Impact of Tax Administration on Government Revenue in a Developing Economy – A Case Study of Nigeria

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Abstract

This paper attempts to look at the Nigeria Tax administration and its capacity to reduce tax evasion and generate revenue for development desire of the populace. The study made use of 121 online survey questionnaires containing 25 relevant questions. Descriptive statistics were used to analyse 93 usable responses. The study found among other things that increasing tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administration. Nigeria lack enforcement machineries which include among other things, adequate manpower, computers and effective postal and communication system. The study has clear practical implications for tax practitioners and governments policy makers in developing countries in particular.

Key words: Tax administration; Government revenue; Tax evasion; Tax assessment; Autonomy.

Introduction

Nigeria is richly blessed with oil and gas among other mineral resources, but the over dependence on oil revenue for the economic development of the country has left much to be deserved. According to Ariyo (1997) Nigeria's over dependence on oil revenue to the total neglect of other revenue source was encouraged by the oil boom of 1973/74. This is unsustainable due to the fluctuation in the oil market which have in most cases plunged the nation into deficit budgets. It was the view of Popoola (2009) that Nigerian tax administration and practice be structured towards economic goal achievement since government budget for the year centres on the oil sector. While decrying the low productivity of the Nigerian tax system, "deficiencies in the tax administration and collection system, complex legislations and apathy on the part of those outside the tax net" were identified as some of the root causes says Ijewere 1991 and Ndekwu 1991 as cited in (Ariyo 1997).

Those working in the informal sector of Nigerian economy do not see the need to pay tax whereas they dominate the economy. To them only, civil servants should pay tax on their earnings and this amount to over flogging the willing horse. Besides, the activities of the strong union in the formal sector do not even pave way for a successful tax policy implementation in the formal sector (Ayodele 2006). Even revenue collection officers seem to be lenient or even connive with those in the informal sector during enforcement of tax policies. All this leads to revenue loss. In other to reawaken the consciousness of Nigerian government and citizens on the effective use of taxation as a developmental tool, and examine the effect the tax system have so far on the economy; this research work becomes very relevant.

There is no doubt that taxation must have affected the economic development of Nigeria. Effort shall therefore be made in this research to see how much Nigeria have been able to achieve her economic goals with her tax policies and administration. The administrative role of the Federal, state and local government shall as well be examined in other to identify the causes of tax evasion and avoidance.

Literature Review

Globally, government is saddled with the responsibility of providing some basic infrastructures for her citizens. Among these are the provisions of Schools, Hospitals, construction Roads, Bridges, Railway lines, Airports and seaports. More so is the security of the life and properties of the citizens in the country against foreign and or local aggression. Abdulfattah, O. et al (2010), stated, "Most south east governors are spending fortune to keep the Police and other security agencies".

The stabilization of the economy, the redistribution of income and the provision of services in the form of public goods are among other functions or obligations government may owe her citizens. Miller and Oats (2009:4) noted that due to the inefficiency of the private market, the provision of public goods such as security of life and property which the public might not be prepared to pay for directly, are left in the hands of the government rather than the private market. James and Nobes (2008) observed that even without payment, the consumption of "pure public goods cannot be to the total exclusion or in isolation of certain individual. Government therefore, makes it free for all and sundry. A very good example is in the area of security e.g. Police, Arm Force etc. Their services cover all the citizens without specific charges to the people. Besides, public goods do not diminish as consumption increases. Simply put, the consumption of public goods by one person does not stop or prevent another from consuming it neither does it reduce the satisfaction the later consumer will derive from its consumption. It is on the strength of the above two reasons that it becomes practically impossible for the private market or firm to produce public goods as the resultant effort could be underproduction of such goods and services.

Lopez and Kadar (2001) posit that taxation among Organisation for Economic Development Countries (OECD) had uniformly been geared towards efficiency, increased tax revenue, equity and enforceability.

Having stated some of the functions of government to the citizens using taxation as a tool, the objective of taxation can therefore be summed up as in Nightingale (2002) and Lyme and Oats (2010):

- Raising revenue to finance government expenditure.
- Redistribution of wealth and income to promote the welfare and equality of the citizens.
- Regulation of the economy thereby creating enabling environment for business to thrive.

Taxation is therefore, one among other means of revenue generation of any government to meet the need of the citizens some of which have been pointed out above. According to Public Finance General Directorate (2009) the purpose of taxation as enshrined in the French laws is "for the maintenance of public force and administrative expenses". Miller and Oats (2006:3) maintained, "Taxation is required to finance public expenditure". It is worthy of note however, that there are other sources of revenue generation by the government e.g. borrowing, grants etc.

If taxation is for public expenditure, public goods ought to have been consumed equally. The elites in the society have retinue of security men attached to them for protection especially in emergency cases but not the common man whose safety is just by implication even when they represent a higher percentage of the taxpaying population. Since the use of most of the facilities for which the general tax revenue is raised as a right for some compared to others, tax therefore remain a punitive levy on the deprived of these services. This is even worsening with the definition by Nightingale (2002:5) *"...imposed by government while taxpayers may receive nothing identifiable in return for their contribution….*" Osunkoya (2009) on his part warned, "*Payment of tax does not mean that government must do something within the locality of the taxpayer*". These respected tax experts seems to forget that evidence of taxation seen in public goods encourage the taxpayer. This may account for the high evasion rate as tax is assumed exploitative instead of development. Popoola (2009) observed that people do not pay tax because of the "*culture of give and take*".

