under the Egyptian Pharaohs ‘scribes’ were charged with raising funds in any way practicable, including a tax on household cooking oil. Regular audits were conducted to ensure that oil was not recycled – perhaps the first historical record of ‘avoidance’. The ‘Book of Genesis’ in The Bible suggests that a fifth of all crops should be given to the Pharaoh. The city states of Ancient Greece imposed *eishpora* to pay for wars, which were numerous; but once a war was over any surplus had to be refunded. Athens imposed a monthly poll tax on foreigners. Imperial Rome used tribute extracted from colonized peoples to multiply the bounty of empire. Julius Caesar imposed a one-per-cent sales tax; Augustus instituted an inheritance tax to provide retirement funds for the military.

However, human bondage remained the most lucrative form of tribute for both Greece and Rome.

The price of faith

With the decline of Rome in Europe, ‘spiritual’ and ‘temporal’ powers were not always easy to distinguish. Religious institutions rivaled – and sometimes surpassed – political ones in their material power. To secure this, they imposed forms of taxation. For Christians it was a ‘tithes’, or a tenth of what the faithful produced, usually paid to the Church in kind. Tithes barns for the receipt and storage of such payments were lesser in size only to churches in villages and towns. The expansion of Islam was accompanied by the ‘Islamic Tax’, the *khums*, or ‘one twentieth’ – more modest by half than the tithes. There are direct references to it in the Qu’ran, which requires its use for specified purposes, such as the relief of the poor. In India, Islamic rulers imposed a tax called *jizya* in the 11th century. In Latin America the Aztec, Olmec, Maya and Inca cultures all seem to have raised forms of taxation, usually in association with ritual observance. Both Hindus and Buddhists sustained their temples and monasteries with contributions of time, skill and resources from the faithful.

Land was the basic commodity of feudal Europe and service (military or labour) its currency. Aspiring monarchs had little access to revenues in cash, though ‘scutage’

was sometimes accepted in lieu of military service. Then the Vikings, sailing from Scandinavia, started demanding protection money. In 845 they extorted six tons of silver in return for not sacking Paris; in 994 a similar amount from London. Though the Viking threat subsided, 'Dangeld' (restyled 'carucage' in England) was still collected by rulers. After the invasion of England in 1066 by the Normans (themselves descended from Vikings), William the Conqueror commissioned the Domesday Book, a land survey to assess his new kingdom's tax potential.

Imperial measures

More modern systems of taxation followed the expansion of imperial Europe, together with towns and cities, where tribute in kind was less useful – cash was the currency here. The monarchies of Spain and Portugal, however, still transposed feudal structures, and an obsession with gold – which was portable – to their occupation of Latin America. Others followed the example of the city states of Italy, particularly Venice, which had grown rich on trade with the East; taxes on trade were relatively easy to raise. France, the Netherlands and Britain in particular began to establish commercial outposts, and then military control, across Africa and Asia. Traditions of tribute through human bondage revived, however, with the triangular slave trade between Africa, Europe and the Americas. In Britain, a

disagreement on the rights of taxation between Parliament and King Charles I in 1629 led to civil war.

Nation states

Resentment of tax fuelled the French Revolution between 1789 and 1799. Thereafter, Napoleon centralized the tax system and employed private collectors who could keep a proportion of their takings. Revolt against taxation – levied from imperial Britain – also fuelled the formation of the United States, though an independent Congress soon enacted the Federal Property Tax in 1798. By now, no aspiring nation, in Europe or elsewhere, could dispense with the machinery of a state or the taxes to pay for it. At the same time, the principle of ‘no taxation without representation’ was becoming more firmly established – though representation was still largely limited to the wealthy.

As the power of monarchies declined and of industrial capitalism increased, a new settlement was required. This was pioneered in Britain. Income tax was first imposed on personal wealth in Britain in 1798, to pay for the wars with Napoleon. It was billed as a ‘temporary’ measure, renewable annually by Parliament – and has remained so ever since (it still expires on 5 April every year). A year after the

Battle of Waterloo in 1815 it was repealed. In the general election of 1841 Sir Robert Peel opposed income tax, but once elected he reimposed it, reducing customs duties at the same time. Tax 'commissioners' (who came from the landed gentry) were transformed into the Board of Inland Revenue in 1849 to produce an efficient bureaucracy. In the general election of 1871, both Gladstone and Disraeli opposed income tax. Disraeli won, but the tax stayed. In 1908, Lloyd George as Chancellor introduced non-contributory old-age pensions, and – in the 'People's Budget' of 1909 – plans for a super-tax on the rich. The rejection of this by the House of Lords led to the 1911 Parliament Act which removed the Lords' power of veto. As taxation increased, so the right to vote and the principle of democratic consent were extended, culminating in universal adult suffrage.

Taxes to beat the Axis

At the start of World War One in 1914, the standard rate of income tax in Britain was 6 per cent; by the end of the war in 1918 it was 30 per cent. An Excess Profits Tax was levied on companies benefiting from war production. The total tax 'take' was 17 times higher than it had been in 1905. This continued after the war, when government was expected to provide homes and public services in 'a land fit for heroes'. Government borrowing soared. In the US, the 'New Deal' in response to mass unemployment during the Great Depression of the 1930s relied heavily on

the Federal Government's ability to borrow against future tax revenues. It was only after Pearl Harbor, and the US entry into World War Two, that the Revenue Act of 1942 subjected millions of new taxpayers to income tax and gave rise to a whole new taxpaying culture. The Federal Government launched an all-out campaign to market the changes, including Disney animated shorts featuring Donald Duck touting the importance of 'taxes to beat the Axis!' Asked in February 1944 whether they considered the amount of income tax they paid to be 'fair', 90 per cent answered 'yes'.

Cold war

Great expectations also followed World War Two. Worldwide liberation movements made 'nation building' (and the state machinery to go with it) an urgent priority for newly independent states in Africa and Asia. However, the Cold War between the 'West' and the Soviet Union ensured that vast military machines continued to operate at public expense, and 'defence' loomed large in the finances of the new states right from the outset. Meanwhile, demand for public services gave rise to such things as the National Health Service in Britain and new forms of taxation to pay for them. Scandinavia led the way as the proportion of national wealth devoted to public expenditure and services rose towards a half. The use of

taxation to redistribute wealth and even out the inequalities of capitalism in the West became an ideological weapon in the Cold War.

Global consensus

As the Cold War came to an end, triumphant free-market orthodoxy demanded ‘small’ government, privatization and cuts in taxes on the wealth of private individuals and corporations. Corporate globalization was, in any event, making it more difficult for nation states to exercise control (or collect taxes), rather than compete with each other to offer the most favorable rates. In Russia, the tax rap became a nationalist tool against oligarchs and foreign businesses. Everywhere, the ‘neoliberal’ process has continued, but its outcome is increasingly uncertain. Public expenditure as a proportion of national wealth has not fallen in rich countries. Private or corporate wealth still relies on governments to provide (or, more often, finance) a vast range of services – including ‘bail-outs’ when free-market orthodoxy turns out to be flawed, as in the recent ‘credit crunch’. Military expenditures have still not been reduced significantly. In poor countries, revenues

for desperately needed public services remain minimal. A ‘global consensus’ agrees, as the saying goes, that ‘only the little people pay tax’.

History of tax in Nigeria

In the Stone Age, tax was collected in Nigeria long before the coming of Europeans. It was collected by the Local Chiefs for the purpose of administration and defense. Every person was expected to give part of his or her proceeds from cultivation of land to the state. Those who were cultivators were required to give their sources for public work such as clearing the bush, digging the pit latrines, wells etc for the benefit of the community as a whole. Failure to render such services usually resulted in loss of properties, which might be reclaimed after payment of fine.

With the coming of Europeans, taxes were collected from individuals through local chiefs. In 1946, a legislative council was set for the whole country, which obliged the regional council with a large measure of financial responsibilities. After independence, state governments were to find out other sources of generating revenue.

2.3 History of Federal Inland Revenue Service (FIRS)

The Federal Inland Revenue Service started as part of a colonial tax Organization under the name the Inland Revenue Department of Anglophone

West Africa. The department's scope of administration covered Nigeria, Ghana, Sierra Leone and the Gambia

In 1943, the Nigerian Inland Revenue Department was carved out of the Inland Revenue Department of Anglophone, West Africa and established as an autonomous body under the supervision of the commissioner of Income Tax.

The Nigerian Inland Revenue Department consisted of:

- a) The resident;
- b) Chiefs and elders in each district
- c) Any native authority, which by native law and custom was recognized as a tax collection authority.
- d) Any native council or group of persons appointed by the Governor.

Any official of the United Kingdom Inland Revenue Department, W.A.B. carter was appointed as the first commissioner of Income Tax of the new agency, a position he held until 1951 when he was succeeded by Fraser G. Selby. In 1958 as one of the recommendation of the Raisman Commission, the Income Tax Administration Ordinance N0.39 of 1958, was passed. The ordinance, among other things provided for the establishment of the Federal Board of Inland

Revenue. However, full effect was only given to this provision under the Companies Income Tax Act (CITA) 1961.

The Federal Board of Inland Revenue, FBIR, as credited under CITA 1961 consisted:

- a) Chairman
- b) Deputy chairman
- c) The senior Assistant Secretary with responsibility for revenue matters in the Federal Ministry of Finance;
- d) The legal Adviser in the Federal Inland Revenue Department
- e) Two other members being Chief Inspector Taxes or Officers of equivalent rank; and
- f) One further member appointed by notice in the Gazette by the Minister.

The chairman of the FBIR was also the chairman of the Federal Inland Revenue Department, which was the executive arm of the FBIR. In line with the new statutory structure, Ephraim Osindero was appointed as the First chairman of the FBIR on 29th April 1961.

In 1977, the re-organization of the FBIR and its executive arm, the Federal Inland Revenue Department was formally approved by the Federal government.

The highlights of the reorganization were as follows:

- a) The posts of the Chairman and Deputy Chairman of the Federal Inland Revenue Department were re-designed Director and Deputy Director of the Department respectively;
- b) There was an increase in the number of Deputy Director from three to four with specific functions assigned to each Deputy Director;
- c) The membership of the FBIR was increased from seven (7) to ten (10);
- d) Ministries and other Organization whose mandates had bearing on the functions performed by the Board were to be represented on the Board.
- e) There was an increase number of posts of Chief Inspectors and other established senior posts;
- f) Upgrading of the post of the Board Secondary;
- g) Creation of an Intelligence section.

In 1991, about twelve (12) years after the 1977 reform as mentioned above, the Federal Government set up a Study Group whose terms of reference included a review of the Country's Tax Administration. The report of the Study Group led

to the promulgation of the Finance (Miscellaneous Taxation Provisions) (Amendment) Decree N03 of 1993. this Decree was a landmark statute in the history of tax administration. Some of the salient provisions of the decree include:

- a) Reconstruction of the FBIR by expanding the number of members of the Board to fifteen (15) inclusive of the Board Secretary;
- b) The establishment of the Federal Inland Revenue Service (FIRS) as the operational arm of the FBIR;
- c) The re-designation of the Board Chairman as Executive Chairman; and
- d) The establishment of a Technical Committee of the Board.

