

CRITICAL APPRAISAL OF THE NIGERIA TAX LAWS AS
ADMINISTRATED BY THE ENUGU STATE GOVERNMENT 1998-2007
(A CASE STUDY OF ENUGU STATE BOARD OF INT. REVENUE

BY
AKPA FLORENCE U.
PG/MBA/08/47401

DEPARTMENT OF ACCOUNTANCY
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITY OF NIGERIA,
ENUGU CAMPUS.

February,2010

TITLE PAGE

CRITICAL APPRAISAL OF THE NIGERIA TAX LAWS AS
ADMINISTRATED BY THE ENUGU STATE GOVERNMENT 1998-2007
(A CASE STUDY OF ENUGU STATE BOARD OF INT. REVENUE)

BY
AKPA FLORENCE U.
PG/MBA/08/47401

BEING A PROJECT REPORT SUBMITTED PARTIAL
FULFILLMENT OF THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION (MBA) IN MANAGEMENT

DEPARTMENT OF ACCOUNTANCY
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITY OF NIGERIA,
ENUGU CAMPUS.

SUPERVISOR

DATE

CERTIFICATION

This researcher work has been certified and approved as meeting the requirement of the Department of Accounting University of Nigeria, Enugu Campus for the Award of Masters of business administration (MBA).

.....

DR. ODOH CHARLES

PROJECT ADVISER

.....

DR (MRS). R.G OKAFOR

H.O.D ACCOUNTANCY

.....

EXTERNAL EXAMINER

DEDICATION

This research work is dedicated to my beloved husband Engr. Akpa Chris Chinwendu whose encouragement and advice has been wonderful.

ACKNOWLEDGEMENT

ABSTRACT

This research work “A Critical Appraisal of the Nigerian tax laws “ A case study of Enugu State Board of Internal Revenue (1998-2007) is based on the fact the Act 104 of 1993 creates a distinct legal regime for the taxation of personal income Tax in Nigeria. However inspite of that the Act made generous provisions as to the income to be assessed on the hand of the tax payers, the tax yield does not reflect these generous provisions. The government has not achieved its targeted revenue, hence has not been able to meet the needs of its subjects since the Act came into operation. In view of this comes the need of this work to critically re-appraise the Act (as amended) with the intention of introducing reforms where necessary. Such that the Act shall meet, as much as possible the classical cannons of a good tax system as well as the development needs of the economy. The findings, conclusion and suggestion(recommendations) was drawn, on the study. The findings high lighted the problems inherent in the Tax laws and administration such as flaunts in the laws, loopholes, Ambiguities, insufficient, provisions for enforcement, conflicting, provisions as well as problem of judiciary interpretation of Tax statues. Also absence of specialized revenue court among others. Administratively, the tax officials do not receive adequate remuneration and training. Moreover, they are not involved in the policy making. Valuable solutions were adduced, which if, implemented would remedy the situations and increase the revenue generation as expected of the Act. Such recommendations as.

TABLE OF CONTENTS

Title Page

Certification

Dedication

Acknowledgment

Abstract

Table of Contents

Table of cases

TABLE OF CASES

Authority V. Regional Tax Board (1967) BCLR 452

Cape Brandy Syndicate V. IRC (1921) K. B. 403.

Mobil Oil Nigerian Ltd V. Board of Inland Revenue (1997) .NCLR.I

Authority V. Regional tax Board (1970) NCLR 276.

Tenant V. Smith (1892) A. C. 150 at 154.

Margin. V. IRC (1971) A.C 739.

Wilcoc V. Smith 26 L.J. ch 596.

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND AND THE NEED FOR THE STUDY

Capital forms an important factor in production processes, as well, essential ingredient in furthering economic growth and development.

Infact, without adequate financial resources no business enterprise or government (federal state or local government) can function effectively and efficiently (Adetunji 1997:16).

Government like an individual or business organization require funds for its day to day activities however, unlike these other bodies or persons it has the primary objective of raising the standard of living of the citizens through the provision of such amenities and services as education, public health, good roads, potable water supply, electricity, market, defense etc. hence, Paul Eriliri (1987:14) expressed “one of the basic function of the protection of the property and the basic function of the state as seen by the natural law theories is the protection of the property and the property owners should therefore pay for the state expenses. Similarly, services that tend to increase the value of property must also be compensated.

Accordingly, government therefore, gives serious attention in discovering means of raising revenue to meet these responsibility (Olusanya 1978:206)

In the words of Adentunji (1997:16) though such funds can be generated from taxes and royalties, there is a limit to the extend to which this can be done to avoid over burdening the citizens. Sharing the same view with Eriliri, Adam Smith in his famous book “the wealth of the nation. “Every subject has to contribute to the coffer of the state. These contribution according to Omeje (1992:16) have been with a lot of resistance, creating evil passion and mortification of the honourable poverty. Hence the need for a self rules and regulation that would guide the assessment and collection of the contribution (tax). Therefore, president Esuhere during his budget speech to the American Congress had this to say “we shall develop a tax system that would encourage, savings and investment for the economy which is ours” the above statement is saying nothing short of tax law that would be used to attain government policies.

The legal regime that governs the tax system in Nigeria is the tax laws as amended. There is no gain saying that once, rules and regulations are formulated to guide a system, there is the

need to appraise the provisions of the laid down rules in order to ascertain whether or not set rules and regulations are formulated to guide a system, there is the need to appraise the provisions of the laid down rules in order to ascertain whether or not the set rules meet its goals and objectives.

According to Ochei (1987:19) in the United Kingdom, the tax laws are consistently, being tested in the law court and at the end of each fiscal year, a finance act is issued, updating by addition or amendment, the existing tax laws. Comparing the Nigerian tax law and systems with other developed countries he further added. It seems clear that our income tax rates, relief and allowances should be reviewed to reflect, money values, earning capacity and additional responsibilities which the present economic situation has imposed on the struggling population.

Considering the widespread criticism of the existing Nigerian tax laws coupled with the persistence calls by the Nigeria tax consultants tax administrators and the existing laws, the need therefore arises for a work of this nature to critically appraise the laws with particular reference to the personal income Tax Act as amended. This is to ascertain the effect of the laws and the consequent amendments on the revenue generation

is south east of Nigeria. If there is a considerable positive change in the revenue generation since the law and the amendment took effect, compared with the set target, then there may be no need for over handling the existing laws but if the other way, then the laws should be critically reviewed in order to achieve the set out government policies.

1.2 STATEMENT OF THE PROBLEMS

The best quality any personal income tax system should adopt will be such that will be fair to the tax payers and at the same time be able to achieve the intended objective of the government. The essentials of good tax system, otherwise known as common of taxation was first propounded by Adam Smith and include – Equality –certainty, convenience and economy. From 1940, when Direct Taxation ordinance was enacted in Nigeria, the Nigeria Tax Laws have undergone series of amendment.

The purpose of the amendment were to maximize the revenue of the state with less incident on the taxpayers.

Since the creation of Enugu State in, 1991, the internal generated revenue from sources absolutely controlled by the state

government has not been encouraging, consequently, the revenue does not adequately cater for the need of the state government.

The income tax laws as provided by the present income Tax Act as amended made a lot of provision as to income taxable in the hand of the tax payers but even at that, the tax yield on personal income does not reflect the extended personal income laws.

Some questions readily come to mind at this juncture.

- i. Why do people not want to pay adequate tax?
- ii. Are the provisions of the tax laws not inefficient
- iii. Are tax laws full with flaunts
- iv. What are the biggest obstacles in personal income tax administration in Enugu State?
- v. Do the personal income tax law made adequate provision for its enforcement?
- vi. Has the frequent changes in the tax law any negative impact on the revenue generation in the state.
- vii. Do tax payers and officials exploit the loopholes in the law to their own advantages.
- viii. Are tax officials adequately remunerated?

- ix. In formulating tax policies are tax administrator not involved.

This study shall try to find a way out of the core problems. In addition it shall try to provide answer to the following basic question.

- a. Will further review of the laws being about voluntary compliance of the tax payers.

1.3 PURPOSE OF THE STUDY

It is the disposition of this work to critically appraise the personal income tax Act 1993, as amended in relation to the question of revenue collection of Enugu state since the Act came into effect, with the intention of introducing reforms where necessary such that the Act shall meet as much as possible the classical common of good tax system as well as the development need of the economy.

The personal income taxes are gaining ground in Nigerian taxing system in term of revenue yield since the emergency of internal politics in the international oil market which has consistently crushed the oil price since 1980's therefore, there is the need to review regularly the tax laws to meet government

fiscal objectives specifically, this work will endeavour to identify the policies, administrative, legal and other factors inhibiting the smooth tax administration in the state. It shall look into the efficient and effectiveness of the state before the amendments. This is to ascertain whether there is any positive coloration between the revenue generation and the set out revenue target of the state within the period 1998-2007, finally, how the performance of the duties of the Board of internal revenue officials affect the personal income tax payers and the yield from the income tax.

1.4 THE HYPOTHESIS

There are allegations that the yield from personal income tax in the state does not reflect the generation provisions made in the Income Tax Act and yet the state Expenditure has been increasing astronomically.

This unhealthy practices because of certain identified and unidentified problems in the system such as loopholes in the tax laws, inconsistence tax policies, inadequate training for tax officials among others the following hypothesis are therefore formulated.

H0₁. The incidence and amendments of the Nigerian tax laws has impacted negatively on the question of revenue generation in Nigeria.

H₁. The incidence and amendment of the Nigerian tax laws has imported positively on the quantum of revenue generation in Nigeria.

1.5 SIGNIFICANCE

The researcher is motivated to critically appraise the personal income tax act as amended with the intention of finding the impact of the act on the revenue generation in the state, also to introduce reforms where necessary such that the act shall meet as much as possible the classical common of good taxation, particularly now that the Nigerian economy calls for self reliance self sufficiency, inculcation of maintenance culture and restriction in sorting external borrowing so as to manage the national debt problems.

This work therefore shall be of great interest to the following parties.

- a) The government and her agencies federal, state and local government.

- b) The academicians
- c) The general public.

It will reveal the lapses or short comings in the tax laws and other factors inhibiting effective administration of the law in the state. Whether the personal income tax laws since its commencement had made any positive impact on the revenue generation in the state. Its recommendation will attempt to bring more income tax payers into the tax net for an improved internally generated revenue.

1.6 THE SCOPE/DELIMITATION OF THE STUDY

Consciously aware of the limiting factor, the researcher work “A critical appraisal of the Nigeria tax laws as being administrated by the Enugu state government (A case study of Personal Income Tax Act 1993 as amended) is restricted as follows:-

The purpose of personal income tax, qualities of good personal income tax system, the development of personal income tax in Nigeria, other tax laws existing in Nigeria, the activities of the joint tax board, the activities of the state board of internal revenue, failures of tax administration in Nigeria, tax law review

and amendments, the use of consultants in revenue collection and assessment.

The role of the judiciary in interpreting tax laws, the court that exercise jurisdiction over tax matters, burning issues in the Nigerian tax system.

The effect of constitutional provision on tax laws. The effect of taxes and levies (approved list for collection).

This work however did not cover critical appraisal of other tax laws like: the company Income Tax Act, the property Act, the value Added Tax Act, the capital Gain Tax, the stamp Duty Act, among others. In addition to the above structural limitation, the work is restricted to Enugu State alone. This is the considered opinion of the researcher since the cost in term of time and finance can hardly permit a nation wide survey. The researcher nonetheless believe and strongly too that the result and findings assessing from the cluster sample would not differ materially from what it would have it would have been had the entire nation been surveyed. It is important to note that a work of this nature did not receive a warm reception because of the adherence people have for tax. More so, the respondents felt the researcher was prying into their personal life.

REFERENCE

CHAPTER TWO

2.0 REVIEW OF RELATES LITERATURE

2.1 INTRODUCTION

Many academics, academicians and professional a like had earlier concerned themselves with issues centering on appraisal of tax laws in relation to achieving government policies without over burdening the citizens. This is because there has always been that request to make some useful contributions to the existing knowledge.

This chapter therefore reviewed some of the existing literatures on personal income tax, principles and qualities of good tax system. The chapter touched such as tax legislations constitutional provisions on personals income tax, the development of personal income tax in Nigeria, burning issues in Nigeria tax systems. The inconsistency in the tax laws and the failure of tax administration in Nigeria.

The chapter further looked at tax law review and amendments, the issue of consultants and tax force in assessment and collection of taxes the role of the judiciary in the interpretation of taxing statutes and map ups in the tax laws

2.2 THE NATURE OF TAX

Webster's dictionary of English language (India P. 1574) describes tax as a charge imposed by government authority upon prosperity, individual or transaction to raise money for public purpose.

In rather appealing language, black law Dictionary describes a tax as a ratable portion of the produce of the property and labour of individual citizen taken by the state in the exercise of the sovereign right for the support of government for administration of the laws and as means for continue in operation, the various legitimate function of the state. The first definition seems simple but imperfect because we have in Nigeria examples of tax imposed primarily on groups rather than individuals. For instance section 1 of the personal Income Tax Act as amended contemplates the imposition of tax on communities and families, even though such is rare in practice. In addition a tax may have objectives other than public revenue generation, then for the second definition though it sounds vague, it is safe to say tax are charged for various legitimate functions of the state.

