

DOI: 10.36108/UIIJ/3202.31.0130

**EXAMINATION OF TAX LAWS AS INTEGRAL SOURCE OF
INTERNALLY GENERATED REVENUE IN NIGERIA**

Prof Iysa Ade Bello*

Dr. Ekhatior Atise Johnson†

ABSTRACT

This paper focuses on examining tax laws regimes, as an integral source of internally generated revenue in Nigeria. The paper observes that the problems of revenue generation are cogs in the wheel to the smooth running of government administration. The paper's objective is to find out the extent to which various tax policy reform has affected revenue generation and the development of the Nigeria economy. The paper findings among others include a significant relationship between revenue generated and developmental effort of government, poor development of infrastructural and basic social amenities to the rural people and lack of revenue to maintain the existing infrastructures. The paper recommends, among others that the

* College Of Law, Osun State University, Osogbo, Nigeria. Iysaadebello1@gmail.com.
08033066584

† Senior Lecturer, Faculty of Law, Christopher University, Mowe, Lagos Ibadan Expressway, Ogun State. 08033028752, 09039393720. atiseekhator@gmail.com,
atiseekhator@yahoo.com

government provide high quality basic amenities. The paper concludes that by so doing, the people's interest would be geared towards giving their maximum support to the local government, which would lead to the development of the rural areas.

Keywords: Evolution, Legal Implication, Revenue, Generation, Government

1.0 INTRODUCTION

Internally generated revenue (IGR) as a concept enjoins government at all levels to look inward to generating appreciable revenue with which it can discharge its responsibilities to its citizenry. It is one thing for the government to desire to improve and maintain her infrastructural development and another thing to have enough funds to finance it. Although there are several sources of revenue, IGR is one source, which every state is expected to exploit fully to complement other revenues. IGR in normal day to day parlance refers to those revenue sources that are generated by the Federal, State and Local Governments.³ Internal generated revenue can also mean revenues generated internally apart from subventions, allocation, and grants.⁴ In government terms, revenue is the entire amount the government receives

³ The Initiatives, 'Internally Generated Revenue (IGR) and the Challenges of National Development' A Presentation on the Occasion of the First National Roundtable for Good Proactive Laws and Governance, International Conference Centre, Abuja, [2008].

⁴ Nigeria Governor's Forum, 'Improving Revenue Generation Through Taxation in Nigeria'. Workshop Communiqué, Abuja, DFID,[2012].2.

from sources within and outside the government entity.⁵ These are revenues generated from sources other than crude oil. An example of such source is taxations. According to Abdulrazaq,⁶ ‘the classical function of the tax system is the raising of the revenue to meet government expenditure.’ Revenue therefore encompasses the entire gamut of government income which is realized and available for expenditure by government within a particular fiscal year or period. Thus in the word of Babalola,⁷ the provision of public schools, public health and public infrastructure require huge government spending, especially in these modern times. Also, state government incurs expenditure for the provision of adequate security, fulfilling its commercial functions and administration. Therefore, the need for adequate revenue at all levels of government has become imperative, given the expenditure profile of government aimed at reducing poverty, generating employment, boosting growth and creating wealth. State governments now face more challenges in struggling to be less dependent on the Federal government for financial resources.⁸ Though, the revenue allocation system mandates that a certain fraction of the Federation Account be allocated to state governments, these funds are insufficient to meet expenditure requirements.⁹ This is because the

⁵ T. F. Nwanne, ‘Effects of Tax Policy on the Expenditure of Local Government Councils in Imo State’ [2015] *European Journal of Accounting, Auditing and Finance Research*, Vol. 3, No. 12, p. 80

⁶ M.T. Abdulrazaq *Principles and Practice of Nigerian Tax Planning & Management*, 2nd Edn., (Stirling– Horden Publishers Ltd., 2015), p. 2.

⁷ R. Babalola., ‘Boosting Government Revenue through Non-Oil Taxes’ in iProject (ed), *Evaluation of Internally Generated Revenue and Economic Growth of Kano State from 1999-2014* <https://iproject.co.ng> accessed January 10, [2018].