In spite of the above reforms introduced by decree N0.3 of 1993, Tax Administration still remained a function of the Civil Service and the Chairman of the Federal Inland Revenue Service was appointed from among the directors of the Federal Ministry of Finance. The first non-career civil servant to be appointed as the chairman of the Board was Mallam Balama Manu, a private sector banker who assumed office on the 3rd of September, 2001.

In 2002, the government set up a study Group headed by Professor Dotun Philips to examine the Nigerian Tax System and make appropriate

recommendations. Further to the study Group's recommendations a working Group headed by Mr. Seyi Bickerstuth was constituted. The re-aligned recommendations of the two groups had far reaching impact on tax administration and the implementation of the recommendations commenced in late 2003.

The most far reaching outcome of the reforms from the view point of tax administration was the passage of the **Federal Inland Revenue Service (Establishment) Act 2007**. The Act established the Federal Inland Revenue Service as a body corporate with perpetual succession, a common seal and the power to sue and be sued. In addition, it credited the Federal Inland Revenue Service Board. The major distinction between this arrangement and what existed hitherto is that whereas under the pre-2007 scenario Corporate personality was vested in the Federal Board of Inland Revenue (FBIR) and the Federal Inland Revenue Service (FIRS) functioned merely as an operational arm of the FBIR, since the passage of 2007 Act, corporate personality is now vested in the FIRS. The FIRS Board has responsibility to provide strategic policy for the service.

Another major feature of the Federal Inland Revenue Service Establishment Act (FIRSEA) 2007 is that it granted **autonomy to the service**. This autonomy manifests at two levels.

First, administratively speaking, the service is no longer dependent on the Federal Civil Service Commission in the areas of recruitment, promotion, welfare and discipline. These issues are now determined by the FIRS Board.

Second, the service is now funded by the cost of collection mechanism whereby a certain percentage of all non-oil revenue collected by the Service is appropriated by the National Assembly for the operations and of the service.

The autonomy granted the Service in the year 2007 has greatly improved its operations and enhanced efficiency in its processes. Investment in ICT and modern working tools has led to automation of key processes including collection. This has blocked leakages in the system and boosted government revenue profile. The service also underwent structure re-organization within this period and new offices were created. In 2010, the service recruits more than 1800 new staff to fill these new vacancies with relevant skills and competencies. Overall, since 1943 when the Nigerian Inland Revenue Department was established, it has undergone series of modification within period of 68 years of existence to attain its present form. At every turn, these modifications are aimed

at enhancing the efficiency of the organization. The reforms which gave birth to the current structure of the Service, and which are on-going are also geared towards this objective specifically, there is a deliberate drive to reposition the service as 21st Agency in order to achieve its stated Mission and Vision objectives.

Vision: - "To deliver quality service to taxpayers in partnership with other stakeholders and make taxation the pivot of national development"

Mission: - "To operate an efficient and transparent tax system that optimizes tax revenue collection and voluntary compliance"

2.4 Taxes in Nigeria

Under current Nigerian law, taxation is enforced by the three tiers of government i.e Federal, State and Local government with each having its sphere clearly spelt out in the taxes and levies (approved list for collection) Decree 1998. Of importance at this juncture however are tax regulations pertaining to investors both foreign and local. The importance of tax regulations cannot be over-emphasized, as most transaction with any ministry, department, or government agency cannot be concluded without evidence of Tax clearance in a Tax Clearance Certificate (TCC) certifying that all taxes due for the three

immediately preceding years of assessment have been settled in full. The following are some of the relevant tax regulations in the country.

The FBIR exists mainly for assessment and collection of taxes but Government's interest is mainly on the area of collection. The collection of taxes is done by the officials of FIRS and SIRS who ensures that taxpayers pay as promptly as possible.

Taxes to be collected by the Federal Government.

- 1. Companies Income Tax:** -One of the Acts regulating the taxation practice relating to Companies Income in Nigeria is the Companies Income Tax Act {Formerly Companies Income Tax Act 1979 (CITA 1979)}. The Act is contained in Chapter 60, Laws of the Federation of Nigeria (LFN) 1990. It is a consolidation of the provisions of the former principal Act (The Companies Income Tax Act 1961) and the various amendments thereto. It became operative with effect from the year of assessment commencing on 1st April, 1997. Subsequent amendments to the Act up to the end of 2004 are approximately treated in this book. The fiscal or assessment year runs from the 1st January to the 31st of December

of the same year (Up to 31st March 1980, it used to be from 1st April to 31st March following).

The basic taxation principles applicable to the trading income of individuals are also applicable to Companies, that is, profit or gains are taxed while losses are allowed to be relieved against profits of other years with –the four years carry forward time limitation. The exception for Agricultural business where there is no time limit for set-off of losses is also applicable to Companies. All income accruing to a company chargeable under CITA are taxed on preceding year basis, (PYB), not on actual year basis, except when the commencement or cessation provisions are applicable.

There are two stages of payment of Tax for Companies: -

- a. Income tax at graduated rates is payable on all the profits of a company from whatever source and irrespective of whether such profits are distributed to the shareholders or not.
- b. In addition, when dividends are payable, tax has to be deducted (presently at the rate of 10% of the amount of the dividends) from the gross amount before the net is paid over to the shareholders. This is referred to as

withholding tax on dividends. The tax, so deducted will be paid over by the Company to the relevant tax authority.

TAX INCENTIVES IN NIGERIA

i. Pioneer Companies:

Tax holiday is granted to companies with pioneer status. Pioneer status is granted to Companies as follows: -

Cognisance is taken of the newness and relevance of the products by the Companies. The tax holiday period is subject to a maximum of 5 years.

There is a total exemption from tax of the company's profit during the pioneer period.

ii. Export free zone exempt profit:

The profit of a 100% export oriented undertaking established within and outside an Export Free Zone is exempted from tax for the first three consecutive assessment years.

iii. Solid minerals mining:

A new company going into the mining of solid minerals shall be exempted from tax for the first three years of its operation.

iv. Hotels income exempt from tax:

25% of incomes in convertible currencies derived from tourist by a hotel shall be exempted from tax provided that such income is put in a reserved fund to be utilized within five years for the building, expansion of new hotels, conference centre and new facilities for the purpose of tourism development.

v. Spare parts fabrication:

A company which engages wholly in the fabrication of spare parts, tool and equipment for local consumption and export shall be allowed 25% investment tax credit on its qualifying capital expenditure.

vi. Locally manufactured plant:

A company which purchases a locally manufactured plant, machinery or equipment for use in its business shall be allowed 15% investment tax credit on such fixed asset bought for use.

vii. Investment Allowance

10% granted in the first year of purchase of plant and machinery used for agricultural production and manufacturing by agricultural and

manufacturing companies respectively. This is in addition to normal Initial and Annual allowance.

viii. Deductible Capital Allowance

Full Capital Allowance is now granted to Agricultural and Manufacturing Companies in respect of assets in use in agricultural production and manufacturing. For other companies, Capital Allowances are restricted to two thirds of the Total Assessable Profit.

ix. Other exempt income

- I. Dividend, interest, rent or royalty derived by a company from a country outside Nigeria and brought into Nigeria through Government approved channels.
- II. The interest on deposit accounts of a foreign non-resident company; provided that the deposits into the account are transfers wholly of foreign currencies to Nigeria on or after 1st January 1990 through Government approved channels.
- III. The profits of any Nigerian company in respect of goods exported from Nigeria provided that the proceeds from such exclusively for the purchase of raw materials, plants, equipment and spare parts.

TAX TREATIES

The tax treaties between Nigeria and other countries provide for

- I. The elimination of double taxation through the grant of credit for taxes paid by a Nigerian company in the other country and also through the acceptance in an Investor's country of taxes paid by the Investors in Nigeria as a set-off against the taxes payable in that country. The limit of the amount of the taxes to be set-off is however provided for in each agreement;
- II. The protection of the tax incentive legislations of the government which could otherwise be nullified by the tax measures of other country.
- III. The creation of a stable tax regime which a prospective Investor can rely on for business planning and transaction;
- IV. The grant of the concession of treaty-rates for investment income which are lower than domestic rates and which are available to treaty-partners only;
- V. The provisions for exchange of vital information between the Contracting States on tax matters and on the activities of Tax Payer resident in each of the States.

2. Withholding tax on Companies: - Residence of the Federal Capital Territory, Abuja and Non-resident Individuals: - Nigerian law subjects certain activities and services to Withholding Tax. This basically means that where during transactions in any of the specified activities or services, a payment is due from one person to another, the person making the payment is expected to deduct tax at the applicable rate and remit it to the Relevant Tax Authority. This should be done not later than 30 days after the deduction. This provision can be found in sections 68 to 72 of the Personal Income Tax Decree No. 104 of 1993; Sections 60 to 64 of the Company Income Tax Act (as amended), and Section 51(a) of the Petroleum Profits Tax Act (as amended). Some of these activities and Services and their current applicable rates include:-

PAYMENT %	CORPORATE %	INDIVIDUAL / ENTERPRISE
Rent	10	10
Construction	5	5
Dividend	10	10

Royalties	10	5
Commission	10	5
Professional fee	10	5
Technical	10	5
Consultancy Fees	10	5

Personal Income Tax: - This is based upon the income of persons, other than companies. The dominant factor is that what is taxed should be the income of the individual or person within the purview of the tax, e.g. income of individuals from trading, business, employment, partnership, trusts, and corporation sole are assessed under the PIT.

The legal basis for this tax is found in the provisions of the Personal Income Tax Decree [now Act]. 104 of 1993.

Every taxpayer in Nigeria is liable to pay tax on the aggregate amount of his income whether derived from within or outside Nigeria, the salaries, wages, fees, allowances, and other gains or benefits, given or granted to an employee are chargeable to tax. The Employers of labour are deemed to be agents of the tax authority for the purposes of remitting taxes deducted from salaries due to

employees.

However residency of the Taxpayer determines the extent of a taxpayer's liability in Nigeria. A person's place of residence for this purpose is defined as a place available for his domestic use in Nigeria on a relevant day, excluding hotels and rest houses. A person is deemed resident in Nigeria if he resides in Nigeria for 183 days in any 12-month period, expatriates holding residence permits are liable to tax in Nigeria even if they reside in the country for less than 183 days in any 12-month period. Once residence can be established, the relevant tax authority of the territory is the tax Authority in which the taxpayer has his place of residence or principal place of business.

The following are however exempted from tax: -

- Medical or Dental expenses incurred by the employee;
- Retirement gratuities and compensation loss of office;
- The cost of passage to or from Nigeria incurred by the employee;
- Interest on loans for developing an owner-occupied residential house;
- Leave allowance, which is computed as 10% of annual basic salary subject to a maximum of ₦7, 500 per annum.

