APPRAISAL OF FEDERAL INLAND REVENUE COLLECTION SYSTEM

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IN

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CERTIFICATION

I, FARINOYE ADEBISI HAZEEZ with Reg. No. PG/MBA/09/53969, certify that this research work was actually carried out by me.

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DEDICATION

This research is dedicated to the Almighty Allah.

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I am grateful to Almighty Allah for His protection, goodness and strength.

I owe my indebtedness too, to my Supervisor DR. (MRS. R.G. OKAFOR and other lecturers in the department of Accountancy for their moral support.

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ABSTRACT

A tax is a compulsory levy imposed on the income or profit of an individual, partnership and corporate organisations for the financing of government expenditure without recourse to a corresponding benefit from tax payer. Assessments are raised on total profit at the rate of either 30 percent or 20 percent if it is a small company whose turnover is below ₦1million naira. Various types of assessment s are raised on the company. This could be self-assessment, government assessment, back year assessment, best of judgement (BOJ) assessment or jeopardy assessment. Collection is basic necessity to tax revenue after assessment has been raised. This research work is aimed at appraising the tax collection system in Nigeria taking Federal Inland Revenue Service as a case study. It examined the workings both at the local and state levels but focused more on the Federal Inland Revenue Services. It reviewed the old system, the reasons why a new idea muffed. The operations of the new method were also explained and clearly stated. The methodology adopted in this study is the survey research design. There were interactions with staff of Federal Inland Revenue Service of various cadres and a few tax payers and tax consultants with structured questionnaire to know their opinion. 56 questionnaires were administered out of which 35 were duly completed and returned. The findings from research work revealed that appraisal of tax collection system will bring more money to the coffer of the government and all incidents of frauds, cheque diversion and other malpractices will be curbed.

Based on the findings of this study, recommendations made are that constant monitoring of the activities of the designated banks is necessary to determine their level of compliance while adequate training should be provided for collection staff to enhance their efficiency and productivity.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

A tax is a compulsory levy imposed on the income/profits of an individual, partnership and corporate organizations for the financing of government expenditure without recourse to a corresponding benefit from tax payer.

Every tax imposed on Nigerian companies or organisations needs continual interpretation of its specific application and effect on the various transaction of the organisation. The field of taxation changes every moment or every day as announced by the new ruling courts and also as are being made by new government.

Tax is paid only on the profit of the company after all other deductions and allowances such as capital allowance, investment allowances. The rate of tax levied and payable for each year of assessment in respect of the total profit of every company is thirty kobo for every naira as contained in section 29 of Companies Income Tax Act 2007 as amended. A company which is yet to commence business after at least 6 months of incorporation shall for each year it obtains a tax clearance certificate pay a levy of (a)

₦20,000 for the first year and (b) ₦25,000 for every subsequent year before a tax clearance certificate is issued.

Where in any of the basis period for the year of assessment in which a company commenced business and the next following four years of assessment as determined under the provision of section 29 of the Act, a Nigerian company engaged in manufacturing or agricultural production, mining of solid minerals or wholly export trade, earns a total gross sales (turnover) of below one million naira, there shall be levied and paid by the company, tax at the rate of twenty kobo on every naira of the total profits.

Section 28A of Companies Income Tax Act 2007 states that where in any year of assessment the ascertainment of total assessable profits from all sources of a company results in a loss or where a company's ascertained total profits results in no tax payable or tax payable which is less than the minimum tax then shall be levied and paid by the company the minimum tax as prescribed in subsection (2) of the Act.

(a) If the turnover of the company is ₦500,000 or below and the company has been in business for at least few calendar years, be;

(i) 0.5 percent of gross profits or

(ii) 0.5 percent of net assets or

(iii) 0.25 percent of paid up capital or

(iv) 0.25 percent of turnover of the years, whichever is higher.

If the turnover is higher 500,000 be whatever is payable in paragraph (a) of this subsection plus such addition tax on the amount by which the turnover is in excess of ₦500,000 at a rate which shall be 0.125 percent.

The provision shall not apply to a company carrying on agriculture trade or business or the company with at least 25 percent imported equity capital and lastly, any company for the first four calendar years of its commencement of business.

Collection is basic necessity to tax revenue after assessment has been raised. The tax payer is expected to pay the assessed tax liabilities to any of the collecting banks in his or her region with the assessment notices indicating the tax type being paid. This could be company income tax, Education tax, Capital gains tax, Personal Income Tax for resident of Abuja, and non resident individuals, Value Added Tax.

After the payment, the tax payer will be issued an electronically generated receipt from the bank (e-ticket), then, the collecting bank is expected to remit the funds same day to lead bank via Inter Switch net work. The lead bank remits to Central Bank of Nigeria after two days. The e-receipt and on line schedule of remittance by lead banks are forwarded to Federal Inland Revenue Service office and checked before receipts are issued.

The FIRS taxes are being collected by agents. These agents are the collecting banks. These are twenty four in number (24). The Lead banks are four (4), Ministry Departments and Agencies, Nigerian Customs Services, The medium of collection are cash, cheque and electronic transfers.

Accounting for revenue collected is mandatory for FIRS to all relevant government agencies and stake holders. The accounting procedure is as follows:

Firstly, all revenues collected through the web portal/pay direct, KP Morgan statement of account, Auto Swift are generated.

Secondly, the receipts of schedule of VAT on import from Nigerian Customs Service are collated. Then reconciliation of receipt of remittances with collecting banks, CBN and others are carried out to ensure proper accountability of the revenues.

There is proper monitoring to ensure that all revenues collected are remitted to the appropriate account to CBN as at when due. The types of monitoring include:

- On-line monitoring via PEACT
- Daily monitoring of remittances to CBN
- On-line viewing of foreign payments
- Data base on incorporated companies and Enterprises in Abuja
- Auto swift viewing on line FIRS transactions in CBN
- Tax payer enumeration database
- Introduction of TIN (Tax Identification Numbers)
- Monitoring of business to ensure, remittances of taxes deducted from customers and staff.

There are challenges for collecting Agents. These include delayed or non remittance of taxes.

Non remittance of Taxes:

It has been observed that some of these collecting agents deliberately delayed the remittance of taxes paid and in most cases these payments are not remitted at all to the coffer of Federal Inland Revenue Services.

Delayed Posting: This is a situation whereby banks collect cash or cheques for FIRS and refuse to post as and when due, this can be deliberate or not. This can be noticed when posting is made as huge cash deposit, extended numbers of days, cheque value date, non stamping of deposit slips, deposit slip date being different on date of posting on web portal especially on VAT and WHT collecting agents.

On discovery of this type of practice, the Integrated Tax Office (ITO) usually charge appropriate penalties and interest as follows:

Steps to deal with Delayed Postings

- Identify the period of delay
- Impose 1% penalty on the principal amount delayed
- For delayed below 30 days impose interest at NIBOR rate + 3% i.e
- $\frac{\text{Amount x (NBOR +3\%) x No Days Delayed}}{\text{No of days in year}}$
- Where the Number of days is above 30days
- Penalty is charged at 1% flat of the principal sum

Non-remittance: This comes about when a bank collects FIRS cheques/cash and refuses to remit out rightly. Here the money is diverted for use by the bank forever. The situation is aggregated by the tax payer not demanding for his e-ticket or receipt.

The detection of the above shoddy deals can be made by the adoption of the following methods:

- Know your customers (tax payers)
- Visit tax payers to enquire of their payments
- And obtain evidence
- Check payment made against web portal
- Reconcile with the receiving banks and request for posting immediately

When payment is posted, calculate appropriate penalties and interests.

1.2 STATEMENT OF THE PROBLEM

Tax collection is an important function of the Federal Inland Revenue Service. However, there are some teething problems that inhibit effective and efficient collection system. They are as follows:

1. Inadequate government regulation on collection system
2. Lack of total commitment and adequate tax policies.
3. Lack of transparency on the part of the tax administrators.
4. Frauds committed by both F.R.S staff and collecting agents.
5. Delay in remitting taxes collected and in some cases outright diversion of taxes collected.
6. Lacking adequate remuneration for collection staff of F.R.S.
7. Lack of functional equipments to detect frauds.
8. Lack of proper monitoring
9. Lack of shift penalty for erring
10. There is no proper accountability of the amount collected by various agents by the government and this brings about apathy among the tax payers.

1.3 AIMS AND OBJECTIVES:

The aim and objective of this research work is to appraise the systems of tax collection generally with special emphasis on the

Federal Inland Revenue Services and the possibility of improving it. To do that the following objectives are set:

1. To investigate whether the subject of every state or community pays tax to support the legitimate authority within the requirement of the social contact.
2. To investigate whether the tax to be paid is certain in relation to the amount to be paid the authority to collect it, the time or period when it is to be collected.
3. To investigate whether the tax is simple to understand and administer.
4. To investigate whether the tax system is flexible in federal and democratic country where there are always changes of government.
5. To investigate whether the request for payment of taxes is done at a time when it is most convenient for the tax payers.

1.4 RESEARCH QUESTION

Based on the objectives stated, the research questions are as follows;

1. Is every subject of every state or community pays tax to support the legitimate authority within the requirement of the social contact.
2. Is the tax paid certain in relation to the amount to be paid, the authority to collect it, the time or period is to be collected?.
3. Is the tax system simple to understand and administer?
4. Is the tax system flexible in Federal and democratic country where there are always changes of government?
5. Is the request for payment of tax done at a convenient time for the tax payer?

1.5 RESEARCH HYPOTHESIS

In line with the problem statement and the objectives of the study, the following hypotheses are formulated.

H_1: Every subject of every state or community pays tax to support the legitimate authority within the requirement of the social contact.

H_2: The tax paid is certain in relation to the amount to be paid; the authority to collect it, the time or period is to be collected.

H_3: The tax system is simple to understand and administer.

H_4: The tax system is flexible in federal and democratic country where there are always changes of government.

H_5: The request for payment of tax is done at a convenient time for the tax payer.

1.6 SIGNIFICANCE OF THE STUDY

The need for efficient and effective tax collection system makes it imperative that a research of this nature be carried out.

Over the years, citizens have been subjected to harsh and intimidating processes with a view to making money for government especially state level where consultants were hired to do the job of state Internal Revenue Departments. The same harassment threats of tax payers both individuals and corporate bodies were also used during collection of revenue.

Equally too, by undertaking this research, one is privileged to see if the present facilities on the ground are adequate for efficient tax collection or whether there is the need for review. These facilities are in terms of human and material resources. On the whole, research work in this area is justified in the light of the above for the defects or anomalies in the process are detected and solutions preferred.