According to Buhari (1993) Tax is nothing but a compulsory contribution from individual and/or business organization for the purpose of financing government expenditure. He argued that every country engages in a number of activities which requires the expenditure of funds and to meet up these activities, the government raises fund through taxation. Sharing the same view Hanson (1961:4) stated that in the early days, taxes were imposed to cover the cost of law and order.

Olorunleke (1999:7) describe taxation as a way of making persons, individual and corporate entities contribute money through legalized levies according to their level of income to a common fund of a state for running the affair of the state. Considering the above so far, it become clear that there are many definitions of tax but all have one objective which is to enable the state to discharge its functions to the citizens, hence Okpe (1998:1) tried to summarized many of the different definitions when he said that tax is a transfer of resources and income from the private sector to the public sector in order to achieve some of the nations economies and social goal. He enumerated such goals as education, public health, transportation, capital formation and provision of facilities.

Abdulraza (2002:36) did not waste time to associate himself with the above summary definition when he described the term taxation as a weapon used by any government to share from the wealth of an individual or corporate body. Based on the above it become necessary to analyze what is and what is not tax in order to form opinion. Abdulraza (2002:03) said fine or penalty is not tax even when it is imposed by a tax statute, charge imposed for a particular service rendered for goods sold is not also a tax. Therefore, it is invariably an enforced contribution of money, extracted pursuant to legislative authority.

If there is no valid statute by which it is imposed, a charge is not a tax but once it is backed by written law and it has other identified characteristic of a tax it remains a tax, even if it is called other names like toll, tribute, tallage impose duty, custom duty or exercise duty etc say the Black Law Dictionary (1979: 130). It therefore settle that the term taxation is forcible imposition and not allowed to be voluntary.

2.3 PURPOSE OF PERSONAL INCOME TAX

Annukwu (2001: 15) States that the public sector use tax to generate more revenue from those endowed with factors of

production which it uses to provide certain minimum necessary social and economic activities to the citizens. He outline four purpose as follows:-

- ❖ To generate revenue
- ❖ To allocate resources
- ❖ To redistribute income and
- ❖ To stabilize the

2.2.1 Revenue Generation

Revenue generation is regarded as the principal purpose why government impose tax on the citizens. The revenue is required to cover a widening filed o government expenditure. Hanson (1961:4) stated that in the early days taxes were imposed to cover the cost of administration, defense and maintenance of law and orders.

2.3.2 Resource Allocation

He argue that taxation perform the function of resource allocation since tax can alter the product mix generated within the private sector. For instance, such items like tobacco, wine, spirit etc are made more expensive by taxation whereas such

items like milk, meat vegetable products and merit services are made less expensive through subsidies. The merit goods are considered necessary government impose heavy tax to discourage the production and consumption of demerit goods, yet receives more revenue from those insist in the their consumption. The high tax imposed increases their cost, therefore reduces the demand for them.

2.3.3 Income Distribution

Another purpose of personal income tax is the redistribution of economic power as measured by income or wealth, he added. He argued that naturally, economic factor are not equitably distributed among person, as such there exist gap between the more endowed and the less endowed person, hence, there is attendant consequences as a result of disproportionate inequality in the society. He concluded that the purpose is to provide more factor (wealth) for the less endowed ones in the form of provision of necessary basic amenities.

2.3.4 Stabilization Of The Economy

Here he stresses that tax perform the function of stabilization writing on the name purpose Okpe (1998:2) used such expression “to protect infant industries and to check the consumption of commodities regarded as harmful to present resources Allocation.” Also “To reduce inequality of income”. For REDISTRIBUTION and “to check inflation” for STABILIZATION OF THE ECONOMY. Both used the name term as to resize revenue to meet the cost of government expenses. The above shows that there may be various ways of representation of the purpose of personal income tax but virtually they have the same meaning.

2.4 QUALITIES OF A GOOD PERSONAL INCOME TAX SYSTEM

Okpe (1998:3) Stated that principles means rules, qualities and conditions that lie behind a particulars tax or tax system.

Anukwu (2001:28) Opines that the best quality any personal income tax system should adopt will be such that will be fair to the tax payer and stills be able to achieve the intended objective

of the government. Hence Adam Smith (1776) set out four rules of taxation known as the cannons of taxation which includes:-

- Equity
- Certainty
- Economy and
- Convenience

4.1 Equity

Payment of tax should be according to ones income. Therefore tax should be progressive. The higher the income of a taxpayer the higher the tax payable by him. Accordingly, a tax payer with #150, 000 income should pay higher than another on income of #110,000, this therefore makes for equality among tax payer.

2.4.2 Certainty

The tax payer should not be in doubt as to the amount of tax to be paid where to pay it, the time limit within which the tax should be paid and the consequences of failure to comply to the above

2.4.3 Economy

The tax authority should exercise the greatest economy in the performance of his duties. That is to say, the cost of collection should be relatively low. It is uneconomical to spend the sum of #250.00 to collect #200.00

2.4.4 Convenience

The time and method of payment of tax should be convenience for the payer. He should be given fair and reasonable assessment, be allowed enough time to pay and the tax should be paid at a place accessible to him. The above Cannons have been blended today as most government use them just as guide and has extended them to include: flexibility and neutrality.

2.4.5 Flexibility

In the sense that tax should be easy to charge when condition and situations change. If government require additorial money urgently, it should be possible to make changes in the table system to raise the extra money.

2.4.6 Neutrality

A good tax system interferes as little as possible with the supply and demand of goods and services. It should not effect peoples willingness to work, save or invest.

2.5 THE DEVELOPMENT OF PERSONAL INCOME TAX IN NIGERIA

The history of personal income taxation can be said to date back to the age of man. Before European colonization of Nigeria, there was a form of personal income tax which dated back to the days of our great, great grand father whereby communities taxed themselves through communal labour to execute community projects to help the community withstand aggression or attack from outside (Olorunleke 1985:12)

Investigation carried out revealed that the intertribal war which existed in the olden days were attributed to search by stronger communities to get other towns and communities under their control. The communities so engaged in the war taxed themselves to be able to provide war implements bows and arrows. The weaker towns and communities so conquered

become the subject of the stronger ones paying tributes to them which security is provided in return.

During this era, Nigerians cheerfully paid their taxes in kind by rendering free services as well as clearing the bush paths, digging, tilled pits, wells, and so on for the benefit of the community as a whole.

Failure to render such services result in the forfeiture of property of the defaulter this is still in practice today as per section 96 (1) (a-b) of PITA in which the tax authority has the power to detain for non payment of tax. This can only be claimed back on payment of money or what represented money (Ola 1981:1) this practice is still on today in Nigeria in general and in various towns and villages in Enugu State in particular. The revenue for the execution of various projects (common among the Igbos) is collected through the imposition of levies and taxes on the citizens.

The earliest traces of an organized form of administration by the Emirs, who are highly respected leaders and the spirit of Islam which made it possible for the people to contribute towards charity, laid the foundation in Northern Nigeria.

Prior to 1990, there was a number of levies and other forms of personal income taxes on agricultural products and livestock like the “Zakka” tax on Moslems for charity work, religious and educational purposes the tax was levied on grains and cattles.

Kurdi Kasa, an agricultural tax was paid on non-Moslems. The Shukle –Shukka was paid by farmers as plantation tax. The cattle owners were subjected to “Jangal” being cattle tax levied on livestock. Different communities within the Emirate were subject to Kharat” or community taxes. Also existed was a death duty called “Gado” and a kind of gift to the superior called “Gaisua”

According to due (1983:32) Nigeria income Tax in modern from began in 1940 even though there was a tax dating back to 1927 an the Northern Nigeria was the first section of Africa to use direct personal income. Taxation under the Fulani Emirs to the advert of the British . Based on the above it become clear that a complicated system of direct taxation existed in Northern Nigeria before the advent of the colonial rule.

In the Western part of Nigeria where Chiefs and Obas existed, tributes, tolls and arbitrary levies and fees provided the main source of revenue. In Ibadan, Oyo and Ife, animal levies,

special contribution during special festival are made through heads of the families.

In the Eastern part of the country, due to absence of organized central authority, payment of tax was not in existence. Rather each community contribute equally or at will when the embark on one project or the other. The Easterners had no leaders to account to as in the case of Northerner and Westerners. The contribution for community work then is said to be personal income tax, hence, tax existed during the period.

From the above one can easily deduct that each group within the geographical region called Nigeria adopted the form of taxation that was system may be described as irregular, arbitrary and duplicated, even though they served the purpose. Taxes were so various and complex that in 1900 the problems facing Lord Lugards administration was not how to introduce new tax form but how to simplify the existing ones. He tried to combines the different taxes and levies into a simple understandable and collectible direct tax so as to maintain some acceptable cannons of equity, economy, certainty and convenience. He passed many laws in Northern Nigeria where he first introduce income tax to enable him collect taxes. Income tax was first introduce in 1904

by Lord Lugard when community tax became operational in the North (Ola 1981:1). The first tax law was the 1904 Land Revenue Proclamation whose proceeds were collected by the Emirs and shared between them and the government. This was against the earlier procedure where what was collected was used in maintaining the Emirate. From this new law the Emirs' portion of the tax was for the Emirate government portion was used in running the government of the whole country.

Lord Lugard later in 1906 introduced another law called the 1906 Native Revenue Proclamation which replaced the 1904 Land Revenue which replaced the 1904 Land Revenue proclamation. The law aimed at unifying all the existing forms of taxation then.

In 1917, the 1917 Native Revenue Ordinance was introduced and replaced the 1906 proclamation. The law regulated the imposition and collection of taxes from the natives. This ordinance was extended to both the Northern and Southern part of the country, but was grudgingly accepted in the south, because there was no recognized traditional ruler and the non acceptance of the white -men in the Eastern and Delta areas of the South. There were attempts to execute this ordinance in a careful and peaceful manner but they were always met

resistance, notably in Owerri, Aba and Calabar. However, after the amendment of the 1917 Native Revenue Ordinance, Lugard Succeeded in extending it to the Eastern province in 1929.

In the Western province, the Oba of Benin was the first of the Southern rulers to accept direct tax in 1917. it was later introduced in the Yoruba areas duly enacted to apply to the eastern province including Warri and Asaba division to take effect from 1st April, 1928.

The introduction of Direct tax was rejected in various parts of the South. It sparked of disturbance in Warri province (where there was physical opposition to assessment census) and Kwara areas of old Northern Region. However, collection of taxes went on Smoothly beyond all expectation apart from mirror incidents in Onitsha and Ogoja of 1221 in Abakaliki division bluntly refused to pay and meetings held to resolve the issue were broken up by the woman (Ndu, 1987:158).

Up to today, investigation reveals that the people of Ezza and 1221 still resist tax and would do anything possible to make sure they did not pay tax. It has always been a horrible experience for tax official to clash with them. The strongest and most organized resistance was in Aba in Owerri province where

the woman registered their protest against the government taxing them.

This is known as the Aba woman riot of 1929 where about 31 lives were lost and more than 30 wounded (commission of inquiry 1930:81). The commission identified the causes of the riot to include (a) Frustration of women in a period of economic depression. At that time the price of palm oil, the main stay of the economy was falling, while the newly imposed custom duties had escalated (b) the crude and discriminate manner, woman children and livestock were counted in 1929 tax census.

In 1937, both the native direct taxation (colony) ordinance and the non native income tax protectorate ordinance were passed. These ordinance initiated discrimination in direct taxation between native and non-natives, these were later replaced by the direct taxation ordinance of 1940, empowered native authorities to tax Africans in their areas of jurisdictions while the income tax ordinance of 1943 governed the taxation of non-Africans and companies. These ordinance were the formation of our modern Nigerian taxation. According to Ola (1981:9) the legal history of personal income tax in Nigeria may be trace back to the enactment of direct taxation ordinance of 1940, under the

direct taxation ordinance, rates of taxes and the of computing them varied from one local administrative unit to another, they were unscientifically administered and seriously lacked uniformity by levying tax on income of Africans in the former regions while they taxed the income of both Africans and Europeans in the Federal Capital Territory of Lagos. This the Europeans in the former regions were not subjected to tax in the regions in which they were resident. Cocoa farmers were hardly taxed at all and this has been suggested as the cause of the wealth of the people living in the areas where cocoa was grown known in comes of Africans in these days were comparatively small, and revenue must of necessity be small. Taxation policy then appear to be bases on a choice between bureaucracy (tax administration by officials) and the democratization of tax system (the introduction of politicians as representation into the tax system). The former was preferred and practiced.

Between 1953-1956, there was no substantial change in the tax law except up dating the tax rates. In early 1950, there involved a federal system of government and the income tax ordinance of 1943 was retained as a federal matters which governed the taxation of Africans in the different regions. Each of

the three region was empowered to pass laws for the taxation of African resident in them.

In 1956, the Eastern Region introduced the Direct Taxation Ordinance with finance law 1 of 1056, in the Western Region, Income Tax Law No. 16 was introduced in 1957 while the Northern Region retained the 1940 taxation ordinance. These became the first indigenous Tax Laws to be enacted it is interesting to note that the eastern region which was the last to accept any form of taxation in Nigeria was the first to introduce a comprehensive regional finance law that served as a model to other regions. The finance law brought PAYE system of tax collection into operation. (Njokama 1970:11). It is remarkable to note that under the Eastern and Western Tax Law the tax payable by persons in the same category were generally higher in the East than of the North. The inconsistencies and confusion resulted in the setting up of Raisman fiscal commission of 1958.