Personal Income Tax in Nigeria will generally cover such areas as:

- Taxation of Employees
- Taxation of Sole Traders
- Partnership Assessment
- Taxation of Estates, Trusts and Settlements

TAX JURISDICTION

There are two classes of jurisdiction for tax purpose,

S/N	PERSON	RELEVANT TAX AUTHORITY
1	Resident Individuals other than officers in the Military, the Police , Officers of Foreign Affairs Ministry	Tax Authority of the State of Residence in Nigeria
2	Military Officers and the Police	Federal Inland Revenue Service (FIRS)
3	Abuja Residents	Federal Inland Revenue Service (FIRS)
4	Non-Resident Individuals	Federal Inland Revenue Service (FIRS)

5	Resident Companies	Federal Inland Revenue Service (FIRS)
6	Non-Resident Companies	Federal Inland Revenue Service (FIRS)
7	Foreign Diplomats accredited to Nigeria	Tax Authority of home country
8	Nigerian Diplomats serving abroad	Federal Inland Revenue Service
9	Nigerians working in Embassies and UN Organisations located in Nigeria	Tax Authority of the State Residence in Nigeria
10	Nigerians with diplomatic status working in UN organisations abroad	Federal Inland Revenue Service
11	Nigerian without diplomatic status working abroad	Tax Authority of the Country of Residence

RELEVANT TAX AUTHORITY

Under section 100 of the Decree, a Relevant Tax Authority means, in relation to an individual for a year of assessment, the tax authority of the territory in which the individual is deemed to be resident that year.

Tax Authority means the person or body of persons responsible under a law of a territory, imposing tax on the income of individuals for the administration of the law.

Territory is defined to be a State of the Federation and includes the Federal Capital Territory.

The concept of the relevant tax authority is very important in determining who is legally entitled to collect the tax payable by an individual.

A tax authority is defined strictly as the Federal Board of Inland Revenue, the State Internal Revenue or the Local Government Revenue Committee or a Ministry, Government Department or any other Government body charged with the responsibility for assessing or collecting the particular tax.

INCOME CHARGEABLE TO TAX

The various sources of income on which tax is payable are as follows:

- a) Gains or profits of any trade , business, profession or vocation
- b) Remuneration of an employment excluding sums paid to the employee
- c) Gains or profit including premiums arising from the grant of the right of use or occupation of property
- d) Dividends
- e) Interests
- f) Discounts
- g) Pension, charge or annuity

Petroleum Profit Tax: - As distinct from Companies engaged in the general business of trading, manufacturing or various services who are subject to tax under the provisions of the Companies Income Tax Act, Companies engaged in petroleum operations in Nigeria are subject to tax under the Petroleum Profit Tax Act (PPTA) of 1959 as amended. For the purpose of this legislation, Petroleum is defined in the Act as:-

“Any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in Nigeria excluding liquefied natural gas, coal or bituminous shales

or other stratified deposits from which oil can be extracted by destructive distillation”.

Petroleum operations are also defined in the Act as: -

“The winning or obtaining and transportation of Petroleum or Chargeable Oil in Nigeria by or on behalf of a company for its account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery in the course of a business carried on by the company engaged in such operations, and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company”.

COMPANIES LIABLE

Companies liable to Petroleum Profits Tax are those companies engaged in Petroleum Operations as defined above. These operations include Petroleum Exploration, Petroleum Development, Petroleum Production and Sale of Crude oil, and the Transportation by pipeline of crude oil to the port of export by, or on behalf of a company engaged in Petroleum operations excluding the transportation by ocean-going vessels from the point of export.

RELEVANT TAX AUTHORITY

As with Companies Income Tax, the body charged with the responsibility for the imposition and collection of Petroleum Profit Tax in Nigeria is the Federal Inland Revenue Service (FIRS).

DEFINITIONS

For the purpose of Petroleum Profits Tax, the Act defines the following: -

CHARGEABLE OIL:

Chargeable Oil in relation to a company engaged in petroleum operations means casing head petroleum spirit and crude oil from or obtained by a company from petroleum operations.

CASING HEAD PETROLEUM SPIRIT

This will include all liquid hydrocarbons obtained in Nigeria from natural gas by separation or by any chemical or physical process prior to any refining process or treatment.

CHARGEABLE NATURAL GAS

This is Natural Gas actually delivered by a company to the Nigerian National Petroleum Corporation under a gas sales contract but does not include natural gas taken by or on behalf of the Government of the Federation.

CRUDE OIL

This is any oil (other than oil extracted by destructive distillation from coal, bituminous shales or other stratified deposits) won in Nigeria either in its state or after the extraction of water, sand or other foreign substances there but before any such oil is refined or otherwise treated.

ACCOUNTING PROFIT

The profit of a company for an accounting period for the purpose of PPT is computed as follows:

- a. The proceeds of sale of all chargeable oil
- b. The value of chargeable oil disposed of
- c. The value of chargeable natural gas
- d. All income incidental to and arising from one or more of its petroleum operations

In respect of chargeable oil disposed of, the value to be used in the computation shall be determined thus:

- The value of chargeable oil determined for royalty purposes
- The cost of extraction of the chargeable oil which was deducted in determining the value

- Any costs incurred by the company in the transportation and storage of that oil between the field of production and the place of disposal.

ADJUSTED PROFIT

This is the profit of an accounting period after the deduction of all allowable expenditure

1. **Education Tax:** - An education tax of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country.
2. **Capital Gain Tax:** -The Capital Gains Tax Act which came into force on the 1st day of April 1967 imposes tax on capital gains arising from the disposal of assets accruing to an individual or a company. The tax is charged at a flat rate of 20% (10% from 1st January 1996). The Relevant Tax Authority is the State Board of Internal Revenue in respect of gains accruing to individuals, while the Federal Board of Inland Revenue is the Relevant Tax Authority in respect of gains accruing to companies and the

residents of the Federal Capital Authority or non-residents of the Federal Republic of Nigeria.

This accrues on an actual year basis and it pertains to all gains accruing to a taxpayer from the sale or lease or other transfer of proprietary rights in a chargeable interest which are subject to a capital gains tax of 10%, such chargeable assets may be corporeal or incorporeal and it does not matter that such asset is not situated in Nigeria. Where however the taxpayer is a non-resident company or individual the tax will only be levied on the amount received or brought into Nigeria.

Computation of capital gains tax is done by deducting from the sum received or receivable from the cost of acquisition to the person realizing the chargeable gain plus expenditure incurred on the improvement or expenses incidental to the realization of the asset.

CHARGEABLE GAINS

Chargeable gains are gains accruing on the disposal of assets whether situated in Nigeria or outside in respect of:

- A) Options, debts and other incorporeal property
- B) Any currency other than Nigerian currency

- C) Any form of property created by a person disposing of it, or otherwise coming to be owned without being acquired
- D) Stocks and shares of all descriptions (now exempted with effect from 1st January,1998)
- E) All qualifying capital expenditure under the Personal Income Tax Decree, the Companies Income Tax Act and the Petroleum Profit Tax Act.

GAINS CHARGEABLE TO TAX

Capital Gain is deemed to arise on the disposal of assets by a person where any capital sum is derived from a sale, lease, transfer, an assignment, or disposition of assets including those when no asset is acquired by the person paying the capital sum such as:

- Where any capital sum is derived by way of compensation for loss of office or employment.
- Where a capital sum is received in return for forfeiture or surrender of rights or for refraining from exercising such rights.

- Where a capital sum is received under a policy of insurance for the risk or any kind of damage or injury to or the loss or depreciation of assets.
- Where any capital sum is received as consideration for use or exploitation of any asset.
- Where any capital sum is received in connection with or arises by virtue of any trade business, profession or vocation.

COMPUTATION OF CAPITAL GAIN

The gain chargeable to tax is the difference between the consideration accruing to the person making the disposal and any sum to be excluded from that consideration. Also to be excluded are any expenditure allowable to the person under CGT Act. Any amounts taken into account in the computation of income (i.e. taken into account as a receipt in computing income or profit or gains or losses) of the person making the disposal for the purpose of PITA, the CITA or the PPTA, shall not be included in the consideration for determining the Capital Gain. To be included in the consideration for purposes of computing Capital Gain is the amount, which may have been taken into account in making a balancing charge under the income tax computations.

2. **Stamp Duties:** - Stamp Duties are one of the oldest taxes. They were originally introduced in England in 1694. Strictly they are taxes on documents and not on transactions or persons. It is currently governed by CAP S8 Law of the Federation of Nigeria, 2004. The Law was first promulgated in 1939 and was variously amended in 1942, 1946, 1950, 1953, 1954, 1955, 1956, 1990, and 2004.

Stamp Duty is a tax on commercial and legal documents which record and give effect to certain transactions. It is not a tax on transactions, hence even if the transaction has been aborted, stamp duty is payable on the document. And where the transaction is orally effected or it arises solely from the conduct of the parties no duty will be due since no document will be available for stamping.

ADMINISTRATION OF THE ACT

Stamp duty is managed by the Commissioner of stamp duties who are appointed by the relevant Civil Service Commission of the Federation or of a State as provided in Section 6 of the Act. However, in appointing the Commissioner, the law empowers the president or the Governor as the

case may be to limit the powers of such Commissioner to adjudication only.

The Commissioner of stamp duty is the administrative head of the stamp duty; he is also responsible for assessing instruments and imposing penalties where necessary. And the Commissioner is also responsible for stamping for stamping and embossing the instrument with appropriate stamp and keeps custody of the stamping instruments such as die and adhesive stamps. Above all , it is his responsibility for adjudication.

ADJUDICATON

When a person seeks the opinion of the commissioner as to the amount of duty chargeable, he is making an application for adjudication. For that purpose applicants have to furnish the facts and circumstance affecting the amount of stamp duty chargeable together with hard copies of the instrument and other supporting documents. The assessment is made according to the rates provided under the laws as may be revised from time to time by a resolution of the National Assembly.

Adjudication is important as it satisfies statutory requirements, it also determine the duty payable which makes the document admissible in

evidence upon payment. Adjudication can also rely to convince third parties that an instrument is genuine.

IMPLICATIONS OF IMPROPERLY STAMPED INSTRUMENTS

Failure to stamp an instrument or to obtain the certification of a Commissioner that the instrument is not chargeable with duty or that it is duly stamped renders the instrument inadmissible in evidence (S.19).

However, such instrument is admissible in criminal proceedings, notwithstanding that it is not duly stamped. It may be tendered to prove a fraud and an act of bankruptcy.

