



Addressing the Challenges of Tax Administration in Nigeria: A Overview

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ABSTRACT

Tax remains a major source of internal revenue generation to governments in the provision of essential social services around the world. In Nigeria, the assessment and collection of various legally-recognized taxes are guided by legal frameworks that try to ensure that such assessments and collections are within the ambit of each level of government's tax jurisdiction and authority. But enforcing these laws is problematic. This is the essence of this paper. Using descriptive methods of data collection and analysis, the study found out among other things that lack of clarity of tax jurisdiction and the use of tax contractors are creating more challenges for both governments and tax payers. The paper made recommendations and conclude by positing that that tax payers can only comply with tax law and consequently pay their taxes as and when due, if they (governments) should utilize the tax money judiciously by addressing the people's needs adequately.

Keywords: Tax laws, Tax Administration, Tax Revenue Tax Collection, Tax Evasion, Tax Avoidance, and Tax Assessment.

INTRODUCTION

Nigeria is a mono- economy that depends largely on oil revenue since the oil boom era of the 70s. This can be seen in the nation's budgetary planning and execution processes that are tied to the fluctuating apron strings of global oil prices – year in, year out. The devastating crash in oil prices globally in June 2014 from its peak of \$115 per barrel to \$35 at the end of February 2016, which is similar in magnitude to the decline in 1985-1986 caused by production cuts and that of 2008-2009 at the outset of the global financial crisis (Rogoff, 2016), coupled with failed economic policies, has been responsible for a significant fall in the financial revenue accrued to Nigeria.

According to Alade (2015), the serious decline in oil revenue in recent years has led to a significant decrease in the funds available for distribution to states and local governments. Corroborating Alade on the devastating effect of oil price fall on the nations finances, Erikume (2016) observed that if crude oil price fell from \$77.5 to \$53 per barrel (based on budget crude price from 2014 and 2015 respectively), government revenues from crude would also drop roughly by 31% from 2014 to 2015. This negatively significant drop in the available distributable funds to states and local governments from the federal purse has necessitated the need for states and local governments to intensify their internally-generated revenue potentials in order to meet up with governance demands expected of them by the citizenry.

Taxation remains one of the major sources of revenue to governments around the world needed for the delivery of electoral promises which include – but not limited to – creation of jobs, provision of social amenities, protection of lives and properties and the general wellbeing of the economy. According to the National Tax Policy of 2016, currently operational in Nigeria, a tax is a compulsory payment to the government imposed by law without direct benefit or return of value or service to the payer, whether it is called tax or not.

Tax administration in Nigeria reflects her federal structure as regards the allocation of tax jurisdictions and responsibilities to the different federating units. Each level of government is statutorily empowered to access and collect taxes within her legal jurisdiction without encroaching upon the powers of the other levels of government, expressly or by implication (Federal Ministry of Finance, 2016). At the federal level, the responsibility of assessing and collecting taxes is the exclusive preserve of the Federal Inland Revenue Services, while at the state and local government levels, the State Boards of Internal Revenue and the revenue departments are responsible for these functions respectively. In spite of this clear cut demarcation of tax responsibilities and jurisdictions, there are cases of operations overlap, multiplicity of taxes and encroachment of tax powers and jurisdictions of one level of government by another and even between governments on the same federating level.

Examples of multiple taxes include Companies Income Tax, Information Technology Tax (NITDA Levy), Education Tax, Nigerian Content Development Levy all of which are based on income or profits and Value Added Tax, Sales Tax and Hotel Consumption Tax which are all based on sales (Oseni, 2014).

The Nigerian Tax System has undergone significant changes in recent times. The Tax Laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under current Nigerian law, taxation is enforced by the 3 tiers of Government, i.e. Federal, State, and Local Government with each having its sphere clearly spelt out in the Taxes and Levies (approved list for Collection) Decree, 1998. Of importance at this juncture however are tax regulations pertaining to investors both foreign and local. The importance of tax regulations cannot be overemphasized, as most transactions with any Ministry, department, or government agency cannot be concluded without evidence of tax clearance. i.e. a Tax Clearance Certificate certifying that all taxes due for the three immediately preceding years of assessment have been settled in full (Soyode and Kajola, 2006).