The commission recommended that there should be a uniform basic principle for taxing income throughout Nigeria. This recommendation was embodied in the Nigeria (constitution) order in council 1960, which resulted eventually in the enactment of the income tax management Act 1961. (ITMA 1961).

ITMA 1961 was the precursor to (CITA 1961) 1979 and 1990).

The order in council brought non African within the regional tax set up.

The main provision of the act relate to:-

- a. The basis for computing income of individuals, families, Estate and trust.
- b. The determination of residence.
- c. The treatment of provident/ pension funds.
- d. Capital allowances for building, plants and machinery used in producing income.
- e. The types of expenses which are allowed or not allowed for income tax purpose.
- f. The treatment of losses incurred in a trade, business profession or vocation.
- g. Income which are exempted from tax.

To complete the Act, Eastern Nigeria passed finance law 1962, this law fill in gaps in the Act particularly those aspect for which the federal legislature could not legislate for example:

- a. Assessment and appeal machinery
- b. The machinery for collection and
- c. The rate of tax.

The law, although was passed in 1962 was made retrospective from 1st April 1961 to agree with the management Act. So also all other regional tax laws had to be amended to conform with the federal laws (Olorumleke 1985:12). It is the Management Act that gave rise to personal income tax decree 104: of 1993 (now Act 1993). The management Act under went sieves of amendments by way of decrees in 1975, 1985, 1987, 1990 and 1992 (Abdullrazag 2002:3).

In 1993, the Management Act transformed into personal income tax decree 1004 of 1993 (now Act) which is the main subject of this work. The Act abrogate the Management Act (as amended). The main provisions of the Act were for the taxation of individuals, corporate sole, or body of individuals. For instance partnership are deemed to resident for that year in relevant state and increased the table of rates for the taxation of individuals under (PITA). The Act has also under gone some amendments in 1997 and 1998. These amendments centered on, enhanced personal relief to individual tax payers and the amendments to oust the controversial duties carried out by some tax consultant termed "Tax contractor" by the some tax Board.

5.1 OTHER TAX LAWS

There were other tax laws that featured a wide and missed range which various governments seeks do change and collect revenue for public expenditure they includes:-

- Company Income Tax Act
- Education Tax Act
- Industrial Development (Income Tax Act)
- Mineral and Mine Act
- Capital gain Tax Act
- Value Added Tax
- Sales Tax Law
- Stamp Duties Act
- Customs and Excise Management Act
- Capital Transfer Tax Act (now abolished)
- Taxes and levies (Approved list for collection Act)

i. The Company Income Tax Act (Cita)

Section 8 of (CITA) 1980 as amended charge to base at the rate 30% in each year assessment the profit of any company accruing in derived from, brought into or received in Nigeria. The act treated such items as categories of changeable income, trade profit, investment income, excepted income,

deducted expenses, basis of assessments, treatment of losses and capital allowance.

ii. Education Tax Act 1993

This was introduced in Nigeria on 1st January, 1993 to raise tax to provide direct funding for certain aspect of primary, secondary and higher education at Federal, State and Local Government level in the country. The base of the base tax is the Assessable profit of a company registered in Nigeria. The Tax Rate is 2%.

iii. Value Added Tax Act 1993

Under the above, all purchasers of chargeable goods and services are expected to pay 5% of the purchase price as tax. It is a federal statute and is administered by the federal Inland Revenue Services on behalf of the Federal, State and Local Governments. The Proceeds are shared among the three tiers of Government in accordance with a formula determined from time to time by the federal legislature.

iv. Sales Tax Law 2000

There is sales tax, which is provided for in the statute books of many states. The sales tax was presumed dead at the Advent of the VAT ACT but Lagos State recently resuscitated

the sales tax law and showed an intention to commence the collection of the tax. This aroused the interesting issue of which government has the constitutional authority to tax sales transactions within a state.

v. Custom And Excise Management Act 1990

This governs the custom duty payable by importers of specific goods. This tax is charged solely by the Federal Government and collected through the Nigeria custom services. Excise duty was levied on variety of local produced goods until 1998 when the tax was abolished. It was however partially reintroduced with affect from January 1:1990.

vi. Capital Gain Tax Act (Decree) 1967

The Act charge to tax any capital gain accruing to individual and corporate bodies whenever they dispose of asset. The Federal Government has exclusive authority to tax capital gain tax but the collection has been partially delegated to the state while the corporate bodies pay capital gain tax to the federal Board of Inland Revenue, Others pay to the tax authority in their state of residence.

vii. Capital Transfer Tax

The imposed inheritance tax was scrapped in 1996.

viii. Stamp Duty Act 1990

The Act imposed tax on a wide range of documents and transaction corporate bodies pays to the Federal Board of Inland Revenue while other pay to state tax authorities.

Most of these Acts have undergone several amendments, but still the tax laws in this country have a lot of bearing to those introduced by the colonial masters. The amendments in them have not changed their colonial structures.

2.6.0 ADMINISTRATION OF PERSONAL INCOME TAX IN NIGERIA

The Income tax management Act 1961, succeeded in unifying the various regional tax laws in Nigeria each state is responsible for taxation of people resident in the state. This done by the State Board of Internal Revenue. This, however does not apply to those under the income tax (Armed forces and other persons special provisions Decree (now Act) 1977 and the

Company Tax Act (CTA) 1969 which fall under the jurisdiction of federal Inland Revenue Services (FIRS).

The national body responsible for the administration of personal income tax the Joint Tax Board (JTB) section 85 of the Act 1993 makes provision for the setting up of Joint Tax Board whose responsibility is to see the taxation of income of persons other than corporate bodies throughout the country.

2.6.1 THE JOINT TAX BOARD

As already stated is established by the personal income Tax Act 1993 as amended to see to the taxation of incomes of persons other than corporate bodied throughout the country.

2.6.2 COMPOSITION/MEMBERSHIP

1. The Executive Chairman of Federal Board of Inland Revenue is also the Chairman.
2. One member for each States of the Federation including Federal Capital territory Abuja being somebody who is experience in income tax matter to be nominated by the commissioner of finance of the state.

3. The secretary to be appointed by the Federal Civil Service Commission. The Secretary shall not be a member of the board but the Administrative head, maintaining records and proceedings of the Board.
4. The Federal Board of Inland Revenue Legal adviser as the legal adviser to the Board.

2.6.3 FUNCTIONS OF THE BOARD

1. To exercise the power conferred upon it by any express provision of the Act (PITA) 1993.
2. To exercise any power and duties conferred on it by any law enacted by the Federal Government regarding income or profit of limited 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.
3. To advise the Federal Government on double taxation relief arrangement concluded.
4. To advise on rates of capital allowance and other tax matters having any effect throughout the country and also any proposed amendment to PITA 1993.

2.6.4 STATE BOARD OF INTERNAL REVENUE

The finance (miscellaneous taxation provision) Act No3, 1993 section 9, established the state board of Internal Revenue. Also section 85B of PITA 1993.

2.6.5 COMPOSITION OF STATE BOARD INTERNAL REVENUE

- i. To ensure effective and optimum collection of all taxes due to the government under the relevant laws.
- ii. To assess, collect and account for all taxes collected to the government.
- iii. Make recommendations, where necessary to joint Tax Board on tax policy, reform, legislation and treaties.
- iv. To control management of serve on matters of policy.
- v. Appoint, promote, transfer and impose discipline on employees of the state service.

2.6.6 ASSESSMENT OF PERSONAL INCOME TAX

Many authors and tax practitioners had variously identified factors that determine the administrative competence of any tax administration as well as efficiency of any tax system.

They includes:-

- The existence of a predominantly money economy
- High standard of literacy among tax payers
- Prevalence of accounting records honestly kept and reliably maintained.
- High degree of voluntary compliance etc.

A look at the above, will clearly point out our situation- a very problematic tax administration.

This is because none of the above has developed with us. Some personal income tax problems emanate from assessment and the best assessment officer can do is to have recourse to certain market properties qualities of a valid assessment these properties in mind will reduce litigations by tax payers on tax authorities.

The properties according to Njokamma (1975:181) are:-

- i. The person or income sought to be taxed must be within the letters of the statutes

- ii. There must be some sources or source of income properly designated according to the law.
- iii. The source or sources must belong to the tax payer either personally or as agent.
- iv. The assessment must be made by a person duly authorized according to the law to make it.
- v. There must be some income issuing from the source or sources.
- vi. The purpose for which the assessment is made must accord with the provision of the law under which it is made.
- vii. The assessment must be made under a section of the act and not under the Act generally.

The maintenance of the above properties is recommended to every assessment authority or tax administrator or officer.

2.6.7 FAILURE OF TAX ADMINISTRATION

Various authors and tax practitioners and administrators have in many ways expressed their opinions that tax administration in Nigeria is a failure and have called for review of the existing tax laws. Abdulrazag (2002: 14) opined that any perfect must quickly fall down on its face, according to him even

it we apply the good old test of cannon of taxation in Nigerian, we cannot score more than a pass mark.

Adekanola (1997:5) maintains that the bulk of personal income tax yield come from employees whose salaries are deducted at source where as the self employed who make the most money manage to avoid tax as a result of inadequate monitoring, hence, tax is inequitable. The further observed that the language of the legislation is often forbidding and confusing even to the professionals, and therefore fails the test of certainty. This is because where the tax payers have no knowledge of the rules under which they pay tax the range of deductible expense and allowance available to them, they will not be at case to disclose their taxable income. He conclude that the hallmark of tax convenience in Nigeria now is the ability of a tax payer to go tax office, say what the is ready to pay, be “assessed” accordingly, pay and obtain a tax clearance certificate.

To by (1st Ed: xxi) enumerated some of the factors which have made tax administration to fail in Nigeria as follows:-

- Low level of literacy
- Unpopular culture of record keeping
- Insufficient tax officials to cover the field

- Little training, ill equip badly remunerated and corruption on the part of the officials.
- Corrupt and selfish lot on the part of government who divert, the tax paid into the private pocket and not in public utilities. He however, formulated solutions which included:- the importance of communication and dialogue between government and citizens in matters relating to taxation.

Still on neglect of tax officials, Taylor (1970:531) has this to say, “characteristically, however, government show no general tendency to establish priority for tax administrators even when they are confronted with hard facts that employment of an additional tax inspector will result in an in an increase in tax collection of as much as twenty times his salary.

2.6.8 TAX LAW REVIEW AND AMENDMENTS

Abdulrazag (2002:16) Shares the view that a purposive review of the Nigeria tax laws must be continues process and that the draftiness should adopt a conscious attempt to express the law in clear and intelligible language, he recommended a creation of additional step in the law making process during which a

select committee reviews all draft with the view of simplifying them and the need to blend amendments with the principal legislation.

2.6.9 USE OF CONSULTANTS IN TAX ADMINISTRATION

Olorueke (199:8) observed that within the past six years that some state tried to show they were more aggressive in their tax collection drive than others and as such changed the normal tax operation to a military assisted operation against the will of the law and against the express direction of the Federal government, the custodian of the tax laws. The states know they were offending the law but because the system produced more revenue they felt they were in order. Beside, the fact that revenue increased, it was not cost effective because of the exorbitant commission they charged (15% to 25%) of the tax collected.

The use of consultant according to Neiyeju (1998:29) it is not answer to revenue mobilization in many cases appeals were short circuited and quick judgment were obtained from the state courts and implementation was enforced through closure of business premises and offices. Appeal processes were ignored and in some cases did not exist, contrary to the provision of the

tax laws. The argument concerning the legality of using the tax consultant was partially solved with the enactment of section 85A -E of personal income tax Act 1993 which provides for the establishment of State Board of Internal Revenue as Tax Authority of a state. In reaction to tax payer complaints on the attitudes of the consultants to tax assessment and collection, the Joint Tax Board issued a policies statement that consultants can only be used for secondary and for supportive assignment to tax authority. Such areas can be data collection, tax information, feasibility studies, training, computerization, monitoring etc. while the primary function of assessment, collections and accounting be left to the tax authority.

2.6.10 THE ROLE OF THE JUDICIARY

Because, tax laws is entirely statutory, tax disputes always raise the issue of statutory interpretation. As a rule tax, statutes are interpreted. Very strictly. There is no common law in taxation. Therefore, no general principle of law can displace the true meaning and effect of a tax statute which has been validly passed. The link between the charging provision and the intended tax payers must be direct not inferential. This was maintained in

Authority V Regional Tax Board (1967 NCLR 452) clearly, in *Cape Brandy Syndicate V IRC* (1921:2KB) Rowlatt presented a summary of the duties of a judge in tax adjudication by declaring that in taxing Act one has to look merely at what is clearly said. That there is no room for any intendment there is no equity about a tax, there is no presumption as to tax, nothing is to be read in, nothing to be implied, one has to look fairly at the language used. However, Bello (1977:in CLR) I deviated from the above principles when he said that in construing a statute, that regard shall be given to the cause and necessity of the Act and then such construction shall be put upon it as would promote its purpose and arrest the mischief which it is intended to deter.

The above attitude could be seen as an indication that Nigerian judiciary do not give attention to the peculiarities of taxing statutes, as was demonstrated in *Shell Petroleum Development Company (Nigeria) Limited V B.I.R* where the same supreme court, not only applied equity consideration but gave administrative directions overriding effect in the interpretation of tax statute. This was carried to an absurd level by the court of appeal in the case of *Phoenix Motors Limited V NPFMB* (1993:INWLR. 718 at 731) the appeal court declared that if a

statute is revenue based, the provision therefore must be construct liberally in favour of revenue or deriving revenue by government unless there is a clear provision to the contrary.

