

THE HISTORY AND DEVELOPMENT OF TAX IN NIGERIA – AN OVERVIEW

by

Nicolaas Marthinus Dekker

67018841

Submitted in partial fulfilment of the requirements for the degree

MCom (Taxation)

in the

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

at the

UNIVERSITY OF PRETORIA

Supervisor:

Prof Hanneke du Preez

Date of submission:

31 October 2020

ACKNOWLEDGEMENTS

To the memory of:

My late father, Hermanus P. Dekker (1896-1981), who taught me from a young age the advantages of an education and who encouraged me to continue to study throughout my life.

My late mother, Louisa C. Dekker, née Joubert (1914-2010), who opened the world of books to me and showed me how the love of reading could be one of life's greatest inspirations.

I wish to thank the following persons without whom I would not have been able to complete this study:

My supervisor, Prof Hanneke du Preez, for her vital role in completing this part of my degree. Without her professional guidance, encouragement and patience that would not have been possible.

My dear friends, Drs Eunice Basson and Stefan van Zyl, for their invaluable editorial and technical assistance.

My fellow students, J. Wessel Coetzee and Pieter-Willem Janse van Vuuren. I was fortunate to be part of their team in the preparation of the various projects required for the first part of this degree.

ABSTRACT

THE HISTORY AND DEVELOPMENT OF TAX IN NIGERIA – AN OVERVIEW

by

NAME AND SURNAME: Nicolaas Marthinus Dekker

SUPERVISOR: Prof Hanneke du Preez

DEPARTMENT: Department of Taxation

DEGREE: MCom (Taxation)

COURSE CODE: 07250185

Background

Nigeria is the country with the largest population in Africa (Worldometers, 2020). Its more than 206 million inhabitants speak more than 521 languages and it recently surpassed South Africa as the country with the largest GDP on the continent (Beeld, 2020:15). As the country has such a large footprint in the economics of the continent, the way it deals with the collection of taxes is of interest for the study of tax on the continent.

Main purpose of study

Taxation is not a new phenomenon as the major source of revenue to the Nigerian government, prior to the occupation of British colonists. The question has always been whether tax revenue had been effectively utilised for the economic development of the country.

The main purpose of this study is to trace the historical background of taxation in Nigeria by investigating the history of the development of tax in Nigeria during the three main phases of its existence, i.e. the period before colonisation, the period when the country was part of the British Empire and the period after it gained its independence.

The study also investigates problems and challenges regarding tax collection in Nigeria and concludes with views on how to improve the system for taxation to be used effectively and efficiently in pursuit of economic development.

Method

A large number of sources in the form of peer-reviewed published articles in academic journals and books on the topic were studied, analysed and systematically reviewed in order to understand the general history and concept of tax, the constitutional development of Nigeria, with emphasis on the changes in laws pertaining to taxes, the administration of taxes during the different political phases in the history of the country, the various attempts to reform the tax system and views to improve the system.

Findings

The scholarly books and articles consulted and analysed emphasised the complexity of Nigerian society as a whole and the challenges this diversity presents to the government of the day in order to establish an efficient and effective tax system, from before colonisation to the present day.

Conclusions

Due to various complex issues, such as the cultural differences in the country, a large informal sector, rampant tax evasion and corruption, a decay in the rule of law, constant political turmoil and lack of stability in the government the attempts at reforming the tax system and improving the structures have largely been unsuccessful. The government has not been able to collect sufficient taxes to efficiently and effectively administer the day-to-day running of the country and establishing and maintaining a strong infrastructure.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	i
ABSTRACT	ii
CHAPTER 1: INTRODUCTION	1
1.1 Rationale/Motivation for the research	1
1.2 Problem statement	2
1.3 Research question	3
1.4 Research objectives	3
1.5 Research design and methodology	3
1.5.1 Research design elements	4
1.5.1.1 Philosophical stance	4
1.5.1.2 Nature of the study	5
1.5.1.3 Method of reasoning	6
1.5.1.4 Time horizon	7
1.5.1.5 Unit of analysis	7
1.5.1.6 Nature of the data	8
1.6 Summary of chapters	9
CHAPTER 2: THE HISTORY AND INCIDENCE OF TAX IN NIGERIA	11
2.1 Introduction	11
2.2 The incidence of tax	13
2.3 Levying taxes in Nigeria	13
CHAPTER 3: HISTORICAL, POLITICAL AND CONSTITUTIONAL DEVELOPMENT OF NIGERIA	15
3.1 Introduction	15
3.2 The pre-colonial era	15
3.3 The colonial era	16
3.4 The post-independence era	19
3.5 Conclusion	24
CHAPTER 4: TAXATION IN NIGERIA IN THE PRE-COLONIAL ERA	25
4.1 Introduction	25
4.2 The Hausa city states	25
4.3 The Kanem Borno Empire	25

4.4 The Yoruba states	26
4.4.1 Ife	26
4.4.2 Oyo.....	26
4.4.3. Ibadan	27
4.5 The Benin Kingdom.....	27
4.6 The Eastern provinces	28
4.6.1 The Igbo.....	28
4.6.2 The coastal states	28
4.7 Conclusion	29
CHAPTER 5: TAXATION IN NIGERIA IN THE COLONIAL ERA	30
5.1 Introduction	30
5.2 Limited knowledge of local tax practices	31
5.3 Labour contributions.....	32
5.4 Challenges presented by cultural diversity.....	33
5.5 Conclusion	34
CHAPTER 6: TAX REFORM IN NIGERIA	35
6.1 Introduction	35
6.2 Challenges in tax collection	35
6.3 Nigerian tax structure	36
6.4 Attitudes towards tax collection	37
6.5 Tax avoidance and evasion	40
6.6 Corruption	42
6.7 Over-reliance on oil revenue.....	43
6.8 Conclusion	46
CHAPTER 7: IMPROVING THE TAX SYSTEM IN NIGERIA	47
7.1 Introduction	47
7.2 Attempts to provide an effective tax system.....	49
7.3 Audit.....	52
7.4 Value-added tax	54
7.5 Property taxes	56
7.6 Conclusion	57

CHAPTER 8: CONCLUSION	59
8.1 Introduction	59
8.2 Addressing the research objectives	59
8.2.1 A broad overview of the historical, constitutional and political development of Nigeria	59
8.2.2 Analysis and review of the development of tax administration in Nigeria	59
8.2.3 The factors preventing Nigeria from establishing an effective and efficient tax administration.....	59
8.2.4 Overview of attempts to reform the tax structures to establish an effective and efficient system	60
8.3 Answering the research question	60
8.4 Future research	61
8.5 Final remark.....	62
LIST OF REFERENCES.....	63
APPENDIX A: DECLARATION OF PLAGIARISM	68

CHAPTER 1:

INTRODUCTION

1.1 Rationale/Motivation for the research

The administration of the collection of tax and the implementation of various tax laws have become more and more of a challenge in recent times. The first income tax in South Africa was introduced in 1914 by General J C Smuts, then Minister of Finance. The provision for the taxation of mines was so controversial that it nearly brought the government down. The success of income tax in the first years was mainly due to the willingness of a relatively small number of taxpayers in the upper income group to submit to income tax (Hattingh, 2016:54).

The current Income Tax Act, amended extensively over the years, was originally promulgated in 1962. That Act, together with such acts as the Transfer Duty Act (1949), the Estate Duty Act (1955), the Customs and Excise Act (1964) and the Securities Transfer Act (2007), which replaced the Stamp Duties Act (1968) and the Uncertified Securities Act (1998), served as the basis on which the Government collected revenue for the administration of the country and the building of its infrastructure.

Only at the end of the 20th century another major tax Act was added to the existing legislature to enhance the revenue collection abilities of the tax authorities, with the promulgation of the Value-Added Tax Act in 1991.

The administration of all these tax Acts and the challenge presented by developments such as increased cross-border and electronic transactions made the task of the tax authorities to collect taxes effective and efficiently more and more difficult, with the result that the Tax Administration Act was introduced in 2011. The purpose of this Act was to provide for the effective and efficient collection of tax, to provide for the alignment of the administration provisions of tax Acts and the consolidation of the administration provisions into one piece of legislation (Tax Administration Act (28/2011)).

In order to enhance economic development and the establishment of much-needed infrastructure in the former African colonies a workable tax system is considered an essential tool to achieve this goal. Although South Africa has always been regarded as the economic powerhouse on the African continent, Nigeria recently surpassed South Africa as the economic leader, with a larger GDP (Beeld, 2020:15).

The problems encountered by the tax authorities in South Africa with regard to the effective and efficient collection of taxes exist even more so in former colonies, such as Nigeria, where great reliance is placed on one source of income (the tax on the production of oil), the understanding of tax as a source of revenue is of paramount importance (Enahoro & Olabisi, 2012:133). The decision makers need to appreciate the need for administrative change within the context of the tax system.

According to Enahoro and Olabisi (2012:134) the problems associated with an enquiry into the tax administration in Nigeria are numerous, but little or no studies have been undertaken to comprehensively examine the system in a manner that attempts to relate the tax administration to tax laws and policies in Nigeria. The lack of literature providing a comprehensive analysis of these aspects leaves a gap between the perception of a perfect reliable tax revenue administration and what it is in reality.

Since tax administration is seen as one of the most important but least studied aspects of fiscal reform in developing economies such as that of Nigeria, there is considerable scope for this study. This research study will seek to examine the history and development of tax structures in Nigeria since before colonisation to the present day. The research might provide valuable context to identify the pitfalls of failing to establish an effective and efficient tax administration system.

The main purpose of this research is to provide a systematic literature review of peer-reviewed published articles and books dealing with the history of tax in Nigeria through the ages. A structural overview of academic journal articles and books relative to the various aspects of tax administration in Nigeria over time will also be presented.

1.2 Problem statement

Nigeria's population is currently estimated at about 206 million, equivalent to 2,64 percent of the world population, based on Worldometers' (2020) elaboration of the latest United Nations data. The culture of Nigeria is shaped by its multiple ethnic groups. The country has over 521 languages and over 1 150 dialects. The four largest ethnic groups are the Hausa and Fulani (predominant in the North), the Igbo (dominant in the South East) and the Yoruba (dominant in the South West). The Fulani and the Hausa are predominantly Muslim, the Igbo are predominantly Christian and the Yoruba are both Islam and Christian (PBSO NewsHour, 2007).

With such a large and diverse population Nigeria's tax collection system, compared to other Africa countries, are at the lower end of the scale in terms of effectiveness and efficiency. The problem increased considerably in the 1970s when large new oil revenues encouraged the government to neglect the proper maintenance of its tax administration (Moore, Fjeldstad & Prichard, 2018:17).

The total public revenue of Nigeria, the most populous country on the African continent, accounted for only about 7% of GDP in 2018, which is about half the figure of Ethiopia, the second most populous country (Moore *et al.*, 2018:17).

1.3 Research question

This study will aim to answer the question as to how the history of the development of the tax system and the problems encountered in Nigeria during the period before colonisation, the period which the country was a crown colony of the British Empire and in the period after Nigeria attained independence caused, the country's tax collection system to be ineffective and inefficient.

1.4 Research objectives

The research objectives of the research study are the following:

- To give a broad overview of the historical, constitutional and political development of Nigeria;
- To analyse and review the development and history of tax administration in Nigeria during the period before colonisation, the period of colonisation and the period after independence;
- To review the factors which prevented Nigeria from establishing a tax administration system with an acceptable level of effectiveness and efficiency; and
- To give an overview of the attempts to reform the tax administration structures of Nigeria in order to establish a system with an acceptable level of effectiveness and efficiency.

1.5 Research design and methodology

Research design is the conceptual blueprint or outline within which research is conducted. The concept should ensure that the different sections of the research study integrate in a logical and coherent way. The result should be that the research problem is addressed effectively.

Research methodology demands specific procedures or techniques used to identify, select, process and analyse the information about a topic. The methodology allows the reader to critically evaluate a study's validity and reliability. The methodology could be context free, context specific or context dependent (Geringer, Frayne & Milliman, 2002:8).

This study will follow a systematic review. Articles from scholarly journals and books pertaining to the history of the development of tax in Nigeria and the problems encountered by the authorities over time will be reviewed. Challenges presented by various negative factors playing a role in the effective, efficient and fair collection of taxes will be investigated as well as the successful allocation of the revenue collected to finance the administration of the civil service and the construction and maintenance of the infrastructure of the country.

1.5.1 Research design elements

An abundance of information regarding the process of designing research exists. Various elements, both philosophical and practical, influence the process of selecting a research methodology. These elements and their relationship with each other need to be considered to ensure a coherent research design that leads to well-founded and meaningful conclusions (Cunningham, 2014:32).

1.5.1.1 Philosophical stance

Research philosophy deals with the source, nature and development of knowledge. It refers to the position a researcher adopts in his or her approach to collecting, analysing and using data.

Three types of philosophical points of view will be discussed:

Positivism

This is a philosophical system that recognises only that which can be scientifically or rationally verified. The research is purely objective and free from human influence. It assumes that truth is an independent part of the whole. Theory should be deductive where rational cause and effect is possible (Henderson, 2011:341)

Interpretivism

In contrast, interpretivism requires the researcher to interpret elements of the study. It integrates human interest into a study and usually focuses on meaning, employing multiple methods in order to reflect different aspects of the issue where qualitative analysis rather

that quantitative analysis is emphasised. Interpretivism is a sociological approach which focuses on the need to understand or interpret the beliefs or motives (Saunders, Lewis & Thornhill, 2019:149).

Interpretivism can accommodate multiple perspectives and versions of truth. It usually seeks to understand a particular context (Thanh & Thanh, 2015:25).

Pragmatism

This approach accepts that there are many ways of interpreting the universe. No single point of view can give the complete picture and there may be more than one reality. It tries to find practical ways of accounting for human conduct and meaning making in all its dynamic and social complexity (Elkjaer & Simpson, 2011:2).

Pragmatic researchers search for practical solutions to the myriad problems that arise within the human experience. They see the other philosophical stances as too abstract and too academic to be of practical value.

Pragmatism and scientific realism share several assumptions about the world, and both are opposed to positivism (Cherryholmes, 1992:13).

This research study adopts the philosophical approach of pragmatism. The tax system in Nigeria is fraught a myriad of problems and the review of the articles illustrates the complexity as the country's tax authorities attempt to address these problems. This study concentrates on practical solutions in this regard.

1.5.1.2 Nature of the study

Research involves responding to a set question or resolving of a problem. Different research approaches can be followed. Researchers from different areas of study develop different methodologies to focus on a particular aspect of a research topic. The topic determines the nature of the research and the methodology the field of research adopts.

Causal study focuses on an analysis of a situation or a specific problem to explain and understand the relationships between variables. It is conducted to identify the extent and nature of cause-and-effect relationships. It also assesses the impact of specific changes on existing norms. By identifying the correlation that exists between the variables, predictions can be made about future patterns (Datt & Chetty, 2016).

Descriptive study describes the characteristics of the population or a phenomenon that is being studied (Leavy, 2017:5). It focuses more on the “what” of the research subject rather than the “why” and involves mainly the use of words to describe what is being observed. This procedure leads to an in-depth critical analysis (Booth, Sutton & Papaioannou, 2016:182).

Explanatory study indicates the process of investigating a problem that has not been studied or thoroughly investigated in the past or a study of lesser known phenomena. It is also conducted to arrive at a better understanding of an existing problem but may not lead to a conclusive result. Exploratory research seeks new insights into phenomena and sheds light on ambiguous situations. The aim is not to derive or develop definite evidence, but rather to serve as a basis for future research. (Mayer, 2015:53).

This study follows a descriptive approach, as it describes what is being observed, namely the characteristics of the phenomenon that is being studied.

1.5.1.3 Method of reasoning

A researcher should consider the research question, the audience which he or she thinks will benefit by the research and his or her own academic experiences to decide on the method of reasoning to adopt.

Deductive reasoning is a logical process in which a conclusion is based on the concordance of multiple premises that are generally assumed to be true. It is the observation of what subjects say about themselves. This type of study describes the nature of a phenomenon or subjects and relies on a general statement or hypothesis to be true. Deductive reasoning follows a conscious direction from a general law to a specific case. It is most suitable for testing existing theories, not creating new science (Kovács & Spens, 2005:133).