The epileptic services of some of the social amenities financed with tax revenue in developing and underdeveloped countries left much to be deserved. Popoola (2009) asserts that electric supply and social infrastructure need to be financed with taxpayer's money. Ordinarily, nobody would want to make "compulsory payment" for substandard goods or bad services.

Gordon (2010) argued that corporate and personal income taxes create distortion. High tax rate distort the demand and supply of labour hence productivity is impaired. Some countries tax system is structured purely towards revenue generation and that has negative effect on the economy. Very low tax may impact on education as a larger population will prefer to work than school but a very high tax might reduce productivity as people would prefer longer leisure hours. This does not enhance economic development. Laffer (2009) cautioned that "A government simply cannot tax a country into prosperity". As important as tax revenue is to a nation, many people still find it difficult to comply with their tax obligation. According to Nightingale (2002:6), "*No one really likes paying taxes yet they are inevitable for the provision of social welfare".*

With the exception of countries like UK, America, France and a few others where taxation seems to be the main sustenance of the economy, every other nation almost look up to the government as the almighty provider. Some argue that payment of taxes to the government is just a way of enriching the selected few political elites who have fortified themselves with powers unquestionable. Others believe that they are not getting enough from the government in return for what they are paying; a lot more believe that government is so rich that imposing tax on the people is another way of exploiting the innocent citizens. The excuses for non-compliance with tax obligations are enormous. In all, these reasons though with some relevant facts, amounts to share ignorance as the importance of tax revenue cannot be overemphasised.

A closer examination of some of the factors or reasons for the uncooperative attitude of people towards taxation reveals that the onus is on the complications and complexity of tax policies and administration in the country. Most times, the resistance to taxation is so fierce that it could lead to social unrest. In Nigeria, the "*Aba Women riot of 1929"* – the historic first British challenge during the colonial era was prompted by the introduction of taxation by Lord Lugard, who was then the governor (Evans 2009). The women who felt oppressed by the introduction of tax took to arms forcing the colonial master to withdraw the policy. However, apart from the south-eastern Nigeria, where this happened, the introduction of taxation in other part of the country marks the beginning of a formal tax system in Nigeria. In the UK, the peasant's revolt in the fourteenth century, the 1990 unrest cause by the introduction of community charge are other examples of provocations caused by the introduction of taxation (Nightingale 2002).

James and Nobes (2009) and Nightingale (2002), while citing (Adam Smith 1776), posit that a good tax should have the qualities of Equitability, Efficiency, Neutrality, flexibility, and simple. These principles still holds today and even act as a guide for policy formulation. However, the ability to achieve all in a single tax policy is practically impossible; hence Nightingale (2002) stated that there is no good tax. This is because an efficient tax might be inequitable. According to Lamb et al (2005:40) *"An efficient tax may not necessarily be considered fair and one that is considered equitable may not be efficient"*.

Ordinarily, people abhor tax payment due to its effect on their income. Owens (2006) noted that only a few people are enthusiastic about paying tax. Tax policy must be generally accepted by the people if it must gain compliance (Nightingale (2002). It therefore means that a good tax system must be in consonance with (Adam Smith 1776) cannon of taxation cited in Nightingale (2002): Equitability, Neutrality, efficiency, flexibility and simplicity.

Tax System in Nigeria

The tax system in Nigeria is made up of the tax policy, the tax laws and the tax administration. All of these are expected to work together in order to achieve the economic goal of the nation. According to the Presidential Committee on National tax policy (2008), the central objective of the Nigerian tax system is to contribute to the well being of all Nigerians directly through improved policy formulation and indirectly though appropriate utilization of tax revenue generated for the benefit of the people. In generating revenue to achieve this goal, the tax system is expected to minimise distortion in the economy. Other expectations of the Nigerian tax system according to the Presidential Committee on National tax policy (2008) include;

1. Encourage economic growth and development.
2. Generate stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people.
3. Provide economic stabilization.
4. To pursue fairness and distributive equity
5. Correction of market failure and imperfection.

In an attempt to fulfil the above expectation, the national tax policy is expected to be in compliance with the principle of taxation, the lubricant to effective tax system.

The Nigerian tax system has been flawed by what is termed multiplicity of tax and collecting entities at the three tiers of government levels – Federal, State and Local government (Ahunwan, 2009).

Tax policy

According to the report of the presidential committee on National Tax policy (2008), *"The National tax policy provides a set of rules, modus operandi and guidance to which all stakeholders in the tax system must subscribe"*. Tax policy formulation in Nigeria is the responsibility of the Federal inland Revenue Services (FIRS), Customs, Nigerian National Petroleum Corporation (NNPC), National Population Commission (NPC), and other agencies but under the guidance of the National Assembly i.e. the law making body in Nigeria (Presidential committee on National tax policy, 2008). Suffice it to say that if there must be any effective implementation of the Nigerian tax system or attainment of its goal, the use of the national tax policy document remain absolutely essential.

According to the Presidential Committee on tax policy (2008), "Nigeria needs a tax policy which does not only describe the set of guiding rules and principles, but also provide a stable point of reference for all the stakeholders in the country and upon which they can be held accountable.

James and Nobes (2008) decried the inability of tax policy to meet up with efficiency and equity criteria against which it is being judged. It was further noted that tax policy is continually subjected to pressure and changes which most time does not guarantee outcome that are in line with the overall goal (James and Nobes 2008).

Unfortunately, most policy changes in Nigeria are without adequate consideration of the taxpayers, administrative arrangement and cost plus the existing taxes. This has in no small measure hindered the effective implementation and goal congruence of the nation's tax system.