CATEGORIES OF INSTRUMENTS SUBJECT TO STAMP

DUTIES

Not all documents are chargeable with duty. Such instruments chargeable to duty include:

1. Admission e.g Admission as a barrister or solicitor or as a notary public.(S.27)
2. Agreements e.g Hire purchase agreements, agreements for lease or letting.(S.28&30)

3. Appraisements i.e Valuation of any estate or property real or personal or any interest in expectation of any hire, fee or record.(S.31)
4. Instrument of Apprenticeships i.e relating to the service or tuition of any apprentice, clerk, or servant placed with any master to learn profession, trade or employment (S.33)
5. Bills of Exchange and Promissory Notes. (S.36)
6. Bills of Lading (S.44)
7. Bills of Sale (S.45)
8. Charter-party (S.46)
9. Contract Notes i.e note sent by a broker or agent to his principal or by any person who, by way of business deals or holds himself out as dealing, as a principal in any stock or marketable securities (S.49)
10. Conveyance on sale(S.52)
11. Leases (S.68)
12. Letter of allotment or Renunciation (S.72)
13. Letters of powers of Attorney and voting papers(S.74)

14. Marketable Securities which includes security of such description as to be capable of being sold in any Stock Exchange (S.76)
15. Mortgages (S.80)
16. Notarial Acts (S.83)
17. Policies of Insurance (S.85,86)
18. Receipts (S.89)
19. Settlements (S.93)
20. Share Warrants (S.96)
21. Stock Certifications to bearer (S.97)
22. Warrant for Goods (S.99)
23. Duty on Capital of Companies (S.100)
24. Memorandum of Association of a Company- S.27(6) CAMA.

The above list is not exhaustive as other laws and the schedule to the Act have further provisions in that respect. The scheduled has also itemized instruments that are exempted from stamp duties impressed stamps which could be stamped within specified period after execution.

FORMS OF STAMP DUTIES

Stamp duties are of two forms:

a. **FIXED DUTIES**; these are duties that do not vary with the consideration, Example of instruments assessed with fix duties include:

- i. Payment receipt
- ii. Bank notes or bills payable at sight
- iii. Cheques leafs
- iv. Admission as solicitor or notary public
- v. Guarantor forms
- vi. Proxy forms

b. **AD-VALOREM DUTIES**; these are duties that vary with the amount of consideration in accordance with the scale provided in the relevant schedule fixed by Government. Example of instruments for ad-valorem assessment include:

- i. Bills of exchange
- ii. Share capital of companies
- iii. Mortgage and Debenture loan
- iv. Promissory notes
- v. Property valuation

vi. Policy of life insurance

CONCLUSIONS

The stamp duties Act is a good source of revenue to both the Federal Government and various State Governments but the pervading ignorance of the law amongst the populace and lack of effective enforcement of its provisions has made its implementation backward.

It is therefore necessary for those responsible for implementing the law to intensify efforts to increase the awareness of its provisions through adequate publicity and ensure its effective enforcement by regular inspection visits to all relevant agencies responsible for the keeping of tolls, books or other instruments liable for duty.

Inspection visits will surely serve as a veritable tool for ensuring compliance with the law.

3. Value Added Tax: -THE HISTORY AND CONCEPT OF VAT

The history of VAT

Value Added Tax (VAT) was first advocated in Germany in 1919. The form advocated then was the “addition type” in which the tax base would

be the sum of wages and capital income. In accounting sense, this is the difference between the sales and the purchase of the taxable firm. It is the value added. However, the origin of VAT in its modern form is France. France introduced “Production Tax” in 1937. It was a type of excise duty. In 1948, it was credit mechanism thereby moving it nearer the present day Value Added Tax.

In 1954, the tax was changed into a “consumption type” VAT. It was made applicable to the industrial sector alone with services and distribution having separate taxes. The French VAT, as adopted, gave full credit for tax paid on investment goods. France’s favourable experience in the administration of the tax persuaded the other original five member states of the European Economic Community (EEC as it was then known), to adopt the VAT. The adoption of the tax by EEC countries was made obligatory under the Treaty of Rome signed in January 1957.

Was introduced by the VAT decree No. 2 of 1993, to replace the old sales tax. It is a consumption tax levied at each stage of the consumption chain, and is borne by the final consumer. It requires a taxable person upon registering with the Federal Board of Inland Revenue to charge and

collect VAT at a flat rate of 5% (recently increased to 10%) of all invoiced amounts of taxable goods and services.

VAT paid by a business on purchases is known as input tax, which is recovered from VAT charged on company's sales, known as output tax. If output exceeds input in any particular month the excess is remitted to the Federal Board of Inland Revenue (FBIR) but where input exceeds output the taxpayer is entitled to a refund of the excess from FBIR though in practice this is not always possible.

A Taxpayer however has the option of recovering excess input from excess output of a subsequent period. It should be stated at this point that recoverable input is limited to VAT on goods imported directly for resale and goods that form the stock-in-trade used for the direct production of any new product on which the output VAT is charged.

There were other reasons that made the other members of the EEC favourably disposed towards VAT. These include:

- The turnover tax levied in Belgium, Germany, Italy, Luxembourg and the Netherlands had cascading effect. The tax was collected at

every stage of production and distribution, with no credit for taxes collected and paid to government at earlier stages. The effect was that the tax included in the final prices varied widely even for the same products taxed at the same rate in the same country. It depended on the number of times a product changed hands before reaching the final consumer.

- Even more important (for the EEC) was that the cascading tax under the former regime did not permit a reliable determination of border tax adjustment. Exports' rebates could only be approximately because of the differing number of selling stages the goods went through before export and the fact that value added at those stages were not equal.
- If goods are nearer their final form, they will change hands less number of times. This will mean that such goods required a higher rate of tax to match the cumulative burden of tax on goods that is farther from their final form. But how much higher should the rate be was hard to determine. This also made border tax adjustment between members of the Union difficult.

DEFINITIONS OF VALUE ADDED TAX (VAT)

As the name implies, Value Added Tax is the tax on “the Value Added”.

This definition is quite correct but rather very simplistic. It is like defining Income Tax as tax on income or Capital Gains Tax as tax on capital gains. Apart from the fact that these are inconclusive definitions (in the three examples, Value Added, Income and Capital Gains may also need to be defined), they fail to bring out the essential features of each tax which is what a good definition must do.

With this in mind, I consider the following definitions of Value Added Tax:

- a. *“A Value Added Tax is a tax levied at each stage of production, on Firms’ value added”*. James M. Bickley. In his paper “The Value Added Tax: concepts, issues and experience.
- b. *“The ValueAdded Tax (VAT), as it is generally applied, is a multi-stage consumption tax levied on the difference between a firm’s sales and the value of its purchased inputs used in producing goods”* Oliver Oldman, Professor of law; and Laverne Woods; both of Harvard Law School.

c. *VAT has also been defined as a multi-stage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution and to services as they are rendered”.*

These definitions by eminent scholars must have been quite adequate for the audiences for which they were intended. However, the definition of VAT that appears most pungent to me is the one contained in The United Kingdom Statement of Standard Accounting Practice (SSAP) N0.5 which states that:

“VAT is a tax on the supply of goods and services which is eventually borne by the final consumer but collected at each stage of the production and distribution chain”.

The beauty of this definition is that it brings out the three essential characteristics of Value Added Tax which I have emphasised.

These characteristics are:

- I. VAT is a consumption tax;
- II. VAT’s incidence is on the final consumer; and
- III. VAT is a multi-stage tax.

Where these three characteristics are present in a tax, it is a classical VAT. Where they are not present, another form of tax or a variant of VAT bearing similarity to VAT and variously named (e.g. Modified VAT, Simplified VAT e.t.c.)

Is being operated.

What is Value Added?

Value Added is very central to VAT. In fact, its determination is central to the calculation of VAT. In a company, the Value Added is the base on which the rate of the tax is applied to arrive at the tax payable. This is especially so under the “subtraction method” which is fully discussed later in chapter III.

Value Added has been described by Sam Aluko, a Nigerian Professor of Economics, as “the increase in the value of goods or services in the process of their production or delivery” (paper on “An analysis of the classical VAT as operated in selected countries’.) In the paper, the Professor explained further that Value Added is calculated by deducting from the value of goods or services the cost of the input of the other

goods or services that were used in the process of the production of the goods or in the delivery of the services.

In other words, the Value Added by a firm is the difference between the firm's sales of its outputs and its purchases of inputs from other firms. Simply put, Value Added is the amount of value a firm contributes to a good or service by applying its own factors of production namely: land, labour, capital and entrepreneurial ability.

The Types of VAT

Basically, there are three types of VAT. The difference between them is only on how purchases of new capital inputs (plants, furniture, and equipments e.t.c) are treated in the determination of the tax base. The three types are the **Consumption type, the Income type and the Gross Product type.**

- **The Consumption VAT:** - Under the consumption VAT, capital purchases are treated the same way as the purchase of any other input. This treatment of capital input is equivalent to “expensing”.

It has three distinct advantages to the taxable firm:

- I. The taxable firm can claim credit for the tax paid on capital assets immediately and this will ease its cash flow problems.
- II. The tax burden from capital expenses is shifted to the consumer in full and immediately instead of being borne wholly or in part by the company.
- III. The consumption VAT is easier to compute since the firm does not have to separate expenditures on capital from expenditure on other items of purchases in determining the VAT base.

The main disadvantage of the consumption VAT is from the point of view of the VAT administrator. It creates refund problems such that for a very long time, the revenue office may be having refund to make where very heavy and expensive machinery are involved.

All Organisation for Economic Co-operation and Development (OECD) nations that have a VAT adopt the Consumption VAT.

- **The Income VAT**: - Under the Income VAT, the tax paid on purchases of capital inputs are amortized (i.e. credited against the firm's VAT liability) over the expected lives of such capital inputs.

Illustration:

If machinery is bought by a manufacturing company for ₦ 1 million and VAT of 6% is paid, the ₦ 60, 000 VAT paid is allowed as credit against the firm's output tax over the life span of the asset. If the asset is estimated to last 10 years, ₦6, 000 is allowed as offset annually. In other words, the company is allowed to input ₦500 monthly and the whole input tax of ₦60, 000 will be fully rebated in 10 years.

The system is very much like capital allowances with the difference that the input tax is amortised against the output tax of the company rather than against its assessable profit. The Income VAT does not favour the taxable firm because it does not take into account the time value of money.

- **The Gross Product VAT:** - Under the Gross Product VAT, no deduction of tax on input of capital purchases is allowed against the firm's output tax. In other words, the taxable firm is treated as a final consumer of all its capital input.

Under this situation, the paid on capital input serves as part of cost of that capital input. However, the firm is usually allowed to capitalize the input tax paid for income tax purposes. Thus, capital allowances are claimed over the expected life-span of the asset. The main advantage of this type

of VAT is to the Revenue who is saved the problem of having to make cash refunds. But the system does not encourage investment in heavy capital assets.

This is the type of VAT that Nigerian has adopted.

- 4. Nigerian Social Investment Trust Fund (NSITF):** - This is governed by the NSITF Decree, and requires everybody employed in a Nigerian incorporated company to contribute a certain percentage of their salary to the fund. This contribution is based on the assumption that the maximum basic salary in Nigeria is N48, 000 per annum; Expatriates are excluded from this requirement where they can show proof of a similar contribution in their home country. The rate of contributions is defined as follows, where the contributor is an employee, 2.5% of his salary subject to a maximum of N 1,200 per annum; where the contributor is an employer, 5% of basic salary subject.