1.7 SCOPE OF THE STUDY

Several methods of collecting taxes will employed by different states. However, this research dwells mainly on the collections system in Federal Inland Revenue Services.

1.8 LIMITATION OF THE STUDY

It must also be noted that non-availability of materials on this topic can limit the extent of which one can go in this exercise. While an attempt will be made to review what the topic is all about at the first two levels of governments, our central focus will be the Federal Inland Revenue. This will entail discussing with the various relevant units, within the service, the means of collecting the taxes, relationship between the designated banks and the service.

1.9 DEFINITION OF TERMS

BALANCING ALLOWANCES:- Where in any accounting period of a company, the company owing any asset in respect of which it has incurred qualifying expenditure wholly and exclusively for the purposes of operations carried on by it, disposes of that asset an allowance shall be due to that company for that accountancy period of the excess of the residue of that expenditure of the date such asset is disposed of was the value of that asset of that date.

BEST OF JUDGEMENT ASSESSMENT - This is the assessment raised on the company when returns are not submitted to the Board or where a company has delivered audited accounts and returns, the Board may refuse to accept the return and to the best of the judgement, determine the amount of the total profits of the company and make an assessment accordingly.

DEMAND NOTE: It is a notice asking a tax payer to pay after interest and penalty might have been computed.

DESIGNATED BANK - It is a branch of a selected bank zoned to a particular area for the collection of taxes.

F.I.R.S - Federal Inland Revenue Service.

I.T.M.A- Income Tax Management Act

JTB - Joint Tax Board

LEDGER CARD - This is the card where assessments received from assessing section or department are recorded.

OFFSHORE COMPANY - A company doing business in Nigeria, deriving income from it but not resident in Nigeria.

P.A.Y.E - Pay As You Earn

PROVISIONAL ASSESSMENT - This is an assessment issued every January to the tax payers before returns are submitted to Federal Inland Revenue Office. It is equal to the amount paid in the immediate preceding year when the current assessment will be raised.

UNCLEARED EFFECT- Money not yet cleared by the bank.

VAT - Value Added Tax

WITHHOLDING TAX - An advance payment of income tax withhold for the purpose of bringing prospective tax payers into the net.

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CHAPTER TWO

LITERATURE REVIEW

2.1 HISTORICAL DEVELOPMENT OF FEDERAL INLAND REVENUE SERVICE

A brief historical development of Federal Inland Revenue Services: The colonial master laid the foundation of the Nigeria tax system leading to the establishment of the Federal Inland Revenue. The first indigenous head of the department was Chief Oshindero in 1967. This was succeeded by Chief V.O.A. Ogunba. The longest serving head of the department was Chief D.A. Olorunleke who became the Director in 1978 and left for the Federal Ministry of Finance in 1992 as a Director General. It was during his tenure that the department was upgraded as a board.

However, during the tenure of Mr. J.K. Naiyeju, the Board was fully upgraded through the Finance (Miscellaneous Taxation Provision) (Amendment) Decree 1993 with the responsibility of administering the companies Income Tax Act Cap 60 LFN. This Decree also created the Federal Inland Revenue Service as an operational arm of the service and also the technical committee to assist the Board in the efficient discharge of its functions. The

Chairman of the Board is also the chairman of the Federal Inland Revenue Service and its Technical Committee comprising all the Directors. The present Chairman, Mrs. Omoguir Ifueko Okaro was appointed by Obasanjo administration in 2004. And since she came on board, a lot of reforms had been introduced in the service.

The Federal Inland Revenue Service, (establishment) Act was signed into law on 16th April, 2007.

Presently, there are four coordinating Directors in charge of the following groups namely:

(i) Tax operation Group

(ii) Corporate Affairs Services Group

(iii) Support Service Group

(iv) Compliance and enforcement group.

The following Directorates are in existence:

(i) Directorate of Internal Audit

(ii) Directorate of tax policy, Research and Development

(iii) Directorate of Human Resources Management

(iv) Directorate of Finance and Supplies.

Each of the Directors is responsible for all related matters in the Area Offices and Units.

The Federal Inland Revenue Service has three management levels namely:

(a) Headquarters Management: At this level, the chairman and all Directors. They are responsible and accountable to other board.

(b) The Regional Coordinators level: This level comprises eight regions headed by an officer not below the rank of Deputy Director.

1.	Western Region	-	Ibadan
2.	North Central Region	-	Abuja
3.	North Western Region	-	Kaduna
4.	Lagos Main Land	-	Victoria Island
5.	Lagos Island	-	Ikeja
6.	South Eastern Region	-	Enugu
7.	South-south Region	-	Port Harcourt
8.	North Eastern Region	-	Katstina

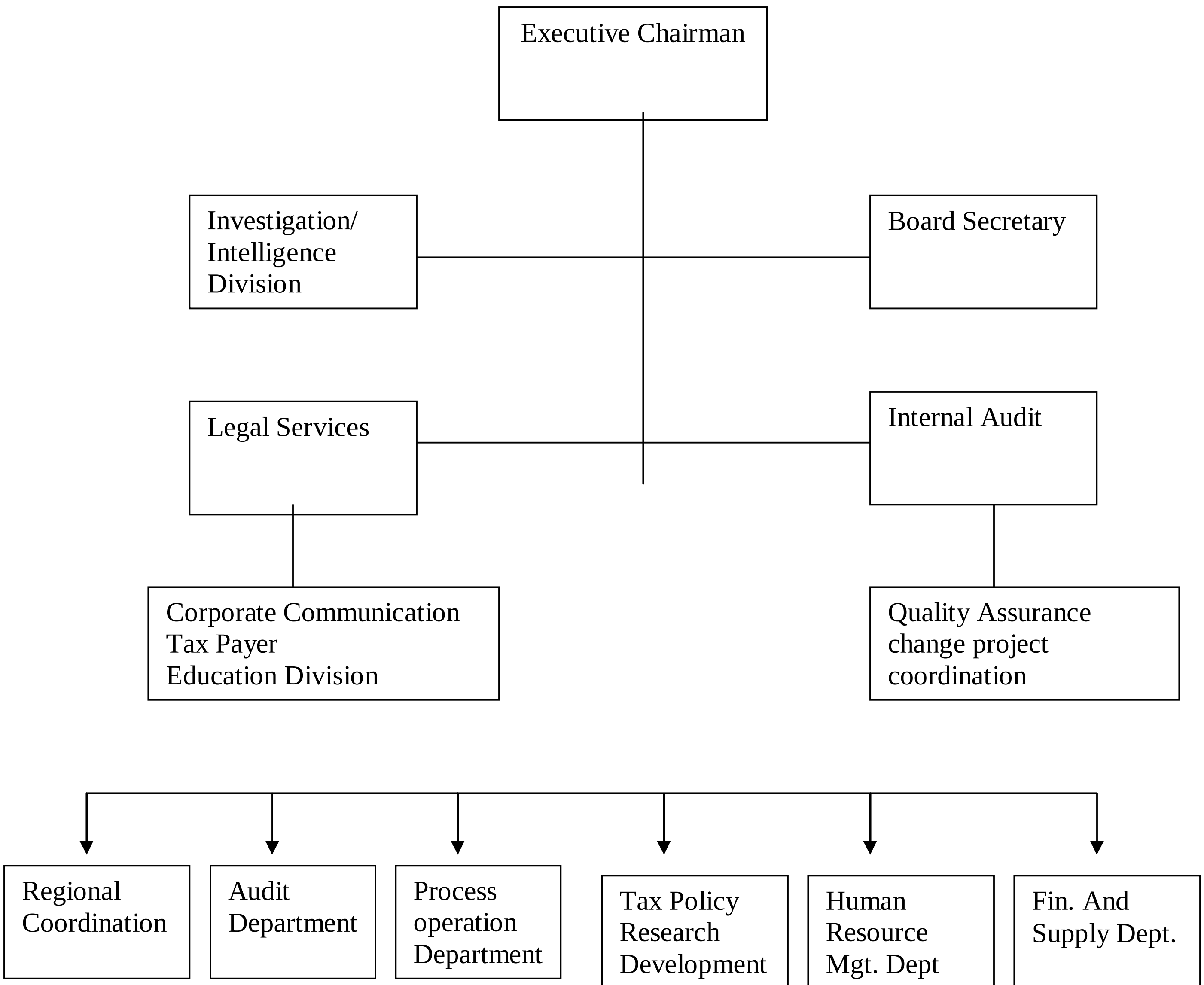
They are all responsible and accountable to the chairman.

(c) The Area Tax Controllers Level: These are managers that oversee the daily affairs of the Area Offices.

This arrangement was put in place to promote regular supervision and monitoring of the entire new system in order to facilitate performance evaluation and achieve the established corporate image which includes:

1. To collect tax according to law and encourage voluntary compliance to the laws and maximize tax collection through efficient and extensive coverage of the whole country.
2. To prosecute tax laws very vigorously and maintain public confidence in the integrity of the tax system.

TABLE 1. ORGANOGRAM OF FEDERAL INLAND REVENUE SERVICE



SOURCE: Federal Inland Revenue Manual

Taxation is a pecuniary burden imposed on the properties, income, activities of individual, companies, income, activities of individual, companies and communities in order to generate revenue and channel some to support important project, which are beneficial to the public. This can also be defined as compulsory contribution to the support of government, levied on persons, property, income, commodities, transactions etc. mostly at a fixed rate but usually in relation proportionate to the amount on which the contribution is levied.

According to Professor Seligman, tax is defined as a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all, and without reference to special benefit conferred.

There are two classes of taxes:

Direct and Indirect

Direct Tax:

The tax is imposed directly upon or on the property of the person paying the tax. E.g. They are paid mainly on income, capital or property. The following constitutes the direct taxes. Personal Income Tax: This is levied on the income of tax payer (income earners). Petroleum Profit Tax – These are taxes levied on petroleum profit.

Company Income Tax: This is levied on company's profit in line with companies Income Tax Act, 2007.

Capital Gains Tax: This is levied on gains derived from the sale or disposal of an asset.

Direct taxes are progressive in nature and so bring about equitable distribution of income.

It is based on the ability to pay in that the income is known before the tax is levied.

It is economical to collect, for example, the P.A.Y.E Additional collection expenses are not incurred in collecting additional tax revenue. Furthermore, no part of it is lost to collecting intermediaries such as employers.

Tax payers know exactly the amount and time of payment. The authority can predict the anticipated yield from direct tax with a fair degree of accuracy.

Direct taxes are most convenient to adjust to government policy objectives. High revenue can be derived simply by an upward adjustment of the rate of tax.