The above is sufficient wearing that there is no settled approach to interpretation of taxing statutes in Nigeria. It is also an indication that Nigeria judges have not developed sufficient expertise in the field of tax adjudication. Abudullrazag (2002:21) suggested that the High Court be split into division so that judges will have the opportunity to specialize. Those in tax division would have no excuse for not keeping abreast the applicable principles and current development in the field.

The universal rule that can be applied in Nigeria courts is that the belief and assumption of those who frame a statute cannot make the law. The Onus therefore is on the legislatures to ensure that tax is expressly imposed upon the subject. Where this has not been done, the responses of the court should than depend on the factual situation before it.

2.6.11 COURTS THAT EXERCISE JURISDICTION OVER TAX MATTERS

By virtue of section 251 (3) of the constitution of the Federal Republic of Nigeria, the Federal High court has exclusive jurisdiction on matters that relate to:-

- Revenue of the government of the Federation
- Pertaining to the taxation of companies and other bodies established or carrying out business in Nigeria and other persons subject to federal taxation.
- Custom and exercise duties including any claim by or against the Nigeria customs services.

However, under section 272 of the constitution 1999, the High court of a state has jurisdiction to hear and determine any civil proceeding in which the existence of a legal right, power duty, liability privilege, interest, obligation is in issue. It may also hear and determine any criminal proceeding relating to any penalty, forfeiture, punishment or other liability in respect of an offence committed by any person. It seems from these provisions that all matters pertaining to a Federal Tax must go to the Federal High court such as company income tax, petroleum profit tax, custom and exercise, stamp duties and education tax, capital gain tax

payable by corporate bodies. But because the specialized nature of taxation, the income tax statute provide that the cases should first go to a body of tax appeal commissioners. This body exist at both state and federal level It is interesting to note that all taxes both for corporate and individuals are charged by federal laws but the state collect that of individuals. In the opinion of Abdulrazag (2002:23) cases arising from individuals should go to state High court simply because Federal Government or any of its or any of its organ is not a party to the case, it is not the person suing or being sued in the case, he maintain that since the state collect and spend the taxes they cannot be said to do the collection on behalf of the Federal Government. Perhaps, the reason while the personal Income Tax Act but expressly confers jurisdiction on State Bodies of Appeal Commissioners and State High court.

2.7.0 BURNING ISSUES IN THE NIGERIAN TAX SYSTEM

2.7.1 WHO CAN IMPOSE TAX UNDER 1999 CONSTITUTION

Under the 1999 constitution of the Federal Republic of Nigeria the National Assembly has the power make laws for the

peace, order and good Government of the Federation with respect to any matter like the taxation of income, profit and capital gains. The same constitution further reserves to federal legislature the power to make laws with respect to any matter in the concurrent list, to the extent prescribed on the second column that list.

Item 7 on that list is on the collection of taxes federal legislature is allowed to delegate the collection or administration of some taxes to the Government or other authority of a state provided, however that taxes on capital gains, income or profit of companies cannot be so delegated. Also item 9 of the concurrent list gives the state legislature the power to make provisions for the collection of any tax, fee, or rate or for the administration of laws providing for such collection by a local government.

The above clearly justifies the inference that state government may impose, collect and spend any tax, fee or rate which has not been expressly reserved for Federal Government control. The assumption is that state could not have been require to delegate to local government council what the (the state) could not by themselves do. This is noted by Bello JSC while reading his lead judgment in *Aberuagba V Anthony General* (Ogun State). That any tax as used in the provision empowers the state

to impose tax on all matters in the concurrent list and residual matters.

Apart from that tax which companies pay to the Federal Government they are still subjected to array to taxes, levies and rates by state and local government. This situation led to series of protest that should not be subjected to multiplicity taxes as it affects both the price and profit of the firms but the situation has not changed.

2.7.2 THE EFFECT OF CONSTITUTIONAL PROVISION

At this position, it becomes necessary for one to ask what are the effects of the constitutional provision that reserves the taxation of companies income, profit and capital gains strictly for the Federal Government, it simply mean that it does not prevent taxes from being imposed on companies by states or local government. This is because tax includes any charge imposed by Governmental authority upon property, individual or transaction to raise money for public purpose. Also income is synonymous with profit. Income tax is clearly a taxes. The constitution however, provided a crucial limitation on state legislative power. In spite of the accommodation allowed the state under the

concurrent list, It provided that if any law enacted by a state is inconsistent with any law validly made by the Federal Government, the later shall prevail. The state law shall therefore be void to the extent of the inconsistency. According to Nwabueze (1983:63) it is not enough that two laws make different provision on the same matter, the different provision must be at variance, they must run counter to each other. It is therefore my opinion that a federal law on concurrent matter does not necessary preclude state Lawson the same matter,

2.7.3 THE EFFECTS OF THE TAXES AND LEVIES (APPROVED LIST FOR COLLECTION ACT 1998)

In 1997, the Federal Government took a decision to wade into the matter of multiplicity of taxes during the budget of that year, it announced that list of taxes and levies that should be, collected by each their of government would be issued.

The Joint Tax Board (JTB) was directed to publish the list. In 31st March same year. The JTB released the list which took effect on 1st April, 1997. The same was promulgated into law Act (Approved list for collection) 1998. The Act limits the Federal Government to eight types of tax, value Added Tax, Education

Tax, capital Gains Taxes (Abuja Residents and Corporate Bodies) Stamp Duties of corporate bodies, Personal Income Tax, (Armed forces, the police, Residents of Abuja (FCT) and external affairs) and withholding taxes on companies.

The state have eleven taxes and included person income tax (PAYE, Direct Assessment withholding Tax Individual only), capital gain tax (individual only) pool Betting and Lotteries, Gaming and Casino) Road taxes Business premises, Development levy, Naming of street Right of occupancy, market (where state financed), Registration fee. The local government have twenty taxes and included:- shop and Kiosk, rate, Tenement rate, on and off liquor license, slaughter slab fees marriage, birth and death registration fee, right of occupancy fee (excluding state capital market or motor park (excluding where state finance is involved) cattle tax, merriment road closure, bicycle, trucks canoe, wheel barrow, domestic animal licenses, radio, television, wrong packing, sign board, customary burial etc.

The impact of this act is the fact that new laws cannot now be made by state and local government to collect taxes from companies or any.

It is also made away with the concurrent and residual power of the state as regards imposition and collection of taxes. If a state cannot collect a tax, it follows that it should not impose it and no state can delegate any local government authority power which the state itself has lost.

With the exist of the military, the constitution regained its supremacy hence its provision is binding on its subjects. One can now say that even though the act restrict or abrogate the concurrent and residual tax power of the state, it has become invalid. This is because the phrase "Notwithstanding anything contained in the constitution..." cannot now have any legal effect as the Act is interior to the constitution.

REFERENCES

- New Websters:- (1989) Dictionary of English Language (College Edition) Subject Publication India P.157A.
- Black Law (1979) Black Law Dictionary 5th Edition (Ed) West Publishing Co. P. 1307
- Hanson J. 1 (1961) A text book of Economics 3rd Edition Macdonald Evans Ltd P.4
- Olorunleke (1999) Taxation in Nigeria, Trend and way forward a consultant perspective. The Nigerian Taxation Lagos Chartered Institute of Taxation P.7.
- Okpe 1.1 (1998) Personal Income Tax in New Creation books, Enugu P.1-2.
- Abudulrazaq (2002) Nigerian tax Guide and Statue The Chartered Institute of Taxation of Nigeria Lagos. P.36
- Abudulrazaq (2002) Nigerian Tax Guide and Statue The Chartered Institute of Taxation of Nigeria Lagos. P.3
- Anakwu A. (2001) An appraised of Personal Income Tax as a source of revenue to Enugu State.
- Ola C.S. (1981) Income Tax Law for corporate and Unincorporated Bodies in Nigeria. Heinemann Educational books (Nig) Ltd, P.I.
- Due F.J (1963) Taxation Economic Development in Tropical Africa Massachusehs MIT Press. P.32.
- Ndu C.N (1987) An Appraisal of Fiscal efficiency of the Nigeria Personal Income Tax System Enugu UNEC P.158.
- Federal Republic of Nigeria (1930) Report of the Commission of Inquiry on Aba Woman Riot. Lagos. P.81.
- Ola C.S. (1981) Income Tax Law for corporate and

- Unincorporated Bodies in Nigeria Ibadan. Heinemann Educational books (Nig) Ltd. P.9.
- Eastern Nigeria Government (1962) Finance Law (Cap.53). Laws of Eastern Nigeria Government Press P.31.
- Federal Republic of Nigeria (1961). Income Tax Management Act. Lagos. Government Press.
- Federal Republic of Nigeria (1963). Personal Income Tax Decree 104 of 1993 (Now Act) Abuja Government Press.
- Olorunke D.A (1984) "Taxation in Nigeria, Prospect for reform" Business Times Newspaper Lagos. Daily Times of Nigeria Plc Monday May 20 P.12.
- Njokemma C. (1975). Income Tax Law and Practice in Eastern Nigeria. Aba Nigeria Lynaco International Press Ltd. P.181-182.
- Ola O.O. (1993) "The Concept of Tax Mitigation" The Nigerian Accountant Lagos. Institute of Chartered Accountant of Nigeria April/June. P.10.
- Amachina. U.P.(1995). Personal Income Tax in Nigeria Enugu. Runmy Publisher. P.5-7
- Naiyeju J.K (1998). "Adopting Modern Management Techniques to Tax System 2" Business Times Newspaper Lagos Daily Times of Nigeria Plc Monday Nov.16,P.5
- Ewujoweh S. (1986) "Approach to Better Taxation Revenue" Business Times Newspaper Lagos. Daily Times of Nigeria Plc. July 21.P.16.
- Naiyelu J.K.C Critical Issue, in Tax administration" Guardian Newspaper Lagos. Guardian Newspaper Ltd Tuesday, May 5.P.27.

Federal Republic of Nigeria (1979). The Constitution of the
Federal Republic of Nigeria (1979) Lagos. Government Press.
Federal Republic of Nigeria (1999). The Constitution of the
Federal Republic of Nigeria Section 251 (B). Abuja
Government Press.

CHAPTER THREE

3.0 RESEARCH DESIGN AND METHODOLOGY

3.1 THE SCOPE OF STUDY AND AREA OF COVERAGE

This work is the critical appraisal of the Nigerian Tax Laws. A case study of the personal income Tax Act 1993, as amended, administered by the Enugu State Government 1998-2007. it does not includes the administration of other tax laws in Nigeria the work covers revenue activities of the state Board Internal Revenue before the Act, after the Act and after the Act has been subsequently amended.

3.2 SOURCES OF DATA

In order to appraise effectively, the impact of state as well as identity possible problems militating against significant yields from personal income tax and then proffer solution to the problems, data were collected from both the tax payers and tax officials who are the major actors in the personal income tax arena this is the primary data and from published materials, in the text books journals, periodicals, news paper, circulars etc-the secondary data.

3.3 DETERMINATION OF SAMPLE SIZE

For ease of reference and to ensure a fair coverage of the state the researcher grouped the local governments in the state into three: viz.

- Urban local Government Area.
- Semi Urban Local Government Area.
- Rural Local Government Area.

A. URBAN LOCAL GOVERNMENT AREAS

- i. Enugu North
- ii.** Enugu South
- iii.** Enugu East
- iv.** Nsukka
- v.** Udenu
- vi.** Oji –River.

B. SEMI URBAN LOCAL GOVERNMENT AREAS

- i. Awgu
- ii. Udi
- iii. Igbo-Eze North
- iv. Igbo-Eze South
- v. Nkanu West

C. RURAL LOCAL GOVERNMENT AREAS

- i. Igbo Etiti
- ii. Uzo –Uwani
- iii. Ezeagu
- iv. Isi-Uzo
- v. Ani-Nri
- vi. Nkanu- East

For effective coverage, three Local Government Areas where chosen randomly from each group they are as follows:-

RURAL LOCAL GOVERNMENT AREA:

- i. Enugu North
- ii. Nsukka
- iii. Oji-River

SEMI URBAN LOCAL GOVERNMENT:

- i. Awgu
- ii.** Udi
- iii.** Igbo-Eze North

RURAL LOCAL GOVERNMENT:

- i. Igbo Etiti
- ii.** Ezeagu
- iii.** Nkanu East

3.3.1 BEST OF JUDGMENT APPROACH

The number of questionnaires administered was determined using the best of judgment approach. Since the local government areas were not equally populated both in term of tax payers as well as the officials, the researcher considered it unwise to distribute equal number of questionnaires to them.

Questionnaires Were Therefore Administered As Shown Blow

S/N	LOCAL GOVERNMENT	TAX OFFICIALS	TAX PAYER	TOTAL
1	Enugu North	14	11	25
2	Nsukka	14	11	25
3	Oji-River	14	11	25
4	Awgu	9	6	15
5	Udi	9	6	15
6	Igbo-Eze North	9	6	15
7	Igbo Etiti	7	4	11
8	Ezeagu	7	4	11
9	Nkanu East	7	4	11

	Totals	90	63	153
--	--------	----	----	-----

The occupational groups covered include

- Accountant
- Medical Practitioners
- Legal Practitioners
- Engineers
- Farmers
- Mechanics
- Traders
- Carpenters
- Tailors

3.4 INTERVIEW QUESTION

To aid investigation, the interview or investigative questions were designed in form of questionnaires. They were designed to investigate and appraise critically the effect of personal income Tax Act as amended in the revenue generation in Enugu state from 1993 to 2007.