Inductive reasoning is a type of logical thinking that involves forming generalisations based on specific incidents, observation or facts. It generates a theory from the data patterns that emerges from the experiences and observations. Inductive reasoning moves from a specific case or a collection of observations to general law (Kovács & Spens, 2005:132).

Abductive reasoning is a form of logical inference that starts with an observation and then seeks to find the simplest and most likely conclusion from these observations. It is used where the researcher makes specific observations which are explained in a meaningful way. Abductive reasoning stems from the insight that most great advances in science did

not follow the path of pure deduction, neither of pure induction. It is seen as systematic creativity or intuition within the field of research to develop “new” knowledge (Kovács & Spens, 2005:136).

This research follows the method of inductive reasoning as it involves forming generalisation based on the observation of facts. The data pattern that emerged from studying various sources illustrated that due to the complexities of the nature of the Nigerian society, including religion, language and political development, the country’s tax authorities battled to establish a system for effective and efficient tax collection.

1.5.1.4 Time horizon

The time horizon within research can be either longitudinal or cross-sectional, both of which are observational types of study. This means that researchers record information regarding their subject matter.

A cross-sectional study entails the collection of data once only. The data may be collected over a shorter or longer period, but it is examined at one point in time only. The researcher compares different phenomena at a single point in time and subsequently describes what is happening at that moment (Booth *et al.*, 2016:150).

A longitudinal study requires the data to be collected at different points in time. The research question may demand that the phenomenon needs to be studied over an extended period to answer the question. Such a study is cumbersome, costly and time-consuming and more complicated than a cross-sectional study (Booth *et al.*, 2016:150).

This research is a cross-sectional study, as it is a study of a particular phenomenon at a particular point in time. This study compares the data extracted from the various sources at a single point.

1.5.1.5 Unit of analysis

The unit of analysis is the major entity that is analysed in this study. Units of analysis could be individuals, groups, artefacts (books, photographs and newspapers) as well as geographical areas (towns, states and provinces).

The unit of analysis is regarded as a concept which has not been sufficiently clarified, especially regarding case studies. A vague understanding of this concept is both related in the authenticity of case study results and their transferability. (Grünbaum, 2007:79).

The unit of analysis is known as the entity that frames what is being analysed within a research study. In this study, as is the case with most social science research, the unit of analysis is a society, i.e. the state or country.

1.5.1.6 Nature of the data

Data is information that is collected through research and/or investigation. The nature of the data collected can either be obtained from primary sources or from secondary sources. The data can either be quantitative or qualitative.

Primary data is data that is collected from original or first-hand sources such as surveys, interviews, focus groups or experiments for a specific purpose, bearing the research project in mind. This data was not available previously (Greener, 2011).

Primary data involves facts and information collected specifically for the purpose of the investigation at hand. It is obtained through the process of direct observation or by explicit questioning of people (Rabianski, 2003:44).

Secondary data analysis is the analysis of data that was collected by someone else for another primary purpose (Johnston, 2014:619). It is cheaper and easier obtainable than primary data and helps to make primary data collection more specific. With the help of secondary data, the primary data researcher can identify the gaps and deficiencies and the additional information that needs to be collected.

Secondary data is characterised as information gathered from secondary sources, i.e. not directly compiled by the analyst, but data which already exists in published sources (Rabianski, 2003:44).

Quantitative data can be counted, measured and expressed by means of numbers. It is statistical and is typically structured in nature, meaning it is more rigid and defined. Because it is measured by using numbers and values it is more suitable for data analysis. It is concise and close-ended and can be used to ask the questions such as “How much?” and “How many?”, followed by conclusive information (Chua & Mark, 2005:2).

Quantitative research is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect (Sukamolson, 2007).

Qualitative data is non-statistical and is typical unstructured or semi-structured in nature. This data is not measured by using hard numbers to develop graphs and charts. It is

categorised on properties, attributes and labels. It can be used to ask the question “why?” It is investigative and is often open-minded, until further research is conducted. Data generated from qualitative research is used for theorisations, interpretations and developing hypotheses (Greener, 2011).

In this research study the nature of the data was obtained from secondary sources, found in scholarly articles and textbooks. Published data could provide an answer to the research question. The books and journals studied provided the academic foundation for the topic and assisted in gaining different views from various authors.

Since history is narrative in its nature the data studied and analysed in this research is not quantitative, i.e. numerical, but qualitative, being non-statistical or non-numerical.

1.6 Summary of chapters

Chapter 1: Introduction

The introduction explains the motivation for this research, followed by details of the problem statement, the research question and the research objectives. The chapter concludes with a discussion of the research design and methodology.

Chapter 2: The history and incidence of tax in Nigeria

The history of tax, which dates to Biblical times, is summarised in this chapter, followed by the incidence of tax, dealing with the concept of who actually pays tax. The chapter ends with a short review of the general levying of taxes in Nigeria.

Chapter 3: Historical, political and constitutional development of Nigeria

In the introduction the dominant role of Nigeria within the economy of the African continent is discussed. The chapter then briefly deals with the historical development before colonisation. Thereafter the constitutional development during Nigeria’s colonial period is discussed with reference to the various constitutions adopted and the impact on tax administration. It concludes with a discussion of the period after independence which was a period of political instability, including periods of military rule and the impact on the development of the tax system.

Chapter 4: Taxation in Nigeria in the pre-colonial era

Before Nigeria became an integrated colony and then an independent state, the country was divided into various states, empires and kingdoms. This chapter discusses the taxes levied by the authorities in these different entities.

Chapter 5: Taxation in Nigeria in the colonial era

An overview of the problems encountered by the British colonial rulers in implementing a uniform tax system and administration in the country is given with specific focus on the levels of sophistication, language, religion and political instability.

Chapter 6: Tax reform in Nigeria

The Nigerian government attempted to reform the country's tax system in order to establish an effective and efficient administration. The complexity of the system, the challenges presented by tax evasion and the problems encountered once the tax on the income from the sale of oil diminished, are discussed.

Chapter 7: Improving the tax system in Nigeria

The changes the Nigerian government implemented to improve the tax system are discussed. The strengthening of the audit procedures of the tax authority, the introduction of VAT and changes to property taxes are highlighted.

Chapter 8: Conclusion

The concluding chapter of this study addresses the research objectives with reference to the previous chapters and answers the research question. Recommendations for potential future research are also given.

CHAPTER 2: THE HISTORY AND INCIDENCE OF TAX IN NIGERIA

2.1 Introduction

Taxes, in some form or another, dates to Biblical times. Emperor Augustus introduced a law, probably in CE 5, establishing a five percent tax upon inheritance. Even then exemptions were built into the tax system. The tax did not apply to close relatives or poor individuals (Gardner, 2010:213). Later, the exemption was extended beyond parents and children to the second degree, i.e. between siblings and between grandparents and grandchildren (Gardner, 2010:214).

Taxes have always been problematic. Even during the middle ages, national expenditure often outpaced national income (Sabine, 1966:14). During the reign of Richard II, a combination of bad finances and military extravagance led to the imposition of the poll taxes of 1377, 1379 and 1380. These attempts at balancing the budget failed, as the taxpayers were either hostile or reluctant and officials encountered practical difficulties in the administration of the collection.

Even, at the end of the 17th century, the tradition of evasion continued. The commissioners battled to make the complex machinery of assessments and collection work efficiently. They experienced delays in the appointment of officials, delays in the delivery of duplicate assessments and delays in payment from the local collectors.

Commissioners, in general, showed a responsible attitude towards their duties (Sabine, 1966:18), as they were accountable and traditionally landowners. The law was interpreted strictly. The principle that the rich should pay more than the poor was already in place. However, no administration was in place to tax income, although the outward and visible signs of wealth were taxed. The number of windows in a house or mansion was one such sign. This was followed by a tax on carriages. A duty was even levied on the number of male servants (Sabine, 1966:19). A short-lived tax on female servants was introduced in 1785. Tax on "pleasure horses", as well as a levy on racehorses, being a basic tax on all starters and an additional tax on winners was not taken too seriously before the war with France. Dogs were divided into three categories, sporting dogs, pet dogs and packs of hounds, and each category was taxed at different rates. Puppies younger than six months, and later also sheepdogs, were exempt. The pressures of the war lead to taxes on clocks

and watches, which proved disastrous for the relevant industry and was repealed and replaced by a tax on armorial bearings (Sabine, 1966:20).

At the end of the 18th century, a surveyor no longer only had the simple duty of counting windows. His responsibilities were extended to also administer servant tax and carriage tax. At least taxation in England kept pace with economic development, in contrast with France, where the process was still mired in the feudal stage.

During the time of William Pitt, who held power on the ground of his financial genius, taxation was still remarkably disorganised. England had the need for reliable sources of revenue, due to the expense of the various military and naval campaigns at the time. Yet, two of the elements required for a sophisticated tax were present: supervision over the collection of additional revenue and the emergence of local commissioners, who formed the administrative framework (Sabine, 1966:15).

The imposition of income tax by William Pitt in 1799 was not a total break with the past but rather a gradual development in theory and practice. The pressure of the war expenses forced the change from expenditure to an income tax. It is described as a tax “not one of intention but of execution” (Sabine, 1966:25).

Pitt had a technical grasp of his subject. His proposing speech is regarded as a “masterpiece of clarity, elegance and precision” (Sabine, 1966:27). Yet the tax was not a resounding success. It was a disappointment. Far less tax was collected than budgeted for. The specific reasons for the failure were inherent in the provisions of the tax itself. The system failed to check all the general returns, the administration did not have the expertise to examine certain returns and the allowable deductions were open to abuse due to a lack of proper procedure for verification (Sabine, 1966:30).

War, democracy and rebellion intertwine down the ages and are also the key elements within the history of taxation (Passant, 2016:93). Tax is seen as both a cause and consequence of revolution. Income tax is a consequence of capitalist development and expansion, which goes hand in hand with war. Passant (2016:94) argues that what is missing in most analyses of this intertwining is the perspective of “the ruled, the oppressed and exploited, and the labouring classes”. He maintains that the poor and working classes are often mere footnotes in the history of tax.

The confrontations over tax have often been about the wish to have a say in the actions of an autocratic ruler or government when extracting money for the various classes in the

form of taxation and the decisions on the use of the revenue collected. The ruling elite, who were battling for political or economic supremacy among themselves, often encouraged the lower classes, especially in times of crises, to help them in their battles. Tax struggles are often about representation. Liberty is intimately linked to protests against unfair taxation (Passant, 2016:94).

2.2 The incidence of tax

One of the concepts of tax which has always been problematic is the answer to the question as to who actually pays tax. Kay and King (1980:7) identify it as “the incidence of tax”. The property owner who pays rates towards his or her local municipality or the employee who sees the PAYE being deducted from his or her salary on the payslip, knows very well who pays the tax. The excise duty on cigarettes is paid by the manufacturer. But no one sees himself or herself as the person who really must carry the burden. The manufacturer has no direct dealings with the smokers who buy the cigarettes and there is no law which requires or even entitles him or her to recover the tax. The price is simply adjusted, and the result is that the tax burden is passed on to the consumer.

There is a distinction between the *formal* incidence of tax and the *effective* incidence. The formal incidence refers to those individuals who have the actual legal liability to pay the tax. The effective incidence identifies those individuals who, at the end, bear the burden. It suits those in business to blur the distinction between the two. A supplier apologises for having to add VAT. Yet, he or she is not obliged to charge VAT, but is legally required to pay it. However, by adding it to the invoice the burden of payment passes to the buyer. The formal incidence in respect of the VAT is on the seller. The effective incidence is on the buyer (Kay & King, 1980:7).

2.3 Levying taxes in Nigeria

In agrarian societies, as in Nigeria for instance, most people experienced direct taxation mainly in the form of poll taxes charged by the local authorities. These taxes had many different varieties but were usually levied on all adult males at the same rate. It was the most important source of revenue for the local authorities. The taxes mobilised rural communities to protest a system which they regarded as repressive (Bräutigam, Fjeldstad & Moore, 2008:114).

Enforcement was more successful in areas and communities where administrators had more power over the collection of taxes than the elected councillors. Foreign donor

agencies which made grants for development projects, on condition that matching funding is raised by the local authority, strengthened the hand of the bureaucrats (Bräutigam *et al.*, 2008:114).

Income taxes were levied on the relatively few people who received substantial salaries or business income in the formal private sector of the economy. Poll taxes were levied on all individuals in a large population category. Millions were liable to pay. Most income taxpayers lived in or around the commercial capital, while poll taxes were collected throughout the entire country. These taxes contributed towards the financing of war efforts, particularly during World War II (when Nigeria was Britain's crown colony), and the financing of development and running expenses of the local administration (Bräutigam *et al.*, 2008:116).

Although a poll tax is conceptually simple, it had huge disadvantages of inequity and collection difficulties. Exceptions were made for the extremely poor and the elderly but did not consider actual income differences and household circumstances. It was inequitable and regressive and perceived as unfair which led to widespread unwillingness to pay. Non-compliance was a serious problem (Bräutigam *et al.*, 2008:118).

The arbitrary features and discrimination of poll tax were reinforced by other factors as well. The ability to pay was difficult to assess in peasant communities dependent on agriculture, which in turn had to rely on rain and weather conditions. Political pressure and conflict obstructed collection. The effectiveness in collecting the tax was typically low and varied. The use of force led to further resentment (Bräutigam *et al.*, 2008:118).

CHAPTER 3: HISTORICAL, POLITICAL AND CONSTITUTIONAL DEVELOPMENT OF NIGERIA

3.1 Introduction

Archaeological evidence confirms that Africa is the cradle of humankind (Ndlovu-Gatshene, 2013:332). Yet, the continent and its people, to a large extent remain trapped in its colonial past and eurocentrism. When colonialism ended, the former European powers continued to influence politics and developments in the regions where they had their colonial ties (Alemazung, 2010:64).

Nigeria is the most populous country on the African continent, with its capital, Lagos, as the largest city in Africa and is now also the country with the largest economy in Africa. Nigeria, together with South Africa, is responsible for nearly half of the gross domestic product of Africa south of the Sahara. Nigeria uses two different rates of exchange. The dual exchange rate was introduced in Nigeria after a severe shortage of foreign exchange owing to the oil price crash in 2014. The one rate is fixed at 306 naira to the dollar and the other is a fluctuating rate, currently 360 naira to the dollar. Nigeria's GDP is either \$476 billion or \$402 billion, depending on the exchange rate. South Africa's GDP is only \$352 billion (Beeld, 2020:15).

Due to Nigeria's prominent position in Africa, the development of its tax system during the periods before colonialism, colonialism and since independence plays a significant role in the history and development of tax in Africa.

3.2 The pre-colonial era

The three centuries stretching from 1300 to 1600 were regarded as the golden age of Trans-Saharan trade. Gold, slaves and other commodities were traded from northern Nigeria across the Sahara Desert to Europe and the Middle East. Trade continued until the 19th century but only to a limited degree after the increase of direct trade with Europeans via the coast (Falola & Heaton, 2014:xiii).

Although contact with Europeans during the period from 1450 to 1850 resulted in huge changes in the political, economic and social infrastructure of the southern Nigerian states, the slave trade dominated the relations between Nigeria and Europe (Falola & Heaton, 2014:xiii).

The Islamic revolution at the beginning of the 19th century resulted in the creation of the Sokoto Caliphate in northern Nigeria. The Sokoto Caliphate was a West African Empire founded by the Fulani Islamic political leader, Usman dan Fodio, after he conquered the Hausa people. The Caliphate was defeated by British colonial forces in 1903 and the territory was divided between British, French and German powers. Although the Caliphate was abolished, the British retained the honorary position of the Sultan, who continues to be recognised in contemporary Nigeria as an influential religious and spiritual leader. The Sultan expanded the religion beyond the ruling classes to the common people in a greater degree than previously (Falola & Heaton, 2014:xiii).

In 1846 the Church Missionary Society established a mission to Abeokuta. From then on Christianity spread rapidly into southern Nigeria. To this day, Christianity and Islam remain the two dominant religions in Nigeria (Falola & Heaton, 2014:xiv).