⁸ J.C. Anyanwu, ‘Fiscal Relations Among the various tiers of Governments in Nigeria’ NES Conference Paper, [1999].

⁹ See particularly section 162(3) of the 1999 CFRN (as amended) which provides that “Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the local government councils in each States on such terms and in such manner as may be prescribed by the National Assembly.”

account size is proportionate to oil revenue, which is subject to fluctuations and the expenditures of state governments far exceed available resources.¹⁰ The problem of lack of fiscal transparency due to mismanagement of funds, corruption, poor internal control, and lackadaisical attitude to government work and properties still abounds and adds to the diminishing or fluctuating revenues. It is in that regard that Kiabelet *al*,¹¹ posited that the need for state governments to generate adequate revenue from internal sources has, therefore become a matter of extreme urgency and importance. Commenting on the significance of IGR in infrastructural financing without depending on oil revenue, the former President of Nigeria – Dr. Goodluck Jonathan¹² stated thus: There is no better time but now for Nigeria to put the issue of diversification of revenue away from oil on the front burner...for a nation to carry out basic functions of government, pursue and implement her development programmes like our ‘vision 2020’ (...) it requires a stable, predictable and sustainable source of revenue. This leaves us with a very limited choice other than to subscribe to international best practices and make ‘IGR’ (taxation) the primary source of revenue of government...this is crucial since the so called diversification from dependence on oil as the principal source of revenue is applies to the three tiers of government as State and

¹⁰ Despite the numerous sources of revenue available to the various tiers of government as specified in the 1999 CFRN (as amended), over 80% of the annual revenue of the three tiers of government still comes from petroleum and has been so since the 1970s. However, the serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the states.

¹¹B.D. Kiabel and N.G Nwokah., [2009] ‘Boosting Revenue Generation by State Governments in Nigeria: The Tax Consultants Option Revisited’ *European Journal of Social Sciences*, Vol. 8, No. 4.

¹² In his speech during the 1st International Tax Conference held in Abuja on 27th October, [2008].

LGAs should henceforth depend less on handouts from Federal Account Allocation Committee (FAAC) and intensify their IGR drive.¹³

Considering the importance of IGR in the infrastructural development of a country, it should be noted that IGR is wider than taxation. For instance, IGR encompasses all aspects of revenue generation, while taxation is an aspect of IGR. However, since taxation is the main source of IGR, it is imperative to examine tax law regime as an integral source of IGR in Nigeria. This paper adopts doctrinal research methodology with heavy reliance on primary and secondary sources of information. The paper is divided into five sections. Following this introduction, section two narrates the evolution of internally generated revenue in Nigeria. Section three highlights various reforms of Nigeria's Tax Policy on IGR. Section four analyses the current IGR policy and Administration in Nigeria. Section five concludes with a remark that the country's taxation legal framework on IGR has witnessed several reforms, and there is still room for more reforms and innovations to meet the challenges of an ever-changing modern society.

2.0 EVOLUTION OF INTERNALLY GENERATED REVENUE (IGR) IN NIGERIA

In Nigeria, what is known today as IGR started in an unconventional and unorganized way and then metamorphosed into a conventional manner with the advent of organized society settings. The IGR regime in Nigeria can conveniently be divided into the following eras.

¹³ *Ibid.* See also Akpo U., 'The People as Government: Imperatives of Tax Payment' A Paper Presented at the 1st AkwaIbom State Revenue Summit, [2009].