In order to ensure that the instrument for data collection actually served its purpose the questionnaires were constructed along the line of the research topic. That is to say, they were

constructed to reflect the issue for investigation and to accommodate each group; namely- the tax payers and tax officials.

3.5 METHODS OF INVESTIGATION

The researcher made in depth use of questionnaires, direct interviews and discussions with respondents. The questionnaires were administered to the respondent who completed them and were constructed in such a way to accommodate the view of the taxpayers and the tax officials.

Questionnaires for tax officials were administered to the head of tax offices (Assessment Authorities, Area Tax Controllers and tax collectors) and subordinate (senior) staff. While that for the taxpayers were administered to taxpayers only.

In each case, the researcher, impressed on each respondent on the necessity of giving independent answer to the questionnaires rather than combined opinions.

Since, they are too large extent literates either by formal education or work experience or business exposure, they needed no assistance in filling the questionnaire. Ideas were sought from

them on some question that were not covered in the questionnaire but that were relevant to the study.

CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND INTER PRESENTATION DATA.

4.1 PRESENTATION AND ANALYSIS OF DATA

A total of 153 (one hundred and fifty three) questionnaires were distributed and 135 (one hundred and thirty five) were returned a responses rate of 88% (eighty eight percent) of the remaining 18, 10 were not collected due to the fact the tax payers or officials were unavoidably out of their offices for one reason or the other.

The remaining 5, respondents failed to co-operate fearing that the result of the research might have some tax implication on them afterward.

From the responses to the question in the questionnaires some tables were constructed in a way to show location, frequency, totals and percentages of the responses for easy comparison.

Also revenue targets and actual collection from 1997 to 2007 were percentages year by year compared and analyzed using Tabular form to show total, difference, percentages and degree of

relationship and based in that, hypothesis were tested, observed and conclusion drawn.

4.2 RESEARCHER QUESTIONS FOR TAX PAYERS

RESEARCH QUESTION 1

What do you think is or one of the reasons why many people do not pay adequate tax?

Location	Dishonesty	Poverty	Attitude	All of the above	Total
Enugu North	2	-	-	9	11
Nsukka	2	-	1	1	11
Oji River	3	1	-	6	10
Awgu	2	-	-	4	6
Udi	1	1	-	4	6
Igbo Eze	2	2	-	2	6
Igbo Etiti	1	1	-	2	4
Ezeagu	1	-	-	3	4
Nkanu East	1	7	-	2	4
Total	15	11	1	39	62
Percentage	24(%)	11	2	63	100%

Source: Field Survey: 2007

The above question sought to know the reason or reason why many people don't pay the appropriate tax.

From the table above 24% of the respondents said it is dishonesty, 11% said it is poverty 2% has the opinion that it is the altitude of the tax officials while 63% said it is a combination of all the above factors.

One can conclude, therefore that many people don't pay the appropriate tax because of all the above factors.

IMPLICATION

In a situation where all the above mention factors work against personal income tax assessment and collection the tax yield will be adversely affected and therefore very low.

4.3 RESEARCH QUESTION 11

Are you aware there is/are existing law (s) guiding the assessment and collection of personal income tax

Table 4.3

Location	Yes	No	Don't	Total
Enugu North	10	12		11
Nsukka	9	2		11
Oji River	7	3		10

Awgu	4	2		6
Udi	5	1		6
Igbo Eze	4	2		6
Igbo Etiti	2	2		4
Ezeagu	1	3		4
Nkanu East	-	4		4
Total	42	20		62
Percentage	68	32		100%

Source field survey. 2007

The question sought to know if personal income tax payers know, there exist personal income tax laws guiding the assessment and collection of their personal income tax. From the analysis in table 4.3 above, 68% of the respondents are aware there exists such laws, while 32% said they do not know.

One would conclude that personal income tax payers are aware of and are conversant with the existing income tax laws.

IMPLICATION

The tax payers would be in position to evaluation the administration of the personal income tax act as amended.

RESEARCH QUESTION III

Is there any flow (s) in the personal income tax act as amended.

Table 4.4

Location	Yes	No	Don't	Total
Enugu North	8	1	2	11
Nsukka	9	1	1	11
Oji River	7	1	2	10
Awgu	3	1	2	6
Udi	4	1	1	6
Igbo Eze	5	0	1	6
Igbo Etiti	2	1	1	4
Ezeagu	1	3	-	4
Nkanu East	2	-	2	4
Total	41	7	14	62
Percentage	66	11	23	100%

Source Field survey 2007.

The question sought to know if personal income tax payers, by their knowledge of the existing personal Tax Act as amended have dictated any flaunts in the Act, 11% (mistake or short comings) in the law.

From the analysis on table 4.4 a majority of 66% said, there is flaunts in the Act, 11% saw no flaunts while 14% said they do not known whether or not there is any flaunts in the law.

One would therefore conclude that there is or are flaunts in the existing personal income tax Act (as amended)

IMPLICATION:

Since there exist flaunts in the Act, the act would not achieve the desired objective of maximizing the revenue of the state.

RESEARCH QUESTION IV

The tax laws and system have described by some tax consultants as inefficient do you agree?

Location	Yes	No	Don't	Total
Enugu North	10	-	1	11
Nsukka	9	1	1	11
Oji River	7	-	3	10
Awgu	4	2	-	6
Udi	4	2	1	6
Igbo Eze	5	1	1	6
Igbo Etiti	2	-	1	4
Ezeagu	1	0	3	4
Nkanu East	2	0	2	4
Total	44	5	13	62
Percentage	71	8	21	100%

Source Field Survey. 2002.

The question sought to know the tax payers opinion on the claim of some tax consultants and administrators that the tax laws and system in Nigeria are inefficient.

From the analysis on table 4.5, 71% agreed that the tax laws and system are inefficient, 8% did not agree, while 21% could not agree or reject the opinion.

Following the analysis, one could conclude, that the tax laws and system in Nigeria are inefficient.

IMPLICATION:

In a country where, the tax laws are inefficient, the tax yield would be low, and where the yield is low, government would not be able to implement its policies, the law, therefore need to be reviewed.

4.6 Research Question V

In your opinion are the personal income tax (law) Act (as amended, due for review?

Location	Yes	No	Don't	Total
Enugu North	10	-	1	11
Nsukka	10	-	1	11
Oji River	8	1	1	10
Awgu	4	2	-	6
Udi	4	1	1	6
Igbo Eze	5	-	1	6
Igbo Etiti	7	1	1	4

Ezeagu	2	0	2	4
Nkanu East	2	0	2	4
Total	47	6	29	62
Percentage	76	10	14	100%

Source Field Survey. 2007

The question sought to know the view of personal income tax payers on need or review of the Personal Income Tax Act, since they agreed that the law is inefficient.

From the analysis table above, 76% share to view that the act be reviewed, 10% said there is no need for review while /14% could not decide on the either side.

One could therefore decide that the personal Income Tax Act is amended is due for review

IMPLICATION:

The present provision for the or administration of the law do not have positive impact on the revenue generation.

Research Question to Tax Officials

4.7 RESEARCH QUESTION VI

What do you consider, the biggest obstacle to personal income tax administration in Enugu state?

Table 4.5

Location	Dishonesty	Ignormal	Unaccountability	Inconsistent	Total
Enugu North	7	3	2	2	14
Nsukka	8	-	3	3	14
Oji River	6	5	-	3	14
Awgu	6	2	-	-	8
Udi	4	4	-	1	9
Igbo Eze	4	4	-	1	9
Igbo Etiti	2	-	2	3	7
Ezeagu	4	2	-	1	7
Nkanu East	2	2	1	1	6
Total	43	22	8	15	88
Percentage	49%	25	9	17	100%

Source Field Survey 2007

This question sought to know the biggest obstacle to personal income tax administration in Enugu state.

From the analysis in table 4.5, 49% of the respondents said it is dishonesty, it is as a result of inconsistent policies.

From the analysis, one would conclude that the biggest obstacle to personal income tax administration in Enugu State in dishonesty

IMPLICATION:

In a country where indiscipline and corruption have eaten deep into the fabrics of the society the tax system is not an exception and the this adversely affects personal income tax assessment and collection and bring about low tax yield.

RESEARCH QUESTION VII

How do you assess the remuneration of tax officials

Table 4.7

Location	Highly Remunerated	Fairly Remunerated	Poorly Remunerated	Total
Enugu North	-	1	14	14
Nsukka	-	-	14	14
Oji River	-	-	14	14
Awgu	-	5	3	8
Udi	-	3	6	9
Igbo Eze	-	-	9	9
Igbo Etiti	-	3	4	7
Ezeagu	-	-	7	7
Nkanu East	-	3	3	6
Total	-	14	74	88
Percentage	0%	16%	84	100%

Source field survey. 2007

The above question sought to know what the remuneration of tax officials is like.

From the analysis in table 4:7 said, they were fairly remunerated, while over willing majority of 84% said that tax officials are poorly remunerated.

One can conclude that the tax officials are poorly remunerated.

IMPLICATION:

A poorly paid or remunerated tax official or any other official for that matter is an unhappy person and can do anything to make both ends meet including cheating and stealing. He does not put his best and revenue generation is adversely affected.

RESEARCH QUESTION

4.8 Are you (tax (administrators) involved in the formulation of tax policies in Nigeria.

Table 4.8

Location	Yes	No	Don't	Total
Enugu North	-	14	-	14
Nsukka	-	12	2	14
Oji River	-	13	1	14
Awgu	-	6	2	8

Udi	-	8	1	9
Igbo Eze	1	6	2	9
Igbo Etiti	1	4	2	7
Ezeagu	-	6	1	7
Nkanu East	-	6	-	6
Total	2	75	11	88
Percentage (%)	2	85	13	100%

Source Field Survey. 2007.

The above question sought to know if tax officials (administrators) are involved in formulating tax policies in Nigeria.

From the analysis in table 4:8 above, only 2% of the respondents said yes, 85% said they are not involved while 13% said they don't know if the officials are involved.

One can conclude that the tax officials(administrators) are not involved in formulating tax policies in Nigerian.

IMPLICATION:

In any organization where the operation are not involved in the formulation of guiding policies the policy implementation would be adversely carried also the policies would lack certain

important facts which would be useful in achieving the organizational goals.

RESEARCH QUESTIONS:

Many people in the recent time have been advocating the need to review the tax laws do you agree with that opinions?

Location	Yes	No	Don't	Total
Enugu North	13	-	1	14
Nsukka	12	1	1	14
Oji River	10	2	2	14
Awgu	7	-	1	8
Udi	7	2	-	9
Igbo Eze	6	0	3	9
Igbo Etiti	3	3	1	7
Ezeagu	4	0	3	7
Nkanu East	2	2	2	6
Total	64	10	14	88
Percentage (%)	73	11	16	100%

Source field survey. 2007

The above question sought to know the opinion of the tax officials with regards to some people calling for the need to review the existing tax laws in Nigeria.

Analysis of the above table show that 73% of the respondent were in support of the need for the review, 11% said there is no need while 16% could not support either sides.

One could conclude that there is the need to review the existing tax laws in Nigeria.

IMPLICATION:

It is implied therefore that the provisions of the existing tax laws can not achieve its objective of increasing revenue generation for the government to meet it policy target.

Location	Yes	No	Don't	Total
Enugu North	1	10	3	14
Nsukka	3	11	-	14
Oji River	-	9	5	14
Awgu	-	8	-	8
Udi	4	2	3	9
Igbo Eze	-	7	2	9
Igbo Etiti	2	3	2	9
Ezeagu	-	6	1	7
Nkanu East	-	6	-	7
Total	10	62	16	88
Percentage (%)	11	71	18	100%

Source field survey. 2002.

This question sought to know if the application of the personal Income Tax Act as amended has resulted into an increased revenue by way of meeting the set target in Enugu state.

From the analysis of table 4.10 above 11% of the respondents said it has brought about an increased in meeting their set target 71% said it has not, while 18% said they do not know.

Following the above, one could conclude that the application of the Act has not made any improvement in meeting the revenue target of the state.

IMPLICATION:

It is either that the act had no sufficient provision for its enforcement or that the provision is not capable of achieving the objective.

RESEARCH QUESTION XI

What in your opinion is the effect of the use of the Revenue Task Force in the overall revenue generation effort of the state Board of Internal Revenue.

Location	Very adverse	Fairly adverse	No effect	Total
Enugu North	9	3	2	14
Nsukka	10	4	0	14
Oji River	7	5	2	14
Awgu	7	0	1	8
Udi	6	3	0	9
Igbo Eze	8	1	0	9
Igbo Etiti	3	3	1	7
Ezeagu	5	0	2	7
Nkanu East	4	0	2	6
Total	59	19	10	88
Percentage (%)	67	22	11	100%

Source: Field Survey. 2007

The question sought to know the opinion of tax officials in use for Revenue Tax Force.