The payment of direct taxes ignites the sense of civic responsibility. The reason for this is that payment of taxes makes the tax payers feel that his money is a part of government revenue, and this stimulates a sense of concern for government financial prudence and accountability.

With relatively few distortions, direct taxes can generate a significant amount of revenue, and have scope for income redistribution.

Personal and company income tax reform will often be necessary to enhance the revenue and efficiency of a tax.

The direct tax has the tendency to affect people's ability to work because this depends on the monetary returns from people's economic activities. In an economy full of illiterates, it may be difficult to assess people to tax because accurate account may not be available.

Imperfections in tax assessments do occur in most cases because subsistence farmers would have consumed the part that should have formed part of their income.

Tax evasion becomes attractive if the rate of income tax is high. Deliberate effort is made by tax payers to locate loopholes in the tax laws so that they can exploit them.

Direct taxes, for example, affect worker's take home pay directly and helplessly. It is gone before you realize it and appeal against it is often protracted and futile.

Indirect Tax:

These are taxes indirectly imposed on individuals through the taxation of goods and services imported or exported out of the country, goods and services produced and consumed in Nigeria. Under this we have taxes like import duties, export duties, value added tax etc.

These types of taxes are easy to assess and collect, and they are easy to asses and collect.

They are easily used to control the consumption of undesirable goods coming into a country.

It is also important source of revenue in a developing country.

By imposing indirect taxes on luxury goods, usually consumed by the rich and exempting the common man's essential commodities from the taxes, indirect tax becomes an effective discriminating tool for effecting fiscal equity.

Disadvantages:

Indirect taxes are considered weak on the ground of being equity – deficient. By this is meant, that there is tendency for indirect taxes to be regressive where the tax is levied on essential goods and services, the common man that is, the poor, bears heavier tax burden, hence makes a disproportionately high sacrifice.

Indirect tax may cause production resources to shift away from the production to lightly tax ones.

Empirical results from developing countries indicate that indirect taxes are not as easy and cheap to collect as advocated in theory. In practice, many revenue officials are involved in collecting custom duties, exercise duties, VAT etc.

An additional demerit of indirect taxation is the difficulty associated with precise prediction of the tax yield. Indirect taxes are doomed if the commodities they are levied upon are perfectly demand elastic.

PROPORTIONATE OF REVENUE FROM DIRECT AND INDIRECT TAX IN SOME WEST AFRICAN COUNTRIES

Country	Proportionate of revenue from direct tax %		Indirect tax %
Nigeria	1960/61	14.90	85.10
	1967/68	17.90	82.10
	1970/71	38.60	42.00
	1971/72	44.40	34.20
	1972/73	50.30	30.40
Ghana	1960/61	16.70	83.30
	1967/68	21.30	78.70
Sierra Leone	1060/61	31.90	68.10
	1964/65	26.60	72.40
Gambia	1960/61	13.40	86.60
	1967/68	14.50	85.50

Source: Financial times of 13th January 1975

General Principles of Taxation

For taxes to be able to achieve its objective, it must adhere to the following principles: Taxation generally is statutory, which means there must be a law imposing the tax. There is no obligation on the tax payers to pay tax unless there is legitimate legislation. The interpretation of tax legislation is strictly done by the court in favour of the tax payers. The law does not give room for presumed intentions against the tax legislations. Therefore, the court has always said that what is not specifically mentioned is exempted. What this means is that when there is any doubt on any issue regarding the tax payer, this should be resolved in favour of the tax payer.

2.2 FEATURES OF A GOOD TAX SYSTEM:

Certainty:

For any successful economy, there must be a stable political environment and a stable tax system in which payment can be predictable under the best economic and political environment, investments will always rise. If therefore, business men are not sure of the amount of taxes to be paid, then investments will reduce. Individuals too must be free from unpredictable taxes levied as their incomes. The amount of taxes which they must be known and fixed by a law is specific.

Compliance and Collection Cost:

The costs at which a tax payer pays his tax and what it cost the government to collect it and nothing to the national output, resources committed to them should be minimal. For instance, some company taxes require maintenance of elaborate records the cost of which may even be more than a quarter of the tax paid.

Enforceability:

A good tax system must provide imposition of taxes that can be enforced. In a situation where voluntary compliance is involved, there must be the means to verify compliance or else one will discover that there will be a break of the law. This means that adequate records must be kept to make way for easy check by government where there is no adequate record, estimate of tax payable are made and which in most cases are not accurate.

Acceptability:

A tax system should be acceptable to the public and convince that it is fair and not burdensome. A tax system must be fair and to be seen to be fair, it must have the following principles:

The benefit principle:

This principle states that taxes should be distributed according to the benefit received from the services on which taxes are spent. As an example, motorists are made to pay tolls on some roads as Lagos-Ibadan Express Road. In this case, the beneficiaries are clearly identified. However, there are services in which the benefits can not be divided for the purpose of tax.

The ability to pay principle:

The ability to pay principle has two parts called “horizontal equity which means that “equals should be treated equally. In other words, not only should the rich pay but people in the same economic bracket should be made to pay the same taxes. “Vertical equity” on other hand, means that tax burden should be properly divided between people of different financial liabilities.

2.3 NIGERIAN TAX HISTORY

The introduction of taxation in Nigeria was dictated by the financial needs of the colonial administration. Custom duties were first introduced in the Southern States, but direct taxation (income) tax at this stage was completely ignored.

The experimentation of direct taxation started in the North in 1904, because the people were already used to payment of tax, called community tax, under the Fulani Administration and also because the Muslim religion approved of a system almost the same with the practice of taxation. Direct taxation was introduced in the West in 1917 through the Native Revenue Ordinance of 1917 while it was introduced in the East in 1922 through the Ordinance of that year.

Following the introduction of direct taxation in the East in 1928, there was a major riot in 1929 (the Aba Women Riot). The native Revenue Ordinance of 1917 and 1928 were later incorporated into Direct Taxation Ordinance No. 4 of 1940. This Ordinance applied to Native in Nigeria elsewhere then in the township of Lagos. Tax under the Ordinance was levied on the community section 4 of the Ordinance empowered the colonial master to impose tax on natives other than residents of Lagos. The amount to be charged was at the discretion of the colonial master.

However, in 1940, direct tax Ordinance came into force. This was enacted to address the problem of 1928. This removed native and replaced it with resident, meaning that every resident of Lagos colony must pay tax unless:

(i) Anybody enjoying merit award from the colonial masters;

(ii) Students on full time studies and

(iii) Military personnel.

The 1958 Ordinance transferred power from colonial master to the natives. In 1961, Income Tax Management Act was enacted. This was the first indigenous legislation. Other tax laws enacted are PITA (Personal Income Tax Act; CITA (Companies Income Tax Act; PPTA (Petroleum Profit Tax Act; CGTA (Capital Gains Tax Act. The laws are expected to address the following:

(a) Imposition of taxation

(b) Administration of taxation

(c) Assessment and rates

The National Assembly makes law for the federation while the State House of Assembly makes law for the state. It is only the Federal Government that can make laws on exclusive legislature list as set out in part one, schedule two of 1979 Constitution.

The dichotomy into companies Income Tax (CIT) and Personnel Income Tax (PIT) was introduced in 1961 with the creation of separate statues for the taxation of companies and individual. The companies Income Tax became Federal Tax while the regions and Lagos territory assumed responsibility for the personal Income Tax. The Income Tax Management Act 1961 was promulgated to ensure uniformity in the administration of the Personal Income Tax by the regions and Lagos while the Joint Tax Board (JTB), created under the Act was essentially to settle any disputes that might arise from the administration of tax by the tax authorities.

Presently, we have the following tax laws in Nigeria; they are as follows, in accordance with income tax in Nigeria by Ekwereike (2002:10).

- Companies Income Tax Act, Cap 345 LFN
- Companies Income Tax Act Cap 42 LFN
- Companies Income Tax Act Cap 60 LFN
- Companies Income Tax Act 2007 NTC
- Value Added Tax Decree 102 of 1993
- Withholding Tax Decree
- Education Tax Decree 8 1993
- Industrial Development (Income Tax Relief Act) CAP 179, LFN
- Personal Income Tax Decree 140 of 1993.

2.4 STRUCTURE OF TAX:

Proportionate Tax: Under this system people pay taxes that are proportional to their incomes, for instance, a man who earns N500 should pay N50.00 while a man that earns N15,000 should pay N500.

Progressive Tax: Under the progressive tax structure, the fraction of income paid as taxes increases as income rises so that the increase in tax payment is more than proportionate.

Where however, there is in equality of incomes, it is more equitable than the proportional system. As an example, Mr. A who earns N5,000 per annum pays N500.00 as tax which is 10% and when he is promoted he earns N8000 and pays N960,00 which is 12% of the salary.

Regressive Tax: It is the opposite of the progressive tax. Under this system, the poor pays more per unit of income than the rich. The rate increase as the base increases.

Tax has become a very important source of revenue to the government. The table below shows the proportion of revenue from direct and indirect taxes of some West African countries. (Dr. A. Ayeni – Economics Principles and Problems, 1979).

The table below shows the proportionate of revenue from direct and indirect taxes among some West African countries.

From the table, it could be observed that during 1960/61 fiscal year, the revenue accrued from direct taxes was 85.10

percent of the total earnings, while only 14.90 percent was realized from direct taxes.

During the same period, the percentage of revenue from indirect taxes in Ghana was 83.30 percent while revenue from direct taxes accounted for 16.70 percent.

In Sierra Leone, indirect taxes accounted for 68.10 percent while revenue from direct taxes amounted to 31.90 percent.

What this indicates is that indirect taxes yield more revenue to the government than direct taxes.

Having given an insight into what tax is all about, it is then necessary to explain tax collection. Tax collection is a means whereby tax assessment on an individual or a corporate body is brought into the government cover.

Collection of tax is the function of tax assessment without which there can be no collection.

Various means of collection of tax have been in use over the years in order to ensure that whatever belongs to the government is brought into its purse through the collection procedure laid down by the government. The local governments have their method of collections, taxes, the same for the state and the federal government. The local government in most instances will block the road thereby preventing vehicles passing through their tertiary especially commercial ones.

Farmers are also way laid on their farm while it is not uncommon to see market women being prevented from entering the market because of market levy. People concerned are intimated to pay tax. Various uncivilized means are employed by the local government authorities. The state governments too are not free from this awkward method of collecting tax. While one may agree that no meaningful development can be undertaken without the necessary finance, it is pertinent at this stage to state that some state governments embarked on measure which brought untold hardship to both the individual and the corporate bodies.