2.1 Pre-Colonial Era

The various communities before the colonial era in Nigeria were exposed to a variety of levies as dictated by paramount rulers or agreed upon by heads of families at that time.¹⁴ The various traditional rulers all created their various forms of taxes and levies which were used to boost region's various economies.¹⁵ Adeola¹⁶ posited that 'the economic history of Nigeria has shown that people in Nigeria paid taxes before the British administration, especially in the Northern part of Nigeria. The organized form of Emirs' administration and the spirit of Mohammedism made it possible for the people to contribute towards charity, which laid a sound foundation for direct taxation in Nigeria.¹⁷ Thus the history of IGR in Nigeria can easily be traced to the Northern part of Nigeria, where there was a reasonably systematic form of taxation there and this was since the Emirs had a more organized system of administration unlike in the other parts of the country. The Islamic religion also preached stringent adherence to payment of taxes as one of the principles of forthrightness in the religion and this brought about a more stringent enforcement of payment of taxes and levies in that part of the country, more so that the organized structure assisted in no small means in effective tax administration in the region.¹⁸ Zakat was levied on Muslims for spiritual, religious and educational purposes. Kudin-kasa was levied as a form of tax on land utilization, from farm produce and Jangali was a tax levied on cattle

¹⁴ As applicable in the south eastern region of the country then.

¹⁵ TheTaxProf, 'History of taxation in Nigeria: Understanding Nigeria Tax' <<https://www.taxprof.com.ng>> accessed January 23, [2018].

¹⁶ Adeola, S.M., *Income Tax and Administration in Nigeria* (University Press Ltd, 1998).

¹⁷ *Ibid*

¹⁸ The Tax Prof, *Op cit*.

rearers.¹⁹The Pre-Colonia Era in the North, as it relates to IGR benefited from a centralized system of government due to the emirate caliphate that was in place before colonialism.

In the south western part of Nigeria, taxes were collected in form of tribute, tolls, levies, fine and fees etc. IGR in the pre-colonial era in the south was not as organized as in the northern part of the Country. However, in the south western part of the Country, there was Isha-Kole which is also a form of agricultural/land tax payable to Obas, Chiefs, Heads of Community. There was Owo-Ori which is the tax paid by individuals in return for services rendered. There was war tax, a tax paid by a defeated town after a war to the victorious town. There were also community tax that was payable by all adults in a community to carry out projects in the community.²⁰All these formed parts of the IGR during pre-colonial era of Nigeria. A more organized IGR system emerged with the colonial government in Nigeria.

2.2 Colonial Era

At the beginning of Lord Lugard's²¹ administration as the British High Commissioner for Northern Nigeria, he attempted to combine the different levies and taxes into a simple, understandable, collectable direct tax to maintain an acceptable canon of equality, certainty, convenience, economy, etc.²² Lord Lugard passed many laws in Northern Nigeria to enable him

¹⁹ *Ibid.* See Chinwendu, E. J., 'Effectiveness of Taxation as an Instrument for Control of Money in Circulation', A Project Submitted in Partial Fulfillment of the Requirement for the Award of Master's Degree in Accountancy (MBA), Department of Accountancy Faculty of Business Administration, University of Nigeria, 2012.10.

²⁰ *Ibid*

²¹ His full name is Frederick John DealtryLugard also known as Sir Frederick Lugard, with titles such as 1st Baron Lugard GCMG, CB, DSO, PC.

²² Chinwendu, E. J., *op cit.* 10 – 11.

collect the taxes. The notable among these are: the 1904 Land Revenue Proclamation²³; the 1906 Native Revenue Proclamation, which replaced the 1904 proclamation and aimed at unifying all existing forms of taxation; and the 1917 Native Revenue Ordinance, which also replaced the 1906 proclamation and regulated the imposition of collection of taxes from natives. The 1917 ordinance was imposed on the north and south but was grudgingly accepted in the south.²⁴ Taxation was relatively unknown in the eastern part of the country before the colonial authority, so it was difficult to introduce it to the men, let alone women. For instance, an attempt to include women into the tax bracket by the colonial authority in the Eastern part of Nigeria led to the women protest which is popularly tagged 'Aba Women Riot of 1929'²⁵. S.S. Amechina²⁶ in reviewing Lord Lugard's tax laws of the colonial era stated thus:

In 1937, both the native direct taxation (colony ordinance) and non-native income tax (protectorate ordinance) were passed. Out of those ordinances initiated discrimination in direct taxation was discovered by the direct taxation 12 ordinance of 1904 and income tax ordinance of 1943 which consolidated all earlier ordinances and attempted to unite direct taxation in the country.²⁷ The essence of the Native Revenue Proclamation was to harmonize all pre-colonial tax rates by defining which rates should apply to what, the various collection

²³ The proceeds of this tax were collected by the traditional rulers and shared among them and their government

²⁴ Before all that, he first introduced the Stamp Duties Proclamation of 1903.