Although Great Britain abolished the slave trade in 1807, the slave trade continued from ports in southern Nigeria for another 40 years. Legitimate commerce, however, such as the export of palm oil, expanded rapidly from the beginning of the 19th century (Falola & Heaton, 2014:xiv).

The Oyo Empire, which was a Yoruba empire and known today as Benin and Western Nigeria, collapsed in 1833, bringing about a period of 60 years of instability and uncertainty due to the war amongst the Yoruba states in the southwest of the country (Falola & Heaton, 2014:xiv).

3.3 The colonial era

The British annexed Lagos as a crown colony in 1861, established the Oil Rivers Protectorate in south-eastern Nigeria in 1885 (renamed the Niger Coast Protectorate in 1893). In the following year, the Royal Niger Company was formed, which dominated trade in the Niger basin until its charter was revoked in 1900. At that time, a peace treaty was signed ending the prolonged war in the southwest among the Yoruba-speaking clans. In 1893 a British protectorate was established over the Yoruba territories in the southwest and in 1900 the Protectorate of Northern Nigeria was created. The Protectorate was

extended in 1903 when British forces conquered the Sokoto Caliphate (Falola & Heaton, 2014:xiv).

Nigeria became one entity in 1914 when the southern and northern protectorates were amalgamated into a unitary state. The colonial administration maintained the status quo until 1946. The idea of creating different states within Nigeria originated from Sir Bernard Bourdillon, governor of Nigeria from 1935 to 1943. In 1939 he divided the western region into two states in order to enhance administrative efficiency (Okauru, 2012:16).

During the first half of the 20th century protests against British colonial rule and other political activities became prevalent. As early as 1908 the inhabitants of Lagos objected to the water rate, encouraged by journalists who criticised the performance of the colonial government. Over time various trade unions and other interest groups were established and in 1945, these labour unions organised a strike, which brought businesses to a standstill (Falola & Heaton, 2014:xv).

During the period from 1914 to 1960 (when Nigeria gained independence), at least five constitutions were enacted at different times for Nigeria. All of them had an impact on the tax administration of the country (Okauru, 2012:36):

The Lugard Constitution of 1914 provided for the unification of the former northern and southern protectorates into the Protectorate of Nigeria. The Constitution allowed the Governor both legislative and executive powers which included the ability to levy taxes. In 1918 and 1927 additional amendments were introduced to allow the raising of taxes in the western and eastern provinces (Okauru, 2012:36).

The Clifford Constitution of 1922 established a Legislative Council, separate from the Executive Council. New provisions were introduced whereby the legislative authority of the Governor to raise revenue was restricted to the northern provinces of the Protectorate. The Legislative Council remained in charge of executing legislative powers in the southern provinces of the Protectorate including Lagos (Okauru, 2012:36).

This separation of power was highly theoretical. As the Governor no longer had any legislative authority in these areas, the authorisation of the Council was only a formality. All the various legislative councils consisted mostly of officials appointed by the Governor and was expected to vote as he deemed fit. In addition, the Governor had the right to veto any legislation approved by the Legislative Council (Okauru, 2012:38).

Despite these deficiencies, the legislation was at least the beginning of the establishment of the legislature as a structure independent of the influence of the Governor. Theoretically the Council oversaw laws for the southern provinces whilst the Governor continued to make laws applicable to Northern Nigeria (Okauru, 2012:39).

The Richard Constitution of 1946 brought the northern provinces within the ambit of a legislative council. All legislative powers vested in the Governor, who, on the advice and consent of the Legislative Council, could make laws "for the peace, order and good government of Nigeria" (Okauru, 2012:40). These new provisions created the possibility whereby the Governor's legislative powers were limited, but only regarding non-tax bills. The Legislative Council could not introduce any bill which imposed, changed or cancelled any rate of tax, or a specific tax, or a duty without the prior consent of the Governor (Okauru, 2012:42).

The MacPherson Constitution of 1951 upgraded the previous constitution, not only in the delegation of authority to the regions, but also regarding the structure of legislative assemblies. This Constitution introduced the concept of an elected majority not only in the regional assemblies but also in the central governing body although the central legislature was curtailed in its power to pass laws of a monetary nature, including tax bills. The House of Representatives could only do so on the advice of the Governor or with his or her authorisation. A regional legislature could pass laws on taxation only to such a degree as the central legislature decided upon. Residual tax jurisdiction vested in the central legislature. Subsequent constitutions changed this tendency in that taxes under the jurisdiction of the central legislature would be specifically referred to, should the regions oversee all other taxes (Okauru, 2012:42).

The Lyttleton Constitution of 1954 was considered as a further improvement on the previous constitutions as the devolution of powers under its jurisdiction was more comprehensive than before. Owing to the comprehensive devolution of powers it was regarded as a truly federalist constitution. Regarding the House of Representatives, the Governor-General, and in the case of the regional House of Assembly, the Governor, had to approve a bill which imposed, changed or cancelled any rate of tax, or a specific tax, or a duty (Okauru, 2012:44).

This Constitution contained detailed provisions on the allocation of income taxes. The federal parliament had jurisdiction over corporate income tax as well as the personal

income tax of expatriates and the inhabitants of Lagos. Regional assemblies dealt with taxes from the income and profits of African residents in the regions (Okauru, 2012:46).

However, the regions received limited responsibilities and financial and administrative procedures had to be developed. The regional revenues were grouped into “declared” and “non-declared” categories. Declared revenues were the prerogative of the regional authorities (Okauru, 2012:46).

3.4 The post-independence era

When Nigeria gained independence in 1960, the federation consisted of three different uneven regions, with the northern region dominating all spheres of life. The unequal access and competition for scarce resources allowed the ruling elite of that region to introduce fiscal policies favouring the north. Added to that aspect was the element of ethnicity which contributed to the volatility of the situation. The ethnicity factor has continued to play a pivotal role within the political economy of resource-sharing in Nigeria to this day (Ekanade, 2012:95).

Nigeria has not been able to manage the challenges of revenue allocation well as the ruling class has been described as “sectional and corrupt” (Ekanade, 2012:96). The ability of the north to dominate the central government destabilised the federation, which eventually led to the political instability which caused the demise of Nigeria’s first republic in 1966.

After Nigeria's independence in 1960 the country became a republic in 1963 with an indigenous president replacing the Queen as the symbolic head of state. Nigeria's history since independence has been characterised by political upheaval. Nigeria's colonial-inherited democracy was abolished by the military who ruled for an uninterrupted period from 1966 to 1979. The transition to democracy in 1979 raised hope that a stable civilian state would ensue. Electoral malpractices, political violence and corruption soon put paid to this possibility. Military *coups d'état* were a regular occurrence for the remainder of the 20th century (Amusan & Oyewole, 2014:36).

Barely three years after independence a military *coup* brought down the First Republic early in 1966. Six months later in a countercoup another general, Yakubu Gowon, came to power. In the following year Emeka Ojukwu declared the independence of the Eastern Region as the sovereign Republic of Biafra. For three years a devastating civil war was waged between the forces of the federal government and the Biafran separatists. Biafra

eventually surrendered in 1970 and the region was re-incorporated into Nigeria (Falola & Heaton, 2014:xvi).

At the same time General Gowon created 12 states out of the existing three regions. Ever since then the desire for the creation of more states became constant. As from the year 2000 Nigeria is made up of 36 states with the Federal Capital Territory situated at Abuja (Falola & Heaton, 2014:xvi).

Gowon's regime was overthrown in 1975 with yet another general, Murtala Mohammed, taking over as the head of state. He was assassinated in the very next year in an unsuccessful *coup*. His deputy, Olusegun Obasanjo, succeeded him and introduced sweeping reforms, transferring power to civilian leadership for the first time since the 1966 *coup* (Falola & Heaton, 2014:xvii).

In 1979 Alhaji Shehu Shagari became president of the Second Republic. The oil boom was followed by an oil bust and the economy declined dramatically. In yet another *coup* in 1983, General Muhammadu Buhari took over as head of state. His administration was known for its firmness on issues of integrity, corruption and austerity, but it was unable to improve the weak economy. Two years later, in 1985, General Ibrahim Badamasi Babangida overthrew the Buhari regime. The economy continued to decline (Falola & Heaton, 2014:xvii).

A presidential election was held in 1993 to elect a civilian successor for Babangida. In what was called the fairest election in Nigerian history, Chief M.K.O. Abiola, a Yoruba Muslim from the south-west, won the election. The election results were annulled shortly afterwards, and the country thrown into chaos. Babangida handed over the power to an interim governing council lead by Chief Ernest Shonekan. Barely three months later, the interim council was overthrown yet again, and General Sani Abacha became the head of state (Falola & Heaton, 2014:xviii).

Abacha refused to recognise the election results and used violence and manipulation to oppress dissent. In 1995 prominent political opponents were executed. Abacha died in 1998 and power was transferred to General Abdulsalami Abubakar who took steps to once again install civilian rule. The democratic state which came into existence after the death of General Abacha did not deliver as was so greatly anticipated. Military rule will be remembered for its human rights abuses, draconian laws, intimidation and underdevelopment. Unfortunately, democracy inherited a dysfunctional state with the

amoral politics of corruption, emphasis on ethnicity and oligarchical tendencies, and failed to reverse this trend (Amusan & Oyewole, 2014:36).

The former military head, Olusegun Obasanjo, was freed from prison by Abubakar, ran as a civilian candidate, won the presidential election in 1999 and ended 16 years of consecutive military rule. However, violence plagued his government from its inception. Like most other former British colonies, Nigeria inherited the British political system where the winner takes all. Obasanjo declared the 2007 election “a do-or-die” matter for him and his People’s Democratic Party (PDP). Obasanjo’s radical view lead to a repression of opposition parties and the maintenance of armed non-state forces or groups that promoted violence and assassinations. In November 1999, the army destroyed the town of Odi and killed scores of civilians in retaliation for the murder of 12 policemen by a local gang. In 2001 hundreds of ethnic Hausa were killed in south-eastern Nigeria. Despite all these atrocities, Obasanjo was re-elected in 2003 (Amusan & Oyewole, 2014:39).

In the general election of 2007 Umaru Yar Adua and Goodluck Jonathan were elected as President and Vice-President. Yar Adua’s presidency was fraught with uncertainty as he was suffering from kidney and heart disease. In 2010 the country learned of his death and Jonathan became acting President. Jonathan did not have the same ethnic and religious affiliations as his predecessor but succeeded in being re-elected in 2011 (Ayoade & Akinsanya, 2013:xvi). General Muhammadu Buhari was declared the winner of the 2015 presidential elections and became President after a peaceful transfer of power from Jonathan (Freeman, 2015).

After Nigeria gained independence in 1960 the Independence Constitution came into effect in the same year. The Constitution granted the right to the federal parliament to make laws on taxes regarding income and profits, pertaining to any region of the federation, but not on such income derived by African residents and African communities in any of those regions. The concept that the transfer of property could not take place without adequate compensation was enshrined in the Constitution, but it also stipulated that this provision could not curtail any general law for the imposition or enforcement of any tax, rate or duty. A restriction was placed on the Senate in its application of legislative powers regarding bills of a monetary nature. Only the House of Representatives had the right to pass a money bill (Okauru, 2012:47).

The legislature of the central government was prohibited from initiating a tax bill or amending an existing bill dealing with the reduction of a tax or a levy. Only the executive

could propose a tax bill which could only be introduced in the House of Representatives. The legislature of a region could also introduce laws regarding any matter but, should a law enacted by a region be inconsistent with that of Parliament, the law enacted by parliament took precedent (Okauru, 2012:49).

The right of Parliament to enact laws regarding income and profits were expressly defined in the Constitution. Parliament could implement a treaty, convention or agreement with any other country regarding the taxation of foreign income of residents; regulation of the liability to tax persons by means of reference to their place of residence to ensure that any income is not taxed under the laws of more than one country; exemption of any person or any class of person from paying tax; and the exchange of financial information with other tax authorities (Okauru, 2012:49).

The Constitution also contained various provisions to allow Parliament powers to exempt persons from paying tax on mining or activities connected with the mining industry; to decide on the management of import and export duties, as well as excise and customs duties on a product; and to determine the manner in which these levies would be shared between federal government and the regions (Okauru, 2012:51).

The Republican Constitution of 1963 enabled similar provisions as enacted in the previous constitution. The senate could not initiate tax bills. Similarly, the House of Representatives could not initiate a bill that imposed or changed taxes, except for the reduction of a tax rate, unless recommended by the President at the request of a minister. The taxing powers of Parliament were clearly stipulated, similar to the 1960 constitution. Parliament could make laws pertaining to taxes of deceased estates in order to avoid a liability under more than one jurisdiction (Okauru, 2012:54).

The 1979 Constitution provided that both the National Assembly and the Houses of Assembly of all the states could make laws on the legislative list which included customs, excise and export duties, stamp duties, taxation of incomes, profits and capital gains. The National Assembly was empowered to prescribe that taxes and duties on the income and profits of natural persons (excluding juristic entities such as companies) as well as capital gains could be administered by a state. Furthermore, the National Assembly also had the power to regulate that more than one state could not levy a tax or duty on the same person (Okauru, 2012:55).

The revenue generated by taxes by the different levels of government had to be undertaken on the basis of derivation. Tax collected by a state had to be dealt with as part of the revenue fund of that state. In the case of tax collected by the federal government, a sum equal to the proportion of the net proceeds of tax derived from a state had to be paid to that state. The state, in turn, was obliged to account to the federal government the cost of collection plus the revenue collected from taxes in proportion to its share of the proceeds the state received (Okauru, 2012:56).

The Constitution listed the functions of local government as far as taxes were concerned, which included the collection of taxes, radio and television licenses, and licensing of bicycles, trucks, canoes, wheelbarrows and carts. Local governments were also required to assess privately-owned houses or tenements for the purpose of levying such rates as prescribed by the House of Assembly (Okauru, 2012:57).

In addition to the same powers conferred to the various tiers of government as in the previous constitution, the 1999 Constitution also obliged each and every citizen to make prompt payment of taxes, to declare his or her income honestly to the appropriate and lawful agencies. Public service pensions were exempt from tax (Okauru, 2012:58).

Although the different states could deal with personal income tax, capital gains and stamp duties, the National Assembly could legislate on the regulation and administration of these taxes and levies. Some commentators argued that the states merely administered the taxes as agents of the federal government. As the Constitution cautioned “except as otherwise prescribed in this Constitution”, other commentators concluded that the Constitution never intended to give the National Assembly total and complete jurisdiction over these taxes and levies (Okauru, 2012:61).

The states have residual tax jurisdiction, allowing these states to delegate selected powers to local governments. The functions of a local government are similar to those enlisted in the previous constitution, with the additional power that a local government could license, regulate and control the sale of liquor (Okauru, 2012:61).

The interference of the military into the governance of Nigeria did not change the tax jurisdiction regarding the different levels of government as the provisions in respect of taxes did not form part of the Constitution which different military administrations consistently suspended (Okauru, 2012:64).

3.5 Conclusion

The first contacts of the indigenous inhabitants of the various regions of modern-day Nigeria with Europeans in the 15th century resulted in huge changes in their way of life in the next 400 years. Christianity was introduced into the region; the historical political leaders were defeated, and colonial masters took over as rulers. The various empires and kingdoms were abolished, and protectorates established. The protectorates were amalgamated and again divided into different states (Falola & Heaton, 2014:xiv).

When the country eventually won independence, it was a federation consisting of three different uneven regions. The northern region dominated all spheres of life. The ruling elite introduced policies that favoured the north (Ekanade, 2012:95).

CHAPTER 4:

TAXATION IN NIGERIA IN THE PRE-COLONIAL ERA

4.1 Introduction

Before Nigeria was colonised the country comprised many empires, kingdoms and city states. Each had its own ruler and its own customs as to the way in which taxes and levies were collected to fund the activities of the authorities.

4.2 The Hausa city states

At the beginning of the 11th century, seven independent Hausa city states were founded in Northern Nigeria (Bano, Biram, Daura, Gobir, Kano, Katsina and Zaria). These city states became strong trading centres, with cattle farming, craft-making and slaves (Okauru, 2012:68).