Some of the government also employed the services of tax consultants. The tax consultants were not only assessing but were collecting. The tax consultants are not supposed to assess and collect but rather to investigate anomalies or level of compliance of various companies and forward their findings to the tax authorities for further action. In this process of using consultants many individuals were arbitrarily and unreasonably assessed to tax without considerations for whether the business being assessed could accommodate such tax.

Shops and business premises were closed where the tax payers could not pay. The same goes for companies and commercial houses with the attendant harvestmen of company chief executive being made to used to sign cheques at gun point. Soldiers were used to terrorize them.

Between 1997 and December 1998, no fewer than 26 states in Nigeria employed the services of a particular tax consultant to do the job of tax collection and assessing. This method brought a lot of revenue to the various states but one need to ask if the method is decent in a civilized world. For instance, the task force on revenue collection otherwise called Accelerated Revenue Generation set up by the Lagos State Government had to lock up the headquarters of the First Bank (Nig) Plc for failure of the latter to remit to the state the "Pay As You Earn" belied to have been deducted from staff salaries. The lock up was for about four hours and at the end of it, over N80 million was collected from the bank.

The Lagos State government gained but what about the loss in man hour and the inconvenience caused to the bank customers.

It is against this background that this research work is embarking on an appraisal of tax collection systems in Nigeria using the Federal Inland Revenue Service as our focus. There is therefore, the need for local government revenue staff to be properly trained and equipped for the challenge of revenue staff to be properly trained and equipped for the challenge of revenue collection. The same goes for the staff of the state internal revenue too.

PAYMENT OF TAXES TO BANK

S/N	Types of Tax	Accounts in CBN
A	Companies Income Tax, Late Returns, Penalty, Capital Gains Tax, withholding tax on companies, stamp duties, back duty penalty.	Federation Account
B	Education Tax	Education Tax Account
C	Value Added Tax	VAT Account
D	Police Personal Income Tax, Personal Income Tax in respect of residents of Federal Territory Abuja. PAYE from the armed forces, foreign Affairs Officials and Abuja resident, Pre-operation Levy.	Consolidated Account

Source: Public Service Rule

2.5 TAX AUTHORITIES

The Federal government recognizes the Federal Board of Inland Revenue and the Federal Inland Revenue Services as its operational as in and the State Board of Internal Revenue Services as its operational arm.

On 16th April 2007, the Act establishing the Federal Inland Revenue Service was signed into law. Section 2 of the Act provides that the Service shall:

(a) Be a body corporate with perpetual succession and a common seal, may sue or be used in its corporate name;

(b) May acquire hold or dispose of any property, movable or immovable for the purpose of carrying out any of its functions under this Act. The Service shall have such powers and duties as are conferred on it by this Act or by any other enactment or law on such matters on which the National Assembly has the power to make law.

The object of the service shall be to control and administer the different types of taxes and laws specified in the first schedule of this Act or other laws made or to be made, from time to time by the National Assemblies or other regulations made there under by the Government of the Federation and to account for all taxes collected.

2.5.1 Composition of the Board

The Board shall consist of:

(a) The executive chairman of the Service who shall be experienced in taxation as chairman of the Service to be appointed by the president and subject to confirmation by the senate;

(b) Six members with relevant qualification and expertise who shall be appointed by the president to represent each of the six geo-political zones;

(c) A representative of the Attorney General of the Federation;

(d) The Governor of the Central Bank of Nigeria or his representative;

(e) A representative of the Minister of Finance not below the rank of a Director;

(f) The chairman of the Revenue Mobilization Allocation and Fiscal Commission or his representative who shall be any of the commissions representing the 36 states of the federation;

(g) The group Managing Director of the Nigerian National Petroleum Corporation or his representative who shall not be below the rank of a Group Executive Director of the Corporation or its equivalent;

(h) The controller general of the Nigeria Custom Service or his representative not below the rank of Deputy Controller General;

(i) The Registrar General of the Corporate Affairs Commission or his representative not below the rank of a Director;

(j) The Chief-Executive Officer of the National Planning Commission or his representative not below the rank of a Director.

2.6 POWERS AND FUNCTIONS OF THE SERVICE

(a) The Board shall provide the general policy guidelines relating to the functions of the service.

(b) Managers or superintended the policies of the service on matter relating to the administration of revenue assessment, collection and accounting system under this Act or any enactment or law.

(c) Review and approve the strategic plans of the Service.

(d) Employ and determine the terms and conditions of the service including the disciplinary measures of the employees of the service.

(e) Stipulate remuneration, allowances, benefit and pensions of staff and employees in consultations with the National Salaries, Income and Wages Commission and do other things which in its opinion are necessary to ensure the efficient performance of the service under this Act.

2.6.1 Functions of the Service

Some of the functions performed by Federal Inland Revenue Services are as stated below:

(a) The Service shall assess persons including companies, enterprises chargeable with tax;

(b) Assess, collect, account and enforce payment of taxes as may be due to the government or any of its agencies;

(c) In collaboration with the relevant Ministries and agencies, review the tax regimes and promote the application of tax revenue to stimulate economic activities and development;

(d) In collaboration with the relevant law enforcement agencies, carry out the examination and investigation with a view to enforcing compliance with the provision of this Act;

(e) Make from time to time, a determination of the extent of financial loss and such other losses by government arising from tax fraud and evasion and such other loses (or revenue foregone) arising from tax waivers and other related matters;

(f) Undertake and support research on similar measures with a view to stimulating economic development and determine the manifestation, extent magnitude and effect of tax fraud, evasion and other matters that affect effective tax administration and make recommendations to the government on appropriate intervention and preventive measures;

(g) Liaise with the office of the Attorney General of the Federation, all government security and law enforcement agencies and such other financial supervision, institutions in the enforcement and eradication of tax related offences;

(h) Carry out and sustain rigorous public awareness and enlightenment campaign on the benefits of tax compliance within and outside Nigeria;

(i) Issue tax payer identification number to every taxable person in Nigeria in collaboration with States Board of Internal Revenue and Local Government Councils.

2.6.2 Technical Committee of FBIR Composition

1. Executive chairman as chairman.
2. All Directors and Heads of Department of the Federal Inland Revenue Services.
3. The legal advisers to the Board.
4. The Board Secretary.

Functions:

1. Consider all matters that require professional and technical expertise and make recommendations to the Board,
2. Advise the Board on its powers and duties.
3. Attend to such other matters that may from time to time be referred to it.

2.6.3. Joint Tax Board

As far as Personal Income Tax Administration is concerned, the Joint Tax Board (JTB) also has a vital role to play personal Income Act 1993 S. 85 makes provision for the setting up of Joint Tax Board. Its responsibility is to see to the taxation of income of persons other than corporate bodies. It administers personal income tax through out the country.

Composition:

The membership of the Joint Tax Board is as follows:

(j) Executive chairman of the Federal Board of Inland Revenue is also the chairman of the JTB.

(ii) One member from each state of the federation including the Federal Capital Territory, Abuja, being somebody who is experienced in income tax matters to be nominated by the commissioners for Finance of the State.

(iii) The Federal Civil Service Commission shall appoint the Secretary to the Board. The Secretary shall not be administrative Head maintaining records and proceedings of the Board.

(iv) The Federal Board of Inland Revenue legal adviser shall be in attendance of Board's Meetings and serve as legal adviser to the Board.

Quorum – Any seven members or their representatives shall form a quorum at any meeting of the Board.

2.6.4. Functions of the Board

(a) To executive the powers conferred upon it by any express provisions of PITA 1993.

(b) To exercise any power and duties conferred on it by any law enacted by the Federal.

(c) Government regarding income or profits of unlimited liability companies, or that agreed by the Federal Minister of Finance to be exercised by it under such enactment instead of the Federal Board of Inland Revenue.

(d) To advise the Federal Government on double taxation relief arrangement concluded or under consideration with any country.

(e) To advise on rates of capital allowances and other tax matters having any effect throughout the country and also any proposed amendment to PITA 1993.

2.7. COLLECTION PROCEDURE

The collection procedure under Companies Income Tax Act (CITA) has been modified by the Tax enforcement provisions of the Federal Inland Revenue Service (Establishment/Act 2007 (FIRS Act) and the Companies Income Tax (Amendment) Act, 2009 (CITA 2007). The analysis below is an update on the collection recovering and enforcement provisions as modified by the new laws (FIRS Act and CITA 2007) as they relate to late payment of tax, terms of payment and penalties. The collection procedure for trade, business, profession and vocation under PITA is similar to the CITA procedure. The determination of due date of payment is the same and the basis for imposing penalty and interests in the same. Differences occur mainly in matters of defects. For instance, the 10% penalty for late payment of assessment is a once-and-for-all charge under CITA but it is to be pro-rated under PITA. The difference arises from the mobilization introduced by the FIRS.

2.7.1 The Due Date of Payment

Section 27 of CITA determines when a tax is due for payment. Section 77(1) states that notwithstanding any other provision of this section, every company shall, not later than three months from the commencement of each year of assessment, pay provisional tax and amount equal to the tax paid by such company in the immediately preceding year of assessment in one lump sun.

2. Tax charged by any assessment which is not or has not been the subject of an objection or appeal by the company shall to pay all (after the deduction of any amount to be set-off for the purposes of collection under any provision of the Act) at the place stated in the notice of assessment within two months after service of such notice upon the company.

Provided that:

(a) If such period of two months expires after the 14th day of Decembers within the year of assessment for which tax has been charged and the aggregate tax to be set-off and of any tax paid for that year within such period, then payment of any salience of such tax may be made not later than that day.

Collection of tax in any case where notice of an objection or appeal has been given by the company shall remain in abeyance until such objection or appeal is determined, save that the company shall paid the provisional tax as provided in subsection 1 of the Act or the tax not in dispute.

Section 32 of FIRS Act and section 85 of CITA specify the sanctions that apply where tax is not paid as and when due. The tax is payable on due date of payment as specified under section 77 of CITA.

2.7.2 Self Assessment

Section 55 of CITA as amended requires every company to self-assess. The FIRS information circular No 93/03 of 25th March 1997 on collection procedure defines the due data of payment as it relates to companies filing self-assessment as follows:

(a) For filers with 31st December as accounting year and, the due date of payment is 30th June of the succeeding year.

(b) For filers with 30th September as accounting year and, the due date of payment is 31st March of the succeeding year.

(c) For filers with any due date from 1st January to 30th June as accounting year end, the due date of payment is 1st January of the succeeding year.

(d) For all other cases, the due date of payment is six months after the accounting year end.