- 5. Information Technology Development Levy:** - The National Information Technology Development Agency (NITDA) Act, 2007 empowers FIRS to assess and collect the NITDA levy imposed under

section 12 of the Act. A levy of 1% is charged on the profit before tax of companies and enterprises listed below with an annual turnover of N100 million and above. The levy when paid by the companies shall be deductible. The businesses are as follows:

- GSM service providers and all Telecommunication Companies.
- Cyber Companies and internet providers.
- Pension Managers and pension related companies.
- Banks and other financial Institutions and Insurance companies.

Taxes and Levies to be collected by the State Government

1. Personal Income Tax in respect of:
 - a. Pay-As-You-Earn (PAYE) and
 - b. Direct Taxation (Self Assessment)
2. Withholding Tax (individuals only)
3. Capital Gains Tax (individuals only)
4. Stamp Duties on instruments executed by individual
5. Pools Betting and Lotteries Gaming and Casino Tax
6. Road Taxes
7. Business Premises registration fee in respect of:

Urban areas as defined by each states maximum of

- a. N10, 000 for registration and
- b. N5, 000 per annum for retrieval of registration and

Rural areas

- a. N2, 000 for registration, and
- b. N1, 000 per annum for renewal of registration.

8. Development levy (individual only) not more than N100 per annum on all taxable individuals.
9. Naming of street registration fees in the State Capital
10. Right of Company fees on lands owned by the State Government in urban areas of the state.

Taxes and Levies to be collected by the Local Government

1. Shops and Kiosks fees
2. Tenement rates
3. On and Off Liquor License fees
4. Slaughter Slab fees
5. Marriage, Birth and Death registration fees
6. Naming of Street registration fee, excluding any street in the State Capital

7. Right of Occupancy fees on lands in rural areas, excluding those collectable by the Federal and State Government
8. Market taxes and levies excluding market where state finance is included.

2.5 Tax System

Tax system involves a tripartite position namely:

The tax policy;

The tax laws; and

The tax administration

The tax policies in Nigeria

Policies are general statements of intention which guide the thinking and action of all concerned towards the realisation of the set objectives.

The following are the consistent tax policies of Nigeria since 1992.

- i. Pursuance of a low tax regime with the aim of reducing individual tax burden, and thereby encouraging savings and investments.
- ii. Deliberate movement of emphasis from income tax to consumption tax which is less prone to tax evasion.

- iii. Introduction of the self-assessment scheme to encourage taxpayers participation in the tax assessment process which is considered to be more democratic in nature and realistic in approach.
- iv. Movement from the traditional coercive method of taxation to voluntary compliance; and
- v. Using the due process of law and the mechanism of an efficient tax administration to curb tax evasion and avoidance.

The tax legislations / laws in Nigeria

The Raisman fiscal commission in 1958 was set up to examine the jurisdiction and powers of various tiers of government in tax collection.

First tax laws or regulations were enacted between 1959 and 1961.

- i. The Income Tax Management Act (ITMA) 1961
- ii. The Companies Income Tax Act (CITA) 1961
- iii. The Petroleum Profit Tax Act (PPTA) 1959
- iv. The Stamp Duties Tax Act (SDTA) 1959
- v. The Personal Income Tax Act (Lagos) 1961 (PITLA)

Between 1966 and 1979 which was characterized by military rule in Nigeria, there were no less than 75 tax and taxation related legislations in Nigeria in form of other amendments or actual enactment it thus follows that for any tax to be legally worth collection, it must be backed by a law.

The following are the notable tax law or legislations operating to date in Nigeria.

- 1) Personal Income Tax Act (PITA) NO. 104 of 1993: - This Act repeals the Income Tax Management Act (ITMA) and Income Tax (Armed forces and other PERSONS) (Special Provisions) Act 1972 NO. 51 having reenacted the provisions of both enactments (commencement 25th August, 1993).

The Personal Income Tax Decree NO. 104 of 1993 is a codification of ITMA, 1961 and the Income Tax (Armed Force and Other Persons) (Special Provisions) Act 1972 and all their amendments up to 1993. These amending enactments include all the decree incorporates amendments under all Nigerian tax laws.

The PIT decree repealed ITMA expressly and the state laws without specifically saying so since, in any case, the states laws had already been rendered unconditional by the 1979 constitution. The decree in all Nigerian tax laws.

“Subject to section 6 of the Interpretation Act, the ITMA and IT (AF & OP) (SP) Act are hereby repealed.”

Also section 101 of the decree emphasized its national applicability since it provides that:

“This Decree may be cited as the Personal Income Tax Decree, 1993 and shall apply throughout the Federation except as here in provided.”

- 2) Companies Income Tax Act (CITA) CAP 60 LFN, 1990 (Commencement 1st January, 1958): This is the Companies Income Tax Decree NO. 28 of 1979 that replaced CITA 1961 which has gone through many amendments and financial miscellaneous taxation provisions Decrees.

All these amendments to Decree 28 of 1979 were codified into the Companies Income Tax Act (CITA) CAP 60, laws of the Federation of Nigeria (LFN) 1990 which took effect retrospectively from 1st April 1977.

- 3) The Petroleum Profits Tax Act (PPTA) Cap. 354. LFN 1990 (Commencement 1st January, 1958). It deals with the taxation of petroleum producing marketing companies in Nigeria. It is a Federal Law enacted and implemented by the Federal Authorities.

- 4) The Capital Gains Tax Act (CGTA) CAP 42.LFN 1990 (Commencement 1st April, 1967). This Act deals with the gains that arise from the sale of Fixed Assets or properties known as chargeable assets.

5) The Value Added Tax (VAT) Act NO 102 of 1993. (Commencement 1st December, 1993). This tax was introduced in Nigeria in 1993 and by this Act, the country moved significantly into the region of consumption taxation. Suffice it to say here that the Act replaced the states administered sales Tax Decree NO. 7 of 1968 and took nominal effect from 1st December, 1993, while invoicing for tax purposes did not begin until 1st January 1994.

6) The Education Tax Act (ETA) 1993 (Commencement 1st January, 1993). The Education Decree NO 7 was promulgated in 1993. it is a sectional tax that was to be used exclusively to upgrade the nations educational infrastructure.

Sectoral taxes are not good for any tax system for the following reasons;

- i. It unnecessarily over-burdens the tax management
- ii. It is capable of causing distortions in the economy
- iii. It can frighten off foreign investors who reason that other sectors can come up with their own tax any time.
- iv. It makes mockery in financial indiscipline

7) The Stamp Duties Tax Act (SDTA) CAP 411 LFN 1990 (Commencement 1st April, 1939). This Act deals with the duties paid on legal documents stamped by the Federal Government of Nigeria through the Federal Inland

Revenue Service; and the Government collect duties on instruments between persons and individuals.

The Stamp Duties Act is a codification of:

- i. The Stamp Duties Ordinance CAP 126 PF 1923
- ii. The Stamp Duties (amendment) Ordinance of 1928
- iii. The Stamp Duties (amendment) Ordinance of 1931
- iv. All Orders-in-Council made under S.4 of the Stamp Ordinance
- v. All regulations and appointments made under the Stamp Ordinance

2.6 Tax Administration in Nigeria.

Section 2; ITMA deals with the due administration of taxes in Nigeria. Company income tax was first introduced in Nigeria in 1939, i.e. before independence to assess and collect incomes Accruing in; Derived from; Received in and Brought into Nigeria.

The ITMA was formed in 1961 and it formally empowers on the Federal Board of Inland Revenue.

Since then, the FBIR have been undergoing gradual revolution and reforms both in size and staff status.

For tax purposes Nigeria is divided into constituent parts, the states. Each state is responsible for the assessment and collection of the tax due from taxable person within its jurisdiction. The Federal Board of Inland Revenue is responsible for the assessment and collection of the tax due from all liable companies (as defined and referred to in Income Tax Management Act and Companies Income Tax Act) throughout the whole of Nigeria.

Since 1972/73 assessment year, the Federal Board of Inland Revenue by virtue of Decree (51) of 1972 was asked to impose and collect taxes on the Armed Forces Personnel, Public Officers employed in the Nigerian Foreign Service and in respects of certain persons and dividends payable overseas. It is also responsible for the assessment and collection of taxes from members of the Nigeria Police Force.

Problems common to and disputes arising among the tax authorities are dealt with by the Joint Tax Board, which has been established, among other things, to act as the adjudicating body.

The care, management, assessment and collection of the tax from companies throughout the Federation are vested in the Federal Board of Inland Revenue. Individual taxation, except from those mentioned in the preceding paragraph has however been taken over by the states with effect from 1968/69 year of

assessment. The Federal Board of Inland Revenue is a statutory body under the authority, direction and control of the commissioner of finance.

Tax Assessment and Collection

Under the 1999 constitution, the taxing power and jurisdiction within the three tiers of government is retained. These tiers of government, the Federal, the States and the Local Governments are vested with the powers to legislate and impose taxes or incomes, profits and capital gains both for individuals and corporate bodies. Consequently, the assessment and collection of various types of taxes are vested with the three tiers of government. The tax authorities of these three tiers of government derive their creation from the Federal laws and they include:

- i. The Federal Tax Authority: Federal Board of Inland Revenue (FBIR) (Sections. 1, 2 & 3 of CITA LFN 1990)
- ii. The State Tax authority: State Board of Internal Revenue (SBIR) (Section 85A, B & C of Personal Income Tax Act as amended by Act N0 31, 1996).
- iii. The Local Government Tax Authority: Local Government Revenue Committee (Section 85D & E of Personal Income Tax Decree as amended by Decree N0 31. 1996).

2.7 Classification of Taxes

Taxes can be classified according to Tax Base, Tax Burden, and Basis of Variations in Tax rates.

1. Classification According to Tax Base: Taxes are classified in accordance with the tax base. The classifications are as follows: -
 - a. Taxes in Income/Profits: These are taxes that are classified in accordance with the tax base. The classifications are as follows:-
 - i. Personal Income Tax: This is based upon the income of persons, other than companies. The dominant tax for is that what is taxes should be the income of the individual or person within the purview of the tax, e.g. income of individuals from trading business, employment, partnership, trusts and corporation sale are assessed under the Personal Income Tax.
 - ii. Companies Income Tax: This is based upon the taxable profits of companies incorporated under the companies and Allied Matters Act 1990 or any other law that may replace it dealing with the incorporation of companies.
 - iii. Petroleum Profits Tax: This is based upon the taxation of petroleum producing and marketing companies in Nigeria. It is implemented by the Federal Authority.