Citing (Bird and Oldman 1990), James and Nobes (2008) stated as follows "*the best approach to reforming taxes is one that takes into account taxation theory, empirical evidence and political and administrative realities and blend them with good dose of local knowledge and a sound appraisal of the current macroeconomics and international situation to produce a feasible set of proposals sufficiently attractive to be implemented and sufficiently robust to withstand changing times, with reason and still produce beneficial results"*.

Tax laws

This refers to the embodiment of rules and regulations relating to tax revenue and the various kind of tax in Nigeria. They are made by the legislative arms of the government. These laws are constantly subjected to amendment. There is no doubt that the frequency of amendment is a manifestation of inconsistencies and consequently hinders the achievement of the set up goals. However, in an attempt to meet up with the three years policy review as earlier stated and or adjust to the economic dynamism of the country, amendment could equally be made.

According to Kiabel and Nwokah (2009), and Ayodele (2006), the following are some of the prevailing tax laws in Nigeria.

- Personal Income Tax Act (PITA) CAP P8 Law of Federations of Nigeria (LFN) 2004
- Company Income Tax Act (CITA) CAP.60. LFN 1990
- Petroleum Profit Tax Act (PPTA) 2007
- Value Added Tax (VAT) Act No 102 LFN 1993
- Capital gain tax Act CAP 42 LFN 1990
- Stamp Duties Act CAP 411 LFN 1990
- Education Tax Act No 7 LFN 1993
- Information technology Development Act 2007

Multiple Taxation

i. Education Tax Decree no 7 lfn 1993

This law regulates the imposition of 2% tax on the accessible profits of companies registered in Nigeria and who are liable to pay tax in accordance with the requirements of Company income tax act (CITA) and Petroleum profit tax act (PPTA) (Nigeria 2009). Education tax was introduced in Nigeria to fund the deteriorating educational system. Though introduced in 1993, it was never enforced until 1995. According to Nigeria (2009), assessment of education tax goes together with the company income tax. Defaulters are to pay 5% plus interest at commercial rate for non-compliance. Its administration was purely the responsibility of the Federal Inland Revenue services (FIRS).

Its introduction brought about increase in multiple taxes and discouragement of foreign investors due to the fact that it further robs companies of their merger earned profit (Ayodele 2006). As a way of shelving the burden, companies may have to understate their profit.

ii. National Information Technology Development Agency (NITDA) act, lfn 2007

This law is one of the most recent tax laws in Nigeria. Its inception follows the technological innovations that brought about the use of mobile phones, cyber companies and Internet providers, etc. Administered by the federal government through FIRS, the law places a levy of 1% on the profit before tax of:

"GSM service providers and all Telecommunication Companies.

- *Cyber Companies and Internet providers.*
- *Pension Managers and pension related companies.*
- *Banks and other financial Institutions and Insurance companies"*

Nigeria (2009)

This equally amounts to duplications and multiplicity of tax since these companies equally pay tax as required by CITA.

Tax Administrtion

It is one thing to make policies, rules and regulation in an attempt to attain a desired goal or objective and it is another thing to implement these policies, rules and regulation. The organs and or agencies in charge of tax policy implementation in Nigeria are referred to as the administrative organ or agency in this research work. Efficiency and effectiveness should be the watch word in designing a tax administration structure that will give the desired result (McPherson 2004). Put differently, tax administration in Nigeria is the responsibility of the various tax authorities as established by the relevant tax laws (Kiabel and Nwokah 2009). Citing Section 100 of the personal income tax Decree, 1993 and amended by Decree No 18-Finance (Miscellaneous Taxation Provisions) Decree 1998, Kiabel and Nwokah (2009) noted "Tax authority "to mean Federal Board of Inland Revenue, the State board of internal revenue and the local government revenue committee. Together with the Joint tax board (JTB) and Joint state revenue committee or Local Revenue Committee, Nigerian tax authority administers taxes in Nigeria.

The fiscal autonomy granted the three tier of government had led to multiplicity of tax. Tax payers and corporate bodies had been subjected to multiple levies or charges of tax of same name in different form. This had increased evasion and avoidance as such payment either eat deep into the profit of business or affect negatively, the distributable income of the individual.

Nigeria and Fiscal Fedralism

Nigeria practices a Federal system of government and by implication its tax policy can simply be referred to as that of a fiscal federalism. The tax revenue generating power is shared between the three tiers of government – Federal, State and Local government respectively. The tax jurisdiction of the various tier of government is spelt out in the constitution but sometimes with some overlap. Matters of difference are referred to the Joint Tax Board or the Board of Appeal commissioners.

The Federating states normally get periodic allocation from the central government in addition to the revenue internally generated through the State Board of internal revenue for the administration of the state.

From the State, the local government equally get periodic allocation in addition to the revenue generated locally from the local people through the revenue department of finance in the Local council for the administration of the people.

The whole process makes for the administrative convenience, quick decisions and implementation, independence and people friendly since they can easily get to the grass root. However, this is not without some setbacks as it brings about uneven economic development of the country. The inequitable distribution of nature in terms of natural resources makes some States and local government very backward in the scheme of things since their only hope is on the insufficient periodic allocation from either the Federal or State government as the case may be.

Worst still, most State and Local government authorities seems to have lost their sense of reasoning due to their over dependent of the so call allocation from the upper tiers of government.