2.7.3 Undisputed Assessment

These are current or back year assessment raised by FIRS and which have become final and conclusive. These may be estimated (BOI) assessment, assessments per account, additional assessments, turnover assessment or discovery assessments. In these cases, the due date of payment is two months from date of service of the notice of assessment. However, where the two-month period expires after 14th December of the relevant assessment year.

2.7.4. Resolved Disputed Assessment

Disputes on the amount assessed can take any of the following forms:

(a) A tax payer may dispute an assessment raised by FIRS and thereafter file an objections.

(b) A tax payer may not agree on the amount of the total profit and FIRS may refuse to aimed the assessment, in which case, the appeal goes before the Tax Appeal Tribunal.

(c) The Tax Appeal Tribunal may not succeed in the settlement of dispute and, in that regard; the dispute goes before the courts. On the resolution of the dispute at any levels, FIRS is to serve on the payer the Notice of Amended Assessment as made, agreed to, or revised in the negotiation with FIRS as determined on appeal. In accordance with the provision of section 77(4) of CITA, the due date of payment of the amended assessment is one month from the date of service of the Notice of Amended Assessment on the tax payer.

2.7.5. FIRS Powers to extend the Due Date of Payment

Section 77(2)(c) confers on FIRS the discretionary power to extend the due date of payment. This is usually predicated on the financial circumstances of the tax payers. Where the tax payer is in serious financial distress, F.I.R.S. might be willing to negotiate a convenient payment arrangement rather than kill the goose that by the golden eggs. Such circumstances may include the following:

(a) Tax payers becoming bankrupt

(b) Serious constraint in meeting the additional requirement of the business.

(c) Serious cash flow problem.

(d) Sudden death of a key officer of the company and which incident affects the operations of the company.

(e) Damage to the main income-earning asset of the company.

(f) Adverse effect of new legislation on the operation of the company.

(g) Adverse effect of new technology on the operations of the tax payer

(h) Adverse effect of shift competition.

(i) Sudden and serious deterioration in the operation of the company between the year of income and year of assessment.

(j) Adverse effect of global recession or economic melt down.

In these or similar cases, the FIRS has power to waive the payment of 10% penalty and the interest additions. In other not so serious cases, FIRS might concede an extension only if the tax payers are prepared to pay interest for the period of the extension for time cost of money.

2.8 TAX COLLECTION SYSTEM

In the past, the payment for taxes could either be in cash or cheque. This practice was stopped due to frauds and other malpractices. As part of its commitment to achieving more revenue and reducing the level of fraud and the inconvenience to tax payers, the FIRS in 1996 introduced another system of tax collection. Dr Arowomole at a seminars organized by the Federal Inland Revenue service on collection said that the system only revolutionized the mode of payment. Under this system, payment is made to designated branches of the selected banks that had been zoned to various Area Tax Offices. By this arrangement, the selected banks therefore become the collecting agents for the FIRS. Each tax payer is supposed to use any of the designated branches of the selected banks zoned to its area of operation. Under this dispensation, the banks are required to forward returns to relevant tax office on daily and weekly basis.

The major actors in this new dispensation, namely the IRS, the Banks, the tax payer and the Central Bank are to keep relevant documents for the purpose of accountability and reconciliation.

2.8.1 FIRS e-Payment System

The FIRS has introduced e-payment system in order to make it easy and convenient for the tax payers to pay their taxes.

The following are the steps or procedure involved:

(i) At various times, tax payers identify various taxes to be paid.

(ii) The tax payer goes to the bank and logs on to FIRS PAY Direct.

(iii) The tax payer completes the requisite tax form or prepares the beneficiary schedule for WHT (withholding Tax) and PAYE (Pay As You Earn) payment. This schedule has to be prepared using MS Excel in a prescribed format and submitted electronically to the bank teller by the tax payer. The teller collects the cash on the draft from the tax payer and counts it (if necessary).

(iv) The tax payer's FIRS TIN, tax being paid, period covered and amount is entered into the system. The tax payer's information is supplied to the screen and the teller verifies and confirms. When pay is selected, the FIRS Remittance Account in the bank is credited, and the payment information is stored at the central data base. If WHT and PAYE, the teller uploads the electronic schedule. FIRS can then view these tax payments. FIRS can then commence internet processing. The tax payer submits the tax form/schedule to the bank and collects e-ticket.

(v) Daily inter-switch summarizes the collection into remittance report and collecting banks using RTGS, remits the CBN. This amount is total collection minus the 0.5 to the collecting banks.

(vi) On Mondays, the collection banks submit documents collected from the tax payers to the FIRS. The banks also submit evidence of the last week's CBN payments to FIRS as well as the supporting documents from the banks for filing.

(vii) FIRS can generate reports; monitor payments, issues receipts and perform other activities via the portal.

(viii) FIRS issues tax receipts to tax payers.

(ix) Daily, FIRS obtains statements from CBN to perform reconciliation.

2.9 TAX CREDIT AND REFUND SYSTEM

There is no gain-saying the fact that the burden of tax, its administration and manner of collection, all have a major role in the development of any economy. Equally true is the fact that tax policies are usually geared toward revenue generation as well as the promotion of economic growth. The promotion of economic growth is done particularly by way of granting some fiscal intensive to preferred sectors.

While utilizing withholding instrument to reduce the incidence of tax evasion by companies and individual and thereby increase the revenue earning potentials from income tax, a good tax government will simultaneously provide for an arrangement that would utilize that credit and refund system to:

(a) Encourage investment in preferred sectors of its economy.

(b) Encourage certain behaviours and provide social benefit for its citizens.

(c) Ensure that the excess taxes paid by its tax payers are duly refunded to them.

In the United States of America, United Kingdom and many other developed economics, tax credits are used to grant relief to certain situations and to encourage certain desired activities. Tax credits are utilized to create a kind of stimulus as well as social impacts. On the other hand, tax refund system is put in place by government to give back money to the tax payers whose income has been overtaxed.

2.9.1 What is Tax Credit?

Tax credit has been defined as an item, which reduces a taxpayer's actual income tax. Unlike tax deduction, it reduces the tax owed by a tax payer rather than reducing his taxable income. The amount of tax saved, if given tax credit, is not in anyway dependent on the rate of tax, the tax payer pays. Tax credits have been used by many countries to achieve a number of objectives viz:

(i) As incentives to encourage certain activities that benefit society as a whole e.g environment improvement to a business or home.

(ii) As incentives to encourage trade and investment in certain preferred sectors of the economy and,

(iii) As a means of off-setting excess taxes earlier deducted by a tax government from the incomes of companies and or individuals in the form of withholding taxes.

A tax deduction represents an expense incurred by a tax payer. They are variable amount that one can subtract or deduct from one's gross income. A tax deduction will lower overall taxable income and thus lower the amount of tax paid.

A tax credit is a similar concept. However, tax credit is different because it reduces the tax owned, rather than reducing taxable income. It is important to understand the distinction. Naira for naira, tax credits will always be a better deal because they are directly subtracted from the tax owned.

In contrast, tax deductions only reduce the case of certain items such as medical expenses; the tax deduction must exceed a certain amount before they can result in any savings at all. Tax credits will always result in savings.

2.9.2 Categories of Tax Credit in Nigeria

Tax credits in Nigeria can be broadly categorized into two viz:

(i) Investment tax credit

(ii) Withholding tax credits

(i) **Investment Tax Credit**: This is a reduction in income tax liability granted by the Federal Government over the years to firms or companies making new investments in certain asset categories, primarily equipment. It is designed to stimulate the economy by encouraging capital expenditure. It has been a feature of tax legislation on and off and in varying percentage amounts.

As a credit, investment tax credit is deducted from the tax bill not from pre-tax income and in independent of depreciation.

<u>Computation of tax Credits:</u>

The computation of tax credits could be carried out as follows:

<u>XYZ Company Ltd. (TIN No. YYY)</u>

<u>Tax Credit Computation for the year of Assessment</u>

AB Year of Assessment

Deduct: Credit notes

(a)	Unutilized credits, of previous assessment period	XX
(b)	Credit notes of current Y/A	XX
		XXX
	Income Tax Payable	NXX
	Unutilized Tax credit off if any	NXX

INVESTMENT TAX CREDIT

S/N	Sector	Investment Tax Credit Allowed
A.	Oil & Gas	5% of qualifying capital expenditure
b.	LNG Projects	10% of qualifying capital expenditure

Source: Companies Income Tax Act

2.9.3. Withholding Tax

Withholding tax is an advance payment on account, which would be applied as a tax credit to settle the income tax liability of the year to which the income that suffered the deductions relates. It is not a separate tax per se. Withholding taxes are deductible at the point of payment or when credit is taken whichever comes earlier, for the specified activity. Sections 60, 61 and 62 of CITA and sections 69, 70, 71 and 72 of PITA covers the withholding tax rules, Gazette Extra ordinary No Volume 84- Part B of 12th August 1997 and a similar Gazette in year 2000 are also relevant.

Just like in the case with PAYE, the collection of withholding taxes is not handled directly by the relevant tax authority but through an appointed tax agent. Under the conventional collection system, the withholding taxes, withheld by appointed agents were remitted to the relevant tax authority that paid same into Government Treasury or Bank Account. Under the Direct Bank Lodgment System, tax-withholding agents now make such remittances directly into government designated bank account. Upon receiving credits the payer's account is credited accordingly and sends the latter a credit note.

WITHHOLDING TAX RATE

S/N	Qualifying Income	Rate for companies %	Rate for non-corporate %
1.	Dividend, interest, rent	10	10
2.	Royalties	15	15
3.	All aspects of building, construction and related activities	5	5

4.	All types of contract and agency arrangement other than outright sale and paradox of goods and property in the ordinary course of business	5	5
5.	Consultant and professional services	10	5
6.	Management services	10	5
7.	Commissions	10	5
8.	Technical services	10	5
9.	Directors fees	10	10

Source: FIRS Information Circular No. 9502

2.9.4. Penalty for Non-Deduction

Section 64 of CITA provides that any person who being obliged to deduct any tax under sections 69, 61, 62 and 63 of this Act fails to deduct or having deducted fails to pay to the board within twenty one days from the date the amount was deducted or the time the duty to deduct arose, shall be guilty of an offence and shall be liable to a penalty of 10 percent per annum of the tax not withheld or not remitted, as the case may be, in addition to the amount of tax deducted plus at the prevailing commercial rate.

Section 73 of PITA makes a similar provision to the one quoted above except that it allows up to 30 days from the date of deducted or the day the duty to deduct arose before remittance.