Taxes and Levies Collected by the Tiers of Government in Nigeria

Taxation is a system of compulsory contribution made to government by its citizens to support the provision of social amenities and other necessities of life. In the same way, taxation can be understood to mean a system of compulsory contribution from individuals or business organizations for the purpose of financing government expenditure (Buhari, 1993:68). From all intent, tax system is expected to contribute to the well-being of all citizens of any country, and revenue collected by government through this source, should directly impact on the tax payers themselves and other citizens.

In Nigeria, taxes are collected by the three tiers of government as established by the Tax Act of 1998. According to Aniago and Iwundu (2010), the Act No. 21 of 1998 provides that anything contained in the constitution of the Federal Republic of Nigeria notwithstanding, the 1979 as amended or in any other enactment or law, the federal, state and local governments shall be responsible for collecting the taxes listed in parts I, II and III of the schedule of the Act respectively. In other words, it is the federal, states and local governments that have the legal authority to collect taxes in Nigeria.

In order to establish viable, virile and effective tax administration in Nigeria, the federal government of Nigeria has made several concerted efforts to reform the tax system in the country. The first attempt was in 1978 when task force on tax administration headed by Alhaji Shehu Musa was set up. This was followed by the 1991 study group on the Nigeria's tax system and administration. This was headed by Professor Emmanuel Edozien. Later in 1992, another study group on indirect taxation, which was led by Dr. Sylvester Ugoh, was equally constituted. Subsequently, Professor Dotun Philips' study group on the Nigeria's tax system was also set up in 2002. The report from this particular study group contained some radical shifts in tax policy and this necessitated the prompt setting up of another working group by the federal government to review the report in January 2004. This very group, which was headed by Seyi Bickersteth concluded its assignment in March 2004 (Sani, 2005:34). The outcome of the report later gave rise to the amendment of the Personal Income Tax Cap 98, LFN 2004, referred to as "Principal Act". But this Act has been reviewed, amended and replaced with the current Personal Income Tax (Amendment) Act, 2011. The President of the Federal Republic of Nigeria signed it (Amendment Act 2011) into law on 14th June, 2011 but was made available to the public on Monday, 12th December, 2011. The effective date for the commencement of this Act was 1st January, 2012 (Government of Enugu State, 2012:1). It is observed that the new tax

law takes good care of tax matters as it affects all income earners in Nigeria. They include employers of various cadres, self-employed and other classes of persons that are required to pay personal income tax in Nigeria {Ovaga, 2011}.

It is believed that Personal Income Tax is not designed to serve the interests of some individuals in the society but to cure the ills of the entire society (Wagner, 1880). That was why Ocheoha (1979), contended that government imposes and collects taxes to provide those things that are needed by the people. The essence of tax reforms and amendment is to design strategies for remarkable improvement in tax administration, hence the introduction of the current Personal Income Tax Act. Therefore, Personal Income Tax (Amendment) Act, 2011, like any other types of taxation, was amended to contribute significantly to the promotion of fiscal responsibility and accountability; provide the government with stable resources for the provision of public goods and services; facilitate economic growth and development; and address the issue of inequalities in income distribution in the country.

In Nigeria, taxes are collected by the three tiers of government as established by the taxes Act of 1998. Aniago and Iwundu (2010), drew attention to the provision of the Act No. 21 of 1998 that, anything contained in the Constitution of the federal Republic of Nigeria notwithstanding, 1979 as amended or in any other enactment or law, the federal, state and local governments shall be responsible for collecting the taxes listed in parts I, 11 and 111 of the schedule of this Act respectively. In other words, it is the federal, states and local governments that have the constitutional authority to collect taxes in Nigeria.

The objectives of tax system in any economy are intimately connected with the overall economic and non-economic policies of the government. These objectives cannot be the same in all economies. For instance, the main problems facing a developed market economy are that of instability of income and employment, and the tax system is directed to attack them (Bhatia, 2008:48). In contrast, undeveloped nations such as Nigeria, has to contend with economic growth, poverty and inequalities. According to Bhatia, India have additional problems of chronic unemployment and regional disparities. From the foregoing, tax system should pursue objectives that are most relevant and suitable to any country. In other words, revenue realized from taxes are expected to be spent in providing the needs of the tax payers.