Various forms of taxes were levied, including *gundu* (an agricultural tax on farm crops), *zakat* (levied on Muslims for religious and charitable purposes, as prescribed by the Koran), *kudin-kaksa* (land tax), *jangali* (cattle tax), *shukka-shukka* (plantation tax), *gado* (death duty paid to the Emir on an estate where there was no recognised or proven heir), and *kudin sarauta* (a duty paid by a chief upon appointment) (Okauru, 2012:69).

4.3 The Kanem Borno Empire

The Kanem Empire was established east of Lake Chad in the 9th century. The ruling dynasty, the Saifawas, enlarged the territory by conquering other areas. Due to conflict between the 12th and 14th centuries the rulers had no choice but to move into Borno in north-eastern Nigeria. The original inhabitants of Borno were nomads who practiced subsistent farming, supplemented by hunting and fishing. By the 19th century irrigated farms were worked by slaves. An impressive tax system was in existence in 1830, which provided a reliable source of income for the emirate (Okauru, 2012:70).

An income tax, known as *sada'a*, was obligatory on all Muslims. This tax was levied on farm produce and developed into a grain tax. A grazing fee, *kasasairam*, was collected from nomads. A secular tax, *hakki*, had to be paid by landowners in kind and in cash. Peasant farmers paid *kaleram*, a fee for permission to till the land. A deceased estate with substantial property or cash paid *warata*. Merchants paid *kafelo*, an obligatory gift to the ruler. *Hadiyya* was a tax paid during certain Muslim festivals (Okaura, 2012:71).

4.4 The Yoruba states

4.4.1 Ife

The city of Ile-Ife was the centre of cultural and religious life. It enjoyed unique historical and constitutional status, surrounded by other Yoruba kingdoms. An elaborate chieftaincy system was developed. Art was a notable development. Various objects in wood, stone and bronze were manufactured (Okauru, 2012:71).

The Islamic world demanded forest products, which drew trade towards the north to the region between the Lower Niger and Dahomey. The city had the opportunity to collect revenue by means of levies and trade tolls as a result of those trading activities. The heads of families provided the kings with income collected through a system of annual levies, special contributions at festivals and even bribes (Okauru, 2012:72).

4.4.2 Oyo

As the Oyo state had a superior political system and the best organised military, it assembled the largest territory of all the Yoruba kingdoms and emerged as the most powerful of all of those kingdoms during the middle of the 16th century. The rich soil of the territory provided the people with the opportunity to grow additional crops and this allowed them to trade with neighbouring states. The Oyo Empire interacted with the other Yoruba states as well as with the Benin Kingdom. The entire economic region had a uniform currency embodied in cowry shells. This currency predated the introduction by the colonial rulers in West Africa in the late 19th century of a monetary economy (Okauru, 2012:73).

The state had an overly complex market system, which was connected by efficient roads. Traders organised themselves into various guilds. Trade consisted of extensive farm and manufactured products, allowing the Oyo state to generate substantial tax revenues. Traders paid duties at the gates of the towns. The size of the towns determined the number of gates. At festival times the towns brought their levies and presents to the king. All towns paid death duties on the deceased estate of their prominent inhabitants (Okauru, 2012:74).

4.4.3. Ibadan

From a small village in 1827 the town developed into a city with 60 000 inhabitants by 1852 and 150 000 in 1890. The nearby farmland was made available to all its inhabitants, who wanted to grow crops on the existing land. In the 19th century the city exported its surplus crops to the neighbouring Ljebu and as far as Lagos (Okauru, 2012:74).

As Ibadan was the commercial hub of the Yoruba region, the Ibadan traders were protected on the various routes. The communities paid levies to Ibadan in the form of cowries, palm olive and slaves. In each town proportionate tax was levied on every household and paid to the king (Okauru, 2012:73).

A land rental, known as *ishakole*, was paid to the rulers. Both men and women paid *owo ode* in cash and in kind. Half went to the paramount chief and the other half was kept by the local chief. Defaulters were ordered to leave their land (Okauru, 2012:76).

4.5 The Benin Kingdom

Pre-colonial Benin was a politically centralised kingdom with a well-defined hierarchical system. In the 15th century Benin became a powerful and wealthy metropolis as a result of its port of Ughoton, which was used for the slave trade. A series of military campaigns led to the conquering of large parts of eastern Yoruba where the rulers of the conquered towns were compelled to pay tribute to Benin. Benin grew in status and prestige as a result of these conquests which could be observed in the infrastructure of the city, such as an excellent road network and impressive buildings (Okauru, 2012:76).

Early in the 18th century Benin generated substantial revenues from taxes, mostly in the form of tributes. The collection of tolls was also a source of income in pre-colonial Benin. The traders paid toll in proportion to the value of the goods they transported whilst the traditional judicial systems imposed fines. Tributes were paid, based on either land grants or custom (Okauru, 2012:77).

The king created new titles which was another source of revenue. Many regions continued to pay tributes to Benin, even though Benin later wielded any military influence. The Weppa and Agenebode on the Niger paid tributes up to the 1840s and the Urhobo even as late as 1850 (Okauru, 2012:79).

4.6 The Eastern provinces

4.6.1 The Igbo

As the Igbo people remain one of Nigeria's dominant ethnic groups, they discouraged hereditary aristocracy with the result that no monarchies came into existence. In each of the three provinces of Igboland economic activities in agriculture, trade and manufacture had a vital role to play regarding the continuity of the Igbo as a separate ethnic group (Okauru, 2012:79).

Every Igbo citizen was a farmer. Parts of Igboland had large iron-ore deposits which were used to manufacture tools and ritual objects. During the 18th century money was used to conclude commercial transactions. Currencies included salt, brass rods and copper wire. From the 16th century onwards, the Igbo supplied slaves to the Portuguese (Okauru, 2012:80).

As no monarchy or central authority existed, the pre-colonial Igbo society had a standard form of taxation. Their tax system comprised contributions towards collective projects such as community roads (Okauru, 2012:81).

4.6.2 The coastal states

Various states, such as the Nembe and the Calabar, existed in the Delta region of Nigeria. They were referred to as "city states" which were political entities centred in a town with outlying villages and settlements. The Delta province was divided into lower Delta, inhabited by fishermen and makers of earthenware, and upper Delta, where inhabitants farmed and traded in palm oil. Life within the Delta group featured exclusive societies. Fixed fees were paid for membership which determined social status. Slaves played an active role in festivities and the clan formed an important part of society. The political authority was the village assembly presided over by the town elder (Okauru, 2012:82).

The early political system of the indigenous coastal clans lacked central control which did not encourage a tax system. Apart from trade, raising revenue to support communal life was generated by charging fees for the induction into societies and fines and penalties for transgressions (Okauru, 2012:83).

4.7 Conclusion

Before Nigeria became a British colony, the various geographic regions of the country were inhabited by culturally and religiously diverse groups. Whereas a kingdom existed in the region east of Lake Chad as early as the 9th century, ethnic groups in certain eastern provinces did not allow monarchies to develop.

The type of constitutional system determined that tax systems should be in place. An empire such as that of the Kanem Borno Empire had an impressive tax structure. In the Benin Kingdom the king created new titles as a source of income. Due to the absence of a monarchy or other central authority, the Igbo people in the eastern provinces had no form of taxation, except for contributions towards the building of community roads.

CHAPTER 5:

TAXATION IN NIGERIA IN THE COLONIAL ERA

5.1 Introduction

This chapter deals with the history and development of taxes in Nigeria during the period from 1861 when Lagos was annexed by the British until 1960 when the country gained independence.

The levying of tax during that period was a complex issue. The new rulers did not immediately introduce direct taxation (Okauru, 2012:84). Regions such as the Sokoto Caliphate and Borno had an impressive ancient tax tradition (Adebayo, 1995:114). Colonial administrators had limited knowledge of their subjects and they had to rely on local officials to administer the collection of taxes (Gardner, 2010:1).

The commencement of colonial rule in Nigeria in 1861 did not signify that the entire area was colonised at the same time as the annexation of Lagos. In Eastern Nigeria, British rule was only introduced after 1885 and some parts of Northern Nigeria was only colonised in 1903 (Okauru, 2012:83).

The British system of colonial administration was developed in the West Indies long before Britain acquired Lagos as a colony. The new rulers did not consider whether the crown colony system of administration complemented the long-established pre-colonial administration systems in any way. The Nigerians were forced to finance the colonial authorities and simultaneously nurture their traditional local governments where they existed (Okauru, 2012:84).

In the beginning the colonial administration collected most of its revenue from custom duties as the British were vigilant in introducing direct taxation. As from 1886 canoe owners in Lagos had to license their canoes at a cost of ten shillings per year. As from 1869 traders using government-built market stalls had to pay monthly fees (Okauru, 2012:84).

The fiscal development of British colonies in Africa can be judged by means of an appraisal of the per capita public revenue. The differences of revenue levels in the various colonies between 1870 and 1940 were substantial. The colonial government of Nigeria (as well as that of Nyasaland and Uganda) could never succeed to collect more than a third of half of the revenue generated by other colonies (such as Kenya, The Gambia and the Gold

Coast). In Mauritius, the figure was three to ten times as large as elsewhere (Frankema, 2011:137).

Frankema (2011:137) also found that the purchasing power of the British colonies varied, with the state budget of Nigeria increasing much less effectively than that of Kenya or the Gold Coast. It remained extremely low compared to British colonies such as New Zealand, where the per capita budget ranged from 20 to 60 times higher than in British Africa.

The nature of indirect rule in Africa was riddled with contradictions. Colonial officers were accosted by imposing colonial structures on local people in the name of tradition. The colonial state was the product of complex local dynamic, rather than a straightforward imposition (Yayoh, 2015:39).

The devolutions of tax collection in British colonial Africa had a long history. In the early colonial period, the authority to issue assessments and collect taxes were awarded to district officers and their delegates and this led to widespread corruption. The problem increased in the 1940s when authority was devolved even further at local level (Gardner, 2010:213).

The decentralisation policies were motivated by the idea that the local knowledge of district authorities and their African staff would make public service more responsive to local needs and preferences. The collection of taxes from the local population was one of the earliest public functions developed by central governments. The desperate need to generate revenue, together with the desire to bring Africans into the market economy, led to the imposition of direct taxation on Africans from the first years of colonial rule (Gardner, 2010:215).

5.2 Limited knowledge of local tax practices

To compensate for their limited knowledge of taxpayers, colonial administrations used the local knowledge of district officers. Local officials could grant exemptions to taxpayers they believed were too poor to pay taxes. This practice created opportunities for corruption, which were compounded in the post-war period, when additional powers of taxation and expenditure were given to local authorities. Decentralisation was at the heart of both indirect rule and colonial development policies after the Second World War (Gardner, 2010:214).

This development was inherited by post-independence governments who struggled to increase the accountability of local authorities. The corruption which emerged during

decentralisation in the colonial period continued in the period after independence. Limited resources forced colonial governments to delegate authority to local authorities. These same limited resources stopped post-independence governments from monitoring the activities effectively (Gardner, 2010:231).

Different colonial institutions within Nigeria, which was implemented by the British for reasons of local conditions, led to diverse levels of service delivery. Citizens living in areas where the local tax system required more bureaucratic capacity were more satisfied with their government. They received more government service than those in nearby areas where colonialism did not build bureaucratic capacity (Berger, 2009:1).

The political instability in Nigeria caused successive military and civilian governments to frequently change the law and structures under which local governments operated but left the staff relatively unchanged. The result was that the ability of local authorities to function effectively depended much more on the competence and honesty of the bureaucrats than on the specifics of the laws under which they had to operate (Berger, 2009:1).

The division of Nigeria in 1900 resulted in otherwise identical villages to be subjected to different tax regimes, depending on whether these villages were north or south of the border. These different systems persist to this day. The local authorities had been almost entirely captured by their employees. The state had a limited capacity and ability to sanction incompetent and inefficient bureaucrats. Local governments were rife with nepotism, with the result that they behave like small family businesses. (Berger, 2009:3).

5.3 Labour contributions

Dunaway (2010:20) found that peasants working as forced, often unpaid, labourers returned to their agricultural households as soon as they had completed work assignments mandated by the colonial masters. Informal sector activities, tenancy, sharecropping and subsistence production on communal plots prevented colonial Africans from being dependent on wages. By 1930 only about one percent of all African adults had been transformed into wage earners. Even at the end of colonialism most Africans were still tied to the land and very few households were dependent on wages (Dunaway, 2010:20).

According to Van Waijenburg (2018:40) studies on the African colonial tax system had largely ignored the contributions from a widely used, but invisible source of state revenue namely that of labour contributions.

Labour taxes constituted, in most places, the largest component of early colonial budgets. Historians saw the use of forced labour as a response to the challenges of colonial rule in Africa. Since Africa had remained sparsely populated, labour, rather than land, was the scarce production factor. Labour scarcity led to a comparatively high price for labour. Colonial governments responded with a range of steps such as land alienation programmes, vagrancy and mandatory labour services, with the aim to increase the supply of labour and reduce the cost thereof (Van Waijenburg, 2018:43).

However, surplus extraction from labour obligations did not show up in colonial budgets and remained a largely invisible source of government revenue. Colonial governments left behind few documented traces of their forced labour schemes, with the result that any attempt at estimating the value of labour coercion remained a challenge (Van Waijenburg, 2018:42).

Data on how much labour taxes augmented the revenue base of the colonies tend to be scarce, biased and incomplete. Yet, from the sources available it was found that especially in the early colonial period, the invisible value of unpaid labour obligations often may well have exceeded the total size of a colony's budget (Van Waijenburg, 2018:74).

5.4 Challenges presented by cultural diversity

Even before the creation of modern Nigeria, taxes were collected in various empires that existed previously, including kingdoms in the western regions as well as the central empires such as the northern emirates (Okauru, 2012:35).

The era of colonialism brought about a change in taxation within these kingdoms which was also extended to territories where taxation was previously unknown. The most important change was that the taxes were now due to a foreign government in a different style and manner of tax administration (Okauru, 2012:35).

Colonial tax was first introduced in northern Nigeria in 1906. This tax was extended to the western territories in 1918 and to the eastern territories in 1927. The colonial government passed several other legislations in order to regulate various taxes and to administer aspects of taxation until Nigeria's independence in 1960 (Okauru, 2012:36).

When the British conquered northern Nigeria, they found a taxation system in operation in the Sokoto Caliphate and in Borno. It was a pre-jihad revenue collection which was already transformed by the post-jihad administration and based largely on the Shari'a. The internal revenue system was based partly on taxation and partly on tribute. The taxes were

levied and collected by emirs, who appropriated a large part of the proceeds. The payment of the tribute was incumbent on all emirs. The loyalty of the emir was measured by the promptness and regularity of the payment and portion was determined by the wealth of the emirate (Adebayo, 1995:113).

These taxes were collected by the emirs and other members of the aristocratic families. In cases where the aristocrats did not collect the taxes personally, they appointed agents, known as *wakilai*, who became notorious as “tax collectors”. The levels of authority and officials associated with tax collection, the multiplicity of taxes and the absence of direct supervision by the emirs, led to abuses and corruption. The officials of the colonial administration which inherited this system regarded it as disorderly and oppressive (Adebayo, 1995:114).

Despite these reservations, the high commissioner of northern Nigeria was impressed that the Caliphate and Borno had a tax tradition as old as history. However, due to the corruption and oppression that pervaded the system, he proceeded to transform the Hausa-Fulani and Borno traditions of taxation (Adebayo, 1995:114).

5.5 Conclusion

Colonial rule was introduced in various parts of Nigeria from 1861 and continued as late as 1903 (Okauru, 2012:83). The colonial masters battled to coordinate the crown colony system of administration with traditional governments of the indigenous population. Their limited knowledge of the local customs and traditions forced them to consult with the local African staff to determine the needs and preferences of the inhabitants. However, some parts of the country already had sophisticated tax collection systems in place, such as the Sokoto Caliphate (Adebayo, 1995:113).

The diversity of the population, as well as the different levels of development, religions and languages, presented a major challenge to develop a uniform tax system. Ethnicity was perceived as a major obstacle in the politico-economic development of Nigeria (Odeyemi, 2014:94). The result was that the state budget of Nigeria did not grow as dramatically as that of other British colonies on the African continent, such as Kenya and the Gold Coast (Frankema, 2011:137).