According to Syndelle (2009) Kano State representatives complain of insufficiency of Federal government monthly allocation to take care of the peoples need as if the people are beggars. Invariably other areas of revenue generation such as taxation have been relegated to the background. Quoting Sule Ya'u Sule, the Kano state government spokes person, Syndelle (2009) stated "*the Federal government only give you a little amount every month. And it is that amount that it expects you to develop the state". "This Money is not enough to finish the work and distribute it to the need of the people".* Development can only come if the "little" resource from the Federal government receives a boost through internally generated revenue from the state and eventually invested in education, health, electricity, water and other areas that will be of benefit to the life of the people. Other revenue source should be explored as Kano state is endowed with potentials in Agriculture. Relying, completely on allocation from the Federal government in this economic jet age will rather impoverish the people and the country at large. State government need to create the enabling environment for the people to be gainfully employed.

However, Lagos State is among a few states in Nigeria that have left a landmark in terms of independence and the use of internally generated revenue. Syndelle (2009) observed that in 2007, the state achieved a GDP of N3.68 trillion an equivalent of $29.028 billion making it the biggest contributor to the Federal government. This was kudos to Fashola, the visionary leader who was then the governor of the state in that era of economic transformation. Kiabel and Nwokah (2009) stated "the achievement of the former military administrator of Lagos state, Col. Marwa would not have been possible without fund".

Research Questions

The following research questions cited in Dragojlovic (2008) but relating to the context of the Nigerian tax system shall be addressed.

1. What management and organisational approach will decrease tax evasion level and increase administration autonomy?
2. What is the management structure of the Nigerian tax administration?
3. In the relationship between tax administrators and tax payers, what influencing factors could produce a high level of tax evasion?
4. What factors motivates people to avoid their tax obligation?

Research Design and Methods

The focus of this research work is on the eligible individual taxpayers and organisations in the Nigerian economy. This includes workers in both the formal and informal sector. Those in the formal sectors are all civil servants and or officers with their different salary level and proportionate tax rates e.g. the Police, Teachers, Doctors, Soldiers, all the ministries workers whether at the Federal, State or Local government level. The informal sector forms a larger percentage of the working or taxable population of Nigeria. Put simply they dominate the economy of Nigeria. They include all the self employed and their employees and or agents.

Survey method has the advantages of collecting a large volume of data from a very large population at a relatively low cost. Volumes of data can easily be generated and analysed to give result that can represent the population of study. This makes the use of this method most appropriate in this study.

The use of this method had become more suitable given the geographical disparity of the area to be covered. According to Sekaran and Bougie (2010:209), *"Questionnaires are most useful as a data collection method, especially when large numbers of people are to be reached in different geographical regions".* This gives credence to the use of this methodology.

Data analysis technique

Descriptive statistics is used to analyse the data. Collins and Hussey (2003) noted that tabulation is the simplest way of summarising data for individual variable so that specific values can be read.

For the purpose of this study, the percentage is calculated thus:

$\%\ frequency = (f/\sum f) * 100$
Where $f = frequency$
$\sum f = Sum\ of\ frequency.$

A total of 121 copies of questionnaire were designed online using the Google doc page of the internet with each copy containing 25 questions and emailed to same number (121) of respondents. Given the anticipated failure of the respondents, these questionnaires were distributed early and further followed up with reminders. A total of 93 respondents sent in their replies while 28 failed as at the time of this analysis.

The responses to the Likert scale designed online questionnaire were entered into spreadsheet, bar charts and calculated in percentages. The percentage values were however approximated to the nearest whole numbers in the tables for clarity.

As the options are from "strongly disagree" to "strongly agree", the decision rule shall be a summation of "Strongly agree" and "Agree" values to give the degree of consent or positive response to each question. The degree of disagreement on the other hand (negative response) shall be determined by summing up the values of the "strongly disagree" and "disagree". The reason for the summation is that the difference between the two options "strongly agrees" and "agree" is a matter of emphasis likewise the negative responses. This explains why the univariate methodology which was used in the analysis and interpretation of this work can alternatively be called summed up method (Sekaran and Bougie 2010). The method gives room for the interpretation of the variables

Findings and Discussion

In an attempt to find out how taxation can be used to boost revenue generation or revive the Nigerian economy, tax evasion and avoidance were noted to be on the increase in the Nigerian economy. Tax avoidance and tax evasion are sensitive issues in taxation therefore making the study a very sensitive one too. In the list of questions used for data collection, most of them were indirect questions. This was in other to get the objective opinion of the respondents most of whom are culprit of evasion and avoidance already.

In addressing the research questions, therefore, the questions used for each were not in serial order. This was deliberate as doing otherwise could cause suspicion among respondents and that would have been counterproductive in this exercise. Only those quite relevant to the research question shall be analysed. However, the response to all the questions is meant to lead us into the achievement of the aims and objectives of this work.

1 What management and organisational approach will decrease tax evasion level and increase administration autonomy?

Research question one was addressed using variables 7, 11, 14, 21 and 24 in the questionnaire distributed. The outcome suggested that management and organisational approach in the implementation of tax policy is very weak. The weaknesses could be traced to the use of poor tools, inadequate staffing of the tax-collecting organisation, poor funding, bad access road to the interior of the rural areas, poor enlightenment etc. These are key areas the tax management and organisation ought to address in other to be a goal oriented agency.