In the same vein, Ocheoha (1979), contended that government imposes and collect taxes to provide those things that are needed by the people. According to him, in the early days of public finance, government imposed taxes mainly to raise the revenue needed to cover the cost of administration, defence, payment of the rulers' personal emoluments, civil administrators and the national armies. But today, taxes are imposed in order to provide those goods and services, which are necessary and needed by the entire community. Ocheoha stated further that some of the goods and services, which include roads, police, education, health, army, etc cannot be managed adequately and satisfactorily by private enterprises. They are expected to be sufficiently provided for the entire society by the government.

In his own view, Wagner (1880), advocated for a modern welfare approach in evolving and adopting a tax policy. According to him, a tax system should not be designed to serve some individual members of the society, but should be used to cure the ills of society as a whole. Wagner stressed on the essential purpose of taxation. He said, it is to share the burden of the state fairly among all individuals and families. He was of view that tax payers will seek means to evade payment of taxes, should the burden and societal needs be shared inequitably. In order words, the social and political fabric of a country can be destroyed if the allocation of the tax burden is not generally accepted as fair.

But Newark (1976) argued that, no real progress in tax administration will ever exist unless there are concerted efforts by tax agencies to assess and collect taxes at predictable speed and scheduled times. Rabi (1981), identified illiteracy, poverty, ignorance and low degree of tax compliance as the major obstacles facing proper tax collection in most developing countries like Nigeria. In a similar vein, Taiwo (1999), observed that the performance of revenue agencies in Nigeria has not been encouraging, and that was why government went ahead to privatize the collection of different taxes through the engagement of tax consultants. For instance, federal government has contracted out the collection of customs and excise duties, while at state and local government levels, consultants were equally engaged in the collection of taxes.

It is observed in Nigeria that compliance is very low. According to Aniago and Iwundu (2010), tax payers lose interest in tax payment because the impact of the tax payers' money is yet to be felt by the people. The writers suggested that revenue from taxes should be properly channeled towards the welfare of the populace. And that was why Pashev (2005), believed that the failure of the government to provide basic infrastructure, which are supposed to be funded by the taxes collected, may aggravate tax evasion. He stated that lack of transparency and accountability in the use of public fund may equally increase the level of tax evasion.

Below is the table showing various taxes and levies to be collected by each tier of government in Nigeria.

Table 1: Approved List of Taxes and Levies for the Three Tiers of Government in Nigeria.

Source: Adapted from Taiwo, I.O. (1999:120)

Part I- Federal Government	Part II-State Government	Part III- Local Government
1 Companies income tax	1 Personal income tax (i) Pay-As –You-Earn (PAYE) (ii)Direct(self and government) (iii) Withholding tax (Individuals)	1 Community rates
2 Withholding tax on companies		2 Development rates
3 Petroleum profit tax		3 Tenement rates
4 Value added tax (companies)	2. Capital gains tax	4 Cattle tax
5 Education tax	3. Stamp duties (instruments executed by individuals)	5. Shops and kiosks rates
6 Capital gains tax (Abuja residents and corporate bodies nationwide)	4. Pools betting and lotteries, gaming and casino taxes	6. Entertainment tax
7 Stamp duties of corporative entities	5. Road Taxes	Fees, licenses and charges on and off liquor license. Slaughter slab and fees Marriage, birth and death registrations Naming of streets registration fee Right of Occupancy fees (where applicable) Market and motor park fees Signboard and advertisement permit Domestic animal license Bicycles, trucks, canoes, wheel-barrow and carts fees other than mechanically propelled trucks Merriment and road closure fees Radio and television set (local residents only) Wrong parking charges Public conveniences, sewage and refuse disposal fees Customary, burial ground and religious places permit
8 Personal income tax in respect of (i) Armed forces (ii) Police (iii) Residents of Abuja FCT (IV) External Affairs Officers	6 Capital transfer tax	
9 Personal income tax (other than above)	7. Entertainment tax	
10 Customs and Excise duties		
11 Mining Rents and Royalties		