From the analysis of the above table 4.11, 67% of the respondents said that the use of tax force for assessment and collection of personal income tax has a very adverse effect, 22% said fairly adverse, while 11% said it has no effect at all.

**ENUGU STATE OF NIGERIA, BOARD OF INTERNAL
REVENUE ESTIMATE AND COLLECTION 1998**

S/N	Title Taxes	Estimate #	Actual	Over/Under Collection
1	Paye (Cash)	25,945,999	30,686 667	4,740,668
2	Paye Av	4,892,011	8,489,948	3,597,937
3	Direct Asst. (C/Late)	5,877,122	5,046,853	(830,269)
4	Direct Asst. Arears	317,415	123,904	(193,511)
5	Tax Agent Debt	908,562	309 667	(598,895)
6	Penalties	65,316	18,387	(46,929)
7	Entertainment	121	1367	1246
8	Sales/Purchase	214,495,62	224,644,7	(1,012,884)
9	Withholding Tax	24,331,32	11,690,58	(12,634,735)
10	Mortuary	62,006	42,480	(19,526)
11	Social Function	-	-	-
12	Education Dev. Levy	2755,628	1,983,809	(771,819)
13	Capital Transfer			
14	Appeal Tax			
15	Motor Veh.Lic	123,224		

16	Motor Veh. License	57159431		
17	Motor Drivers License	403,180	9473678	222913
18	Road Traffic Exam			
19	Sales of logbook			
20	Sales of Drivers/Lend Bgs	1,618		
	Total			
	Percentage	100%	96%	40%

Source: Planning, Research and Statistics

B.I. R Headquarters Enugu.

From the above, one discovers, that out of the ninety three million, eighty hundred and thirty nine thousand, nine hundred and ninety two naira (93839992) representing 100%, ninety million, three hundred & thirty seven thousand, two hundred and sixty five naira (90337265) representing 96% was collected leaving three million, five thousand seven hundred and twenty seven naira representing 4% uncollected. Therefore target was not met. One could conclude that the use of tax force for assessment and collection of personal income tax has adverse effect in the overall

IMPLICATION:

This implied that even where it gives a short term increase, the long run effect would be very adverse.

ENUGU STATE OF NIGERIA BOARD OF INTERNAL REVENUE**ESTIMATE AND COLLECTION 1999**

S/N	Title Taxes	Estimate #	Actual	Over/Under Collection
1	Paye (Cash)	32415154	33203872	888718
2	Paye Av	1758824	14948000	(2620024)
3	Direct Asst. (C/Late)	6,477,510	7,491280	1,013,750
4	Direct Asst. Arears	154,050	373003	218953
5	Tax Agent Debt	310,986	758293	447307
6	Penalties	15,600	80900	65388
7	Entertainment	-	950	950
8	Sales/Purchase	-	12,134,738	12,134,738
9	Withholding Tax	11046508	15199938	4,153,430
10	Mortuary	11544	104510	92966
11	Social Function	-	-	-

12	Education Dev. Levy	2,000,000	1853249	(146,751)
13	Capital Transfer	-	-	-
14	Appeal Tax	-	-	-
15	Motor Veh. Identification	929,994		
16	Motor Veh. License	3,999,996		
17	Motor Drivers License	24,000,184	11,454437	(18,874731)
18	Road Traffic Exam	1098 994		
19	Sales of logbook			
20	Sales of Drivers/Lend Bgs	2,886		
	Total	100,048,230	97720038	(2,328192)
	Percentage	100%	98%	2%

from the above, it is observed that out of the #100,048,230 representing 100% as expected only #97,720,038.00 representing 98% was collected leaving #2,328,192.00 representing 2% uncollected. The target was therefore not met.

ENUGU STATE OF NIGERIA BOARD OF INTERNAL REVENUE**ESTIMATE AND COLLECTION 200**

S/N	Title Taxes	Estimate #	Actual	Over/Under Collection
1	Paye (Cash)	37948284	32086000	(5862284)
2	Paye Av	17051712	10728413	(6846987)
3	Direct Asst. (C/Late)	9,000,000	10728413	315012
4	Direct Asst. Arears	300000	615012	315012
5	Tax Agent Debt	600000	1355481	755481
6	Penalties	99996	99991	5
7	Entertainment	-	-	-
8	Sales/Purchase	-	36256	36756
9	Withholding Tax	14,000,004	21,544,787	7,544,783
10	Mortuary	60920	39920	(20080)
11	Social Function	-	-	-
12	Education Dev. Levy	3,600,000	2,274743	(1325257)
13	Capital Transfer	-	-	-
14	Appeal Tax	-	-	-
15	Motor Veh.Lic	399996	1205520	(2794476)

16	Motor Veh. License	6,000,000	5858541	(141459)
17	Motor Drivers License			
18	Road Traffic Exam	500,004	428390	(71614)
19	Sales of logbook		97110	97110
20	Sales of Drivers/Lend Bgs		12450	12450
	Total	93839992	87351014	(6508978)
	Percentage	100%	93%	7%

Source: PRS: Department of BIR, Headquarters Enugu

From the above one observe that #93839992 was targeted for collection, but #87351014 representing 93% was collected leaving on outstanding of #6508978 representing 7% as uncollected. The expected revenue was therefore not met.

ENUGU STATE OF NIGERIA BOARD OF INTERNAL ESTIMATE

AND COLLECTION 2001

S/N	Title Taxes	Estimate #	Actual	Over/Under Collection
1	Paye (Cash)	45537940	53307095	7769154
2	Paye Av	204622054	871433	(19520621)

3	Direct Asst. (C/Late)	10800 000	8472546	(2327454)
4	Direct Asst. Arears	10800 000	8472546	(145675)
5	Tax Agent Debt	720000	1052613	332613
6	Penalties	11999	30854	(145675)
7	Entertainment	-	-	-
8	Sales/Purchase	-	100	100
9	Withholding Tax	16800005	4040507	26240502
10	Mortuary	72000	70172	(1828)
11	Social Function	-	-	-
12	Education Dev. Levy	4320000	70172	(1828)
13	Capital Transfer	-	-	-
14	Appeal Tax	-	-	-
15	Motor Identification	4800 000	1007527	(37924773)
16	Motor Veh. License	7200 000	5400418	(37924773)
17	Motor Drivers License	840 000	1397778	(557778)
18	Road Traffic Exam	600 000	373561	(26439)
19	Sales of logbook	116400	-	(104005)
20	Sales of Drivers/Lend Bgs	14940	-	(14940)

	Total	112763,330	11664119	3,884789
	Percentage	100%	103%	3%

Source: PRS Department of BIR, Headquarters Enugu

From the above #112,763,330.00 was expected but #166,648,119,00 representing 103% was collected, showing on excess collection of #3,884, 789.00 representing 3%. There target was exceeded.

ENUGU STATE OF NIGERIA BOARD OF INTERNAL REVENUE

ESTIMATE AND COLLECTION 2002

S/N	Head 401	Title Taxes	Estimate #	Actual	Over /Under Collection
1		Paye (Cash)	470114552	3609954	(1040498)
2		Paye Av	14951652	8195	(675406)
3		Direct Asst. (C/Late)	7435572	5975839	(1459333)
4		Direct Asst. Arears	247848	201381	(46567)
5		Tax Agent Debit	1487112720 000	80845	(676267)
6		Penalties	743 556	31858	(711698)
7		Entertainment	-	-	

8		Sales/Purchase	-	-	-
9		Withholding Tax	48331224	39655271	(8675953)
10		Mortuary	81956	83979	2023
11		Social Function	-	-	-
12		Education Dev. Levy	1239 264	687191	(552073)
13		Capital Transfer	-	-	-
14		Appeal Tax	-	-	-
15		Motor Identification	1487112	2129641	-
16		Motor Veh. License	74355772	8233543	797971
17		Motor Drivers License	1858896	2532480	67358
18		Road Traffic Exam	371784	802672	430888
19		Sales of logbook	18588	20270	1682
20		Sales of Drivers/Lend Bgs	11171952	13718606	2546654
		Total	1436504540	10597005 0	(37680490)
		Percentage	100%	74%	(26%)

Source: Planning Research & statistics Dept. BIR

Headquarters Enugu.

From the above out of the #143650540.00 expected only
#105, 970,050.00 representing 74% was collected leaving

#3768090.00 representing 26% uncollected. Target therefore not met.

ENUGU STATE OF NIGERIA, BOARD OF INTERNAL REVENUE
ESTIMATE AND COLLECTION 2003.

S/N	Head 401	Title Taxes	Estimate #	Actual	Over /Under Collection
1		Paye (Cash)	54999984	39911079	(13088905)
2		Paye Av	13000.000	7211814	(5788186)
3		Direct Asst. (C/Late)	16999996	5706842	(11293154)
4		Direct Asst. Arears	2000044	191254	(8790)
5		Tax Agent Debit	2,000,044	624 724	(1,375,300)
6		Penalties	39988	2137070	2007082
7		Entertainment	-	-	-
8		Sales/Purchase	-	-	-
9		Withholding Tax	92029984	45140537	(46889447)
10		Mortuary	65000	54270	(75680)
11		Social Function	-	-	-
12		Education Dev. Levy	1,000,012	54270	(75680)
13		Capital Transfer	-	-	-
14		Appeal Tax	-	-	-
15		Motor	2999 984	2692510	(307,474)

		Identification			
16		Motor Veh. License	7999 984	9,130619	1130627
17		Motor Drivers License	4500028	3660 850	(830178)
18		Road Traffic Exam	-	-	-
19		Sales of logbook	-	-	-
20		Sales of Drivers/Lend Bgs	20,020	30800	10780
		Total	197035040	11841487 1	(78620169)
		Percentage	100%	60%	(40%)

Source: Planning, Research and statistics. Dept. BIR

Headquarters Enugu.

From the above, #1970,035,040 was expected for the year but only #118414871. 00 representing 60% was collected, leaving #78,620,169.00 uncollected (40%) target was not met.

ENUGU STATE OF NIGERIA, BOARD OF INTERNAL REVENUE,**ESTIMATE AND COLLECTION 2004**

S/N	Head 401	Title Taxes	Estimate #	Actual collection	Over /Under Collection
1		Paye (Cash)	60499982	79821351	19321369
2		Paye Av	14300000	69119636	(5180364)
3		Direct Asst. (C/Late)	18699995	6984348	(1171567)
4		Direct Asst. Arears	220048	104886	(215162)
5		Tax Agent Debit	2200026	609350	(1590676)
6		Penalties	43986	948535	904549
7		Entertainment	-	-	-
8		Sales/Purchase	-	-	-
9		Withholding Tax	10123982	58945228	(42287754)
10		Mortuary	71500	126741	55241
11		Social Function	-	-	-
12		Education Dev. Levy	1100013	536549	(563464)
13		Capital Transfer	-	-	-
14		Appeal Tax	-	-	-
15		Motor Identification	3299982	2970720	(329262)
16		Motor Veh.	8,799991	7298545	(1501446)

		License			
17		Motor Drivers License	4950030	3730600	(1219430)
18		Road Traffic Exam	1297982	1018950	(779032)
19		Sales of logbook	-	-	-
20		Sales of Drivers/Lend Bgs	22022	9850	(12172
		Total	216738544	168225549	(48512995)
		Percentage	100%	78%	(22%)

Source: planning Research and statistic dept bt R, headquarters Enugu.

Form the the above, it shows that #216,738,544 was expected for 2003, but #168 225 549.00 was actually collected (78%) leaving and outstanding of (#48,512995) representing 22%. The target was therefore not collected.

**ENUGU STATE OF NIGERIA, BOARD OF INTERNAL REVENUE,
ESTIMATE AND COLLECTION 2006**

S/N	Head 401	Title Taxes	Estimate #	Actual collection	Over /Under Collection

1		Paye (Cash)		208363197	
2		Paye Av		67546320	
3		Direct Asst. (C/Late)		8,097110	
4		Direct Asst. Arears		729110	
5		Tax Agent Debit		690757	
6		Penalties		7330592	
7		Entertainment		-	
8		Sales/Purchase		-	
9		Withholding Tax		70785404	
10		Mortuary		1272092	
11		Social Function		-	
12		Education Dev. Levy		1612350	
13		Capital Transfer		-	
14		Appeal Tax		-	
15		Motor Identification		4505405	
16		Motor Veh. License		9753433	
17		Motor Drivers License		6431650	
18		Road Traffic Exam		1370,950	
19		Sales of logbook		-	
20		Sales of		17200	(12172

		Drivers/Lend Bgs			
		Total	503062575	387405584	111565699 1
		Percentage	100%	77%	(23%)

Source: Planning Research and statistics BIR, Headquarters

Enugu

From the above one can observe that out of #503,062575.00 expected for the year, only #387,405,584.00 representing 77% was collected while #115,656,991.00 representing 23% was not collected. The target was therefore not met.