Most of the tax officers are misfit for the job. Their employment is like putting a square peg in a round hole. They lack knowledge of the job and even for the knowledgeable among them, there is no periodic training. Tax policies changes frequently (Lymer and Oats 2010) thereby rendering obsolete, the little knowledge some of the officers earlier had. Speaking in an interview with the Daily Sun, Kunle Quadri, the chairman of the Chartered institute of taxation in Nigeria (CITN) stated "*let us have tax men that have been trained to do the job while in administration we need to have a round peg in a round hole"* (Ogbonna 2010). There is the need to move focus from employment of rent seeking personnel to those who are knowledgeable in the field of taxation (Garde 2004). Their salary should be handsome to help curb activities of bribery and corruption that have so jeopardise the tax administration in Nigeria and the loss of confidence of the people on the revenue officers and the government in general.

The same is applicable with the equipment in use. Nigeria does not have a comprehensive data base of all the tax payers and businesses in the country. This is not the same with other developed nations. People and organisations can therefore afford to take every slightest opportunity to evade tax obligation. The country needed very good data base that will contain the details of the tax payers such that relationship in terms of assessment and collection will be made easy. Up till date what is obtainable in the Nigerian tax system is paper documentation that have been characterised with mutilation and falsification of figures both on the part of the tax officers and the tax payers as well. There is definitely no way the good intention of the tax policy objective can be achieved with a system of this nature.

In modern days, the tax officer may not be required to go out chasing the tax payers if there is a centralized data base. What would have been obtainable is voluntary compliance which is far from being at the moment. According to Quadri cited in Ogbonna (2010), the lack of data to show who should pay tax in Nigeria is the first problem that need to be addressed as that accounted for a very high rate of evasion in the country. The crude method of tax collection applied increases administrative cost hence affects the total revenue generated. The whole process makes for a complexity of the management and organisation of taxation.

The system deserves autonomy that will enable it to hire the right quality of staff and equipment that it deserves to make it function effectively. The data collected (74%) show that this is not available hence a weaknesses in the management and organisational system and the attendant increase rate of tax evasion.

The result further support the fact that tax payers are not enlighten on the need to meet up with their tax obligation. Policies are most times made just to meet the changing need of the economy without adequate consideration of the tax payers who bear the burden of taxation. The end result is a strong resistance to every effort to collect tax revenue as government good intention would be wrongly interpreted by the taxpaying public. Nigerians are known for the culture of give and take Popoola 2009). They want evidence for judicious utilization of the payment that they made. This is not wrong in totality because any rational human being will reason likewise, but they should be educated about changes in tax policies from time to time. Further, the little that was collected should be put into use for their benefit instead of allowing it flow freely into private purses. This suggests why a very high percentage of the respondents claim that if they had the opportunity, they will neither pay tax nor encourage its payment. Evidently, they are poise to frustrate every managerial and organisational move the tax authority might make to increase revenue generation.

Enlightenment will make the people to know that payment of tax is a civic responsibility of Nigerian citizens and not just an issue of give and take as they have turned their mindset. Enlightenment will further erase from the mind of the people, believe that revenue generated from oil and gas alone is enough to fend for the nation. Quadri stated in his interview "When *you meet any government official and talk to him about taxation, he tells you it is either you are talking about revenue from oil or revenue allocation from the Federal Government"* (Ogbonna 2010). This is a demonstration of how grossly dependant the people are on oil revenue. If those in authority can reason thus, imagine what the expectations of the subject would be. All this culminate to increase the rate of tax evasion in the country. Evidently, it can be said that even the tax payers have lost their sense of responsibility when it comes to meeting up with their tax obligation.

ii. What is the management structure of the Nigerian tax administration?

The second research question would be better addressed using qualitative data, however, not to the total exclusion of quantitative data. The management structure of the Nigerian tax administration is complex. As a Federal system, the fiscal administration is between the three tiers of government – the Federal, state and local government respectively. The tax administrative organ in Nigeria therefore, are the Federal Board of inland revenue (FBIR) collecting for the federal government through Federal inland revenue services (FIRS), the State Board of Internal revenue (SBIR) collecting for the various states in the federation and the local government revenue committee. The Joint tax board was created as an arbitrating body to mediate in issues between two states in the process of tax administration. The tax jurisdictions of the three tiers of government were duly spelt out in the 1999 constitution of the federal republic of Nigeria.

According to Onyeukwu (2010), "the autonomy of each state in tax administration has brought about multiplicity of tax burden on the tax payer". He added that companies have sometimes been subjected to same tax or different tax of same nature by various tiers of government. The federal government tax jurisdiction overlaps into that of the state and likewise the states jurisdiction into that of the local government. These flaws are constitutionally permitted in what is referred to as the exclusive list, the concurrent list and the residual list which guides administrative decisions by the federal, states and local governments respectively. The multiplicity of tax on the tax payers (individual and corporate entities) was encouraged by the constitution which allows the various tiers of government fiscal independence (Onyeukwu 2010). This has the attendance consequence of impacting seriously on the profit or income of the tax payer thereby creating room for evasion and avoidance. It is worthy of note that the multiplicity of tax is not inconsonance with the Nations policy objective - "taxes in Nigeria shall be few in number..." (Presidential Committee on National tax policy 2008)

The process allows major tax policy formulation for the entire country to take place at the federal level and flow down through the state agencies to the local government. This on its own creates another problem. Among the three tiers of government, local government authority is the closest to the grass root but they lack the capacity to formulate polices capable of boosting the nation's economy because of their dependence on state government allocation. The Policy makers at the federal level knows little or nothing about the taxpayers at the grass root for whom policies were being made. The end result therefore is a flaw of the whole tax administrative process resulting from structural problem.