- b. Taxes on Capital: These are taxes that are based on the capital. These are:
 - i. Capital Gain Tax: This tax deals with the gain that arises from the sale of Fixed Assets or Properties known as Chargeable Assets.
 - ii. Sales/Purchase Tax: Ad-valorem: These are taxes on specified commodities.
 - iii. Customs Duties: These are taxes on import and export goods and commodities.
 - iv. Excise Duties: These are taxes on locally produced goods within a country.
- 2. Classification According to Burden: - These taxes are classified according to the burden born by the taxpayer. The classification are as follows:
 - a. Direct Taxes: The taxes are imposed directly upon or on the property of the person paying the tax e.g. they are mainly on income, capital or property.

Direct taxes are: -

 - i. Personal Income Tax: This is based upon the income of person e.g. income of individuals from trading business, employment, partnership, trusts and corporation sole are assessed.

- ii. Capital Gain Tax: It deals with the gains that arise from the sale of Fixed Assets or Properties.
 - iii. Petroleum Profit Tax: It deals with the taxation of petroleum producing and marketing companies in Nigeria.
 - iv. Companies Income Tax: It deals with the profits of companies incorporated under the companies and Allied Matters Act 1990.
 - v. Capital Transfer Tax (abrogated in Nigeria) with effect from 1/1/1996.
 - vi. Certain category of property tax (depending on usage of property).
 - vii. Certain types of stamp duties (depending on type of instrument and the legal status of the parties).
 - viii. Some aspects of road taxes (depending on usage of vehicle).
 - ix. Entertainment tax (depending on who is paying).
- b. Indirect Taxes: These are taxes on goods or services. The payer is different from the person who bears the burden of the tax. They are sometimes referred to as expenditure taxes or outlay taxes. Many of them are ad valorem taxes. The tax is generally collected from the importer, exporter, manufacturer, proprietor, wholesaler e.t.c. of the taxable commodity or service but the burden of the tax is borne by the ultimate consumer or user of the commodity or service in the form of higher prices. Indirect Taxes are:

- i. Value Added Tax: Is a tax imposed on value which the supplier or seller of a good or services adds to the goods or services before selling it. It is also a consumption tax designed primarily to tax consumption by individuals of goods and services that are subject to tax.
 - ii. Sales Tax: This tax deals with the goods and services meant to be sold.
 - iii. Excise Duties: Are taxes on locally produced goods within a country.
 - iv. Goods and Services Taxes (GST): Taxes that are meant for goods and services.
 - v. Custom Duties: These are taxes on import and export goods and commodities.
3. Classification according to the basis of Variations: Another way of classifying taxes is to categorize them on the basis of variations in tax rates. A particular tax can either be Proportional, Progressive or Regressive.
 - i. Proportional Tax: A tax is regarded as being proportional when the same rate is charged on every taxpayer irrespective of the amount or size of the income.
 - ii. Progressive Tax: A tax is progressive where the rate of taxation increases as income increases. It is a tax that is based on the idea of

vertical equity which means redistribution of income from the well-to-do to the less privileged. A possible criticism is that it can produce disincentive effects by discouraging the spirit of enterprise or hard work. Others think otherwise, they feel it may actually encourage taxpayers to work harder. The system relies on the principle of ability to pay and is therefore considered more equitable than proportional and regressive tax systems.

- iii. Regressive Tax: A regressive tax results when the incidence of the tax reduces with every rise in income or base rate of tax decreases as the income rises.

2.8 Tax Avoidance and Tax Evasion

The evasion is an attempt to escape tax liability (wholly or partially) by breaking the tax law. It is essentially, therefore a criminal act since it is achieved principally by making false declaration such as under reporting income or over-reporting relief's and allowances. It is important to distinguish Tax Evasion from Tax Avoidance. Tax avoidance is an attempt to escape tax liability by circumventing the law not by breaking it but by using the tax loopholes. Thus, even though the tax evader and the tax avoider have a similar end (namely, to escape tax liability), their means to the end differ. The evader is a criminal, but the tax avoider is just a smart

taxpayer who exploits loopholes in the tax laws (and related laws) to reduce his tax liability. Tax evasion and tax avoidance are to be distinguished from tax delinquency or tax default both of which describe a situation in which a tax payer refuses (for one reason or the other) to pay his assessed tax in full and or in time. Thus, it is possible for a tax evader or tax avoider to also be a tax delinquent.

It is clear from the above comparison that not much can be done by the tax administration about tax avoidance as long as the law continues to produce various loopholes for the smart taxpayer to exploit. Indeed, the Tax Administration by and large is not to blame for successful tax avoidance. By contrast, tax evasion is due to principally to administrative ineffectiveness.

2.9 Uses of Taxes

As Ojo (1982) put the main purpose for imposing taxes is to generate revenue for the financing of government activities. Just as individual must earn income in order to meet their expenditure, the government must raise revenue in order to finance its expenditures. The uses of taxes are:

- i. Taxes can be imposed to control the economy.
- ii. Taxes can also be used to redistribute income that is the revenue collected in their use to finance projects will benefit the poor and the rich.

- iii. Also taxes are imposed to discourage the consumption of harmful goods and services e.g. Tobacco and alcohol.
- iv. It is also used to stimulate domestic production of certain goods and services by discouraging imports through high import duties to protect the local industries development.
- v. It is used as a social weapon for the redistribution where there is disparity between the social and economic segment of the society.
- vi. It is used to encourage the growth of small industries through granting tax holidays and preferential tax rates to different sectors of the economy through “tax incentives”.
- vii. It is also used to cover the administration and defense, maintenance of law and order in the society. Through taxes, a kind of social contract existed between the government and the governed. The citizens, both Individual and Corporate agree to pay tax and the government on its part agrees to provide basic essentials such as security, good roads, schools, hospitals, good water e.t.c. for them.
- viii. It is used to check inflation by reducing the volume of purchasing power.
- ix. It is also used to service National debt and to provide for retirement benefits e.t.c.

- x. To provide subsidies in favour of preferred sectors of the economy e.g. agriculture and selected industries.

2.10 Problems of Taxation

According to Okeke (1988), he said that there are many problems usually encountered in the process of tax collection in Nigeria, they are:

- i. Tax evasion which is an act of avoiding payment of tax or illegally reducing the amount of the tax to be paid is one of the problems of tax collection.
- ii. Tax avoidance according to Ojo (1982) arises where a taxpayer arranges his affairs in other to pay less tax. This is commonly used to avoid tax payment.
- iii. Lack of co-operation between tax authorities. There is need for proper co-operation between Federal and State tax officials.
- iv. Scarcity of trained manpower, this phenomenon is very common in Nigeria.
- v. Scarcity of adequate infrastructural facilities like office space, transport facilities, office equipment e.t.c.
- vi. Lack of adequate funding which is peculiar to all government department.
- vii. Lack of training and adequate remuneration for tax officials, since adequate remuneration would give room for honesty, sincerity, effectiveness e.t.c.
- viii. Lack of proper enlightenment like misunderstanding of the need to pay tax, lack of understanding of criteria in tax assessment.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In a study of this nature, collection of relevant data is a pre-requisite for attainment of the objective. Against this background, the researcher designed a well structured questionnaire and administered them randomly to respondents in Civil Servant. The main purpose is to obtain primary data on the Tax Revenue Collection in the country. Secondary data collection was also used in this research work.

3.2 Study Population

The study covers selection of Civil Servants in Nigeria.

3.3 Sampling Frame/Technique

The random sampling technique was utilized to select the sample from the target population of study. Random sampling ensures that all Civil Servants in Abuja have equal chances of being selected. Also, the sample obtained using the method is very representative of the entire population. As a result, the finding using random sample can be easily generalized to the whole country.

3.4 Sampling of Data

Sample size of 300 subjects was selected for the purpose of the study. To minimize costs of information, the sample was carefully selected using random sampling method to make it as representative of the entire population as possible.

3.5 Sources of Data

The data used in this study were gathered from both primary and secondary sources of data collection. The questionnaires and personal interviews were self administered to elicit relevant information from staff or officers of the Federal Inland Revenue Service. One of the problems encountered was difficulty involved in the collection of adequate data. The secondary sources which the researcher also relies on were data obtained from the Federal Inland Revenue Service report for the analysis of the various revenues accruing to Nigeria. Also, various books, journals and government publications were used extensively for the analysis.

3.6 Data Collection Instruments

The instruments used in the collection of data for this research work are questionnaire and personal interviews, which were administered to the staff of the Federal Inland Revenue Service Offices in Abuja. Also, various books, journals and government publications were some of its instruments used.

3.7 Method of Data Analysis

For the purpose of this work, percentages method was employed. To interpret data, percentage is one of the simplest statistical techniques used by researchers in a study of this kind. It is used in the interpretation of numerical data and to make prediction about what will happen under certain conditions.

CHAPTERFOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

Under this chapter, attempts were made to present and analyze the data collected and also discuss the findings of those data.

4.2 Data Presentation and Analysis

The sources of data collection for this project are (i) Primary Source and (ii) Secondary Source. Primary source has to do with direct information gathered from personal interview and administration of questionnaires, for this project administration of questionnaires is what the researcher made use of while the secondary source has to do with the data obtained from the Federal Inland Revenue Service report, various books, journals and government publications were used extensively.

The questionnaires were distributed at random to some selected Staff of Federal Inland Revenue Service in Abuja and others civil servant. A total of 300 questionnaires were distributed and 280 were returned, which is about 93.33% of the total 300 questionnaire distributed.

Below is the table that represents the response of the respondents.

S/N	QUESTIONS	N0 OF RESPONDENTS	PERCENTAGE
1.	Age		
	20 – 30	72	25.7%
	31 – 50	180	64.3%
	51 – Above	28	10.0%
2.	Do you know about Tax?		
	Yes	265	94.6%
	No	15	5.4%
3.	Do you know the Importance of Tax?		
	Yes	200	71%
	No	80	29%
4.	Do you pay tax?		
	Yes	219	78%

	No	61	22%
5.	Do think Nigerians are paying their tax (s) as it supposed?		
	Yes	212	76%
	No	68	24%
6.	What could be the likely problem of not paying tax?		
	Tax illiterate	100	36%
	Tax evasion	30	10%
	Failure on the Part of Government	80	29%
	All of the above	70	25%
7.	Are tax fund adequately used towards the development of a nation?		
	Yes	225	80%
	No	55	20%

8.	Has tax revenue collection contribute to the nations' development?		
	Yes	259	92%
	No	21	8%
9.	Does the development of a nation depend partly on tax collection?		
	Yes	245	88%
	No	35	12%
10.	If tax revenue collection is cancelled will it affect the development of a nation?		
	Yes	90	32%
	No	190	68%
11.	Are the citizens' well educated about payment of tax?		