CHAPTER 6:

TAX REFORM IN NIGERIA

6.1 Introduction

Taxation plays an important role in a country's revenue generation and economic growth. The most important source of revenue is the compulsory tax contributions made by individuals and corporate entities towards the government's expenditure. The efficiency and effectiveness of tax administration plays a pivotal role in the tax-generating process (Pantamee & Mansor, 2017:117).

6.2 Challenges in tax collection

Numerous problems associated with tax revenue generation in Nigeria have been identified. One of the problems is the lack of a cordial relationship between tax authorities and taxpayers. This has motivated research by Papaioannou and Dalrymple-Smith (2015:40) in an attempt to establish a way in which the Nigerian tax administration should interact with other relevant parties to improve this relationship in order to generate adequate tax revenue.

The development of the tax system in Nigeria after colonisation was influenced by the pre-colonial systems in existence. In the same manner a study found that colonial-era investments and the provision of public goods in Nigeria were influenced by pre-colonial conditions. The study also found that unstable and unpredictable patterns of investment only came to an end with the re-establishment of democracy in the 1990s (Papaioannou & Dalrymple-Smith, 2015:40).

The ability of the Nigerian federal or state government to raise sufficient revenue from taxes is dependent on the efficiency and effectiveness of the tax administration. In terms of effectiveness and efficiency, compared to other countries on the African continent, Nigeria's tax collection system is on the lower end of the scale. The system began to fall apart in the 1970s as large new oil revenues encouraged the government to neglect the proper maintenance of tax administration (Pantamee & Mansor, 2017:117).

6.3 Nigerian tax structure

The Nigerian tax system has a tripartite structure:

- **Tax policy** sets out the principles, guidelines and objectives to be accomplished. The policy details the charges the government imposes on companies, properties, transactions and individuals in order to generate revenue. It deals with the amount of tax to be collected to meet the government's obligations and expenditure, considers the effect of taxes on the general economic activity as well as the issue of fairness.
- **Tax legislation** forms the various tax types and rates, recommends penalties for defaulters and provides the legal and regulatory structure for the system. The Federal Inland Revenue Service (FIRS) lists 19 different tax legislation acts.
- **Tax administration** refers to the implementation of the tax laws through the activities of the authorities obliged to assess, collect and account for the tax revenue. The enforcement of tax policy includes the responsibility to see to it that taxpayers comply with the tax rules (Simeon, Simeon & Roberts, 2017:53).

No country can survive and prosper without the imposition of taxation for the purpose of generating revenue through efficient tax administration. Taxation is used as a fiscal tool for economic development, the alleviation of poverty, to encourage savings and investment, to redistribute income and to curb social ills. It stands to reason that a strong and vibrant tax administration is essential in order to achieve the objectives of the tax system (Pantamee & Mansor, 2017:118).

The high incidence of tax evasion and avoidance in Nigeria leads to low levels of government revenue. The cascading effect results in reduced government spending and the income of household and business is limited, culminating in low levels of economic activities and growth (Ojong, Ogar & Arikpo, 2016:32).

Due to the complexity of the Nigerian tax system, certain inherent challenges have been created which need to be addressed to optimise the country's ability to collect taxes in a more efficient manner in order to promote economic development, fiscal responsibility and accountability. It should also ensure stability of the economy, to provide resources to enable the government to provide goods and services to the public and to ensure that the issue of income distribution inequalities is addressed (Simeon *et al.*, 2017:54). Challenges that have been identified are:

- **Multiplicity of taxes.** This is not a term that other tax jurisdictions are familiar with but is peculiar to Nigerian fiscal lexicography. It originated from the situation where individuals and corporate bodies are taxed more than once by two or more tax authorities. Both individual taxpayers and corporate bodies complain about the effects related to the repetition.
- **Administrative challenges.** The lack of transparency in the management of the taxpayer's money and tax evasion are the two most important problems encountered within Nigerian tax administration.
- **Non-availability of database.** The database of individuals who are liable to pay tax, the very tool used for assessing and collecting of taxes, is inadequate. Thus far no efforts have been made to collate or analyse the limited data available or to store it correctly, making it a challenge to retrieve the necessary data.
- **Tax touting.** Tax touting is a common practice in local government tax collection, especially at the level where individuals who are unprofessional and not trained, are engaged in enforcing and collecting taxes and levies.
- **Complex nature of tax laws.** The tax laws in Nigeria are so complex that very often it is so difficult for well-educated individuals within society to grasp its inner workings. At times even officials have difficulty in interpreting the tax acts due to the problematic nature thereof.
- **Minimum tax.** The imposition of minimum tax on a company not earning a taxable profit contributes to the hardship of such a company. Companies are then forced to pay the tax from their capital, increasing the risk of a possible failure when recording low or no profitability.
- **Non-payment of tax refunds.** The tax law provides for the payment of refunds to the taxpayer with legitimate claims. This, however, does not happen in practice and is often delayed. This problem is prevalent in the deduction of VAT at source by agents of the government and in the case of the high rate of withholding tax (Simeon *et al.*, 2017:55).

The relevant authorities responsible for the process of assessing and collecting taxes in Nigeria from individuals and companies in an efficient and effective way, with minimum tax evasion, is the Federal Board of Inland Revenue, constituted under the Companies Income Tax Act 1990. The main aim of the Federal Board is to assess and collect taxes for the government, whilst the State Board of Internal Revenue, established under the Personal Income Tax Act 1993 is to assess and collect tax due to the state government (Pantamee & Mansor, 2017:117).

6.4 Attitudes towards tax collection

In Nigeria significant revenues are collected at intermediate (state or provincial) levels, using relatively informal practices. The collection of state-level taxes is often undertaken by private contractors with close connections to leading political figures. The distinction between national and local taxes is essential. Most literature is biased towards the former

and the distinction contrasts the experience of those taxpayers who have no voice (ordinary taxpayers in rural areas paying less tax). A potentially important difference in policy emphasis is also part of the equation. National revenue reform generally focuses on increasing the overall collection level. In the case of local taxes, particularly those other than property taxes, the important challenge is to simplify the structure, reduce informality and reduce the burden on those with the lowest income (Moore *et al.*, 2018:150).

A 2016 survey in Nigeria found that attitudes towards the informal taxes paid to chiefs and non-state entities were more positive than attitudes towards tax payments to the state. Respondents felt that they obtained a better return and a better deal on the informal payments than on the taxes paid to the remote central government or to the formal local government (Moore *et al.*, 2018:158).

Contrary to the development of taxes in Europe where the ruling classes forced taxation on the proletariat, the present African leadership must seek consent from the citizens first and enforce taxation afterwards (Guyer, 1992:41).

In Nigeria governance at all levels suffers from public distrust and declining public confidence. There is a gap between the theory of transparency and accountability and demonstrable commitment to values regarding the actions of politicians. The optimistic expectations of a democratically representative government are in stark contrast to the increasing loss of accountability. A gap exists between the pronouncements of government officials and their actual actions (Modugu, Eragbhe & Izedonmi, 2012:72).

In an investigation, available documents were used to conduct case studies to provide evidence of the strategies and tactics political leaders use to facilitate their capital accumulations. The study showed that large sums of government revenue had been undermined by the financial criminal practices of the Nigerian political elite (Otusanya, 2012:175).

A further study by Modugu *et al.* (2012:75) was conducted amongst taxpayers in the six geographical regions of Nigeria. This study found that the perception of tax fairness and equity and treatment by tax authorities are unlikely factors to influence voluntary tax compliance. Respondents were undecided whether the probability of detection and punishment, easy understanding of tax laws, a too high tax rate, the political party in power and a positive peer attitude played a meaningful role in improving compliance. They agreed, however, that the provision of public goods, a perception of the government

considering the plight of its citizens, satisfaction with the government's performance in general and ethics and morality could play a significant role in stimulating compliance.

The evidence of the study indicated that should the government perform in terms of its social and fiscal contract with its citizens, the positive actions in this regard would significantly encourage voluntary tax compliance. The perception of the citizens regarding the government's accountability in upholding the standards of procedural fairness in delivering public services shapes the emergence and maintenance of tax morale (Modugu *et al.*, 2012:75).

The tax administration environment is seen as an "establishment which exists within a government economy that has an impact on tax administration" (Pantamee & Mansor, 2017:118). This environment incorporates individuals, social and economic forces and legitimate constraints. External stakeholders and conditions influence the administration of revenue. Tax administration setbacks can quite often be identified by the limitations of such outside elements. The success or failure of revenue administration often rests on how tax officials handle the environmental issues imposed by stakeholders (Pantamee & Mansor, 2017:118).

Successive governments in Nigeria introduced various tax reforms to improve voluntary tax compliance. In theory there is supposed to be a social contract between the state and its citizens. Voluntary tax compliance is influenced by the taxpayer's perception of government accountability. A positive perception shapes the emergence and maintenance of tax morale which results in improved voluntary tax compliance (Modugu *et al.*, 2012:69).

Modugu *et al.* (2012:69) found that tax reforms were not able to increase the tax revenue. The tax gap between the share of income taxes and total revenue remained. The unacceptable tax compliance is a challenge experienced by most countries, but it is particularly critical in developing countries such as Nigeria.

Earlier on orthodox models of tax compliance behaviour identified the probability of detection and the degree of punishment as factors influencing taxpayers. Tax compliance could be subdivided into compliance due to enforcement plus the influence of tax authorities and that of voluntary compliance. This model has been found to be inadequate in explaining the motives and intention for tax compliance (Modugu *et al.*, 2012:69).

One of the biggest problems facing the country is the issue of tax evasion and tax avoidance. This situation has created a great gulf between actual and potential revenue and various attempts have been made to bridge the gap (Adebese & Gbegi, 2013:125).

According to Adebese and Gbegi (2013:125) the major problem lies in the collection of taxes from the self-employed, including professionals such as lawyers, doctors, accountants and architects, as well as traders in shops. They claim salaried workers in the civil service are the only class of taxpayers who actually pay tax. Even then these salaried workers turn the statutory personal allowances and relief into a fertile ground for tax evasion.

Agbonika (2015:205) highlighted the problem that, due to the conflicts of the militants in the Niger Delta and Boko Haram in the north east of the country, the citizens cloak themselves with impunity to cause serious disturbances as a means of getting noticed or heard, in the hope that the nation would be hood-winked into forgiving these improprieties. Amnesty was offered to Boko Haram in a bid to encourage the militants to stop their insurgency. The movement rejected the amnesty and claimed they were wronged.

Agbonika (2015:105) claimed that the majority of Nigeria's taxpayers rarely remit their taxes and recommended that common ground be found to achieve the government's objective to increase the tax revenue by using some ingenious method that would succeed in Nigeria's unique cultural and economic landscape (Agbonika, 2015:105).

6.5 Tax avoidance and evasion

In an era of greater global transparency regarding tax relevant information, Nigeria needs to improve its approach to tackling cross-border tax evasion in the light of the limitations of double tax conventions. A study considered the benefits of multilateral instruments and standards for automatic exchange of tax information and the country's ability to utilise such arrangements to its advantage (Obadina, 2016:470). This research found that Nigeria has taken important steps to deal with domestic tax evasion. Strict anti-money laundering legislation was introduced including making tax evasion an offence and imposing onerous reporting obligations on financial institutions.

Nevertheless, cross-border tax evasion remains a problem due to a limited network of double tax agreements and limitations on the exchange of information. Nigeria's absence of robust rules regarding taxpayer confidentiality and data protection, compromises its

ability to benefit from the latest international standards in respect of automatic exchange (Obadina, 2016:470).

Estimates of the magnitude of the losses suffered by African countries are highly diverse. It is claimed that it is genuinely difficult to estimate the effect of overly complex and opaque tax avoidance and evasion on tax collections. The use of different estimation methods and the focus on different issues by researchers also contribute to these variations (Moore *et al.*, 2018:64).

A widely cited United Nations Conference on Trade and Development (UNCTAD) study of 2016 claimed that as much as 67% of export revenues on the African continent were misappropriated by mining and oil companies through transfer pricing between 2000 and 2014. Subsequent critiques such as the Eunomix Research of 2017 presented compelling evidence that these numbers are likely to be dramatically inflated due to weaknesses in the methodology (Moore *et al.*, 2018:226).

Researchers do seem to be moving towards a rough consensus in respect of the scale of the problem which remains undeniably large. But even with the aid of stricter tax rules and more efficient enforcement and collecting strategies, African governments would be able to collect only a fraction of the missing taxes. Nevertheless, all avenues should be explored in order to close the gaps, as the potential increase of tax collection would be substantial and of enormous benefit to the development of African countries (Moore *et al.*, 2018:64).

Not only taxpayers in the informal sector within the Nigerian economy are guilty of tax evasion. A study by Otusanya (2011:322) found that multi-national companies also evaded the payment of taxes in Nigeria. The blurred line between tax evasion and tax avoidance enabled these companies to implement tax planning strategies which initially appeared to be lawful until challenged in court proceedings and by regulatory bodies.

This study discussed in detail the following three cases, where multi-national companies deprived Nigeria of huge sums of tax revenue.

- **Chevron Nigeria Limited**, a subsidiary of Chevron International, has 2 500 employees. In 2009 its total daily production averaged 480 000 barrels of crude oil, which made it one of the giants within the oil and gas industry in Nigeria. Through the exploitation of a joint venture scheme and related tax law, the company was found to have inflated its tax returns to avoid paying tax of nearly \$500 million (Otusanya, 2011:323).

- **Pan African Airlines Nigeria Limited** was implicated in evading the payment of PAYE. The company deliberately claimed deductions it was not entitled to and which was perpetrated by means of improper payments to tax officials. The poor administrative procedures in the revenue departments of Delta State and Lagos State encouraged tax officials to accept inducements which enabled the company to plan and execute fraudulent tax evasion practices (Otusanya, 2011:325).
- **Haliburton West Africa Limited** is one of the world's largest providers of products and services to the energy industry. The company established affiliates in tax havens and managed to shift taxable profits on its Nigerian operations to these affiliates for purported services rendered. The company admitted to paying bribes of more than \$2 million to tax officials, in return for a favourable tax treatment in Nigeria worth more than \$14 million (Otusanya, 2011:328).

These cases illustrated how the exploitation of ambiguities in the tax legislation reduced Nigeria's tax revenue. Multi-national companies operating in Nigeria continue to take advantage of the country's volatile tax environment in order to manage their tax liabilities. As Nigeria continues to drive its economy through foreign direct investment, it is vital to close the loopholes in the tax laws. If the effective administration of tax is not strengthened, the country might continue to lose billions due to the activities of these companies and their facilitators (Otusanya, 2011:329).

Despite all the challenges facing Nigerian tax authorities, there are only five African countries (the others being South Africa, Ghana, Mauritius and the Seychelles), who signed the multilateral agreement on the automatic exchange of information as of April 2018. This agreement is the cornerstone of reform targeting cross-border activities resulting in tax evasion. Countries would, for example, automatically share information regarding accounts held abroad by foreigners (Moore *et al.*, 2018:71).

6.6 Corruption

Corruption has confronted Nigeria since the period of colonisation. The problem brought instability and insecurity about. Both the military and civilian administrations have been unable to combat the threat. Military interventions, meant to remedy the situation, had the opposite effect. The military plundered the country's resources to an unprecedented level. Over the years, corruption became entrenched within government and Nigerian society (Abodunrin & Omole, 2017:91).

Various measures were adopted by different administrations to combat corruption. The Treasury Single Accounts (TSA) policy was provided for in the country's constitution, whereby all revenue received should be paid into the Consolidated Revenue Fund. Yet,

successive governments continued to operate multiple accounts, deliberately disregarding the provision of the constitution (Abodunrin & Omole, 2017:91).

The TSA policy was introduced to control and block financial leakages, to promote transparency and to prevent the mismanagement of government revenue. By unifying all government accounts, revenue loss would have been prevented. Prior to TSA, Nigeria had fragmented banking arrangements for revenue payment transactions. It is claimed that more than 10 000 bank accounts in multiple banks made it impossible to establish the government's consolidated cash position at any given time (Abodunrin & Omole, 2017:91).