The result of question two in the questionnaire distributed show that a total of 92.4% opined that they do not have opportunity to complain about their assessment. This is overwhelming. Although a provision was made in the structure of the Nigerian tax system to take the complains of the aggrieved, i.e. through the body of Appeal Commissioners (Kiabel and Nwokah 2009), the whole process looks too complex and fruitless that people just take it as not in existence. Out of ignorance too, many tax payers are not even aware of the existence of such body and provisions. As an alternative step to their suffering in silence, they take to tax evasion and avoidance and that have led the nation to a huge loss of revenue which would have been useful for economic development.

The Nigerian tax structure gives too much room for politician to interfere. 70% of the respondents gave a positive response to this in the data collected. Most times, government comes into power after influencing the peoples vote with the promise to reduce taxes or completely erase some. Ignorantly, that is what the people want to hear but the end result is that such government may not be able to deliver if successful into power. The other thing is that most government appoint senior tax officers as a compensation for their role during political elections and not on merit of the required knowledge. This has done too much damage to the system. Most of them (politicians) who were suppose to be leaders in the crusade for tax revenue are culprits of tax evasion and avoidance themselves.

Tax revenue generated was believed not to be impressive as evidence by 86% negative response in the questionnaire, because of the structural defect in the Nigerian tax administration among other factors. Garde (2004) stated "Dismal tax collection is reflective of tax administration performance". Complications in tax administration have to a large extent crippled the effort of the revenue enforcement officers.

iii. In the relationship between tax administrators and tax payers, what influencing factors could produce a high level of tax evasion?

Research question three was addressed using questions 1, 3, 8, 13 and 15. In question one, the 73% accounted for a negative response suggesting that the tax collection process was unsatisfactory to the tax payers. Apart from the PAYE system which requires the deduction at source of the tax liability of the tax payers, others require the filing in of returns by the tax payers as to enable the tax officer to assess the tax liability. Those in the informal sector seldom comply with this. The few that does may not even give the accurate figure of their return for assessment purposes. Sometimes, tax authority applies force on the tax payers. Some even collude with taxpayers to reduce their tax obligation by collecting less than what is required and not accounting for same.

Value added tax (VAT) for instance has so many collection points approved by the government and which are required to treasure in the proceed periodically but the proceeds are most times used by this collection units for their personal business rather than treasure into the government coffers as required. While citing (Ola 1998) Kiabel and Nwokah (2009:532) stated "*many employers of labour are now using the tax deducted from their employee's emoluments on either their personal acquisitions or business expansion ….*" With a feeling that tax collection is for the enriching these people therefore, tax payers explore avenue to conceal their returns from tax. As if that is not enough, an offender most times goes free and unpunished. This therefore creates opportunity for others to evade tax.

The 88% negative responses from question three suggest too that tax payment notice was unreasonable. This coupled with poor assessment of tax makes tax payers to evade. In the PAYE system, the convenience of the tax payer is being relatively considered. Taxes are deducted when salaries or wages are being paid but this is not the case with those in the informal sector. Tax payment is expected from them even if the business closes after the payment had been effected.

Some time tax consultants are used to enforce tax laws or collections due to the inefficiencies of the tax officers. Most times the tax consultants do not use uniform rate in their assessment.

Their goal is to make sure they collect revenue not withstanding how. On several occasion, they forcefully lock up businesses that do not comply with their demands. Kiabel and Nwokah (2009) stated the obnoxious characteristics of the tax consultants as follows:

> "*(I) there is no provision in the tax laws to support their appointment;*
> *ii) The consultants do not observe the rule of law-they constitute themselves into a task force and harass taxpayers with armed soldiers and police;*
> *iii) Some of the consultants negotiate tax liabilities so assessed;*
> *(iv.). they employ unorthodox method of assessment; and*
> *(v) Their action act as a disincentive to foreign investment.* "

In protest, the tax payers who believe that public revenue should solely be generated from oil and gas and not from his business that government care less about will do everything within his whims and caprices to evade tax. For instance, the understatement or under declaration of their income or of the profit from the business which would have been subjected to tax is a reaction to the above stated views of or observations of Kiabel and Nwokah (2009).

At the local government level, tax officers are expected to visit all the interiors areas for tax collections but this seldom happen due to the non availability of the means, nonchalant attitude of the field workers and many more weaknesses of the tax administrators. The taxpayers who even at the sight of tax collectors can run into the bush in some areas will be very happy if the tax man did not visit their area.

High tax rate create room for evasion and even for avoidance. This is because of its effect in the income or profit of the tax payer. 47% of the total respondents acknowledge this.

iv. What factors motivates people to avoid their tax obligation?

In addressing research question four, question 10, 12, 18, 20 and 22 were used. However, it should be noted that factors influencing high rate of evasion can equally influence avoidance. 88% gave a positive response to question ten in the questionnaire acknowledging the fact that their disposable income is seriously affected by taxation. This is also the case of a high tax rate as well. High tax rate makes the tax payer to feel he is working in vain. His decision to work or not to or the labour hours he might be prepared to put in might be reduced because of high tax rate.

Epileptic services of social amenities in Nigeria especially power supply has been the concern of every Nigerian. This among others is believed to be provided and maintained with the tax payer's money. The poor performance of this social amenity has to a large extent discouraged tax payment. For instance those in the informal sector spend heavily to provide for themselves power supply for their businesses and homes, getting them to pay tax become a problem.

The failure of those in the informal sector to pay tax equally encourages avoidance and evasion. This is because the few that are living up to their civic responsibility becomes discourage when they discover that defaulters go unpunished.