From the above table, it is observed that federal government collects all forms of taxes in part 1. For instance, company tax is imposed on the profits of business organizations, which in real sense does not prevent the owners (shareholders) from paying their own personal income tax. Withholding tax is

collectable by both federal and state governments but from different sources. Here, companies pay withholding tax to the federal government while state governments collect it from individuals. Petroleum tax, which is the major source of government revenue in Nigeria is usually levied on profits realized by oil producing companies. It is the exclusive right of the federal government to collect this very tax. In the same vein, education tax, customs and excise duties, and personal income tax in respect of Armed Forces, the Police, Residents of FCT and External Affairs are collected by the federal government alone. Value added tax (VAT) has become a good source of revenue to the federal government since its introduction in 1993. It covers all locally manufactured goods and imports as well as professionals and banking services. With respect to local governments, revenue generation is characterized by the predominance of fees, licenses and charges with a few taxes as means for generating additional revenue. The list of taxes slated for states and local governments is shown in column two and three of table 1 respectively.

Transaction Taxes

a. Capital Gains Tax

This accrues on an actual year basis and it pertains to all gains accruing to a taxpayer from the sale or lease or other transfer of proprietary rights in a chargeable interest which are subject to a capital gains tax of 10%, such chargeable assets may be corporeal or incorporeal and it does not matter that such asset is not situated in Nigeria. Where however the taxpayer is a non-resident company or individual the tax will only be levied on the amount received or brought into Nigeria (Soyode and Kajola, 2006). Computation of capital gains tax is done by deducting from the sum received or receivable from the cost of acquisition to the person realizing the chargeable gain plus expenditure incurred on the improvement or expenses incidental to the realization of the asset.

b. Value Added Tax (VAT)

This was introduced by the VAT decree No. 2 of 1993, to replace the old sales tax. It is a consumption tax levied at each stage of the consumption chain, and is borne by the final consumer. It requires a taxable person upon registering with the Federal Board of Inland Revenue to charge and collect VAT at a flat rate of 5% of all invoiced amounts of taxable goods and services (Ojo, 2003).

VAT paid by a business on purchases is known as input tax, which is recovered from VAT charged on company's sales, known as output tax. If output exceeds input in any particular month the excess is remitted to the Federal Board of Inland Revenue (FBIR) but where input exceeds output the taxpayer is entitled to a refund of the excess from FBIR though in practice this is not always possible. A Taxpayer however has the option of recovering excess input from excess output of a subsequent period. It should be stated at this point that recoverable input is limited to VAT on goods imported directly for resale and goods that form the stock-in-trade used for the direct production of any new product on which the output VAT is charged (Ojo, 2003).

c. Education Tax

An education tax of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country.

d. Petroleum Profits Tax

Nigerian law by virtue of the Petroleum Profits Tax Act requires all companies engaged in the extraction and transportation of petroleum to pay tax. The taxable income of a petroleum company comprises proceeds from the sale of oil and related substances used by the company in its own refineries plus any other income of the company incidental to and arising from its petroleum operations.

The taxable income of a petroleum company is subject to tax at 85%, but this percentage is lowered to 65.75% during the first 5 years of operation. Where oil companies operate under production sharing contracts they will be liable to tax at a rate of 50%. There are however some concessions granted petroleum companies known as, Capital Allowance and Petroleum Investment Allowance; the former is deducted in arriving at the taxable income and entails expenditure on equipment, pipelines, and storage facilities, buildings and drilling costs, these are referred to as qualifying assets. The applicable rate of Capital Allowance for any year is of 20% of the cost of the qualifying assets applied on a straight-line basis for the first 4 years and 19% for the 5th year. The latter is regarded as an addition to capital allowance and covers allowance in respect of new investments in assets for petroleum

exploration; it is available in the accounting period in which the assets are first used. It must be stated that the deduction of Capital Allowance is restricted, so that for any accounting period, the tax on the company should not be less than 15% of the tax which would have been assessable had no capital allowances been granted the company (Soyode and Kajola, 2006).

e. Nigerian Social Investment Trust Fund (NSITF)

This is governed by the NSITF Act, and requires everybody employed in a Nigerian incorporated company to contribute a certain percentage of their salary to the fund. This contribution is based on the assumption that the maximum basic salary in Nigeria is N48, 000 per annum; Expatriates are excluded from this requirement where they can show proof of a similar contribution in their home country. The rate of contributions is defined as follows, where the contributor is an employee, 2.5% of his salary subject to a maximum of N 1,200 per annum; Where the contributor is an employer, 5% of basic salary subject (Salami, 2011)..

f. Stamp Duties

The administrations of stamp a duty, which is jointly carried out by the state and Federal authorities, depending on the type and nature of the document. Stamp duties are regarded as transaction taxes, and the rates chargeable would depend on the classification of the document. Some documents attract stamp duties on flat rate basis while others are assessed individually (Salami, 2011).

h. Withholding Tax

Nigerian law subject’s certain activities and services to Withholding Tax. This basically means that where during transactions in any of the specified activities or services, a payment is due from one person to another, the person making the payment is expected to deduct tax at the applicable rate and remit it to the relevant tax authority (Salami, 2011).