2.9.5. Value Added Tax

This is the tax on consumption of goods and services charged at the rate of 5%. The payment of VAT is usually made within thirty days following that month in which transactions were made.

Registered agents are to fill the VAT return form j002 every month attached with the draft for payment to any designated bank and nearest to it area of operation.

The VAT Act requires manufacturers, wholesalers, importers and suppliers of VATable goods and services to be registered within six months of commencement of business such as registered person is expected to charge and collect VAT on supplied goods and services. The amount so collected constitutes the VAT output. On the other hand, a purchase of VAtable goods and services is also expected to pay VAT on the goods and services supplied to him. This constitutes the VAT input. The difference between the output and the input represents the amount payable to the FIRS. The amount is payable where the output tax exceeds the input tax. Where the input tax exceeds the output tax, this may be claimed from the Revenue.

Exempted and Zero-rated Item: Certain goods and services are exempted from tax. The implication is that VAT is not chargeable at all. On the other hand, certain goods are considered as zero-rated. This means that whereas the goods are VATable, the applicable rate is zero percent. The implication for a zero-rated item is that a refund of the VAT input is due whereas for an exempt item, the VAT input is not refundable.

The following are the zero-rated goods and service:

(a) Non-oil exports

(b) Goods and services purchased by diplomat

(c) Goods and services purchased by humanitarian donor-funded project:

GOODS EXEMPTED FROM VAT

1. Medical and pharmaceutical product
2. Basic food items
3. Books and educational material
4. Baby products
5. Commercial vehicles and their spare parts

6. agricultural equipment and products and veterinary medicine
7. fertilizers, farming machinery and farming transportation equipment
8. plant and machinery used in export processing zone
9. Plant, machinery and equipment purchased for utilization of gas in down stream petroleum operations.
10. All exports.

SERVICES EXEMPTED FROM VAT

1. Services of community Banks, Peoples Banks and Primary Mortgage Institutions.
2. Play and performance conducted by educational institutions as part of learning
3. Services related to education
4. medical services
5. All exported services

2.9.6 Petroleum Profit Tax

In respect of Petroleum Profit Tax the collection mode is a bit different because transactions are in dollars. Operators in this industry are allowed to keep their sales in account abroad; it directed that estimated tax of an accounting period under section 27 of PPT Act 1959 shall be prepared and submitted to the FIRS in US dollars and each monthly payment to one twelfth of the estimated tax. The final installmental payment which is the thirteen installments will be determined in accordance with the provisions of sections 38 (4) of the same Act in such a way that whatever installment that have been paid in U.S dollar is deducted from the PPT computed in U.S dollar, based on whatever annual accounts that have been submitted.

2.10 TAX REFUND

Tax refund has been defined as money given to a tax payer if he/she/it has paid more taxes than he/she/it ought to have paid in a given assessment. Tax refunds are applicable to the following major categories of tax payers.

1. Employees whose pay rolls have suffered too much tax deduction driving a tax year.
2. Other individual and corporate tax payers who have suffered excess income tax payment during a tax year.

3. Value Added Tax (VAT) payers who have borne some excess input VAT. A tax payer may collect a tax refund only for a certain numbers of years after it was originally due. In United Kingdom tax refund is called tax rebate while in New Zealand it is referred to as tax back.

Amendment to the Nigeria companies Income Tax Act and Personal Income Tax Act have happily provided for the refund of excess payment arising from deductions of withholding taxes at a source within a reasonable time by a tax authority. The tax payers also have the option to set off the excess payment against his future liabilities. The implementation of the Acts will certainly help to foster tax payers' confidence in the Nigeria tax system. It is equally hoped that the tax authorities will design an easy to follow tax refund system and procedures that will enable beneficiaries to access the refund without unnecessary and frustrating bureaucratic procedures that could discourage tax payers with genuine claims after analyzing the cost and benefits from pursuing such claims.

2.10.1 Refunds Arising from Collecting Banks

Multiple Remittances: This situation arises when the collecting banks erroneously make multiple postings in respect of a single transaction. The errors are mainly committed by banks.

Wrong Classification of Taxes: This is a case where taxes paid are wrongly classified or credited to a wrong account. The error can be committed by:

- Tax payer
- Collecting Bank
- CBN

The general principle is that no tax refund is required, only corrective action is necessary. It is however, observed that both multiple remittances and wrong classification of taxes lead to delays in the issuance of tax receipts to tax payers.

Error of Transposition: This is a case whose an error is caused by the alteration of the position of two or more numbers eg. N4,753,942.00 is posted instead by N4,573,942. This can lead to under-payment or over payment of the taxes. This kind of error can be committed by both collecting banks and tax payer.

Unauthorized Deductions: This is a case where a collecting bank having observed that it over remitted, deducts said amount from its subsequent remittances to CBN Pool Account without recourse to FIRS. The implications of this are:

- Contravenes FIRS agreement with the collecting bank.
- Distort accounting and reconciliation processes.
- Attract penalties

It should be noted that over remittance as described above attracts tax refund.

2.10.2 How to Claim Tax Refunds

The followings are the procedures required for the refund of over payment of taxes:

1. The document must apply for refund and the application must be directed to LTO/ITO where domiciled, stating the following:

(a) Precise reason for refund

(b) Types of tax

(c) Period of transaction

(d) FIRS receipts of payments

(e) Banks Letters

(f) Print out records of pay direct/web portal.

(g) Stamped documents in respect of stamp duties refund

2. All documents listed above will be forwarded to FIRS Headquarter for necessary action.

3. All applications received will be subjected to proper auditing to ascertain the genuine of the claim.

It is after this that payment of refund for genuine claim to the respective tax payers will be affected.

The following tax law provides a guideline for the administration and practice of tax credit and refund system in Nigeria.

1. Companies Income Tax Act (CITA) 2007 section 60, 61, 62, 64 and 70.
2. Personal Income Tax Act (PITA) 2007, section 69, 70, 71, and 82.
3. Value Added Tax Act VAT 1993 section 113A.
4. Tax regulations introduced from time to time by Minister of Finance.

   Statutory Instrument

(a) S.1 of 1997 – personal Income Tax/rates etc of tax deducted at source (withholding tax regulations).

(b) S.1 of 1997 Companies Income Tax (rates etc of tax deducted at source withholding tax) regulations

(c) Personal Income Tax (rates etc, of tax deducted of source (withholding tax amendment) regulations of 2000).

Section 60 – 62 of CITA and 69 – 72 of PITA, which provide guidelines for collecting taxes from the tax payers income at source and which have been spelt out in the Minister of Finance's tax regulations monitored above constitute the major basis for granting tax credit to tax payers in Nigeria.

2002 & 2001 COLLECTIO0N DETAILS

2000	Target	Actual collection	Variance	Year	Target	Actual collection	Variance
Petroleum profit tax	375.00	407.50	32.50	2001	398.75	409.00	10.25
Company income tax	100.35	125.00	24.65		130.50	131.00	0.50
VAT	140.26	175.00	34.74		156.35	175.00	18.65
Education Tax	12.50	10.50	(2.00)		9.75	10.50	0.75
Consolidated	8.50	7.50	1.00		8.75	7.50	(1.5)
Total	636.61	725.50	90.89		704.10	733.00	28.90

2002 & 2003 COLLECTION DETAILS

Year 2002	Target	Actual collection	Variance	Year 2003	Target	Actual collection	Variance
Petroleum profit tax	409.53	411.25	1.72	PPT	425.00	432.60	7.60
Company income tax	141.25	151.25	10.00	CIT	125.65	114.80	(10.85)
VAT	185.57	195.37	10.02	VAT	130.52	136.40	5.88
Education Tax	11.57	12.58	1.01	ET	11.25	9.20	(1,55)
Consolidated	8.50	9.35	0.85	CONS	3.35	4.20	0.85
Total	756.20	779.80	23.60	TOTAL	695.77	697.70	1.93

2004 COLLECTION DETAILS

Year 2002	Target For the year N(b 2004	Actual collection N(b) 2004	Variance
Petroleum profit tax	470.80	878.60	407.78
Company income tax	143.00	142.42	(0.58)
VAT	161.00	163.30	2.30
Education Tax	18.00	17.10	(0.88)
Consolidated	7.20	5.00	(2.22)
Total Collection	800.00	1,206.42	406.42

COLLCTION PERFORMANCE: 1998 – 1999 IN Nb

Year 1998	Target	Actual collection	Variance	Year 1999	Target	Actual collection	Variance
Petroleum profit tax	324.50	350.75	26.25	PPT	345.75	402.50	56.75
Company income tax	85.65	95.35	9.70	CIT	95.35	98.75	3.40
VAT	105.35	126.35	21.00	VAT	135.45	141.76	6.31
Education Tax	8.65	11.32	2.67	ET	10.65	11.01	0.36
Consolidated	3.25	6.50	3.25	CONS	5.65	7.50	1.85
Total	527.40	590.27	62.87	TOTAL	592.85	661.52	68.67

SUMMARY OF COLLECTION PERFORMANCE
AS AT DECEMBER 2004

	PPT			CIT		
REGION	Budget	Actual	Variance	Budget	Actual	Variance
PPT	470.84	878.63	407.79			
LAGOS	-	-		99.16	104.29	5.13
WESTERN	-	-		1.24	1.90	0.66
EASTERN	-	-		1.05	1.11	0.06
S/EAST	-	-		21.52	17.43	(4.09)
N/CENTRAL	-	-		16.02	13.26	(2.76)
N/WEST	-	-		3.90	4.13	0.23
N/EAST	-	-		0.21	0.30	0.09
TOTAL	470.84	878.63	407.79	143.10	142.42	(0.68)

REGION	Budget	Actual	Variance	Budget	Actual	Variance
Lagos	34.69	39.70	5.01	17.01	16.68	(0.33)
Western	3.74	5.38	1.64	0.20	0.01	(0.19)
Eastern	3.76	4.19	0.43	0.15	0.01	(0.14)
S/East	17.88	20.87	2.99	0.31	0.24	(0.07)
N/Central	15.60	13.46	2.14	0.26	0.20	(0.06)
N/West	5.16	5.87	0.71	0.57	0.25	(0.32)
N/East	1.18	1.52	0.34	0.06	0.000	(0.06)
Sub Total	82.01	90.99	8.98	18.56	17.39	(1.17)
Import NCS	80.50	67.08	(13.42)	-	-	-
G. Total	162.51	158.07	(4.44)	18.56	17.39	(1.17)

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The research is a survey work and as such its research design is non experimental design.

3.2 AREA OF STUDY

This research work is focused on appraising the collection system in the Federal Inland Revenue Service.