	Yes	170	61%
	No	110	39%
12.	What is the attitude of citizens' to the payment of tax?		
	High	195	70%
	Low	75	30%
13.	How does the Federal Government fair in the collection of taxes in Nigeria?		
	Effective	41	15%
	Ineffective	60	21%
	Fairly good	179	64%
14.	Does FIRS account for the collection of tax funds?		
	Yes	189	68%
	No	91	32%

15.	How is public enlightenment on tax payment?		
	Effective	62	22%
	Ineffective	188	67%
	fairly good	30	11%
16.	Does FIRS leave up to the task assigned to it?		
	Yes	265	95%
	No	15	5%
17.	Does tax revenue collection have effect on the provision of basic amenities for the citizens?		
	It does	216	77%
	It does not	47	17%
	Indifferent	17	6%

4.3 Discussion of Findings

According to the response from the questionnaires gathered, these are the findings.

4.3.1 Question: - Has tax revenue collection contributed to the nations' development?

Table 1

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Has tax revenue collection contributed to the nations' development?	259	92	21	8	280	100

Response gathered through questionnaire indicate from **Table 1** above that there is a relationship between Tax Revenue Collection and nations' development, **92%** of the respondents believed that Tax Revenue Collection contributed to the nation's development. While **8%** disagree in regards to the question.

4.3.2 Question: - Is there any effect of tax collection on the environment?

Table 2

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Is there any effect of tax collection on the environment?	200	71	80	29	280	100

According to **Table 2** above, the response shows that tax collection has effect on the environment because 71% of the respondents believed that there are effects of tax collection on the environment, while 29% of the respondents disagree.

4.3.3 Question: - Has tax revenue collection help in health, education and socio-cultural development?

Table 3

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Has tax revenue collection help in health, education and socio-cultural development?	239	85	41	15	280	100%

From **Table 3** above, 85% of the respondents believed that tax revenue help in health, education and socio-cultural development while 15% of the respondents believed that tax revenue does not help in health, education and socio-cultural development. So the responses show that tax revenue help in health education and socio-cultural development.

4.3.4 Question: - Does the development of a nation depend partly on tax collection?

Table 4

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Does the development of a nation depend partly on tax collection?	232	83	48	27	280	100

From **Table 4**, the responses indicate that a nation's development depend partly on tax collection, because 83% of the respondents believed that the development of a nation depend partly on tax collection while 27% disagree.

4.3.5 Question: - Can tax revenue collection aid the development of a nation?

Table 5

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Can tax revenue collection aid the development of a nation?	262	94	18	6	280	100

From **Table 5**, 94% of the respondents believed that tax revenue collection aid the development of a nation whereas only 6% of the respondents believed otherwise.

The responses shows that tax revenue collection aid the development of a nation.

4.3.6 Question: - If tax revenue is cancelled, will it affect the development of a nation?

Table 6

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
If tax revenue is cancelled, will it affect the development of a nation?	35	13	245	87	280	100

According to **Table 6**, 13% of the respondents believed that the development of a nation will not be affected if tax revenue collection is cancelled, while 87% of the respondents believed that if tax revenue is cancelled, it will affect the development of a nation. Therefore, the responses show that the development of a nation will be affected if tax revenue is cancelled.

4.3.7 Question: - Is tax revenue collection one of the prerequisite to the development of a nation?

Table 7

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Is tax revenue collection one of the prerequisite to the development of a nation?	239	85	41	15	280	100

From **Table 7** above, 85% of the respondents believed that tax revenue collection is one of the prerequisite to the development of a nation, whereas 15% of the respondents believed that tax revenue collection is not one of the prerequisite to the development of a nation. So the responses show that tax collection is one of the prerequisite to the development of a nation.

4.3.8 Question: - Are the citizen's aware of tax payment?

4.3.9 Table 8

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Are the citizen's aware of tax payment?	180	64	100	38	280	100

According to **Table 8** above, It shocking to the responses which show that that many citizen's were not aware of tax payment, because only 38% of the respondents believed that the citizen's were not aware, whereas 64% of the respondents believed that the citizen's were aware of tax payment.

4.3.9 Question: - What is the attitude of citizens' to the payment of tax?

Table 9

Question	Response							
	Effective		Ineffective		Fairly good		Total	
	N0	%	N0	%	N0	%	N0	%
What is the attitude of citizens' to the payment of tax?	47	17	160	57	73	26	280	100

According to **Table 9** above, the responses show that the citizens' attitude towards payment of tax is ineffective, not good at all, because 17% of the respondents believed that the attitude of citizens' towards tax payment is effective, while 26% of the respondents believed that it is fairly good, whereas 57% of the respondents believed that the citizens' attitude towards tax payment is not good-ineffective.

4.3.10 Question: - Are tax fund adequately used towards the development of a nation?

Table 10

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Are tax fund adequately used towards the development of a nation?	170	61	110	39	280	100

From **Table 10** above, 61% of the respondents believed that tax funds are adequately used towards the development of a nation, while 39% of the respondents disagreed. So the responses show that tax funds are adequately used towards the development of a nation.

4.3.11 Question: - How does the Federal Government fair in the collection of taxes in Nigeria?

Table 11

Question	Response							
	Effective		Ineffective		Fairly good		Total	
	N0	%	N0	%	N0	%	N0	%
How does the Federal Government fair in the collection of taxes in Nigeria?	191	68	29	10	60	22	280	100

According to **Table 11**, 10% of the respondents agreed that the Federal Government is ineffective in the collection of taxes in Nigeria, while 22% of the respondents agreed that the Federal Government is fairly god in the collection of taxes in Nigeria, whereas 68% agreed that the Federal Government is effective in the collection of taxes in Nigeria. Therefore, the responses show that the Federal Government is effective in the collection of taxes in Nigeria.

4.3.12 Question: - Does FIRS assess tax revenue collection?

Table 12

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Does FIRS assess tax revenue collection?	72	26	208	74	280	100

From the **Table 12** above, the response show that FIRS does not assess tax revenue collection, because 26% of the respondents agreed that FIRS assess tax revenue collection; whereas 74% of the respondents agreed that FIRS does not assess tax revenue collection.

4.3.13 Question: - Does FIRS account for the collection of tax funds?

Table 13

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Does FIRS account for the collection of tax funds?	232	83	48	17	280	100

According to **Table 13**, 83% of the respondents agreed that FIRS account for the collection of tax funds, while 17% of the respondents disagree with the question.

Therefore, the responses show that FIRS account for the collection of tax funds.

4.3.14 Question: - Does FIRS leave up to the task assigned to it?

Table 14

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Does FIRS leave up to the task assigned to it?	265	95	15	5	280	100

From **Table 14** above, the response show that FIRS leave up to the task assigned to them, because 95% of the respondents agreed that FIRS leave up to the task assigned to it, while only 5% of the respondents disagreed.

4.3.15 Question: - How is public enlightened on tax payment?

Table 15

Question	Response							
	Effective		Ineffective		Fairly good		Total	
	N0	%	N0	%	N0	%	N0	%
How is public enlightened on tax payment?	264	94	0	0	16	6	280	100

According to **Table 15**, responses show that public enlightenment on tax payment is effective, because 94% of the respondents agreed that public enlightenment on tax payment is effective, while 6% of the respondents agreed that public enlightenment on tax payment is fairly good.

4.3.16 Question: - Does tax revenue collection has effect on the provision of basic amenities for the citizens?

Table 16

Question	Response							
	It does		It does not		Indifferent		Total	
	N0	%	N0	%	N0	%	N0	%
Does tax revenue collection have effect on the provision of basic amenities for the citizens?	216	77	47	17	17	6	280	100

From **Table 16** above, 77% of the respondents believed that tax revenue collection has effect on the provision of basic amenities for the citizens, 17% believed that tax revenue collection has no effect on the provision of basic amenities for the

citizens, while 6% are indifferent about the question. Therefore, the responses show that tax revenue collection has effect o the provision of basic amenities.

4.3.17Question: - Is there any need privatizing tax collection?

Table 17

Question	Response					
	Yes		No		Total	
	N0	%	N0	%	N0	%
Is there any need privatizing tax collection?	15	5	265	95	280	100

According to **Table 17**, responses show that there is no need of privatizing tax collection, because 5% of the respondents believed that there is need of privatizing tax collection, while 95% of the respondents believed that there is no need of privatizing tax collection.

4.3 SUMMARY

ANALYSIS OF TAX COLLECTED BY FEDERAL INLAND REVENUE SERVICE FROM 2005 TO 2013

The analysis of collection of taxes from 2005 – 2013 reveals that;

In 2005, the total tax targeted was ₦1, 304.4 billion, while the actual total tax was ₦1, 741.8 billion. The actual was more than the targeted. The tax collection was favorable.

In 2006, the total tax targeted was ₦3, 054.1 billion, while the actual total tax was ₦1, 866.2 billion. The targeted was more than the actual. The tax collection was unfavorable.

In 2007, the targeted tax was ₦1, 753.3 billion, but the actual tax was ₦1, 846.9 billion. The actual was more than the targeted. The taxes collection was favorable.

In 2008, the targeted tax was ₦2, 274.4 billion, while the actual tax was ₦2, 972.2 billion. The actual was more than the targeted. The tax collection was favorable.

In 2009, the targeted tax was ₦1, 909.0 billion, while the actual tax was ₦2, 197.6 billion. The targeted was more than the actual which means the tax collection was favorable.

In 2010, the targeted taxes was ₦2, 707.3 billion, while the actual taxes was ₦2, 790.9 billion. The actual was more than the targeted which means the tax collection was favorable.

In 2011, the targeted taxes was ₦3, 550.80 billion, while the actual taxes was ₦4,628.46 billion. The actual was more than the targeted which means the tax collection was favorable.

In 2012, the targeted taxes was ₦3, 635.64 billion, while the actual taxes was ₦5, 002.76 billion. The actual was more than the targeted which means the tax collection was favorable.

In 2013, the targeted taxes was ₦4, 468.99 billion, while the actual taxes was ₦4, 805.65 billion. The actual was more than the targeted which means the tax collection was favorable.