The continued dwindling nature of oil revenue created concerted efforts towards increasing the non-oil revenue inevitable. In 2011 Nigerian tax authorities embarked on reforming the personal income tax system. The government required revenue to augment the money required to fund its activities and to maintain adequate levels of public investment and social service to its citizens (Amaefule, Onyekpere & Onyekpere, 2017:11).

This reform consolidated all the personal income tax reliefs or allowances into a single consolidated tax relief allowance, increased the minimum tax rate from 0,5% to 1% of gross income and brought temporary workers into the tax net. Unfortunately, the reform policy had not significantly impacted on the federal government's revenue from non-oil sources. The government did not review the legal and administrative framework sufficiently to achieve the objectives envisaged (Amaefule *et al.*, 2017:10)

Data analysed over time indicated that in the short run expenditure on social services had a positive effect on tax revenue and, in the long run, little or no positive effect. A study recommended that the Government should improve services to the population to promote tax justice. The result should lead to improved federally collected tax revenue (Oyedokun, Akintoye & Salawu, 2018:91).

6.7 Over-reliance on oil revenue

Africa remains only a minor supplier of oil and natural gas onwards the global economy. Yet, the extractive industry accounts for a much larger proportion of economic activity on the African continent and is the dominant earner of export revenues. The success or failure of the extractive industry plays a large role in the economic growth in Africa and on the amount of tax collected by governments (Moore *et al.*, 2018:91).

When the price of crude oil fell below the budget benchmark in 2015 the government of Nigeria had to rely more on taxes to finance the budget. A study by Eugene and Chineze

(2015:30) was undertaken to examine the productivity of the Nigerian tax system over a period of twenty years, from 1994 to 2013.

The Nigerian tax systems had undergone significant changes at that stage. The tax laws were reviewed with the aim of removing obsolete provisions and simplifying ambiguity. The system was lopsided and dominated by oil revenue which prevented the establishment of an efficient and effective tax system. Lack of data and statistics, and the multiplicity of taxes contributed to the inefficiency of the tax administration (Eugene & Chineze, 2015:30).

Nigeria operates a cash budget system whereby expenditure is determined by the projected revenue. Economic development required and increase in public expenditure and the increase in turn required more taxing capacities. With the myriad of problems facing the tax system, coupled with the fall in the price of crude oil, the question remains to what extent the system can generate the required revenue. The results of previous studies were found to be inconclusive and mixed and difficult to use in formulating policies to meet the challenge posed by the fall in the price of crude oil (Eugene & Chineze, 2015:39).

Based on the findings the study suggested that the government should improve the tax system to block possible tax evasion by appropriate policing of export and import, by lowering the Company tax rate to encourage more investment to broaden the tax base and promote economic growth, to further broaden the tax base by providing the basic infrastructure to private enterprises to thrive and to exercise prudent management of public funds (Eugene & Chineze, 2015:39).

It remains a huge challenge for African governments to tax this industry. The mining industry in Africa is dominated by international foreign companies responsible for almost all exploration and most production. They import most of their equipment and skilled labour and export all their production. They purchase their imports from and sell their products to related parties (other companies in the same multi-national group). This situation provides ample opportunity to reduce tax liabilities by using transfer pricing (Moore *et al.*, 2018:91).

It should be noted that the agricultural commodity exports were heavily taxed during the middle of the 20th century. One of the major challenges facing Nigeria's economy towards the end of the 20th century was the diversification of its revenue base. It became necessary when the government realised that the dependency on crude oil earnings could no longer sustain public expenditure. The economy faced the danger of being grounded unless specific efforts were made to expand the revenue base (Oriakhi & Ahuru, 2014:92).

Nigeria's economy towards the end of the 20th century comprised the diversification of its revenue base. It became necessary when the government realised that the dependency on crude oil earnings could no longer sustain public expenditure, The Nigerian economy faced the danger of being grounded unless specific efforts were made to expand the revenue base (Oriakhi & Ahuru, 2014:92).

The USA and other major oil-consuming countries implemented new energy policies and strategies which drastically reduced their dependence on crude oil. Certain tax reforms were implemented during military rule but did not provide for sustainable initiatives for sufficient revenue productivity. The military rulers in Nigeria were notorious for consistently looting the treasury. The bulk of revenue came from Petroleum Profit Tax (PPT) (Oriakhi & Ahuru, 2014:93).

According to the statistics of the Central Bank of Nigeria, the country's oil and gas sector contributed 77,5% of the total revenue from 1986 to 2012 on average, with only 22,5% derived from the non-oil sector. The volatility in the international price of oil and shortfalls in production due to social and political unrest put the country's revenue at risk (Jones, Ihendinihu & Nwaiwu, 2015:40).

Idris and Ahmad (2017:2) established that tax revenue is an essential instrument for resource mobilisation and plays a significant role in sustainable growth and the development of the Nigerian economy. Tax revenue increases the size of public sector savings and produces higher returns to provide for infrastructure and facilities that foster economic growth.

The evidence shows that an over-reliance on oil revenue as the major source of financing the government's expenses and capital requirements is counterproductive. An increase in the level of tax revenue is required for much-needed capital requirements. However, increasing the tax revenue to meet the pressure from government spending will increase economic hardship on the taxpayers. In the long run this policy will encourage tax evasion (Idris & Ahmad, 2017:10).

A need for proactive measures within the Nigerian tax system is suggested to ensure compliance with tax regulations, together with proper evaluation of tax procedures, to fight corruption. Equitable and efficient tax policies should be put in place to limit the problems of ever-increasing debts (Idris & Ahmad, 2017:10).

Before the discovery of oil, the bulk of the public revenue came from the export of agricultural products. Import duties also made a major contribution to the revenue base, on average as much as 40 to 50 percent of the public generated revenue (Oriakhi & Ahuru, 2014:93).

As the economy was largely dependent on crude oil sales, the economy became vulnerable to international oil market upheavals. The volatility of the oil price created an environment of uncertainty which curtailed private investment (Oriakhi & Ahuru, 2014:93).

When oil became a major source of revenue in Nigeria in the 1970s the tax system began to crumble. Fiscal statistics remain poor, but it is estimated that the total public revenue in Nigeria accounted for only seven per cent of GDP in 2018 which is about half the figure for Ethiopia, the second most populous country in Africa after Nigeria. Due to the strength of the federal system in Nigeria its tax systems are quite diverse in practice unlike the rest of Africa (Moore *et al.*, 2018:17).

6.8 Conclusion

In 2017 Nigeria had 61 taxes, levies, fees and charges, an increase of 22 from the 39 that existed in 2014. In addition the country has a myriad of other taxes and levies provided for under different laws, such as customs and excise duties, mining, rent and royalties as well as a plethora of levies outside the ambit of the law, collected by local government authorities (Simeon *et al.*, 2017:52).

The allocation of tax jurisdiction presented a certain pattern over the years with the federal government taxing corporate bodies and the state and local government taxing individuals. The power of legislature is exercised by federal government whereas the administration is carried out in conjunction with the state authorities. New taxes targeting information technology, tertiary education and VAT are the prerogative of the federal government (Simeon *et al.*, 2017:52).

CHAPTER 7: IMPROVING THE TAX SYSTEM IN NIGERIA

7.1 Introduction

The lack of efficiency within the tax system of Nigeria could be ascribed to a lack of education within the local population, more than 70 years after colonisation. In the 1920s a senior government official in the Nigerian civil service claimed that few of the Africans working in the services had a sense of responsibility, an interest in their work and the ability to fill senior positions (Burns, 1929:278). Africans, with insufficient education, joined the service at a very young age for the sake of obtaining a small salary but little or no reliance could be placed on their level of responsibility in the workplace (Burns, 1929:279).

Another reason for the lack of efficiency was that staff recruited in Britain and working in West Africa were granted much longer leave due to the living conditions in that part of the world. The general rule until 1919 in Nigeria was that an official was required to serve for a period of 12 months. At the end of that period he received customary leave with full payment for four months, exclusive of the time occupied by the voyages to and from Britain. No doubt the lack of continuity contributed to a lack of efficiency within the civil service (Burns, 1929:281).

A committee established on tax policy in Nigeria in 2008 saw the central objective of the country's system to contribute to the well-being of all its citizens, directly through improved policy formulation and indirectly through appropriate utilisation of tax revenue generated for the benefit of the Nigerian people. In generating revenue to achieve this goal, the tax system was expected to minimise distortions within the economy. Other expectations regarding the tax system that the committee had included was the encouragement of growth and development, the generation of stable revenue required by the government to accomplish certain projects, the investments for the benefit of the citizens, economic stabilisation and the correction of market imperfections (Patrick & Joseph, 2018:52).

An analysis of data sourced from the Central Bank Statistical Bulletin revealed that there was a significant relationship between Petroleum Profit Tax (PPT) and growth in the economy. There was also a significant relationship between non-oil revenue and economic growth but not between company income tax and economic growth (Ojong, Ogar & Arikpo, 2016:38).

A study by Nwite (2015:74) regarding the significance of tax collection on the industrial development and economic growth of Nigeria from 2000 to 2010 revealed that there was no notable connection between tax collection and economic progress. Apart from being a source of revenue, tax is utilised to accomplish economic targets such as the relationship between a trade deficit and addressing inflation.

Certain problems and challenges facing tax collection in Nigeria were identified. Tax collection is hampered due to the difficulty in estimating the income of citizens who do not produce goods on a commercial basis. Due to a low literacy level inadequate records of income and business transactions are kept. Corrupt tax assessors and collectors are dishonest, by misappropriating funds and over-taxing opponents or under-assessing taxpayers where bribes are involved. Self-employed individuals tend to make false declarations of income whilst others reduce their liability by seeking and implementing tax loopholes (Nwite, 2015:78).

According to Nwite (2015:74) the government should review its tax policies, educate the population on the significance of paying taxes and establishing sufficient frameworks regarding regulations that will increase compliances and the effective utilisation of tax revenues.

Patrick and Joseph (2018:54) researched the published reports of the Federal Inland Revenue Service of Nigeria over a period of twenty years, from 1994 to 2013, and revealed that tax had a significant effect on growth. Taxation contributed significantly to revenue generation and to the GDP. This study showed that company income tax and VAT had a positive contribution towards the economic growth but refuted the claim that a rise in PPT led to an increase in the growth. The contribution of PPT was found to be negative and insignificant.

The findings of this study are in agreement with the findings of the study by Adegbite and Fakile (2011:329), which concentrated on company income tax and found that income tax made a vital contribution to the economic development of Nigeria and its GDP. Since the country received substantial taxes from the oil sector, the government had not paid much attention to block tax evasion and tax avoidance affecting revenue generation.

7.2 Attempts to provide an effective tax system

In order to provide a faster and more efficient service was a major concern and obligation of the Nigerian tax authorities. A study by Bojuwon (2015:32) was undertaken to ascertain the success of a new system, introduced in 2009, to evaluate the reaction of the taxpayers to the change from a traditional filing system to an electronic system and to ascertain the responses of the taxpayers to the development of the information technology initiative. This study examined the following aspects to evaluate the reaction of the taxpayer to the new system:

- **The trust of the taxpayers.** The reaction of taxpayers towards an e-tax system could be influenced by their level of trust in the system.
- **Ease of use.** If taxpayers perceive that the online tax system is easy to use and less complex, there is a likelihood of it being accepted and utilised by potential users.
- **Compatibility.** The process by which a new tax system is perceived as reliable within the present structure.
- **Complexity.** The degree to which a new system is being perceived as relatively difficult to practice and to apprehend. The more complex the system, the less the adoption rate would be.
- **Relative advantage.** The perception that the new system would improve or replace the prevailing system.
- **Government support.** Large sections of the Nigerian population do not have access to the internet and most taxpayers do not keep adequate records of their business transactions.
- **Security.** Perceived security is one of the critical external factors impacting on the effective adoption of any technology system. The inadequate existence of an appropriate security framework within the electronic system in Nigeria was an issue to be addressed.
- **Resistance to change.** The resistance is seen from the social perspective point of view to explore the reaction of taxpayers to the adoption of an on-line tax system (Bojuwon, 2015:36).

A study by Pantamee and Mansor (2017:118) aimed at improving the generation of tax revenue through improved correlation with the environmental elements. The researchers collected data from face-to-face interviews with tax officials. The motivation for the interview method was to obtain first-hand information on the subject that cannot be easily obtained by using the survey method. The data collected was divided into five categories, representing the various stakeholders, without whom tax administration could not alone achieve its objectives, as evidenced from the responses of the participants:

Legislative

The loopholes in the existing tax laws and regulations need to be identified. Only then could amendments to existing tax laws be made or new tax laws introduced. The question was raised as to how frequently the laws should be reviewed to be aligned with current economic conditions and reality. This study concluded that the policies should be subject to legislative review every four years. After 1980, Nigerian tax policies were only reviewed in 1992 and 1993. Some policies had been in existence without any amendments or modifications since 1999 (Pantamee & Mansor, 2017:119).

Companies

Companies were the major contributors to tax revenue at the time the research was conducted due to the decrease in the value of crude oil in the international market. (Pantamee & Mansor, 2017:119).

Taxpayer education and awareness programmes were carried out only on newly established companies that were yet to start paying taxes. No records exist of such programmes carried out on established companies despite changes in tax policies in 1993 and 2011. (Ordu, Anele & Island, 2015:88).

Judiciary

The judiciary is essential in the process of tax collection as it is required to interpret the law in circumstances where taxpayers prove to be stubborn. Tax administration relies on law enforcement agencies and the courts to ensure that revenue is not evaded (Pantamee & Mansor, 2017:120).

The tax authorities cannot achieve its objectives without a sound and fair judicial system. The level of judges' knowledge regarding tax laws and accounting and the level of corruption in the systems are factors which play an important role in the success, or otherwise, of tax administration (Pantamee & Mansor, 2017:120).

Executives

The lack of a political will to support investigations into high profile cases of tax evasion sends the wrong message to taxpayers and discourages tax administrators to perform their functions diligently. The legislative arm is required to establish tax laws whilst the executives are required to express political will to deal with taxpayers who fail to comply

and the judiciary need to deal with those who evade tax in an appropriate manner. (Pantamee & Mansor, 2017:121).

Nigerian politics created instability within tax administration. The transition of power from one political party to another, a change in the minister of finance or a change in the management structure of the tax authorities led to uncertainties. The administration may then not have adequate time to embark on long-term plans and there may be a lack of continuity (Panatamee & Mansor, 2017:121).

Banks

The research study confirmed that banks in Nigeria are efficient and effective to assist the tax authorities in achieving its objectives. Its involvement improves transparency and accountability within the tax collection process (Pantamee & Mansor, 2017:122).

Despite the importance of the five environmental elements required in the successful implementation of tax administration, there are other factors which enhance the process such as the economic environment and fiscal policy that define the agenda, including debt financing and government spending. In addition, public agencies such as the police department play a significant role in ensuring the quality of services. Stakeholders such as lawyers, tax consultants, clearing agents, accountants and custom brokers assist by informing taxpayers of their legal obligations (Pantamee & Mansor, 2017:123).

However, the tax authorities do not have the institutional capacity to administer the tax system effectively. The continued review of revenue capacity of all the different tax components also impacts negativity on the efficient collection of tax (Enahoro & Olabisi, 2012:133).

The bulk of the tax is paid by salaried employees, but corruption erodes the tax yield and confidence in the system. Inadequate staff, both in terms number and excellence, also contribute to the problem. Dishonest tax collectors pose a serious threat as not all taxes collected reach the public treasury. A commission of enquiry found that the standard of living of tax collectors was unrelated to their salaries and status (Enahoro & Olabisi, 2012:135).

The effect of tax administration on the revenue generation capabilities of a local government is of utmost importance and as such the system should be improved and loopholes checked. However, caution is required in order to achieve the correct balance of policies and laws to guide the administration. There is no single appropriate tax system for

any developing country which could be implemented without taking into consideration tax policies, the law and prevailing customs and prejudices. The recommendations of the commission to improve the situation included the following:

- A conscious effort to train staff thoroughly with greater motivation and the provisions of better working conditions.
- Adequate machinery for better administration should be put in place and punishment should be seconded to private companies.
- A simplified income tax assessment and a tax table form should be introduced to assist taxpayers in determining their own tax liability.
- The database for tax administration at local government level should be computerised to ensure that the system of storage, processing and retrieval is efficient (Enahoro & Olabisi, 2012:135).