Conclusively, taxation is a very good sources of revenue generation but policies on taxation should be made with due consideration for the welfare of the people in mind. Government should make the people have a sense of belonging by providing social amenities with revenue generated and defaulters in tax payment should be made to face the wrath of the law. When that is done, the economic goal of taxation in Nigeria will be achieved.

Conclusion and Recommendation

Diversification of revenue sources for economic development is very important if Nigeria must rank among equals in the improvement of the lives of her citizens. The focus on revenue from oil and gas amounts to putting all her eggs in one basket. In this modern days the speedy technological development will in no distance time render obsolete the use of such mineral resources like oil and gas and possibly replace same with solar energy which is more environmental friendly. Besides, the end of fluctuations in the oil price which characterise the oil market is not in sight. Therefore, to build and maintain the culture of sustainable development, there is urgent need for a review and restructure of the nation's tax policy and administrative system. Why government takes step to address the perennial annual budget deficits and tax gap, the citizens should wake up to their civic responsibilities in terms of tax compliance.

Unless the citizens work in hand with the government, every effort of the later to better their lives may prove abortive. Inequitable tax which is one of the major problems in taxation was promoted by the actions of those in the informal sector. However, government should note that it is not possible to tax a nation into prosperity. High tax rates will not only increase evasion but will equally discourage investment. This is the case of fiscal neutrality. Economic decisions may be influenced due to high tax rates and that may impact negatively on the nation's economy. (Bowles 1999) cited in Richardson 2006, posit that the higher the marginal tax rate, the higher the likelihood of evasion.

In this era of globalization, unfriendly tax policies may create room for capital flight from Nigeria to other countries with more relaxed tax policies. The move towards borderless world has opened up new opportunities for taxpayers to minimise their tax liabilities(Owens 2006). Government should not only create an enabling environment for business establishment but also give all necessary support for its survival because profits of businesses are one of the major sources of tax revenue.

Fiscal federalism brings about competition among the federating states in terms of development. The fiscal autonomy of each state in Nigeria gives room for internally generated revenue for the economic development of the people. However, the fiscal autonomy of the individual states granted by the 1999 constitution had been identified as one of the root causes of multiplicity of taxes. The three tiers of the government collecting same tax, but in different form from the same organisation and individuals is too much a burden on the tax payer. This is a structural problem that needs to be addressed urgently. There should be clear cut boundaries of the tax jurisdiction of the three tiers of government without overlap. According to Onyeukwu (2010) "given the entrenched right of each tier of government to levy taxes, there has been hash of taxes emanating from these authorities and leading to multiplicity of taxes on the corporate entities".

That is the only way multiplicity of tax levy on the individual and organisations can be curtailed. Although, the 1999 constitution stated clearly that the Federal Inland Revenue services (FIRS), the fiscal operation arm of the Federal government deals with corporate bodies, State Board of internal revenue (SBIR) working for the individual states deals with the individuals and partnerships while the Local government revenue committee collect market rates, liquor license, etc., this has never been complied with. The reason for such non compliance being that the same constitution created room for an overlap in the tax jurisdiction of the Federal and state government respectively. For instance, literature shows that though the exclusive list is purely the prerogative of the Federal government in decision making, the decisions in the concurrent list which suppose to be purely the prerogative of the state government is influenced by the federal government most times.

In order to encourage voluntary compliance, tax policy formulation should be after due consultation with all the stakeholders. The gap between the citizens and the government is so wide that policies are made and forced down on the people without due consultation. For there to be a good tax administration, tax policies must be welcomed by all the citizens. Besides, the involvement of all stakeholders may further foster the sincerity of the government thereby reducing the problem of trust which had bedevilled tax administration. This calls for public private partnership in decision making process for good governance (Aluko, 2005) Just like every other profit oriented businesses, the structure of tax administration should be "customer oriented". Measures to assessing customer's satisfaction, employee's satisfaction and business oriented results (Rainey and Thomson 2006) should be put in place. This however does not mean that the objective of taxation should be undermined. Satisfactory services to the taxpayers could encourage voluntary compliance. Tax refund where necessary should be encouraged for the benefit of those who comply voluntarily. There is the need for management and organisational approach that emphasises services, support and information for the honest tax payers (Rainey and Thompson, 2006).

Increase tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administrators. Nigeria lacks the enforcement machineries which include among other things, adequate manpower, computers and effective postal and communication system. This among other issues call for the autonomy of tax administration which the system had long been yearning for. Tax administration requires highly trained personnel to match up with the sophistication of tax evasion with the use of modern technology. The autonomy if granted will enable tax administration to hire the appropriate qualified personnel, fire the redundant ones, reduce internal layers of management with its attendant bureaucracy and official red tape, buy the appropriate equipment required for the job, reduce political interference which had encouraged frequent changes in policy and many more.

Evidently, budgetary constrain has hindered the employment of highly paid personnel by Nigerian tax administration. Literature shows that most of the tax laws are obsolete and have not been reviewed. The requirements of such laws no doubt cannot match up with the current trend of economic changes. This calls for a review of such laws to meet the prevailing situation on a regular basis. Taxation as a means of revenue generation is like a double edge sword. A carefully planned tax policy which is consciously and faithfully implemented can help to generate revenue that can transform a nation in totality. But where the reverse is the case, a selected few will divert the good intention of the government by enriching themselves with the public fund which was supposed to be used to better the life of the people through the provision and maintenance of social infrastructure.