²⁵ See, A. L. Ayodele, *The Principles and Practice of Nigerian Personal Income Tax* (El-Toda 2004).

²⁶ S.S. Amechina,, 'The Effectiveness of Clearance Certificate as a Measure against Tax Evasion and Avoidance in Nigeria' M.Sc Thesis. Department of Accountancy, UNILAG, [1998]. p.7

²⁷ *Ibid*

methods and what penalties should accrue to defaulters.²⁸ This move by Lord Lugard brought about a more effective system of taxation and could be said to have led to the drivers of modern tenets of taxation in Nigeria.²⁹ The amalgamation of the North and Southern Protectorates in 1914 resulted in the revenue of the Southern Nigeria protectorate falling from 2.5 million pounds to 0.2 million pounds as most of its revenues accrued to the central government (that of Northern Nigeria was 0.5 million pounds), by making possible the integration of the economies of both parts of the country, an impetus was given to trade and development.³⁰ Domestic exports rose from 6.78 million pounds in 1913 to 14.5 million in 1919 (an increase of 214%), while the value of imports increased from 6.28 million to 10.8 million pounds (an increase of 172%) during the same period.³¹ After amalgamation, various laws were enacted to consolidate and cleanse the pre-colonial tax system of its imperfections and provide a source of revenue for both the government and the native authorities. Direct tax became the financial foundation on which the native authority system was built. Some of the important laws in that era among others includes the Native Ordinance³², which was re-enacted in 1929 in Eastern Nigeria and the Non-Natives Protectorates Tax Ordinance of 1931 which was later repealed and merged into Tax Ordinance, No 4

²⁸ The Tax Prof, *Op cit*.

²⁹ *Ibid*. The 4 core principles of: what to pay, where to pay, when to pay and whom to pay to (www) were clearly defined.

³⁰ *Ibid*

³¹ *Ibid*

³² Cap 74 of 1917

of 1940 and subsequently re-enacted as Income Tax Ordinance of 1943.³³

2.3 Post-Colonial Era

The uniformity notwithstanding, a tax was administered by the regional governments and used to drive development within the region. For instance, the Personal Income Tax Lagos Act (PITLA) 1961 dealt with the taxation of residents of the Federal Territory of Lagos, the armed forces, the police, officers in the foreign service and non-residents. However, with the incursion of the military into politics and the creation of Lagos State in 1967 along with eleven other states, PITLA was adopted by the new Lagos State while the Federal Government enacted the Income Tax (Armed Forces and Other Persons) (Special Provisions) Act No. 50 of 1972 to accommodate the categories of those who had been automatically removed from the tax jurisdiction of Lagos as a State. The Federal Territory and mobile workers had always been treated differently. Other tax legislations enacted include the Capital Gains Tax Act 1967 and the Capital Transfer Tax Act (Repealed in 1986).³⁴

3.0 VARIOUS REFORMS OF NIGERIAN TAX POLICY ON INTERNALLY GENERATED REVENUE

³³ The Initiatives, *Op cit.*

³⁴ *Ibid*

The Income Tax Management (Uniform Taxation) Act 1975, which took effect from April 1 1974 brought uniformity to the taxation of individuals throughout the Federation. The 1978 Task Force on Tax Administration by Alhaji Shehu Musa Shagari brought in various changes to tax laws as follows: The introduction of the withholding tax regime; the imposition of a special levy of 10% on the excess profits of Banks; and the imposition of a turnover tax of 2.5% on building and construction companies. The 1979 Constitution of the Federal Republic of Nigeria made all State Income Tax laws unconstitutional. The import of this was that only the Federal Government could legislate in matters of taxation. Specifically, section 4 of the 1979 Constitution provided that:

(1) The legislative powers of the Federal Republic of Nigeria shall be vested in a National Assembly for the Federation which will consist of a Senate and a House of Representatives.