Nigeria introduced the Structural Adjustment Programme in 1986 to deregulate the economy and introduced the National Empowerment Development Strategy, with the emphasis on the tax system as an important part of the plan. A national tax policy was introduced to increase tax revenue on a year to year basis through the stimulation of domestic and foreign investment and other economic measures. The tax revenue generated as a result of these measures did not match the revenue from oil, despite the concerted effort by government. This failure is ascribed to a lack of commitment to set objectives and delay implementation to counter endemic corruption, the vast unorganised informal sector, leakages, and wastages. A World Bank Review in 2014 disclosed that Nigeria had the lowest tax revenue as a percentage of Gross Domestic Product (GDP) of a selection of African countries for the period from 2009 to 2012 (Jones *et al.*, 2015:40).

The research study by Jones *et al.* (2015:42) regarding the impact of various taxes, indicated that in the period from 1994 to 2009 economic growth had a positive effect on tax revenue. The study recommended that the government should increase efforts to generate tax revenue by attracting foreign investors and investing in infrastructure which would provide an environment fostering stability and economic growth.

7.3 Audit

Effective internal audit within tax administration is seen as having a substantial role to play to identify the needs of the tax administration and strategies for improving tax collection. Internal audit is seen as a significant tool for management to evaluate the internal process and establish the strategies required to improve performance. The generation of adequate tax revenue will be improved by means of the effective use of an internal audit to identify

and analyse the needs of tax administration internally that could increase its resource utilisation (Gurama & Mansor, 2018:1).

The issue of ineffective internal audit performance in tax administration is one of the challenges affecting Nigeria's tax administration. The ability of an effective internal audit is often hampered by political interference and priorities misplacement. Operational fraud, inefficient processes and the lack of substantial output are among the factors preventing proper internal auditing in many public institutions in Nigeria.

The study by Gurama and Mansor (2018:2) reviewed previous models related to internal audit implementation and how to integrate these models to form a comprehensive prototype capable of improving internal audit performance within the tax administration in Nigeria. The research concluded that four essential elements are required for the internal auditor to perform efficiently:

- **Environment.** Laws and regulations must be in place that would specify the responsibilities of the auditor and the audit functions to be performed within the boundaries of those laws and regulations. An enabling environment is required with regulations, policies and working conditions to allow the auditor to perform successfully. His or her performance would be enhanced if the working environment can support the auditor's activities.
- **Competency.** The auditor must acquire adequate knowledge, skills and qualifications in order to facilitate his or her performance satisfactorily.
- **History.** The history of the human and material resources allocation and utilisation is a key determinant factor for internal audit efficiency. A large organisation with only a few internal auditors or inadequate or under-utilised material resources will limit the effectiveness of the process.
- **Strategy.** An organisation's purpose and the determination of the degree of required input and defining the method to reach decisions and decide on activities to be undertaken would facilitate the efficiency of an internal audit. Furthermore, a suitably structured strategy would also allow the auditors to select the correct approach and reinforce their capabilities to consider activities in order to accomplish auditing functions (Gurama & Mansor, 2018:5).

This model could assist in facilitating the efficiency of the auditor's performance. The implementation thereof could reduce the problems of ineffectiveness of the tax administration. Due to the complexity of the operating environment of tax administration the internal audit practice is required to be restructured to improve its performance and enhance the tax administration's capabilities to generate adequate revenue (Gurama & Mansor, 2018:6).

7.4 Value-added tax

Tax revenue represented by value-added tax, company income tax, and customs and excise duties improved the economic development of Nigeria. An analysis of the data indicated that the federal government should encourage taxpayers, especially corporate bodies, to pay taxes diligently and to be made aware of the punishment for non-compliance. The tax authorities should encourage tax education for its workforce in order to achieve the desired revenue drive (Ibanichuka, Akani & Ikebujo, 2016:16).

Nigeria's economy is facing many challenges one of which is the diversification of its revenue earned from crude oil. The government realised that the dependency on earnings from crude oil, which reached its pinnacle in 1973 and 1974, could not sustain public expenditure indefinitely. Major oil consuming nations such as the USA, consistently reduced their demand for Nigerian oil since 2010 (Omesì & Nzor, 2015:278).

Nigeria embarked on a series of tax reforms designed to broaden the tax base, reduce the burden on taxpayers, restore the confidence of the public within the tax system and promote voluntary compliance. The reform was essential since Nigeria's tax structure was "complex, inelastic, inefficient, inequitable and unfair" (Omesì & Nzor, 2015:279). The country depended on import and export duties with no opportunity to generate revenue by using a consumption-based tax. The dependence on generating tax through foreign trade activities made the revenue base unstable. The base was also very narrow and the tax rate exceedingly high (Omesì & Nzor, 2015:279).

Sales tax only covered nine categories of goods with the addition of sales and services in hotels and similar establishments. The narrow base negated the basic principle of consumption tax that should include all consumable goods and services. It also only applied to locally manufactured goods (Omesì & Nzor, 2015:282).

The federal government of Nigeria introduced and implemented value-added tax (VAT) in 1993 to replace sales tax due to the restrictions and limited application of sales tax. The aim was to increase the revenue base of the government and to use the revenue raised for development to accelerate economic growth (Izedonmi & Okunbor, 2014:2005).

As VAT is a consumption tax based on the general consumption behaviour of people, it yielded a higher return with minimum resistance from taxpayers. Since it was also levied on imported goods, locally manufactured goods were not placed at a disadvantage relative to imports (Omesì & Nzor, 2015:280).

The VAT system was designed to stimulate development at the lower tiers of government as 35% of the revenue generated went to local government, 50% to state government and only 15% to the federal government. The problem was that the VAT rate was only 5% since its introduction, one of the lowest rates in the world. (Omesì & Nzor, 2015:282).

The VAT Act needed to be amended further and to be levied on imported services rendered by non-resident companies outside Nigeria. Such a non-resident company which is a service provider but does not carry on business in Nigeria, has no legal obligation to register for or charge VAT in Nigeria (Omesì & Nzo, 2015:284).

An extensive study by Madugba and Azubeki (2016:1), covering 18 years between 1994 and 2012, found a significant negative relationship between the revenue collected from VAT and GDP. On the other hand, the results showed a significant positive relationship between the total consolidated revenue and GDP. The study recommended that the government should educate the citizens on the importance of VAT payments and that the VAT rate should be increased resulting in more revenue being collected.

The following recommendations with respect to VAT were made to improve Nigeria's tax situation (Omesì & Nzor, 2015:284):

- To increase the VAT rate to 10%, considering that the VAT rate in Nigeria is one of the lowest in the world. The increase would also cushion the effect of the global drop in oil prices.
- An effective system should be developed to tax the informal sector, which would bring more people into the tax network and increase the revenue from taxation.
- Tax reform is related to economic growth and should therefore be carried out every two years.
- The tax rate for companies should be lowered to encourage savings and investments in order to increase gross domestic production.
- Government should make a concerted effort to fight corruption by introducing capital punishment for serious mismanagement and embezzlement of public funds.
- The VAT Act should be amended to impose VAT based on the destination principle. VAT could then be imposed on imported services rendered by a non-resident company outside Nigeria.

VAT has always been perceived as having an influence on consumption expenditure behaviour of households as well as on the consumer price index. A study by Tochukwa, Jerry and Titus (2015) considered VAT revenue, household consumption expenditure on durable and non-durable goods and the consumer price index in Nigeria for the period

from 1994 to 2014. The results of this study revealed that VAT did not bear significant variance on the consumer price index but did have a significant effect on the consumption expenditure of durable and non-durable goods. The study recommended that VAT of 5% at that stage should be maintained as any increase would most likely affect the households negatively and escalate the consumer price index to undesired levels (Tochukwa, Jerry & Titus, 2015:236).

7.5 Property taxes

Most African countries use a value-base recurrent property tax system. Unfortunately, the revenue collected is not satisfactory due to poor policy choices and ineffective and inefficient administration.

Nigeria normally delegates authority for property tax legislation within its 36 states. This presents a challenge to report on the tax. The State of Lagos uses a capital value “land use charge” whilst the states of Ogun and Oyo use an annual rental value base (Franzsen & Youngman, 2009:12).

The consequence of a lack of political support and administrative capacity, both at national and local level, poor tax-based coverage and poor assessment results in inequitable systems with inadequate revenue streams. A more simplified approach to valuation could result in improved base coverage, a more equitable distribution of the tax burden and enhanced revenue (McCluskey & Franzsen, 2018:19).

Many efforts had been made to reform property taxes in Africa. Since Nigeria’s revenue was mainly derived from the rise in oil prices in the 1970s, the government displayed little interest in building a stronger tax system or even maintaining the one in place. Widespread corruption and uncertain land rights posed practical barriers to reform. Yet, successive governors in Lagos identified increased revenue as a priority to reduce fiscal reliance on the central government, ruled by a different political party. Major gains were made not only by collecting income tax but also by introducing an automated system for tax administration and an acceptable arrangement for property taxes (Moore *et al.*, 2018:168).

7.6 Conclusion

The following significant general recommendations were made by Simeon, Simeon and Roberts (2017:55) to improve the Nigerian tax system and to eliminate the problems encountered regarding the present system:

- **Streamlining the collection mechanism.** The multiplicity of taxes should be eliminated as a reprieve to the industrial sector and the economy. The multitude of taxes should be reduced, and the approved taxes and levies streamlined and strictly followed by the three tiers of government. The means and methods for collection should be restructured.
- **Effective and efficient tax administration.** The administration of the various tax laws should be handled by professionals and trained staff. The staff of the tax authorities of each of the three tiers of government should be retrained and discipline instilled in them.
- **Introduction of tax technology.** On-line filing and payment should be introduced as this will reduce the time in finalising the process. Electronic submissions would ease the burden on taxpayers, reduce the human contact between taxpayers and tax officials which would result in doing business easier and reduce the possibilities of fraud and corruption through collusion.
- **Tax awareness and communication.** Most taxpayers are ill-informed or hopelessly ignorant. The media could be used effectively to communicate existing and new tax laws, the need for compliance and the penalties for defaulters, and so enlighten the public.
- **Simplification of tax laws.** One of the essential principles of an acceptable and efficient tax system is that it must be uncomplicated, certain and clear. It is recommended that some of the laws, such as the law on minimum tax, should be abolished. Cases of genuine losses declared by any company should be addressed as a separate issue.
- **Refund of overpaid taxes.** As a matter of urgency, the government should make funds available for the refund of genuine overpayment of taxes. This would boost the confidence of taxpayers in the government.

Researchers made the following important recommendations to establish a more effective and efficient tax system in Nigeria:

- Staff within the tax administration should be trained more thoroughly and with greater motivation. Better working conditions should be provided to them (Enahoro & Olibisi, 2012:35).
- The data base of the tax authorities at local government level should be streamlined to ensure an efficient storage, processing and retrieval system (Enahoro & Olibisi, 2012:135).
- Foreign investors should be encouraged to invest in infrastructure which would foster stability and economic growth (Jones *et al.*, 2015:45).

- The country should avoid relying heavily on the substantial taxes generated by the oil sector and pay attention to efforts to limit tax evasion and tax avoidance (Adegbite & Fakile, 2011:329).
- To increase the VAT rate to 10% and to broaden the base on the destination principle, in order to impose VAT on imported services rendered by non-resident companies (Omezi & Nzor, 2015:284).
- Self-employed individuals make false declarations of income. Others reduce their liability by implementing tax loopholes. The government should implement adequate supervisory frameworks, in order to increase compliance (Nwite, 2015:74).
- The operating environment of tax administration is regarded as complex. The internal audit process needs to be restructured to improve its performance (Gurama & Mansor, 2018:6).

CHAPTER 8: CONCLUSION

8.1 Introduction

In this chapter an overview is given of the manner in which the research objectives were addressed and how the research question was answered. The chapter also makes recommendations for future research. In closing, a final remark concludes this study.

8.2 Addressing the research objectives

8.2.1 A broad overview of the historical, constitutional and political development of Nigeria

The overview covers the period from the 17th century, when gold and slaves were traded from northern Nigeria across the Sahara desert to Europe and the Middle East, to the presidential elections in 2015 when the current president, General Muhammadu Buhari, was declared the winner of the election.

8.2.2 Analysis and review of the development of tax administration in Nigeria

The analysis dealt with the development of tax during the three main constitutional periods in the country's history:

- The period before colonisation when the country consisted of many independent empires, kingdoms and city states
- The period when Nigeria was a British colony from 1861 when Lagos was annexed to 1960 when the country gained independence.
- The period after Nigeria became an independent republic.

8.2.3 The factors preventing Nigeria from establishing an effective and efficient tax administration

In this study consideration was given to the challenges the government faced to raise sufficient revenue, the complexity of the tax structures inherited from the colonial era, the attitude of the public towards tax collection, tax evasion, avoidance and corruption and the over-reliance on oil revenue.

8.2.4 Overview of attempts to reform the tax structures to establish an effective and efficient system

The overview considered those factors which prevented the country's tax administration from functioning effectively namely the taxpayers' reaction towards the change from a traditional filing system to an electronic system, the role of various stakeholders without whom the tax administration could not achieve its objectives, the significance of internal audit to improve tax collection, the contribution of the introduction on VAT and the role of property taxes in improving tax collection. In conclusion, several recommendations to improve the tax collection system were made.

8.3 Answering the research question

The research question was formulated in such a way as to illustrate how the history of the development of the tax system in Nigeria and the problems encountered in this regard caused the country's tax collection to be at the lower end of the scale in terms of effectiveness and efficiency.

The establishment of an effective and efficient tax system was challenged by the diversity in the country's languages and religions. The discovery of new oil reserves in the 1970s contributed large sums of revenue to the government allowing the government to neglect the maintenance of tax administration.

Before colonisation Nigeria consisted of many separate empires and city states, with different levels of development. City states in the Hausa region were strong trading centres where various taxes were raised successfully. The coastal states lacked central control, which did not support the development of a sophisticated tax system.

After independence, the federation comprised three regions. The north dominated the political and financial landscape. This led to the downfall of the first republic in 1966 and the country experienced a lack of a meaningful relationship between the tax authorities and the taxpayers.

A high incidence of tax evasion and avoidance led to low levels of government revenue, culminating in limited economic activities and growth. More than one level of government taxed the same income. The database of individuals who were liable to pay tax was found to be inadequate. The tax laws were complex with even officials finding it difficult to interpret the tax acts. Delays in the payment of refunds contributed to the deterioration in the relationship between taxpayer and the authorities.

Multi-national companies blurred the line between tax evasion and tax avoidance by implementing strategies which appeared to be lawful, until challenged in court. The exploitation of ambiguities in tax legislation reduced Nigeria's tax revenue.

Over the years various attempts were made to improve the country's tax collection systems. Studies recommended that the tax policies should be reviewed, that the population should be educated and that adequate supervisory frameworks should be developed. The introduction in 2009 of an electronic system to replace the traditional filing system met with some success.

To improve the collection of taxes it was recommended that the internal audit division of tax administration be improved. The introduction of VAT to replace sales tax, an increase in the rate and applying it to imported services contributed to an increase in the revenue of the government.

Other recommendations included the streamlining of the collection mechanism, the training of tax officials, the introduction of advanced electronic technology and the simplification of tax laws.

8.4 Future research

Future research could be conducted to identify the views and philosophies of the various ethnic groups towards the payment of tax and to attempt to find a compromise whereby the tax laws and the administration thereof are acceptable to at least the majority of these various factions.

Like most developing countries, Nigeria has a large informal economy. Research could be directed to find ways to formalise and normalise the informal sectors of the economy in order to include a larger portion of the economic activity in the country in the tax network.

Nigeria, together with South Africa, Ghana, Mauritius and the Seychelles signed a multilateral agreement on the automatic exchange of information in 2018. This agreement assisted in targeting cross-border activities regarding tax evasion. Future research could be conducted to investigate these activities in order to introduce legislation to limit the taxes lost due to tactics such as transfer pricing.