This should be done not later than 30 days after the deduction. This provision can be found in sections 68 to 72of the Personal Income Tax Decree No. 104 of 1993; Sections 60 to 64 of the Company Income Tax Act (as amended), and Section 51(a) of the Petroleum Profits Tax Act (as amended).

Table 2: Some of these activities and Services and their current applicable rates include:

	Payment %	Corporation %
Individual/Partnership Rent	10	10
Construction	5	5
Dividend	10	10
Royalties	10	5
Commission	10	5
Professional Fees	10	5
Technical Fees	10	5
Consultancy Fees	10	5

Source: Salami (2011).

RESEARCH METHOD

It refers to a range of approaches used in research to gather data, which are to be used as a basis for inference, interpretation, explanation and prediction (Cohen and Manion (1980:26). It is in line with the above assertion that documentary research was adopted for this study. In documentary research, a lot of data can be collected from reading through documents, which can be handwritten, typed or printed (Obodoeze, 1996:75). According to Obodoeze, these documents, which should already be in existence, will be produced for some other purposes than the benefit of the investigator. Stressing more on the documentary research, Nwana (1979), claimed that collection of data from already existing and acquired documents does not require any field work. He stated that the data collected are necessarily ‘second-hand’ and not ‘first-hand’ as is obtained in some other methods.

During the course of the study, materials were collected extensively from both public and private libraries. In these libraries, published texts, journals, government documents, magazines and newspapers were consulted. Internet provided useful information to the study. In short, the study relied more on the literature from previous researchers. Finally, information were equally elicited from the Enugu branch offices of Federal Internal Revenue Service, State Board of Internal Revenue (SBIR) and Local Government Revenue Committee (LGRC). In these places, file, bulletins and manuals were equally consulted. The technique of content analysis was used to analyse them.

Theoretical Framework

The study adopted the theory of public expenditure as postulated by a German economist, Adolph Wagner in 1890. The theory identifies that there are inherent tendencies for the activities of government to grow both intensively and extensively. And that functional relationship exists between the growth of an economy and the governmental sector grows faster than the economy, furthermore, all kinds of governments especially, State or Local Government's intentions had exhibited the same kind of tendencies of increased expenditure.

Adolph Wagner based his theory of Increasing State Activities on historical facts, primarily of Germany, which reflected the growing importance of government activities and expenditure as an inevitable feature of a "progressive" state. He tried to establish a direct link between economic development and growth and the relative size of public sector and consequently public expenditure.

According to Wagner, there is an inherent tendency for the activities of different layers of government (e.g. Central and State governments) to increase both intensively and extensively. Prevailing public expenditure reflects the requirement of a given historical situation. Any change in the public expenditure reflects the underlying changes in the economic structure and development. He justified public expenditure in terms of objective criteria, such as population or transportation needs.

Wagner's theory was based upon historical facts. It did not reveal the inner compulsions under which a government has to increase its activities and public expenditure as time passes. It was applicable only to modern progressive governments which were interested in expanding public sector of the economy for its overall benefits, and public expenditure would grow faster than output. This general tendency of expanding state activities had a definite long-term trend, though in the short-run, financial difficulties could come in its way. "But in the long-run the desire for development of a progressive people will always overcome these financial difficulties (Musgrave and Peacock, 1958).

According to Wagner, there is an inherent tendency for the activities of the government of different layers e.g. central and State government to increase extensively and intensively. As the time passes, various levels of government undertake new functions. This means that the range of activities carried on within the public sector is extended. This process of adding new activities may be termed as extensive growth in government services. On the other hand, the tendency of the governments to perform both old and new functions more efficiently and completely is called intensive growth in public activity.