(2) The National Assembly shall have power to make laws for the federation's peace, order and good government or any part thereof concerning any matter included in the Exclusive Legislative List set out in Part I of the Second Schedule to this Constitution. Subsection (3) of section 4 vested exclusive jurisdiction in the National Assembly with regarding matters contained on the Exclusive Legislative List, which was Part I- of the Second Schedule to the Constitution. Section 4 (6) vested legislative powers of a State in the House of Assembly of each State and by subsection (5) any law passed by a State House of Assembly which was inconsistent with an Act of the National Assembly was to be null and void to the extent of its inconsistency. By subsections (4) (a) and (7) (b), both the National Assembly and the States Houses of Assembly could make laws on matters on the

Concurrent Legislative List which was Part II to the Second Schedule of the Constitution. Customs, excise and export duties were listed as items 15 and 22 under the Exclusive Legislative List. Also, stamp duties, taxation of incomes, profits and capital gains were listed on the Exclusive Legislative List under items 57 and 58. Items 7, 8, 9 and 10 of Part II of the Second Schedule (Concurrent List) provided that:

In the exercise of its powers to impose any tax or duty on: (a) capital gains, incomes or profits of persons other than companies; and (b) documents or transactions by way of stamp duties, the National Assembly may, subject to such conditions as it may prescribe, provide that the collection of any such tax or duty or the administration of the law imposing it shall be carried out by the government of a State or other authority of a State.

In 1992, two study groups were set up to further improve the tax system. One focused on the Nigeria Tax System and Tax Administration and Professor Emmanuel Edozien headed this, whilst the other– the Study Group on Indirect Taxation, was led by Dr. Sylvester Ugoh.³⁵ Recommendations arising from this process resulted in the promulgation of the Companies Income Tax Act³⁶, Personal Income Tax Act³⁷, Value Added Tax (VAT)

³⁵ *Ibid*

³⁶ No. 3 of 1993. The Act codified all income tax laws into the Companies Income Tax Act (CITA) Cap. 60 Laws of the Federation of Nigeria (LFN) [1990]. The Act established FIRS as the operational arm of the Federal Board of Inland Revenue (FBIR).

³⁷ No. 104 of 1993. The Act codified all personal income tax legislations into one uniform Personal Income Tax Act. The Act also established the Internal Revenue Service (IRS) as the operational arm of the State Internal Revenue Board (SBIR) of each States. In the same vein, the Act introduced the Joint Tax Board consisting of the Chairman of the Federal Board of Inland Revenue (now the Federal Inland Revenue Service) as the Chairman of the Joint Tax Board and one member from each State being a person experienced in income tax matters, to amongst others, “use its best endeavors to promote uniformity both in the application of the Act and in the incidence of tax on individuals throughout Nigeria”

Act³⁸, and Education Tax (ET) Act.³⁹ The 1999 Constitution retained the supremacy of the Federal Government on matters of legislation on taxation but reintroduced some flexibility in administration. Under the concurrent legislative list, a provision was added that the collection of any such tax or duties or the administration of the law imposing it may be delegated to a state or any authority of a state by a law of the National Assembly.⁴⁰ In 2002, a Study Group on the review of the Nigeria tax system headed by Professor Dotun Philips was set up to address the need to place more importance on taxation in the face of a decline in focus on taxation and oil as a source of revenue. The Study group report was further subjected to a Working Group set-up in 2003 and headed by Mr. Oluseyi Bickersteth. The outcome of both reports were largely consistent but with significant differences in how tax should be administered nationwide.- Whereas the Study group recommended a more centralized system of administration, the Working group recommended a centralized tax administration system with Fiscal federalism implemented through the way revenues were allocated and distributed. In harmonizing both reports, the significant areas of agreement were adopted, and issues of a central administration of taxes were deferred for further consideration at a later date, given the rejection of the proposal by the State authorities. This notwithstanding, it was agreed that a harmonized system was still very much desirable to ensure both Federal and State tax authorities benefited from synergies arising from such a harmonized system with

³⁸ No. 102 of 1993. This Act introduced VAT and significantly moved the country into the regime of indirect and consumption tax. It also repealed the Sales Tax Act No. 7 of 1986 administered by some States in a move to improve the overall revenue base of the country and achieve improved efficiency in administration

³⁹ No. 7 of 1993. The Act introduced a special tax on corporate income specifically to fund the upgrading of infrastructure and facilities in the education sector.