ENUGU STATE OF NIGERIA, BOARD OF INTERNAL REVENUE,

ESTIMATE AND COLLECTION 2005

S/N	Head 401	Title Taxes	Estimate #	Actual collection	Over /Under Collection
1		Paye (Cash)		47014981 3	
2		Paye Av		12116080 1	
3		Direct Asst. (C/Late)		11791768	
4		Direct Asst. Arears		162452	

5		Tax Agent Debit		1306588	
6		Penalties		19584	
7		Entertainment		-	
8		Sales/Purchase		-	
9		Withholding Tax		13870638 3	
10		Mortuary		489976	
11		Social Function		-	
12		Education Dev. Levy		8,181551	
13		Capital Transfer		-	
14		Appeal Tax		-	
15		Motor Identification		6329620	
16		Motor Veh. License		12173520	
17		Motor Drivers License		11851030	
18		Road Traffic Exam		1978640	
19		Sales of logbook		27500	
20		Sales of Drivers/Lend Bgs		4,500,000	
		Total	742696000	78282922 6	
		Percentage	100%	105%	5%

Source PRS Department of BIR, Headquarters Enugu

From the above, #742, 695,000.00 was expected but #782,829,226.00 was actually collected representing 105% giving rise to over collected of 5%. The target was therefore exceeded.

**ENUGU STATE OF NIGERIA, BOARD OF INTERNAL REVENUE,
ESTIMATE 2007.**

S/N	Head 401	Title Taxes	Estimate #	Actual collection	Over /Under Collection
1		Paye (Cash)	420000 000	44908209 6	2917904
2		Paye Av	116000 000	11923587 8	3235879
3		Direct Asst. (C/Late)	56000 000	14644261 6	41857384
4		Direct Asst. Arears	-	319540	319540
5		Tax Agent Debit	5,000 000	1194880	3805120
6		Penalties	12120000	19107	12100893
7		Entertainment	132000 000	19107	12100893
8		Sales/Purchase	555000	19950	535050
9		Withholding Tax	10 000 000	3226974	6773026
10		Mortuary	10	-	-
11		Social Function	10	-	-
12		Education Dev. Levy	55 000 000	-	55000 000

13		Capital Transfer	10	-	-
14		Appeal Tax		-	
15		Motor Identification	16,050,000	2,436 430	63570
16		Motor Veh. License	30,000,000	15268010	14731990
17		Motor Drivers License		19569	2130150
18		Road Traffic Exam	2,500,000	2,436 430	63570
19		Sales of logbook	30,000	390610	360610
20		Sales of Drivers/Lend Bgs	-	6708000	6,708 000
		Total	909455000	776185661	133269339
		Percentage	100%	85%	15%

Source: Planning, Research and statistics BIR, Headquarters Enugu.

From the above #909, 455,000 was targeted but #776,188,661 representing 85% was collected was collected leaving #133269339 representing 15% uncollected. The target was therefore not met.

4.13 STATISTICAL TEST

In dealing with the hypothesis, the difference between the actual or the observed and the expected value was analyzed through the application of the chi-square statistical method and for any two variable at 95% confidence level.

The measure of disparity between the observed and the expected outcomes is supplied by the statistics given by.

$$X^2 = \sum_{k=1}^K \frac{(\text{Observed} - \text{Expected})^2}{\text{Observed}}$$

$$X^2 = \sum_{k=1}^K \frac{(O_k - E_k)^2}{E_k}$$

Where O = Observed or Estimated Revenue

J = A Typical cell

K = Number of cell

The computed X^2 is then compared with the theoretical value of X^2 at 95% confidence level and the appropriate degree of freedom which is

$$(M-1)(N-1)$$

Where

M = Number of rows of the table and

N = Number of Columns of the table

**ENUGU STATE OF NIGERIA REVENUE TARGET AND
COLLECTION FOR THE YEAR 1998-2007 (10YRS OPERATION
OF THE PERSONAL INCOME TAX ACT, AS AMENDED).**

Year	Actual collection (observed) #	Estimated (expected)#	Total
1998	90	94	184
1999	98	100	198
2000	87	94	181
2001	117	113	230
2002	106	144	250
2003	118	197	315
2004	168	217	385
2005	387	503	890
2006	782	742	1524
2007	776	909	1685
Total	3113	2729	5842

Expected Value = $\frac{\text{Row Total} \times \text{Total}}{\text{Total population}}$

$$1998 = \frac{184 \times 3113}{5842} = 98.04$$

$$1999 = \frac{198 \times 3113}{5842} = 105.51$$

$$2000 = \frac{181 \times 3113}{5842} = 96.45$$

$$2001 = \frac{230 \times 3113}{5842} = 122.56$$

$$2002 = \frac{250 \times 3113}{5842} = 133.2$$

$$2003 = \frac{315 \times 3113}{5842} = 167.87$$

$$2004 = \frac{385 \times 3113}{5842} = 205.15$$

$$2005 = \frac{890 \times 3113}{5842} = 475.25$$

$$2006 = \frac{1524 \times 3113}{5842} = 812.09$$

$$\begin{aligned} \text{Total} &= 98.04 + 105.15 + 96.45 + 122.56 + 133.22 \\ &+ 167.85 + 205.15 + 475.25 + 812.09 \\ &= \underline{3113} \end{aligned}$$

Expected value for Estimate:

$$1998 = \frac{184 \times 2729}{5842} = 85.95$$

$$1999 = \frac{198 \times 2729}{5842} = 92.49$$

$$2001 = \frac{181 \times 2729}{5842} = 107.44$$

$$2002 = \frac{250 \times 2729}{5842} = 116.78$$

$$2003 = \frac{315 \times 2729}{5842} = 147.15$$

$$2004 = \frac{385 \times 2729}{5842} = 179.85$$

$$2005 = \frac{890 \times 2729}{5842} = 415.75$$

$$2006 = \frac{1524 \times 2729}{5842} = 711.91$$

$$2007 = \frac{1685 \times 2729}{5842} = 787.12$$

$$\begin{aligned} \text{Total} &= 65.95 + 92.49 + 84.55 + 107.44 + 116.78 + 147.15 \\ &+ 179.85 + 415.75 + 711 + 787.12 = \underline{2729} \end{aligned}$$

Year	Observed	Expected	Total
1998	98.04	85.96	184
1999	105.51	92.49	198
2000	96.54	84.55	378
2001	122.56	107.44	230
2002	133.22	116.78	250
2003	167.85	147.15	315
2004	250.15	179.85	385
2005	474.25	415.75	890
2006	812.09	711.91	1524
2007	898.88	787.12	1685

Total	3113	2729	5842
--------------	------	------	------

$$X_c^2 = \sum_{1-1} \frac{(OT - ET)^2}{ET}$$

Where x = Chi-square computed

OT = Observed

ET = Expected

$$1998 = \frac{(94-98.04)^2}{98.04} = 0.1665$$

$$1999 = \frac{(100-104.15)^2}{104.15} = 0.19.46$$

$$2000 = \frac{(94 - 96.45)^2}{96.45} = 0.0622$$

$$2001 = \frac{(113 - 122.56)^2}{122.56} = 0.7457$$

$$2002 = \frac{(144-133.22)^2}{133.22} = 0.8723$$

$$2003 = \frac{(197-167.85)^2}{167.85} = 5.0624$$

$$2004 = \frac{(217-205.15)^2}{205.15} = 0.6845$$

$$2005 = \frac{(503 - 474.25)^2}{474.25} = 1.7429$$

$$2006 = \frac{(742 - 812.09)^2}{812.09} = 6.0493$$

$$2007 = \frac{(909-897-88)^2}{897.88} = 0.1377$$

$$= 15.72 = \text{Observed Value}$$

At a confidence level of 95%, the degree of freedom (d/f)
 $= (m-1)(n-1)$

Where M= number of Rows

N = number of Columns

$$d/f = (10-1)(2-1) = (9 \times 1) = 9$$

the critical value at 0.05 level of significance = $t^2 = (9, 0.05)$ using
the table = 16.9190.

Hypothesis:

Ho: The incidence and amendment of the Nigeria Tax Laws do not
have positive effects on quantum of the revenue generation of the
state.

Hi: The incidence and amendment of the Nigeria Tax Laws have
positive effects on the revenue quantum of generation of the
state.

Decision:

Since the observed value is less than the critical value we
accept Ho: that the incidence and amendment of the Nigeria Tax
Laws do not have positive effect on the revenue quantum of
generation of the state.

CHAPTER FIVE

5.0 FINDING, CONCLUSION AND RECOMMENDATIONS

5.1 FINDINGS:

After due and careful analysis of the data obtained from this study, the researcher hereby observes that the research study was a very a useful one as it exposed him to a lot of constructive challenges and subsequently enable him to gather much relevant experience in the process; hence the following observations became apparent.

1. It was discovered, many tax payers are not aware that there exist any laws guiding the assessment and collection of personal income tax.
2. There were flaunts in the Personal Income Tax Act as amended.
3. The personal Income Tax Act did not make appropriate provisions for its enforcement.
4. There is already a clarion call for the review of the personal income tax Act by the government of the federation.

5. That the opinions of both the tax payers and the tax officials favour the notion that the Nigerian Tax laws are due for review.
6. That since the emergency of the Act and its amendment, the revenue has not been able to compete favourably with the set targets after ten (10) years of its operation.
7. the application of the personal income tax act has been ineffective in realizing the set objective of the state.
8. The tax payer and officials are exploiting the loopholes in the law to their own advantage.
9. That there has not been adequate training for the tax officials by the appropriate authorities, so as to enforce the Act effectively.
10. The tax officials are poorly remunerated.
11. That tax officials are not involved in the formulation of tax policies.
12. The act contains a lot of ambiguities both in the constitutional frame and judiciary interpretation.

Hence, the tax laws as they are at the moment leaves much to be desired, they are still far from being adequately fine-tuned as would not only provide the necessary framework for keeping

the cannons of taxation religiously but also enable the Nigerians reap the full benefit of taxation.

5.2 CONCLUSION

It is clear that the personal Income Tax Act 104 of 1993 (as amended) create a district legal regime for taxation of the income. Inspite of the fact that the Act made generous provisions as to the be assessed in the hand of the tax payer the tax yield does not reflect these generous provisions.

Since this is the case there is the need to review its provision to as much as possible to meet the classical commons of a good tax system as well as the development needs of the economy particularly, this time that oil market has been politicized.

Attention is therefore, needed to develop other non-oil based taxes:-

Personal Income Tax, Stamp Duty, Value Added Tax etc. which by themselves, have low cost of administration so as to install what right be accurately be referred to as an “Economically Viable Nigerian Tax and Revenue Structure”

What the researcher has done so far in this work is a presentation of the operational circumstance of the Personal Income Tax Act (as amended), the law and practice, problems and suggestions (recommendations) where appropriate for the over all improvement of the Act.

It is from this crucible that it is expected to emerge, an effective approach to taxation of personal income which if materialized would provides a well blended and soluble personal income tax code from which both the tax payers and the government can expect to flow a just fair and equitable stream of taxes, leaving both parties satisfied in the end.

5.3 RECOMMENDATION

The problems of the administration of the personal income tax act (as amended) are many. They, range from flaunts in the construction of the Act. Ambiguities, administrators, use of consultants, interpretation of taxing statutes, to, the court that would exercise jurisdiction over tax matters etc.

Based on the above problems the following recommendation are made.

5.4.1 Provision of the Act

Under section 4 on “general provision as to valuation of benefit in kind” provided that where an employee uses an assets provided by employer, that it is deemed to have received 5% of the market value of the asset but where the amount cannot be ascertained, 5% of the market value at the time of acquisition. This provisions should be amended to read, where the market value of the asset could not be ascertained, 5% of the employee’s basic salary”. This would surmount the difficulty in determining the market value of the asset.

Section 5 which dealt with the valuation as to the living accommodation should be deleted entirely. This should serve as incentive to the employees.

Section 12, dealing on “Nigerian dividend” provides that the income from a dividend distributed by a Nigerian company shall be a deemed to be derived from Nigerian... it shall be excluded from the income of the recipient who is a share under in such a company. This will accommodate dividend from a non-Nigerian company.

Part Vii Section 56 “Service of notice of Assessment” provides that notice of assessment must be sent to the tax payer

shall be deemed to good service to have been duly delivered”. This will prevent tax payer’s denial of proper service or delivery of the notice.

Part Viii section 59: Establishment of body of appeal commissioners. It is recommended that a special revenue court be established and judges with sound knowledge of the working system of the working system of the Nigerian Tax Laws, especially the personal income Tax Laws be appointed to such courts. This will bring professional ethics and pave way for accelerated hearing and disposal of revenue cases.

Part ix section 69 (1) and (6) “deduction of tax on interest” provided that a withholding tax of 10% shall be paid on interest arising from savings account whose deposit account is above #50,000.00. It is hereby recommended that the payment of withholding tax shall be final tax on the particular source. The rate should be reduced and the amount of deposit should be raised to above #100,000.00. This is to reduce tax burden and encourage savings which in long run shall encourage investment.

Section 84 (b) (b) provides that “penalty for Misrepresentation forgery or falsification in obtaining tax clearance certificate. Shall

be #500.00 this should be reviews upward to #5000.00 to meet the present realities (money value).

Part xi section 86 “offences and penalties” Here the Act specified penalties for various offence the penalties should be reviewed upward by 300% to instigate compliance and to enable the act to provide sufficiently the enforcement of its provisions.

Section 96 (986) “power of the collector to distains for non-payment of tax”. This section should be deleted because such property may be means of income on which tax was imposed.

Section 94 (1) “Definition of tax collection” Defining the tax collector simply or “a duly authorized official of the state service of Federal Board of Inland Revenue” this is insufficient. It shall include an official appointed and gazetted by the collection of taxes assessed and accounting for the taxes collected to the government. As a tax collector, he should be accountable for the revenue he collected.