Most of the advanced countries like United Kingdom, America and Germany may not be as endowed with natural resources as Nigeria yet they flourish. With their perfectly organised tax system they were able to cater for even the less privilege and highly vulnerable. Government can make annual budget and achieve almost 95% of target. Citizens voluntarily pay their tax as the consequence of non compliance is criminally treated. This is not the case in Nigeria where amidst abundance of natural resources which could help to project the economy and make it rank among equals, the citizens suffer in abject poverty. There is no doubt that there are no two nations that can have the same tax system but certain quality could be successfully replicated among countries for the benefit of the citizens.

Limitation of the Study

This research work is intended to cover the relevance of tax revenue and the administrative impact in a developing economy using Nigeria as a case in point. It therefore, calls for an outreach to all taxable adults and organisations, tax administrators, policy makers, politicians and the three tries of government for detailed information for a successful completion of a research of this nature. This however, has not been possible considering the size of Nigeria as a geographical entity. A population sample of relevant group was however, used to generalize findings.

The uncooperative attitude of relevant tax authorities and associate agencies responsible for the collection of tax revenue equally constrained the collection of most relevant information by the researcher. Their action however, may have been prompted by the various government bottle necks which constrained them from releasing some information. Time lag in the verification and reconciliation of assessment and the collection of tax of any given period equally made data collection difficult.

Financial constrain and time availability at the disposal of the researcher for a work of this nature did not help matter. No doubt, sufficient fund and ample time would have been needed for a detailed investigation of the subject matter. A longitudinal approach could have enhanced the result obtained.

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Data Analysis

Research Question		Strongly Disagree (SD)	Disagree (D)	No Idea (NI)	Agree (A)	Strongly Agree (SA)	Total %
1	Am satisfied with tax collection process	55 (59%)	13 (14%)	17 (18%0	4 (4%)	4 (4%)	93 (100%)
2	I have enough opportunity to complain about my assessment	19 (21%)	66 (72%)	2 (2%)	3 (3%)	2 (2%)	92 (100%)
3	My tax payment notice is reasonable	15 (16%)	67 (72%)	5 (5%)	4 (4%)	2 (2%)	93 (100%)
4	Nigeria tax System is progressive in nature	14 (15%)	51 (55%)	7 (8%)	20 (22%)	1 (1%)	93 (100%)
5	Corporate profit tax rate is too high	8 (9%)	16 (17%)	25 (27%)	35 38%)	9 (10%)	93 (100%)
6	Income tax structure is equitable	11 (12%)	57 (62%)	06 (7%)	17 (19%)	1 (1%)	92 (100%)
7	Tax administration system is complex	8 (9%)	16 (17%)	4 (4%)	24 (26%)	41 (44%)	93 (100%)
8	Assessment and interpretation of tax under the direct tax system is very poor	5 (5%)	9 (10%)	3 (3%)	45 48%)	31 (33%)	93 (100%)

9	PAYE is a very effective tax process	20 (22%)	2 (2%)	2 (2%)	60 (65%)	9 (10%)	93 (100%)
10	Tax on my salary has serious impact on my disposable income	6 (7%)	4 (4%)	1 (1%)	64 (69%)	18 (19%)	93 (100%)
11	I would neither pay tax nor encourage its payment if I had the option	11 (12%)	3 (3%)	3 (3%)	38 (41%)	38 (41%)	93 (100%)
12	I am satisfied with provision, maintenance and performance of social infrastructures in my area	70 (75%)	17 (18%)	0 (0%)	1 (1%)	5 (5%)	93 (100%)
13	Tax officers regularly visit my area for tax collection	42 (45%)	22 (24%)	2 (2%)	20 (22%)	7 (8%)	93 (100%)
14	Enlightenment and adequate utilisation of tax revenue on public goods will encourage tax payment.	4 (4%)	3 (3%)	0 (0%)	37 (40%)	49 (53%)	93 (100%)
15	The personal Income tax rate is too high	5 (5%)	17 (18%)	27 (29%)	40 (43%)	4 (4%)	93 (100%)
16	Company profit tax should be increased	20 (22%)	36 (39%)	22 (24%)	7 (8%)	8 (9%)	93 (100%)
17	High tax rate discourages investments	6 (7%)	1 (1%)	3 (3%)	39 (43%)	44 (47%)	93 (100%)
18	Tax impact significantly on profit from sales of goods and services	4 (4%)	2 (2%)	6 (6%)	54 (58%)	27 (29%)	93 (100%)
19	Capital allowances granted on plant and machineries do not enhance increase in agricultural products.	5 (5%)	3 (3%)	25 (27%)	31 (33%)	29 (31%)	93 (100%)
20	Tax brings about increase in the price of commodities	4 (4%)	2 (2%)	3 (3%)	41 (44%)	43 (46%)	93 (100%)
21	Nigeria tax administrative structure lack autonomy	6 (7%)	16 (17%)	2 (2)	56 (59%)	14 (15%)	93 (100%)
22	People in the informal sector pay their tax regularly	64 (69%)	18 (19%)	2 (2%)	7 (8%)	2 (2%)	93 (100%)
23	Income generated from tax revenue has been impressive	28 (30%)	52 (56%)	4 (4%)	4 (4%)	5 (6%)	93 (100%)
24	Hindrances to tax collection include poor tools, access roads, ignorance, inadequate staff, training, communication and physical resistance	7 (8%)	2 (2%)	1 (1%)	24 (26%)	59 (63%)	93 (100%)
25	Politicians interferes too much with the Nigerian tax system	24 (26%)	1 (1%)	3 (3%)	49 (53%)	16 (17%)	93 (100%)