⁴⁰ *Ibid*

improved efficiencies.⁴¹ It was also agreed that the tax system should be simplified to reduce the incidence of multiple taxation and at the same time improve the mode of revenue distribution equitably resulting in a clause in the VAT Amendment Act entrenching a minimum percentage of derivation as a basis for distributing VAT proceeds as is the current practice but with room to improve on the rate as may be desirable. The outcome of this latest effort at reform resulted in the enactments of FIRS (Establishment) Act 2007; Companies Income Tax (Amendment) Act 2007; Value Added Tax (Amendment) Act 2007; and National Automotive Council (Amendment) Act 2007; the adoption of the National Tax Policy in 2011; the National Tax Policy was further reviewed in 2017; then, there have been consistent tax law reforms starting with 2019; with various tax amendments inform of finance Acts of 2019, 2020, 2021, 2022, and 2023.

4. CURRENT INTERNALLY GENERATED REVENUE (IGR) POLICY AND ADMINISTRATION IN NIGERIA

This paper approaches the subject matter from the current tax policy and tax administration stand point. This is because IGR is principally realized through taxation. The Nigeria tax system, like any tax system, is a tripartite structure that comprises tax Policy, Tax Legislation and Tax Administration.⁴² Tax policy forms the basis for tax laws, while tax administration is the implementation of the tax laws. This shows that to establish an effective and efficient tax system that will make taxation the

⁴¹ *Ibid*

⁴² Dike, M.A.C., 'An Overview of the Nigerian Tax System: Implications for Foreign Investors' At the Nigerians In Diaspora Organisation (NIDO) UK South Investment Conference on the 17th – 18th March 2014. 3

pivot for national development, appropriate tax policies and legislations should be put in place and adequately implemented. The objectives of a Tax System are: to promote fiscal responsibility and accountability, facilitate economic growth and development; provide the government with stable resources for providing public goods and services, address inequalities in income distribution, provide economic stabilization, and correct market failures or imperfections⁴³.

4.1. Current Tax Policy

A revised National Tax Policy (NTP) was approved by the Federal Executive Council (FEC) of Nigeria on February 1 2017. The approval is in the aftermath of the submission made by the NTP Review Committee, set up by the Minister of Finance in August 2016 for the review of the old NTP that was initially issued in 2012. The committee, headed by Prof. Abiola Sanni submitted its report in September 2016.⁴⁴The National Tax Policy is a document which sets broad parameters for taxation and ancillary matters connected with taxation.⁴⁵It clearly states the principles governing tax administration and revenue collection. It therefore, provides a set of guidelines, rules and modus operandi that regulate taxation in Nigeria.⁴⁶The National Tax Policy provides the fundamental guidelines for the orderly development of the Nigeria tax system.⁴⁷ The Policy is designed to achieve

⁴³ *Ibid*

⁴⁴ Deloitte, 'Inside the New National Tax Policy' *Tax & Regulatory Services*, 2017.<<https://www.blog.deloitte.com.ng>> accessed January 20, 2018.

⁴⁵ Dike M.A.C., *Op cit.*

⁴⁶ *Ibid.* 4

⁴⁷ T. Oyedele, 'Nigeria's New National Tax Policy: A New Dawn or Another False Start?'<<https://www.pwc.com>> accessed January 21, [2018].

the following specific objectives, among others: Guide the operation and review of the tax system; provide the basis for future tax legislation and administration; serve as a point of reference for all stakeholders on taxation; provide a benchmark on which stakeholders shall be held accountable; and provide clarity on the roles and responsibilities of stakeholders in the tax System.