First schedules-Interpretation of earned income The definition should include “generated by physical exercise” – employment; it is the basic salary plus excesses of limitation of various allowances. This will eliminate various ambiguities created while computing personal allowance.

Fifth schedule section 5 “Sale of Building” provides that except for the initial allowance no capital allowance shall be granted to second hand building. Amendment is recommended as follows. Where capital expenditure has been incurred on the construction of a building structure or works and thereafter the relevant interest there is sold, the individual who buys that interest shall be deemed for all purposes of this schedule including the granting of initial allowance, to have incurred on that date when the purchase price became payable, capital expenditure on the construction thereof equal to the price paid by him for the interest or to the original cost of construction whichever is the less. This will ring second hand acquisition of a building construction or works under the provision of initial capital allowance like all other fixed asset.

Sixth schedule section 37 “change of income tax”

The applicable rate for chargeable income should be reviewed upwards.

Recommended	Present
1 st #50,00 at 5%	1 st 30,000 at 5%
Next #50 000 at 10%	next 30,000 at 20%
Next #70, 000 at 15%	next 50,000 at 15%
Next #70 000 at 20%	next 50,000 at 20%

Above #240,000 at 25%	Above 160,000 at 25%
-----------------------	----------------------

From those who do not have chargeable income they should pay a minimum tax of 0.025% as against 0.05%. currently in operation. The above would in short run have negative impart but in the long run achieve positive revenue increase because, it will reduce tax incidence, reduce evasion and avoidance, above all will encourage voluntary compliance on the part of the taxpayers.

Section 3 Income chargeable”

The provision for rent and transport and other allowance should reviewed upward from the presently #150,000 and #200,000 and from #30,000.00 to #40,000.00 respectively. This is to take care of the present rise in rent as demanded by the landlords. Also rise in the transportation cost respectively.

It is recommended that allowances should be reviewed upwards.

- a. Personal allowance from 20% of earned income plus #5000.00 to 30% of earned income plus #20,000.
- b.** Children allowance from #2500 per child to #5000.00 per child for a maximum of 4 children
- c.** Dependent relatives from #4000 to #10,000
- d.** Insurance should be the amount of premium paid

- e. Wife allowance should be re-introduced for #10,000

5.4.2 Administration of Personal Income Tax

1. Government should embark on vagarious public enlightenment campaign to educate the tax payers on their civic responsibility to pay taxes
2. Government should recruit fresh and qualified personnel and train hem to be able to handle tax matters while the old personnel should be on the job training.
3. Government should abolish the use of consultants where their services are needed it should be a supportive and secondary function of the tax authority.
4. Tax evasion should be made criminal offences.
5. Increase the welfare package of tax officials. This would increase their moral and effectiveness in the performance of their duties, mover over, would reduce the incidence of fraud and malpractice critical revenue of all the tax laws so as to be able to achieve the government policies.

BIBLIOGRAPHY

- Abdulrazaq M.T (1993) "The General Principal of Nigeria personal Taxation" The Nigerian Accountant. Lagos, Institute of Chartered Accountant of Nigeria.
- Adekanda O.(1997) Efficient Tax Collection and Efficient Tax Administration in Nigerian (delivered) at National Seminar Organized by the University of Lagos at Gate way Hotel Ogun State 24/4/97.
- Adetunji w (1997) "capital Market Investment Opportunity and Risks" Vanguard Newspaper Lagos, Vanguard Media press Ltd
- Akanle O. The government, the constitution and Tax Payer in Akanle (ed) Tax law and tax Administration in Nigeria NIALS P.I
- Akintola W & Co. (1999) Taxation and the Federal Government Budgets in the last three years (1997-1999) Nigerian Taxation Lagos chartered institute of Taxation of Nigeria.
- Amaechina U.P (1995) Personal Income Tax in Nigeria, Enugu Ranuy Publisher.
- Ani A.A (1998). Press Briefing of the Honourable minister of

- Finance on the 1998 Budget of Transition. Business Time Newspaper. Lagos. Daily Time of Nigeria PLC.
- Black's Law Dictionary (1979) 5th Edition West Publishing
- Board of Internal Revenue "Committee Report on the Review of the Nigeria Tax Laws Board of Internal Revenue Headquarters, Enugu.
- Eastern Nigeria Government (1962) Finance Laws of Eastern Nigeria Government Press.
- Federal Republic of Nigeria (1993): Personal Income Act No.104 Lagos Federal Government Press.
- Due F.J (1963) Taxation and economic Development in tropical African. Massachusetts, M. T. Press
- Ewujowo.S. (1986) "Approach to Better Taxation Revenue" Business Times Newspaper Lagos, Daily Time of Nigeria Plc.
- Idiahe J.U (1984) "Using Tax Laws to attain Government Policies" Business Times News Paper. Lagos. Daily Times of Nigeria Plc.
- Honson J.I (1961) "A Text Book of Economic" 3rd Edition London, Macdonal and Evans Ltd.
- Ndu C.N (1998); An Appraisal of Fiscal Efficiency of the Nigeria. Personal Income Tax System, Enugu, UNEC.

- Naiyeju J.K (1998) "Critical Issue in Tax Administration the Guardian Newspaper Lagos, Canadian Newspaper Ltd.
- Njokama C.(1975) Income Tax and Practice in Eastern Nigeria
Aba- Nigeria Cynaco International Press Ltd.
- Nwabueze B.O (1983) Federalism in Nigeria Under Presidential Constitution. Sweet and Maxiwell London.
- Ogunde O.A.O (1989) "Effect of Taxation on Property
Management and Development the Nigerian Accountant.
Lagos Institution of chartered Accountant of Nigeria.
- Ola O.O. (1993) "The Concept of Tax Mitigation" the Nigerian
Accountant Lagos Institute of Chartered accountant of
Nigeria.
- Oloronke D.A (1985) "Taxation in Nigeria prospects for reform',
Business Times Newspaper Lagos. Daily Times of Nigeria
Plc.
- Oloronke D. (1999) "Taxation in Nigeria way and Trend Forward".
The Nigeria Taxation, Lagos. Chartered Institute of Taxation
of Nigeria.
- Olaknule K.O (2000) "Successful Research" Theory and practice.
Computer Edge Publishers Enugu.
- Okpe 1.1 (1998) Personal Income Tax in Nigeria Enugu. New

Generation Books.

Olusanya A (1978) A new Approach Economics of west African

Ibadan Nigeria Rainbow Publishers.

Orji J. I (1996) Element of Banking. Enugu Rock Communication.

Popoda M. A. (1989). Withholding Tax on Bank Interest, what

changes by 1989 Budget statement. The Nigeria
Accountant Lagos. Institute of Chartered Accountant of
Nigeria.

CITN (2002) – Nigerian Tax Guide and Statutes. (CITN, Lagos.

Webster's Dictionary of English Language (1989) College Edition

Subject Publication India.

The constitution of the Federal Republic of Nigeria (1989) sec. 2

(7) Lagos Govt. Press. The Constitution of the Federal Republic of

Nigeria 1999. Lagos, Govt. Press. Director of Internal Revenue

(1984) "Tax Evasion Board of Internal Revenue Circular No. 25,

Enugu Board of Internal Revenue Headquarters.

Department of Accountancy
University of Nigeria
Enugu Campus
Date.....

Dear sir/madam,

I am a student of the Department of Accountancy, University of Nigeria, Enugu Campus. I am taking a critical appraisal of the Nigeria Tax Laws (a case study of Enugu state Board of Internal Revenue) from 1998-2007. the aim is to find the impact of the Act on the revenue generation of the state. It also intend to introduce reforms where necessary such that the act shall meet as much as possible the classical cannon of good taxation.

This research is strictly an academic exercise I promise anonymity and absolute confidentiality in dealing with any information divulged to me.

Please tick [☐] only against the appropriate answer chosen from the given alternatives

Yours faithfully,

Akpa F.U

APPENDIX A

QUESTIONNAIRES TO TAXPAYERS

1. What type of business are you engaged on ?
.....
2. Where is your business located?
.....
3. Are you a regular Taxpayers?
(a) Yes ☐ (b) No ☐
4. What is your major reason for paying tax?
(a) To avoid disturbance
(b) To fulfill my civic responsibility
(c) To obtain tax clearance certificate.
5. Do you keep proper records of your business transaction
(a) Yes ☐ (b) No ☐ (c) Don't know ☐
6. How do you assess the book and account you submit to the tax office for income tax purpose.
(a) Very adequate
(b) Fairly adequate
(c) Grossly in adequate
7. If you could find means of avoid payment of tax could you apply such means. (a) Yes ☐ (b) No ☐ (c) Don't know ☐

8. Are you aware there is a law guiding the assessment and payment of personal income tax (a) Yes ☐ (b) No ☐
9. If you answer to above is yes, how often do you comply to the provision of the law (a) Often ☐ (b) Very often ☐
(c) Don't know ☐
10. Is there any flaunt in the law? (a) Yes ☐ (b) No ☐
(c) Don't know ☐
11. If you answer to 10 above is yes which section (s) of the law can you refer
12. Do you know that some tax payers make fictitious claims of personal relief's ? a) Yes ☐ (b) No ☐
(c) Don't know ☐
13. What problem do you encounter in meeting your tax obligation.
a) Distance ☐ (b) Heavy tax ☐ (c) ☐ Time factor
14. What in your opinion is/are reasons why people do not want to pay their appropriate tax? (a) Dishonesty ☐
(b) Poverty ☐ (c) Uncorporature ☐
15. How would you rate your altitude to tax payment in term of voluntary compliance (a) Very high ☐ (b) Fairly high ☐
16. What has been the altitude of tax official to you
(a) Very satisfactory ☐ (b) Fairly satisfactory ☐

(c) Unsatisfactory ☐

17. Do you think all money collected from taxes are properly accounted for? (a) Yes ☐ (b) No ☐ (c) Don't know ☐

18. The tax laws and system have been described by some as inefficient. Do you agree? (a) Yes ☐ (b) No ☐
(c) Don't know ☐

19. How adequate informed are you in respect of matter relating to the payment of your tax? (a) very adequate ☐
(b) Fairly adequate ☐ (c) Grossly inadequate ☐

20. In your opinion are the laws due for review?

(a) Yes ☐ (b) No ☐ (c) Don't know ☐

QUESTIONNAIRE FOR TAX OFFICIALS

1. What is your highest qualification?
2. Where are your job location?
3. Which cadre of staff are you? (a) Junior ☐ (b) Senior ☐
4. What do you consider as the biggest obstacle to personal income tax administration in Enugu state (a) Dishonesty ☐
(b) Inconsistent policies ☐ (c) Ineffective ☐
5. How would you assess the effectiveness of the state board of internal revenue in the administration of the state taxes?
(a) Very effective ☐ (b) Ineffective ☐
6. Do you think frequent change in the tax laws has any negative effect on revenue generation in the state.
(a) Yes ☐ (b) No ☐ (c) Don't know ☐
7. Do you agree, there is high rate of tax avoidance and tax evasion in the state?
(a) Yes ☐ (b) No ☐ (c) Don't know ☐
8. From your knowledge as tax officials, do you agree that tax laws in Nigeria are inefficient?
(a) Yes ☐ (b) No ☐ (c) Don't know ☐
9. Did the tax law made adequate provisions for it enforcement? (a) Yes ☐ (b) No ☐ (c) Don't know ☐

10. from your knowledge of tax laws, are there loopholes to their own advantages (a) Yes ☐ (b) No ☐ (c) Don't know ☐
11. Do tax officials and tax payers exploit the loopholes to their own advantages. (a) Yes ☐ (b) No ☐ (c) Don't know ☐
12. Many people in the recent time been advocating for the need to review the tax laws. Do you agree with such people?
(a) Yes ☐ (b) No ☐ (c) Don't know ☐
13. If your answer to 12 above is yes what would be the effect of the review?
(a) Increase revenue generation of the state ☐
(b) Necessitate voluntary compliance ☐
(c) Discourage tax avoidance and evasion ☐
(d) All the above ☐
14. Since you joined the Board of Internal Revenue have you undergone any form of training under the sponsorship of the office? (a) Yes ☐ (b) No ☐ (c) Don't know ☐
15. How do you rate voluntary compliance among tax payer in the state. (a) Very high ☐ (b) Fairly high ☐ (c) Very poor ☐
16. Are you always protected against any form of victimization in the performance of your duties by the paying?
(a) Yes ☐ (b) No ☐ (c) Don't know ☐

17. How do you assess the remuneration of tax officials

(a) Highly remunerated ☐

(b) Fairly remunerated ☐

(c) Poor remunerated ☐

18. What is the effect of the use of the Revenue Task force in the overall revenue generation efforts of the Board of

Internal Revenue. (a) Very adverse ☐ (b) Fairly adverse ☐

(c) No effect ☐

19. Are tax administrators.

(a) Yes ☐ (b) No ☐ (c) Don't know ☐

20. Have you received any bonus for exceeding your target?

(a) Yes ☐ (b) No ☐ (c) Don't know ☐

21. Since personal income tax act (as amended) come into effect, has revenue of your office been on increase?

(a) Yes ☐ (b) No ☐ (c) Don't know ☐

22. If your answer to 21 above is yes, what is the nature of the increase?

(a) Drastic ☐ (b) Gradual increase ☐

23. Does the increase meet the set target?

(a) Yes ☐ (b) No ☐ (c) Don't know ☐