Tenets of the Theory

1. Public expenditure should be planned in such a way as to yield maximum social advantage and social welfare to the community as a whole and not to a particular group of the community.
2. Duplication of expenditure and overlapping of authorities should be avoided. That is, protecting the interests of the tax payer and not merely in effecting economies in expenditure but in developing revenue
3. There should be systematic auditing and inspection procedures at the end of financial years to ensure accountability on the part of government officials vested with the power to expense.
4. The government should not overspend and run into huge debts. It also clearly gives the indication that deficit spending should be avoided as far as possible.

Application of the Theory

Based on the tenets of the theory, it could be deduced that the Wagner's theory is appropriate for the explanation of the study in that for any level of government, such in order to achieve development. That is, the tax policies of the government should be planned in such a way as to yield maximum social advantage and social welfare to the community as a whole and not to a particular group of the community. Tax jurisdiction should not be overlapping and duplicated so as to protect the interest of tax payers and enhance revenue development.

Challenges of Tax Administration in Nigeria: A thematic Exposition

Lack of clarity of tax jurisdiction:

In spite of the Nigeria's tax system systematically demarcated by the Constitution of the Federal Republic Nigeria, 1999 {as amended} has subjected local government councils and state governments to the dictates of the national government. The effect of this is that local government has no clear tax jurisdiction and this scenario has adversely effected these sub-national governments.

One of the fallouts of this is the challenge of multiple taxation. Both state and local government tax agencies collect taxes on the same item separately making the cost of tax payment high. This issue has adverse effect on industrial development in the area because it had multiplier effect on the citizens who buy the finished products from these industries.

Seizure of Local Government Funds by Their State Governments:

Following the constitutional provision that subjected local government to be an arm of state government, the state government has every opportunity to seize local government funds. Then, the local government in a bid to source for fund that will be used to run its affairs had no other option other than engaging in multiple taxation where funds could be generated easily.

The practice of multiple taxation in Nigeria has been one of the reasons why business is not worth it while in the country (Anosike, 2010:45). According to Anosike, Otawuruagu, the Executive Director, Operations, Constant Link Ventures Limited bemoaned the way some people in the business sector are forced to pay the same kind of tax to all the tiers of government and at the end of the day, they would have nothing left. For instance, in an effort to maximize internally generated revenue, there are strange and duplicated taxes imposed and forcibly collected by states and local governments. Tax payers including companies are subjected to a wide range of taxes and rates at the state and local government levels, in addition to the federal income tax paid by the company employees (Oduola, 2006:3).

The experience of road users in Nigeria today is always a bitter one. What happens is that states and local government officials assisted by armed police men, mount road blocks with nail studded planks on the highways to charge spurious taxes on whoever that comes across their ways. This shows that one is required to pay the same tax in any state or local government one finds oneself. That was why the aggrieved tax payers and even organizations complain about the imposition of taxes already levied by another tier of government or by the same government but under different names (Sanni, 2005:35). According to Sanni, the tiers of government are of the belief that their revenue bases are poor while the federal government enjoys rich revenue resources. Therefore, there is need for them to aggressively look out for other tax sources of revenue from which they are not barred from collection by the provisions of the Nigeria constitution. In other words, states and local governments indulge in multiple tax practices in order to boost their poor revenue bases.

As a result of these exploitative tendencies of the tax authorities that is forcing business operators to leave the country to a less harsh environment. Precisely, Otawuruagu cited a case of transport operators in Nigeria that are feeling the pangs of multiple taxation and poor state of roads. He advised that if nothing drastic is done urgently to address this ugly situation, many transport owners might even reconsider their stay in this country. In other words, to avoid payment of taxes, these transporters may join their business colleagues in fleeing the country to other neighbouring countries.

Most tax payers in Nigeria do not take tax payment serious until they find themselves in difficult situations. Payment is made without force only when they need something from the government, most especially when they need tax clearance receipts (Utebor, 2010:13). Many cases of tax evasion and other illegal activities have been recorded among corporative organizations. For instance, some companies deliberately refuse to remit the taxes deducted from their employees' salaries to the appropriate governments' authorities. This is evidenced on the Economic and Financial Crimes Commission's recovery of over N2. 25 billion, which has been lost to tax evasion from about 30 companies operating in Nigeria (Ughegbe, 2010:3). According to Ughegbe, the anti-graft body has in addition, recovered over 15 million dollars through tax tracking system.