3.3 POPULATION OF STUDY

The population of the study comprises 56 staff of Federal Inland Revenue Services at the Regional Officers both in Lagos and Enugu, ranging from Regional co-ordinators, Assistant Directors, Directors, Senior Manager Tax and Officers 1 and 2.

3.4 SAMPLE SIZE

The sample is broadly divided in this format.

OFFICES	STATUS	RESPONDENTS
Integrated Tax office, Ilupeju- Lagos	Regionally co-ordinators and Assistant Director	14
Integrated Tax office, Broad street, Lagos	Assistant Director and Senior Management	12
Integrated Tax Office, Ikeja (Large Tax Office)	Deputy Director, assistant Director	14
Regional Office Enugu	Deputy Director, deputy Manager	5
Integrated Tax Office Enugu	Managerial and Officer 1 & 2	11
TOTAL		56

Source: Field work

INSTRUMENT FOR DATA COLLECTION

This research work entirely outlining the sources or instrument used, upon which the justification of the outcome of the study will be based, pattern of response, questionnaire design and method of data analysis. The nature and instrument for this study are questionnaire and interview.

QUESTIONNAIRE

A questionnaire is a set of questions relating to the aims and objective of the study to which the respondents are required to ensure by writing in their responses. Questionnaire was allotted to Regional co-ordinators, Deputy Director, Assistant Director, Manager and other Junior Officer in order to analyse their responses regarding appraising collection system in Federal Inland Revenue Service.

INTERVIEWS

This is another useful instrument for data collection. It involves eliciting information through verbal interaction between the respondent and the researcher. The questions have to be properly framed in such a way that the interviewer can easily understand what information is being asked for it can be face to face interaction or at times by telephone.

Conversation; for the purpose of this study staff of Federal Inland Revenue Service ranging from Deputy Director to Junior Officers were interviewed and the result recorded.

3.5 VALIDATION OF THE INSTRUMENT

This includes the instrument used for the study as follows: questionnaire, interview and facts from textbooks.

Therefore the validity of the above mentioned instruments was discovered when efforts were made by the researcher to ensure that the methods and procedures taken were understandable. The personal interview and questions were responded to positively and without bias.

The researcher believed wholly that the data were consistent and reliable.

3.6 DISTRIBUTION AND RETRIEVAL OF THE INSTRUMENT

A set of questionnaires were prepared and dispatched to cover the collection departments of Federal Inland Revenue Service of both Lagos and Enugu. It comprised Yes, No, or no idea question. 56 questions were distributed and 35 were answered and returned.

3.7 METHOD OF DATA ANALYSIS AND STATISTICAL TOOLS

Data analysis is the breaking down and ordering of data into group plus the searching for pattern of relation among these data group Agbonifoh and Yomere (1999:225).

A critical and empirical analysis and presentation of data forms the basis upon which solution to a research problem could be established.

Data were collected personally by the researcher who visited the selected respondent in their places of work to ensure that the questionnaires were filled despite a few hesitation and hindrances from some of them.

Thus, in order to ensure objectivity, reliability, consistency and uniformity of the research's work, the data collected were analyzed using a number of tools such as percentage and chi-square.

This chi-square is used to determine how well an observed set of data fits on expected set.

Chi-square formula is:

$$\frac{(X^2)\ U\ (0_1 - e_1)^2}{E_1}$$

Where

U = Summation

O = Observed frequency

e = Expected frequency

E = Grand total

Between observed and expected frequency, ilt measures weather there is inter-dependence between the variables. The chi-square value obtained from the table or critical (X^2) value will vary according to the degrees of freedom and the level of significance. For a contingency table, the degrees of freedom is defined as (r — 1) (K — 1), where r is the number of rows and k is the number of columns The chi-squared value obtained will be used to validate the hypothesis That is, we shall reject the hypothesis if the computed X^2 is greater than the theoretical or critical X^2.

3.8 SUMMARY

In this study, the survey method was applied by the researcher. Structured questionnaires to client pertinent on were designed and personally administered to top offices in the department. The questionnaire probed deeply into such issues on the desirability of collecting system. The responses obtained were analyzed in order to answer our research questions and validate hypothesis. The statistical method used in testing our hypothesis was chi-square test X^2.

Finally, it must be stated that aspects of research methodology are relevant both to accounting education and to developing its body of knowledge.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 DATA PRESENTATION AND INTERPRETATION

The aim of this chapter is to present and analyse the data collected during the research survey, followed by findings resulting from data.

The presentation and analysis will take the form of tabulation and explanation of the data collected from the complete questionnaires. The following analyses are based on the data obtained from the response to questionnaires.

All "Yes" responses indicate there is a positive effect, while all "No" responses indicate there is a negative or no effect at all to the question being asked.

RESEARCH QUESTION

QUESTION 1:

Does every subject of every state or community pay tax to support the legitimate authority within the requirement of the social contact?

Response to Question:

Table 4.1: State or Community's response to tax payment.

Options	Number Of Response	Percentage
Yes	20	57.14
No	10	28.57
No idea	5	14.29
Total	35	100

Source: Field work, 2011.

To the question stated above, 20 respondents affirmed that they paid tax to support the legitimate authority within the requirement of social contact, while 10 of the respondents said No. 5 respondents which constituted about 14.29 percent did not have idea of tax. In conclusion, most of the state or community pays their taxes to support government's programme.

Question 2

Is the tax paid certain in relation to the amount to be paid, the authority to collect it, the time or period is to be collected?

Response to question 2

Table 4.2: Certainty of the tax paid

Options	Number Of Response	Percentage
Yes	25	71.43
No	7	20.00
No idea	3	8.57
Total	35	100

Source: Field work, 2011.

To the above questions, 25 persons affirm that their tax liability is certain, while seven respondents said that their taxes were not usually certain. Three persons had no idea of tax payment at all.

From the analysis, it could be informed that taxes paid are certain.

Question 3

Is the tax system simple to understand and administer?

Table 4.3: Simplicity of tax system

Options	**Number Of Response**	**Percentage**
Yes	25	71.43
No	8	22.86
No idea	2	5.71
Total	35	100

Source: Field work, 2011.

In response to the above question, 25 respondents representing 71.43 percent of the total population said that the tax system being administered in the country is simple while 8 respondents constituting 22.86 percent disagreed, saying that the tax system was complex. However, two respondents representing 5.71 percent had no idea of the question.

From this analysis, therefore, it would be reasonably concluded that the tax system is simple to understand and administer in the country.

Question 4

Is the tax system flexible in Federal and democratic country where there are always changes of government?

Response to question

Table 4.4: Flexibility of tax system

Options	**Number Of Response**	**Percentage**
Yes	28	80
No	5	14.29
No idea	2	5.71
Total	35	100

Source: Field work, 2011.

From the table above, 28 respondents representing 80 percent said 'yes' to the question 5 persons said 'No', while 2 respondents representing 5.71 percent had no idea. Judging the percentage of 'yes' to the question which is 80, it indicates that the tax system is flexible in Nigeria. The Nigerian constitution gives the state and local governments the power to collect some types of taxes.

Question 5

Is the request for payment of tax done at a convenient time for the tax payer?

Response to question

Table 4.5: Tax Convenience

Options	**Number Of Response**	**Percentage**
Yes	30	85.71
No	2	5.71
No idea	3	8.55
Total	35	100

Source: Field work, 2011.

The table above shows the various responses to question on convenience of tax payment for the tax payers. 30 respondents said that the payment of tax was at the convenience of the tax payer, 2 respondents disagreed while 3 respondents had no idea of the question.

From the analysis above, it infer that the payment of tax is done at the convenience of the tax payer. Section 59 of Companies Income Tax Act (2007) as amended also stipulates the period for the payment of taxes, and section 68 of the Act also provides that the president may remit wholly or in part, the tax payable by any tax payer if he is satisfied that it will be just and equitable to do so.

Question 6

Can appraising the tax collection system bring about any significant improvement?

Response to question

Table 4.6: Appraisal the collection system

Options	**Number Of Response**	**Percentage**
Yes	30	85.71
No	3	8.57
No idea	2	5.72
Total	35	100

Source: Field work, 2011.

30 respondents representing 85.71 percent agreed that appraising the collection system can bring about significant, 3 respondents representing 8.57% disagreed with the question while 2 persons had no idea.

From the above response it suggests that appraising the collection system can bring about a significant improvement in the entire collection process.

Question 7

Can improved collection system have any effect on the tax payer?

Response to question

Table 4.7 Effect on Tax Payer

Options	**Number Of Response**	**Percentage**
Yes	34	97.14
No	1	2.86
Total	35	100

Source: Field work, 2011.

As shown in the table above, 34 of the respondent believe that the new system will have effect on the tax payer while I respondent representing 2.86 percent disagreed with the fact that improved tax collection system will have any effect on any tax payer.

Question 8

Does the new system bring in more money to the government?

Response to the question

Table 4.8: Effect on Government Revenue

Options	**Number Of Response**	**Percentage**
Yes	34	97.14
No	1	2.86
Total	35	100

Source: Field work, 2011.

According to the above table 97.14 percent of the respondents believe that the new tax collection will bring more revenue to the government while 2.86 percent of the respondents did not believe so.

The response confirms that the system will bring more money to the government.

Question 9

Is the cost of collection higher than the revenue been generated?

Table 4.9: Cost of Collection

Options	Number Of Response	Percentage
Yes	1	2.86
No	34	97.14
Total	35	100

Source: Field work, 2011.

From the table above, 34 respondents representing 97.14% said no to the question we the cost of collection is higher than the revenue generated while only one respondent representing 2.86% believes that the cost of collection will be higher than the revenue been generated.

Question 10

Is the revenue collected promptly accounted for?

Table 4.10: Accountability

Options	Number Of Response	Percentage
Yes	28	4.10
No	7	20
Total	35	100

Source: Field work, 2011.

From the table above, 28 respondents representing 80 percent said that the revenue collected is promptly accounted for while seven (7) respondents representing 20 percent disagreed.

4.2 RESULTS FOR TESTING HYPOTHESIS

HYPOTHESIS 1

Ho: Every subject of every state or community does not pay tax to support the legitimate authority within the requirement of the social contact.

H1: Every subject of every state or community pays tax to support the legitimate authority within the requirement of the social contact.

Response

Table 4.1:
State or Community's response to tax payment.

Options	**Frequency**	**Percentage**
Yes	20	57.14
No	10	28.57
No idea	5	14.29
Total	35	100

Source: Field work, 2011.

