THE EFFECT OF THE TAX INCENTIVES IN THE ECONOMIC DEVELOPMENT OF NIGERIA FOR THE PERIOD 1994 TO 2003

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ABSTRACT

Although much has been said and written on tax incentive, one still find out that the low level of foreign and local investments in Nigeria is due to poor tax incentives for investors or lack of awareness of existence of tax incentives for investors. Incentive deals with how tax system can serve as an inducement or disincentive to work and investment in capital acquisition. One way of manipulating the tax system is to stimulate economic growth by reducing the cost of financing business operations. Tax incentive has implications on the economic development of Nigeria.

It is obvious that tax authorities are providing tax incentive, but the target beneficiaries are unaware of these incentives to take advantage of them.

The study focus on achieving the following objectives. examine the effect of tax incentive on the development of Nigerian economy; look at the benefit of tax incentive to corporate organizations and its impact on the performance of many industries. The data for the study will be gathered using research questions and testing of hypothesis.

Due to problem of logistics, the study will be limited to 180 selected small medium businesses in Nigeria, using Lagos for the study.

The study revealed the following findings:

- That tax incentive has a great significant impact in the development of Nigeria economy.
- That majority of the people interviewed do not take advantage of tax incentive available to their businesses.
- There is an existence of poor knowledge of tax incentive by the supposed beneficiaries.

Tax incentives remain a popular means of mobilizing and allocating resources, and of stabilizing the effects of market forces on production and consumption.

The study comes up with the following recommendations.

The tax holidays, reliefs and credits should have a limited lifespan. In formulating tax policies, incentives should be considered along with other elements such as the tax structure, the base and the rate.

Tax authorities should not merely provide tax incentives, they should ensure that target beneficiaries are aware of the incentives, and also take full advantage of the available incentives.

Tax barriers should continue to exist in order to protect local infant industries, but should not be at the expense of discouraging foreign investment from coming into the country.

There should be measures put in place to monitor compliance with tax regulations and excesses of tax officials.