8.5 Final remark

Nigeria's economy has largely been built on revenue collected from the Petroleum Profit Tax. The USA and other major oil-consuming countries are implementing new energy policies which will drastically reduce their dependence on crude oil. It is therefore imperative for Nigeria to overhaul their entire tax collection structure and strategies in order to operate efficiently and effectively within the new world order.

LIST OF REFERENCES

- Abodunrin, O.R. & Omole, F.T. 2017. Treasury single account (TSA) policy and its efforts in combating corruption in Nigeria. *International Journal of Social Sciences and Humanities Reviews*, 7(2):90-96.
- Adebayo, A.G. 1995. Jangali: Fulani pastoralists and colonial taxation in northern Nigeria. *International Journal of African Studies*, 28(1):113-150.
- Adegbite, F.F. & Fakile, A.S. 2011. Company income tax and Nigerian economic development. *European Journal of Social Sciences*, 22(2):309-332.
- Adebesi, J.F. & Gbegi, D.O. 2013. Effect of tax avoidance and tax evasion on personal income tax administration in Nigeria. *American Journal of Humanities and Social Sciences*, 1(3):125-134.
- Agbonika, J.A.A. 2015. Tax amnesty for delinquent taxpayers: a cliché in Nigeria, *Global Journal of Politics and Law Research*, 3(3):105-120.
- Alemazung, J.A. 2010. Post-colonial colonialism: an analysis of international factors and actors marring African social-economic and political development. *The Journal of Pan African Studies*, 3(10):62-84.
- Amaefule, L.I. Onyekpere, U.R. & Onyekperem, V.A. 2017. The 2011 personal income tax reform and non-oil revenue generation in Nigeria: an empirical evaluation. *International Journal of Operations and Logistics Management*, 6(1):10-28.
- Amusan L. & Oyewole, S. 2014. Boko Haram terrorism in Nigeria: a reflection on the failure of democratic containment. *Politeja*, 33(1):35-49.
- Ayoade, J.A.A. & Akinsanya, A.A. 2013. Introduction. In: Ayoade, J.A.A. & Akinsanya, A.A. (eds.). *Nigeria's Critical Election, 2011*. Plymouth: Lexington Books.
- Beeld. 2020. Nigeriese BBP klop SA s'n ver. *Beeld*, 5 Maart:5.
- Berger, D. 2009. *Taxes, institutions and local governance: evidence from a natural experiment in colonial Nigeria*, unpublished manuscript.
- Bojuwon, B. 2015. Factors influencing income taxpayers' reaction towards e-tax system adoption in Nigeria. *Fountain Journal of Management and Social Sciences*, 4(2):32-43.
- Booth, A, Sutton, A. & Papaioannou, D. 2016. *Systematic approaches to a successful literature review*. 2nd ed. London: Sage.
- Bräutigam, D.A., Fjeldstad. O.H. & Moore, M. 2008. *Taxation and state-building in developing countries – capacity and consent*. Cambridge: Cambridge University Press.
- Burns, A.C. 1929. *History of Nigeria*. London: George Allen & Unwin.
- Cherryholmes, C.H. 1992. Notes on pragmatism and scientific realism. *Educational Researcher*, 21(6):13-17.
- Chua, P. & Mark, M.M. 2005. Quantitative data. In: Mathison, S. (ed.). *Encyclopedia of evaluation*. Thousand Oaks, CA: Sage.

- Cunningham K.B. 2014. Social research design: framework for integrating philosophical and practical elements. *Nurse Researcher*, 22(1):32-37.
- Datt, S. & Chetty, P. 2016. *Defining research method for research papers*. [Online] Available from: <https://www.projectguru.in/defining-research-method-research-papers/> [Accessed: 2020-10-03]
- Dunaway, W.A. 2010. Nonwaged peasants in the modern world-system: African households as dialectical units of capitalist exploitations and indigenous resistance, 1890-1930, *The Journal of Philosophical Economics*, IV(1):19-57.
- Ekanade, O. 2012. The inter-face of ethnicity and revenue allocation in Nigeria's first republic. *Journal of African Identities*, 10(1):95-110.
- Elkjaer, B. & Simpson, B. 2011. Pragmatism: a lived and living philosophy. What can it offer to contemporary organization theory? In: Tsoukas, H. & Chia, R (eds.) *Philosophy and Organisation Theory, Research in the Sociology of Organizations*.
- Enahoro, J.A. & Olabisi, J. 2012. Tax administration and revenue generation of Lagos State Government, Nigeria. *Research Journal of Finance and Accounting*, 3(5):133-139.
- Eugene, N. & Chineze. E.A. 2015. Productivity of the Nigerian tax system (1994- 2013). *International Journal of Business Administration*, 6(4):30-40.
- Falola, T. & Heaton, M.M. 2014. *A history of Nigeria*. Cambridge: Cambridge University Press.
- Frankema, E. 2011. Colonial taxation and government spending in British Africa, 1880-1940: maximizing revenue or minimizing effort? *Explorations in Economic History*, 48:136-149.
- Franzsen, R.C.D. & Youngman, J.M. 2009. Mapping property taxes in Africa. *Land Lines*, July 2009, 8-13.
- Freeman, C. 2015. Muhammadu Buhari claims victory in Nigeria's presidential elections. [Online] Available from: <https://www.telegraph.co.uk/news/worldnews/africaandindianocean/nigeria/11507102/Muhammadu-Buhari-claims-victory-in-Nigerias-presidential-elections.html> [Accessed: 2020-10-03].
- Gardner, L.A. 2010. Decentralization and corruption in historical perspective: evidence from tax collection in British colonial Africa. *Economic History of Developing Regions*, 25(2):213-236.
- Geringer, J.M, Frayne, C.A. & Milliman, J.F. 2002. In search of best practices in international human resource management: research design and methodology. *Human Resource Management*, 41(1):5-39.
- Greener, I. 2011. *Designing social research: a guide for the bewildered*. London: Sage. [Online] Available from: <https://methods.sagepub.com/book/designing-social-research> [Accessed: 2020-10-03].
- Grünbaum, N.N. 2007. Identification of ambiguity in the case study research typology: what is a unit of analysis? *Qualitative Market Research: An International Journal*, 10(1):78-97.

- Gurama, Z. & Mansor, M. 2018. Integrated internal audit model for effective internal auditing performance in Nigerian tax administration. *Asian Journal of Economics, Business and Accounting*, 7(3):1-7.
- Guyer, J.A. 1992. Representation without taxation: an essay on democracy in rural Nigeria, 1952-1960. *African Studies Review*, 35(1):41-79.
- Henderson, K.A. 2011. Post-positivism and the pragmatics of leisure research. *Leisure Sciences*, 33(4):341-346.
- Hattingh, J. 2016. On the introduction of income tax by Genl. J.C. Smuts: three eventful months (24 April 1914 to 20 July 1914). In: Roeleveld, J. & West, C. (eds.). *Income tax in South Africa – the first 100 years*. Cape Town, South Africa: Juta.
- Ibanichuka, E.L., Akani, F.N. & Ikebujo, O.S. 2016. A time series analysis of effect of tax revenue on economic development of Nigeria. *International Journal of Innovative Finance and Economics Research*, 4(3):16-23.
- Idris, M. & Ahmad, T.S.T. 2017. Tax revenue and macroeconomic growth in Nigeria: a contextual analysis. *Asian Journal of Economics, Business and Accounting*, 3(2):1-12.
- Izedonmi, F.I.O. & Okunbor, J.A. 2014. The roles of value added tax in the economic growth of Nigeria. *British Journal of Economics, Management & Trade*, 45(12):2001-2007.
- Johnston, M.P. 2014. Secondary data analysis: a method of which the time has come. *Qualitative and Quantitative Methods in Libraries*, 3:619-626.
- Jones, E, Ihendinihu, J.U. & Nwaiwu, J.N. 2015. Total revenue and economic growth in Nigeria: empirical evidence. *Journal of Emerging Trends in Economics and Management Sciences*, 6(1):40-46.
- Kay, J.A. & King, M.A. 1980. *The British tax system*. 2nd ed., Oxford: Oxford University Press.
- Kovács, G. & Spens, K.M. 2005. Abductive reasoning in logistics research. *International Journal of Physical Distribution & Logistics Management*, 35(20):132-144.
- Leavy, P. 2017. *Research design: quantitative, qualitative, mixed methods, arts-based, and community-based participatory research approaches*. New York, NY: The Guilford Press.
- Madugba, J.U. & Azubike, J.U.B. 2016. Value added tax and economic development in Nigeria. *International Journal of Development and Economic Sustainability*, 4(3):1-10.
- Mayer, I. 2015. Qualitative research with a focus on qualitative data analysis. *International Journal of Sales, Retailing and Marketing*, 4(9):53-66.
- McCluskey, W.J. & Franzsen, R.C.D. 2018. Issues around the value-based property tax in Africa. *Journal of Property Tax Assessment & Administration*, 15(2): 19-32.
- Modugu, P.K. Eragbhe, E. & Izedonmi, F. 2012. Government accountability and voluntary tax compliance in Nigeria. *Research Journal of Finance and Accounting*, 3(5):69-76.
- Moore, M. Fjeldstad, O.H. & Prichard, W. 2018. *Taxing Africa-coercion, reform and development*. Cape Town, South Africa: HSRC Press.

- Ndlovu-Gatsheni, S.J. 2013. The entrapment of Africa within the global colonial matrices of power: eurocentrism, coloniality, and deimperialization in the twenty-first century, *Journal of Developing Societies*, 29(4):331-353.
- Nwite, S.C. 2015. The implications of tax revenue on the economic development of Nigeria. *Issues in Business Management and Economics*, 3(5):74-80.
- Obadina, D.A. 2016. Confronting the problem of cross-border tax evasion in an era of greater global transparency of tax relevant information: the case of Nigeria. *Journal of Money Laundering Control*. 19(4):470-499.
- Odeyemi, J.O. 2014. A political history of Nigeria and the crisis of ethnicity in nation-building. *International Journal of Developing Societies*, 3(1):87-95.
- Ojong, C.M., Ogar, A & Arikpo, O.F. 2016. The impact of tax revenue on economic growth: evidence from Nigeria. *Journal of Economics and Finance*, (1):32-38.
- Okauru, I.O. 2012. *A comprehensive tax history of Nigeria*. Onireke, Ibadan, Nigeria: Safari Books.
- Omesi, I & Nzor, N.P. 2015. Tax reforms in Nigeria: case for value added tax (VAT). *African Research Review*, 9(4):277-287.
- Ordu, P.A., Anele, C.A. & Island, W. 2015. A performance analysis of Nigerian tax objectives actualization: evidence of 2000-2012. *International Journal of Management Science and Business Administration*, 1(6):88-100.
- Oriakhi, D.E. & Ahuru, R.R. 2014. The impact of tax reform on federal revenue generation in Nigeria. *Journal of Policy and Development Studies*, 9(1):92-108.
- Otusanya, O.J. 2011. The role of multinational companies in tax evasion and tax avoidance: the case of Nigeria. *Critical Perspectives on Accounting*, 22(2011): 316-332.
- Otusanya, O.J. 2012. An investigation of the financial criminal practices of the elite in developing countries. *Journal of Financial Crime*, 19(2):175-206.
- Oyedokun, G.E., Akintoye, I.R. & Salawu, O.R. 2018. Tax justice and federally collected tax revenue in Nigeria: a vector autoregressive approach. *Journal of Management Policy & Practice*, 19(4):91-108.
- Pantamee, A.A. & Mansor, M. 2017. Correlating with tax administration environment to improve tax authority's revenue generation. *International Journal of Business and Management*, 1(2):117-124.
- Papaioannou, K.J. & Dalrymple-Smith, A. 2015. Political instability and discontinuity in Nigeria: the precolonial past and public goods provision under colonial and post-colonial political orders. *The Economics of Peace and Security Journal*, 10(1):40-53.
- Passant, J. 2016. Historical note: the history of taxation is written in letters of blood and fire. *Australasian Accounting Business & Finance Journal*, 10(2):93-101.
- Patrick, G.D. & Joseph, K. 2018. The contribution of tax revenue on the economic growth of Nigeria, *International Journal of Inflation & Good Governance Quagmire in Africa* 10(4&5):48-59.

- PBSO NewsHour. 2007. Ethnicity in Nigeria. [Online] Available from: https://www.pbs.org/newshour/arts/africa-jan-june07-ethnic_04-05 [Accessed: 2020-10-03].
- Rabianski, J.S. 2003. Primary and secondary data: concepts, concerns, errors and issues. *The Appraisal Journal*, 71(1):43-60.
- Sabine, B.E.V. 1966. *A history of income tax*, London: George Allen & Unwin.
- Saunders, M.N.K., Lewis, P. & Thornhill, A. 2019. *Research methods for business students*. 8th ed. London: Pearson.
- Simeon, E.D., Simeon, E.I. & Roberts, I.A. 2017. Issues and challenges inherent in the Nigerian tax system. *American Journal of Management Science and Engineering*, 2(4):52-57.
- South Africa. 2012. Tax Administration Act, No. 28 of 2011.
- Sukamolson, S. 2007. *Fundamentals of quantitative research*, Language Institute, Chulalongkorn University.
- Thanh, N.C. & Thanh, T.T.L. 2015. The interconnection between interpretivist paradigm and qualitative methods in education. *American Journal of Educational Science*, 1(2):24-27.
- Tochukwu, O.R., Jerry K. & Titus, O.A. 2015. Value added tax and consumption expenditure behavior of households in Nigeria: an empirical investigation. *International Review of Social Sciences*, 3(6):236-248.
- Van Waijenburg, M. 2018. Financing the African colonial state: the revenue imperative and forced labour. *The Journal of Economic History*, 78(1):40-80.
- Worldometers. 2020. Nigeria population. [Online] Available from: <https://www.worldometers.info/world-population/nigeria-population/> [Accessed: 2020-10-03].
- Yayoh, W.K. 2015. Ethnographic research, local power brokers and the political reorganization of colonial Ewedome, British mandated territory, 1914-1930s. *Contemporary Journal of African Studies*, 3(2):39-70.

APPENDIX A: DECLARATION OF PLAGIARISM

The Faculty of Economic and Management Sciences emphasises integrity and ethical behaviour with regard to the preparation of all written assignments.

Although the lecturer will provide you with information regarding reference techniques, as well as ways to avoid plagiarism, you also have a responsibility to fulfil in this regard. Should you at any time feel unsure about the requirements, you must consult the lecturer concerned before submitting an assignment.

You are guilty of plagiarism when you extract information from a book, article, web page or any other information source without acknowledging the source and pretend that it is your own work. This doesn't only apply to cases where you quote verbatim, but also when you present someone else's work in a somewhat amended (paraphrased) format or when you use someone else's arguments or ideas without the necessary acknowledgement. You are also guilty of plagiarism if you copy and paste information directly from an electronic source (e.g., a web site, e-mail message, electronic journal article, or CD ROM), even if you acknowledge the source.

You are not allowed to submit another student's previous work as your own. You are furthermore not allowed to let anyone copy or use your work with the intention of presenting it as his/her own.


Students who are guilty of plagiarism will forfeit all credits for the work concerned. In addition, the matter will be referred to the Committee for Discipline (Students) for a ruling. Plagiarism is considered a serious violation of the University's regulations and may lead to your suspension from the University. The University's policy regarding plagiarism is available on the Internet at <http://upetd.up.ac.za/authors/create/plagiarism/students.htm>.

For the period that you are a student at the Faculty of Economic and Management Sciences Management, the following declaration must accompany **all** written work that is submitted for evaluation. No written work will be accepted unless the declaration has been completed and is included in the particular assignment.

I (full names & surname):	NICOLAAS MARTHINUS DEKKER
Student number:	67018841

Declare the following:

1. I understand what plagiarism entails and am aware of the University's policy in this regard.
2. I declare that this assignment is my own, original work. Where someone else's work was used (whether from a printed source, the Internet or any other source) due acknowledgement was given and reference was made according to departmental requirements.
3. I did not copy and paste any information directly from an electronic source (e.g., a web page, electronic journal article or CD ROM) into this document.
4. I did not make use of another student's previous work and submitted it as my own.
5. I did not allow and will not allow anyone to copy my work with the intention of presenting it as his/her own work.



Signature

31 October 2020

Date