Expected frequency = 35/3= 11.66 = 12

Degree of freedom: (N-1) = (3-1) = 2

$$X^2 = \frac{(0-e)^2}{E}$$

Where O = Observed frequency

e = Expected frequency

$$X^2 = \frac{(20-12)^2}{12} + \frac{(10\ \ 12)^2}{12} + \frac{(5-12)^2}{12}$$

$$= 5.33 + 0.33 = 4.08 = 9.74$$

$$X^2 = 9.74.$$

DECISION RULE

Reject Ho if X^2 calculated is greater than X^2 critical (table) value. Accept Ho if X^2 is less than X^2 table value and reject Hi. The calculated X^2 of 9.74 is greater than the table value of 2.84 at 5% level of confidence using 2 degree of freedom. We reject Ho (Null hypothesis X^2 value and accept Hi (Alternative hypothesis) that is every subject of every state or community pay tax to support the legitimate authority within the requirement of the social contact.

HYPOTHESIS II

Ho: Appraising the tax collection system may not bring about significant improvement

Hi: Appraising the tax collection system may bring about significant improvement

Response]

TABLE 4.6: Appraisal of the Collection System

Options	Frequency	Percentage
Yes	30	85.71
No	3	8.57
No idea	2	5.72
Total	35	100

Source: Field work, 2011.

Expected frequency = 35/3 = 11.66

= 12

Degree of freedom = (N1) = 3-1 = 3

$$X^2 = \frac{(O-e)^2}{E}$$

Where

O = observed frequency

E = Expected frequency

$$\frac{(30 - 12)^2}{12} + \frac{(3-12)^2}{12} + \frac{(2-12)^2}{12}$$

= 27 + 6.75 + 8.33 = 42.08

X^2 = 42.08

DECISION RULE

Reject Ho if X^2 calculated is greater than critical table value. Accept Ho if X^2 calculated is less than critical table value and reject Hi.

Since the calculation of X^2 is greater than the table value of 14.84 at dfi and the alpha level of 0.05, the stated null hypothesis Ho which states that there may not be any significant improvement by appraising tax collection system is therefore rejected, while the alternative hypothesis is accepted.

In view of the above, it means that there can be significant improvement in the tax collection system by appraising it.

4.3 FINDINGS OF THE STUDY

Based on the analysis of this chapter, the following findings were made:

1. That every subject of every state or community pays tax to support the legitimate authority within the requirement of the social contact as revealed in table 4.1.
2. That the request for payment of tax is done at a convenient time for the tax payer.

3. That appraising the tax collection system will bring about significant improvement in the entire collection system thereby generate more revenue to the government as shown in table 4.6.

4.4 DISCUSSION OF THE FINDINGS

A tax is a compulsory levy imposed on the income/profits of an individual partnership and corporate organisation for financing of government expenditure without recourse to a corresponding benefit from tax payer. This is a social responsibility which every citizen must oblige. Table 4.1 confirms that every state of community pays tax to support the legitimate authority within the requirement of the social contact.

Collection is basic necessity to tax revenue after assessment has been raised. The request to collection of taxes is done at a convenient time for the tax payers as this is enshrined in the Companies Income Tax Act (2007) as amend. Section 59 of the Act stipulates the time of payment of the assessed tax liabilities. This is always communicated to the tax payer.

From the response to the question in table 4.5, 30 respondents representing 85.71 percent agreed that the request for payment of tax is done at the convenient time for the tax payer while two respondents representing 5.71 percent disagreed.

In the past, there were a lot of loopholes in the collection system ranging from fraud by the staff of Inland Revenue or and in collaboration with bank official, diversion of cheques or draft and non-remittance of tax paid among others. But with the new collection system put in place, all these fraudulent practices have drastically reduced. More revenue is being generated for the government. For instance, the tax collected in 2010 amounted to ₦3.4 trillion naira, while the Federal Inland Revenue Service has been able to collect for the first quarter of this year i.e January to March the sum of ₦1.3 trillion naira.

This fact was buttressed by response to a question put up by this researcher.

Table 4.8 shows that 34 of the thirty-five population/respondent representing 97.14 percent agreed that the system brings in more money to the coffer of the government while one respondent representing 2.86 percent disagreed.

In order to guide against sharp practices by the collecting banks, the agents are allowed one percent (1%) of the amount collected as commission. This is a lot of revenue of the collecting agent. The cost of collection however is low relative to the amount being collected by these agents. The answer to question 9 which sought to know whether the cost of collection is higher than the revenue been generated indicates in table 4.9 that the cost is low compared to the revenue being generated. Thirty-four (34) of the respondents representing 97.14 percent said that the cost of collection is not higher than the revenue being generated while only one respondent representing 2.86 percent disagreed.

The hypotheses formulated helped to form an opinion when testing using chi-square distribution. The decision reached is that there can be significant improvement in the tax collection system by appraising it.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

In line with the objectives of the research work, which is to appraise the system of tax collection in the country (Nigeria) the followings are the summary of findings.

- That every subject of every state or community pays tax to support the legitimate authority within the requirement of the social contact as shown in table 4.1.
- That the request for payment of tax is done at a convenient time for the tax payer.
- That the tax paid is certain in relation to the amount to be paid, the authority to collect it, the time or period is to be collected as confirmed or revealed in table 4.2.

  The tax system is simple to understand and administer.
- That the tax system is flexible in federal and democratic country such as Nigeria where these are always changes of government.

- That appraising the tax collection system will bring about any significant improvement.
- An improved collection system will have a positive affect on the tax payers.
- The new system will bring more money to the government.
- That the cost of collection is not higher than the revenue being generated.
- That the revenue collected is being promptly accounted for.

5.2 CONCLUSION

The new tax collection system has been very successful since its introduction. This can not be disputed in view of the fact that many differences have been noticed both in the result achieved and the resources being used to achieve this. The operational procedures, the human factors are responsible for this.

The incident of fraud that was a common thing in the past has been greatly reduced if not completely wiped out. It is no longer possible for cheques to be stolen and converted for personal use. While one cannot completely rule out one form of error or the other, it has succeeded to a greater extent.

On the whole, the research has been a worthwhile exercise. It has afforded one the opportunity to really appraise the situation on the ground and allow one to bring out areas that might need attention for the improvement of the entire system.

5.3 RECOMMENDATIONS

In the light of the facts and the discoveries during the research work, the followings have been duly recommended upon which further work can be carried out.

The new tax collection system should not only be continued but be improved upon with a view to achieving a 100% success in its operation.

Apart from delisting a selected bank for non-performance or poor performances, a designated bank must be penalized (e.g withholding the commission payable) for failing to forward its daily manifest as at when due.

The use of tax consultants should be discouraged while state Internal Revenue Department should be allowed to do their statutory duties of assessing, collection and accounting. Lagos State terminated the contract of her tax consultant by December

1998 while under the new democratic dispensation; Osun State government has banned the use of tax consultant in the state.

It is also recommended that necessary incentives should be provided for the staff in the collection department of the FIRS with a view to encouraging them and for better and improved productivity.

Regular routine follow up exercise by collection staff must be put in place to check on the tax payers and banks for compliance.

There is need to train local staff to enhance efficiency and productivity and for them to know that tax payers are not be harassed or embarrassed.

Constant monitoring of the activities of the designated banks is necessary to determine the level of their compliance while seminars and workshops should also be organized for them to enhance their level of compliance.

5.4 SUGGESTION FOR FURTHER STUDIES

This research work is still open to further studies so that tax collection system in Nigeria can be improved especially at the Federal, state and local levels in the following ways:

(i) The effect of good tax collection system in enhancing revenue generation to the government.

(ii) How to minimize or reduce sharp practices in the tax collection system.

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ACTS

Petroleum profit Tax Act LFN 1990

Capital Gains Tax Act LFN, 1990

Companies Income Tax Act LFN, 2007

Federal Inland Revenue Service Act, 2007.

STANDARDS

The Nigerian Accounting Standards Board (NASB)

Statement of Accounting Standard (SAS)

19: "Accounting for Taxes December, 2000.

Department of Accountancy,
Faculty of Business Administration,
University of Nigeria,
Enugu Campus,
Enugu.
15th June, 2011.

Dear Respondent,

This questionnaire being presented for your completion is purely for academic research purpose in partial fulfillment of the requirement for an award of MBA degree in Accountancy of the University of Nigeria.

It is designed to gather information relating to Appraisal of Tax Collection System in Nigeria, (A Case Study Of Federal Inland Revenue Service.)

It is also my request, therefore, that you sincerely answer these questions as the success of this work depends on your cooperation.

Thank you.

Yours sincerely,

FARINONYE, ADEBISI H.

QUESTIONNAIRE

An Appraisal of Tax Collection System in Federal Inland Revenue Service.

Please tick [√] which ever that applies to you.

PERSONAL INFORMATION

1. Sex: Male [ ] Female [ ]
2. Marital status: Single [ ] married [ ]divorce [ ]
3. Which of the following age bracket do you belong?

   20-25 [ ]25 – 35 [ ] 35 – 50 [ ] 50 and above [ ]
4. What is your academic/profession?

   WASC [ ] Bachelor's Degree [ ] HND [ ]

   Masters Degree [ ] Doctorate Degree [ ]
5. Which category below do you belong?

   Top management [ ] Middle management [ ]

   Supervisor [ ]
6. Years of experience in the service

   5 – 10 yrs [ ] 10 – 15 yrs [ ] 15 – 30 yrs [ ]

GENERAL INFORMATION

1. Does every subject of every state or community pay tax to support the legitimate authority within the requirement of the social contact?

   Yes [ ] No [ ] No idea [ ]

2. Is the tax paid certain in relation to the amount to be paid the authority to collect it; the time or period is to be collected?

   Yes [ ] No [ ] No idea [ ]

3. Is the tax system simple to understand and administer?

   Yes [ ] No [ ] No idea [ ]

4. Is the tax system flexible in federal democratic country where there are always changes of government?

   Yes [ ] No [ ] No idea [ ]

5. Is the request for payment of tax done at a convenient time for the tax payer?

   Yes [ ] No [ ] No idea [ ]

6. Can appraising the tax collection system bring about any significant improvement?

   Yes [ ] No [ ] No idea [ ]

7. Can improved tax collection system have any effect on the tax payer?

   Yes [ ] No [ ] No idea [ ]

8. Does the new system bring in more money to the government?

   Yes [ ] No [ ] No idea [ ]

9. Is the cost of collection higher than the revenue been generated?

   Yes [ ] No [ ] No idea [ ]

10. Is the revenue collected promptly accounted for?

    Yes [ ] No [ ] No idea [ ]