It is observed that tax law enforcement agents equally contribute to tax evasion in Nigeria. Members of the public are publicly assaulted and harassed by the tax officials over alleged refusal to pay taxes and levies. Experience has shown that people resort to tax avoidance whenever disagreement ensues between tax agents and tax payers. These days, government tax officials are no longer trusted as they are impersonated recklessly. Cases abound where taxes and levies that are not covered by tax law are forcefully imposed on the innocent citizens. There are instances where tax collectors invade company offices and employ unwholesome tactics to enforce these taxes and levies. Some of the perpetrators of these illicit behaviours are touts employed by public office holders, who see such ad hoc opportunity as a good source of getting rich before their contract elapses. But, it is pertinent to remind ourselves that tax law states specifically that, only the appropriate tax authorities shall assess and collect taxes, and not tax consultants (Aginam, 2010:26)

Most times, tax officials aid and encourage tax evasion through purposeful under assessment of incomes of their relations and acquaintances after collecting some kickbacks. There are notable cases of highly placed persons and even viable organizations that are assessed lowly by tax assessment officers in order to win their favour. Some of the tax payers make false declaration of their incomes just to pay less or possibly avoid payment holistically.

People avoid payment of taxes because of the inability of all levels of government in Nigeria to identify the actual needs of the masses, as opposed to the culture of establishing gigantic projects that do not impact on them (people), hence not truly representing the people. In the event of this ugly situation, it becomes difficult to convince the people to pay taxes to the government that is insensitive to the needs and feelings of the people.

RECOMMENDATIONS

Based on the above challenges observed by the researchers, the following recommendations were suggested to enhance tax administration in Nigeria:

In order to create friendly tax environment in Nigeria, there is need to clarify the tax jurisdiction of tiers of government as this will minimize the cases of multiple taxation and conflicts among revenue generating agencies. This can be done using either an executive order or Constitutional amendment. The use of tax contractors/consultants and to collect taxes by revenue generating agencies and tiers of governments should be abrogated. Most of them are only interested in the commissions that will accrue to them thereby encouraging many governments' agencies to dish out unorthodox modus operandi in collecting levies and taxes. Factories are shut without due process while in other situations, stop work orders are giving to construction companies that have not paid the local levies-all in attempt to reach the target set

Governments across States should avoid the frequency they enact tax laws. They should be reduced by government. Also the government should recruit qualified tax personnel as well as provide adequate tax records so as to minimize the tax burden and the level of corruption among civil servants in the revenue generating agencies.

As observed by Ovaga {2011} that most tax authorities find it extremely difficult to collect taxes especially from big corporate bodies. It should not be out place if various tax authorities in Nigeria should be empowered to employ the services of some trust worthy and honest registered private tax collectors or consultants that can be used as supplement to the existing authorities, as is practiced in the United States of America since 2006. The need to do this cannot be overemphasized since this country has lost a lot of money through tax evasion and avoidance.

It is unfortunate to observe equally that tax payers do not understand certain implications involved in giving bribe to tax officials in order to under assess them. These ignorant tax payers should be made to understand that under assessment provides a temporary relief to them as they must face the weight of the law should they be apprehended. In order words, the defaulters are only postponing their doomsday by accumulating tax arrears, which must definitely be paid in future. Tax impersonation is observed to be prevalent in Nigeria.

CONCLUSION

One of the primary objectives of introducing tax system in Nigeria is to address the issue of inequalities in income distribution. The Personal Income Tax (Amendment) Act, 2011, which has been fundamentally accepted as a reform to the old Personal Income Tax Act, Cap. P8, 2004 (Subsequently referred to as the Principal Act), is no doubt seen by many tax payers, especially the low and middle income earners, as a revolutionary piece of legislation. This is because the new tax law has considerably reduced the tax burden of these two groups of income earners. The expected impact of the change in the new law is that low income earners will pay less tax while the burden will be carried more by those in high income bracket. At this juncture, it becomes pertinent to remind the three tiers of government in Nigeria that tax payers can only comply with the new tax law and consequently pay their taxes as and when due, if they (governments) should utilize the tax money judiciously by providing people's needs adequately.

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