S/N	TAX YEAR	TARGETED TAX (=N=,Billion)	ACTUAL TAX COLLECTED (=N=,Billion)	REMARK
1	2009	1,909.0	2,197.6	FAVORABLE
2	2010	2,507.3	2,839.3	FAVORABLE
3	2011	3550.8	4,628.5	FAVORABLE
4	2012	3,635.6	5,002.8	FAVORABLE
5	2013	4,468.9	4,805.6	FAVORABLE

From the Table of Tax collection Analysis for 2005 to 2013, we can justify that:

- Nigeria Tax collection has been on the increase each year

$$2009 - 2010 : \frac{2839.3 - 2197.6}{2197.6} * 100 = \mathbf{29.2 \%}$$

2197.6

$$2010 - 2011 : \frac{4628.5 - 2839.3}{2839.3} * 100 = \mathbf{63.0 \%}$$

2839.3

$$2011 - 2012 : \frac{5002.8 - 4628.5}{4628.5} * 100 = \mathbf{8.08\%}$$

4628.5

$$2012 - 2013 : \frac{5002.8 - 4805.6}{4805.6} * 100 = \mathbf{4.01\%}$$

4805.6

- This has Justify that FIRS has leave up to expectation on the assigned task.
- That FIRS has Since been accountable of tax collected.
- It has also Justify that Federal Government is fair in the collection of taxes in

Nigeria

**COMPARISM OF BUDGET OF FEDERAL GOVERNMENT OF
NIGERIA AND FIRS TAX COLLECTION FROM 2009 – 2013**

S/N	Budget Year	Nigeria Budget (=N=trillion)	FIRS Tax Collected (=N= trillion)
1	2009	3.05	2.20
2	2010	4.40	2.84
3	2011	4.97	4.63
4	2012	4.87	5.01
5	2013	4.95	4.81

The above data has shown that:

- The tax collectable can fund the Nigerian budget
- It is evident that tax revenue collection has contributed to the nations’ development
- It has also proof that tax revenue collection can aid the development of a nation

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

In the course of this research work, the following are the summary of the major findings;

- i. There is a strong relationship between Tax Revenue Collection and nation's Development because tax revenue collection contributes greatly to the Nation's development.
- ii. The general opinion is that can collection of tax revenue affect the development of a nation because tax revenue collection is one of the prerequisite to the development of a nation.
- iii. The attitude of citizens to the payment of tax is not encouraging because the citizens were aware of tax payment.
- iv. FIRS are leaving up to the task assigned to it.
- v. The level of public enlightenment on tax payment is effective.
- vi. There is no need of privatizing tax collection.
- vii. Development of a Nation depends partly on Tax Revenue Collection.
- viii. Tax Revenue Collection aids the development of a Nation.

On the long run, there must be need to increase the tax revenue collection because tax funds are adequately used towards the development of a nation.

5.2 Conclusion

Having carefully assessed the tax revenue collection as a strategic option to the development of a nation, the government has to take into consideration the contribution of tax revenue collection to the development of a nation by making sure that government were able to generate tax revenue collection. Revenue collected through various taxes is meant to be used for various specific projects to better the lives of citizens in a country. In the light of this, it is strongly advised that cognizance should be taken of the “specific uses” that the Federal, State and Local Government has been putting its revenue to. These include: re-habilitation of old roads and construction of new ones, canalization and drainage system, construction of pedestrian bridges. All these have multiplier effects on the economy, such as creation of jobs for thousands of people, opening up links between rural and urban areas and inducing new Investors into the state with the utmost objective of stimulating economic growth and development in the country. It is advised that all the tiers of government i.e. the Federal, State and Local governments should emulate this lofty idea of good governance in order to make life better for the citizens of this country. Governments at all levels should embark upon public expenditure that will stimulate economic

growth and development so that apathy among many taxpayers in this country will be a thing of the past.

5.3 Recommendation

Based on the findings in this research work, in order to achieve economic growth and development through specific uses of tax, the following recommendations are suggested: -

- a. Tax Education; it is very essential for government to give adequate tax education to the general public. Since changing the errant mindset of older Nigerians on tax matters is nearly impossible, it becomes imperative to inculcate a new mentality in the next generation of taxpayers. This may be a long-term solution for an endemic problem but certainly will yield better result. The idea of liaising with the ministry of education to inculcate the need to pay tax in our young people as being proposed by Omoigui (2004) is also a welcome one. She was however, quick to say “But I accept that the government also needs to win the trust and confidence of the people if we are to get them to pay taxes”.
- b. National Tax Policy; the idea being considered by Omoigui, executive chairman of the Federal Inland Revenue Service (FIRS), to draft Nigeria’s first ever-national tax policy is a welcome one. The National Tax Policy

should be projected and implemented based on the principles of fiscal neutrality, efficiency (i.e. fiscal performance), fiscal treatment equality, fiscal norm sustainability, minimizing cost of collecting, substantiating the public expenditure, public expenditure performance, tracing the public funds, the equality of treatment upon public funds and multi annual budget.

- c. Stimulation of Effective Demand; Government should invest in specific productive and viable projects that would create employment for the generality of the people. This will enhance people's ability to demand for goods and services.
- d. Stabilization of Prices and Employment: Market mechanism (i.e. the forces of demand and supply) alone may not likely achieve economic growth and development in a country. The more advanced and free the market mechanism, the more prone the economy is to the vagaries of income, employment and price fluctuations. Therefore, public expenditure can be devised as an ant cyclical tool to create "effective demand" thereby, stimulating investment activities. It is instructive to emphasize that the total demand needs to be controlled so that the demand flows match the supply flows, otherwise, the stimulating effect may lead to an inflationary tendencies.

- e. Public Expenditure and Economic Growth; in developed economies, public expenditure helps to maintain a smooth growth rate through economic stabilization, stimulation of investment activities and social welfare. In developing economies like Nigeria, public expenditure has an important role to play in reducing regional disparity, developing social overheads, creation of infrastructure for economic growth in terms of communication and transportation facilities, education and training, research and development and so on. It is therefore, imperative for governments at all levels to ensure that the public expenditure that are embarked upon are those that will stimulate economic growth and development.
- f. Notwithstanding that funds are gotten from the system, government should give enough support to the system to enable a proper implementation thereby creating positive impact on a deregulated economy in Nigeria.
- g. There must be communication or dialogue between government and citizen in matters relating to taxation so that the attitude of citizens towards taxation can change from negative to positive by not seeing taxation as a merely legal compulsion but see it as an agent of development for the nation.
- h. Tax law must be upgraded to punish tax evader and tax avoider.
- i. Government may consider possible reduction in tax rates so as to encourage compliance by different categories of taxpayers. For instance, the

government of Romania has reduced profit tax from 25% to 16%, whereas, Nigerian Companies Income Tax is 30% (Government of Romania, 2006: 3). This 30% tax rate is considered to be high and needs to be reviewed downward. A possible decrease in tax rate if well managed will lead to an increase of the taxation base by development of the existing business and increase of direct foreign investments. This will also reduce the share that underground economy has on GDP.

- j. A part from the conventional processes for getting and punishing tax offenders in Nigeria, the Federal Inland Revenue Service should partner with the Economic and Financial Crimes Commission to track down those who are flouting the tax laws.
- k. Efficient and Effective Budgetary Allocation; for there to be economic growth and development in this country, governments at all levels should strive very hard to ensure the efficiency and effectiveness of budgetary allocation on the basis of priorities, transparency of public expenditure and assuring the multiplication effect of public expenditure on the real economy.
- l. In order to use tax as a stimulus for economic growth and development, government fiscal policy should rather function in the benefit of tax producers than in the benefit of tax collectors and such policy should rely on a real partnership between state and contributor.

- m. The FIRS staff should be motivated to be diligent and dedicated to their duties.
- n. Creating of monitoring teams to curtail sharp practices by agents and staff of the Federal Inland Revenue Service.
- o. The tax system should be reviewed from time to time probably every 8 years.
- p. Automation of tax administration which is in line with International Best Practices.
- q. Finally, strict adherence to the basic conditions for sustainable economic development such as Democracy, Fairness, Interdependence, Responsibility and Accountability; general principles of sustainable development such as Environmental and economic integration, Maintenance of biological diversity and conservation of natural resources, Precaution, prevention and evaluation, Cooperation, partnership and participation, Education, training and awareness as explained earlier in this paper is a very good impetus for specific uses of tax as a stimulus for growth and development of any nation.

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APPENDIX I

School of Postgraduate

Department of Business Administration

Ahmadu Bello University, Zaria

Dear Sir / Madam,

I **SAMSON, Daniel Haruna** a student of Master Degree in Business Administration (MBA) Faculty of Administration, Ahmadu Bello University Zaria Kaduna State, Nigeria, hereby write in reference to the research project which requires the assistance of the Federal Inland Revenue Service and the Public to get data's needed for the completion of this project. Questionnaire on "**Assessment of the effect of Taxation as Strategic Option for Revenue Generation in Nigeria**" study of Federal Inland Revenue

Service (FIRS) will be distributed to retrieve data necessary for the completion of this project.

Thanks for your cooperation.

The questionnaire is divided into two sections.

Please tick [] where necessary for your response to the questions. Thanks.

SECTION A

Age: 20 – 30, [] 30 – 50, [] 51 – 60 and above []

What does u do for Living?

Civil Servant, [] Business, [] Unemployed []

SECTION B

1. Do you know about Tax?

Yes [] No []

2. Do you know the Importance of Tax?

Yes [] No []

3. Do you pay tax?

Yes [] No []

4. Do think Nigerians are paying their tax (s) as it supposed?

Yes [] No []

5. What could be the likely problem of not paying tax?

Tax illiterate [] Tax evasion [] failure on the Part of Government []

6. Are tax fund adequately used towards the development of a nation?

Yes [] No []

7. Has tax revenue collection contribute to the nations' development?

Yes [] No []

8. Does the development of a nation depend partly on tax collection?

Yes [] No []

9. If tax revenue collection is cancelled will it affect the development of a nation?

Yes [] No []

10. Are the citizens' sufficiently aware of payment of tax?

Yes [] No []

11. What is the attitude of citizens' to the payment of tax?

High [] Low []

12. How does the Federal Government fair in the collection of taxes in Nigeria?

Effective [] Ineffective [] fairly good []

13. Does FIRS account for the collection of tax funds?

Yes [] No []

14. How is public enlightenment on tax payment?

Effective [] Ineffective [] fairly good []

15. Does FIRS leave up to the task assigned to it?

Yes [] No []

16. Does tax revenue collection have effect on the provision of basic amenities for the citizens?

It does [] It does not [] Indifferent []

APPENDIX II										
<u>Federal Inland Revenue Service (FIRS)</u>										
<u>Collection Profile from 2009 - 2013</u>										
Type of Taxes	2009		2010		2011		2012		2013	
	Targ get	Act ual	Targ et	Actu al	Targ et	Actu al	Targ et	Actu al	Targ et	Actu al
	=N= b	=N= b	=N= b	=N= b	=N= b	=N= b	=N= b	=N= b	=N= b	=N= b
PPT	638. 8	939. 4	1,203 .2	1,480 .36	1,927 .56	3,070 .59	1,793 .76	3,201 .32	2,280 .20	2,666 .36
FED (Cit,	587.	600.	587.0	666.0	702.2	715.4	899.8	846.5	1,075	998.4

Wht, Cgt & Std)	0	6		6	4	3	8	9	.00	4
VAT	580. 0	481. 4	580.0	564.8 9	770.0 4	659.1 6	802.9 2	710.5 6	945.2 8	802.6 9
E/T	63.1	139. 5	74.8	89.18	97.20	130.7 5	96.84	188.4 3	125.4 1	279.3 6
Consolid ated	35.7	29.9	53.6	32.93	45.00	43.86	33.12	46.74	33.08	48.94
NITDEF	4.4	6.8	8.7	5.88	8.76	8.67	9.12	9.12	10.02	9.86
TOTAL	1,90 9.0	2,19 7.6	2,507 .3	2,839 .3	3,550 .80	4,628 .46	3,635 .64	5,002 .76	4,468 .99	4,805 .65