4.2. National Tax Policy (NTP) Guiding Principles

All existing and future taxes are expected to align with the following fundamental features -

1. Equity and Fairness: Nigeria's tax system should be fair and equitable devoid of discrimination. Taxpayers should be required to pay according to their ability.
2. Simplicity, Certainty and Clarity: Tax laws and administrative processes should be simple, clear and easy to understand.
3. Low Compliance Cost: The financial and economic cost of compliance to the taxpayer should be kept to the barest minimum.
4. Low Cost of Administration: Tax Administration in Nigeria should be efficient and cost-effective in line with international best practices.
5. Flexibility: Taxation should be flexible and dynamic to respond to changing circumstances in the economy in a manner that does not retard economic activities.
6. Sustainability: The tax system should promote sustainable revenue, economic growth and development. There should be

a synergy between tax policies and other economic policies of government.⁴⁸

4.3. Key Highlights of National Tax Policy (NTP)

For the Policy, “tax” is defined as any compulsory payment to the government imposed by law without direct benefit or return of value or a service whether it is called a tax or not. This definition is important to distinguish between tax and non-tax payments to the government or its agencies which are sometimes wrongly referred to as tax. Also, it means that government or its agencies cannot hide under the pretence of nomenclature such as “levies” or “charges” to impose tax without complying with the Policy.⁴⁹The new Policy outlines the key provisions under Chapter 2 of the 1999 constitution that contains fundamental objectives and directive principles of state policy relevant to tax policy. These include honest declaration of income and tax payment; fiscal responsibility and accountability; promoting a planned and balanced economic development; securing maximum welfare, justice and equity; and so on. Specifically, the Policy contains measures designed to: Address the multiplicity of taxes and multiplicity of Revenue agencies; reduce income tax rates and compliance burden for Micro, Small and Medium Enterprises; improve Nigeria’s ranking on the global ease of paying taxes index from the current position of 181 out of 189 economies to top 50 by the year 2020; and encourage diversification, expand the country’s tax base and improve Tax to GDP ratio.

⁴⁸ *Ibid*

⁴⁹ *Ibid*

Reacting to the making of NTP for the country, Nwanne⁵⁰ stated, ‘Indeed, the NTP creates awareness on the importance of the role which taxation can play in securing a stable flow of revenue for even the local government councils. In an era when Nigeria is regarded as a single- product economy due to its significant dependence on oil revenue for over four decades, taxation has been identified as a more dependable source of revenue due to its perpetual nature. Hence, the tax policy provides a shift in paradigm from non-tax revenue to tax revenue by governments at all levels of the Nigeria’s political and economic system. With this renewed focus, the tax policy and related legislations seek to resolve issues that have hitherto impeded tax administration in the country, such as those of who collects what, how it is collected, who controls what is collected, how what is collected is shared, who is responsible for spending what is realized, and who ultimately is responsible and accountable to the tax payers for the revenue collected and its expenditure.’⁵¹ The 2017 Budget of the Federal Government of Nigeria and the 2017-2019 Medium Term Expenditure Framework have no specific proposals to increase tax rates or impose new taxes in 2017.⁵² The budget speech was silent on key tax policies but stated a commitment to align fiscal, monetary and trade policies. There are plans to revive the Export Expansion Grant Scheme.⁵³

The government is focusing on measures to discourage imports, with the resultant effect on import duties and waivers being revised. We have already

⁵⁰ Nwanne, T. F. I., *Op cit.*

⁵¹ *Ibid.* p.80-81

⁵² The 2018 Appropriation Bill (Budget) is still undergoing legislative deliberations at the National Assembly and thus the research can only limit itself to the 2017 Budget.

⁵³ Oyedele T., ‘Tax & Fiscal Policy Prospects’ 2017. p.1 <<https://www.pwc.com>> accessed January 23, 2018.

seen a revision in some duty rates announced towards the end of 2016, partly designed to implement the new ECOWAS Common External Tariffs regime. It is counter-intuitive that many politicians play politics with revenue generation by placing political considerations ahead of professionalism. Unfortunately, many lawmakers, administrators and policymakers lack proper understanding of the tax system. This, coupled with undue political interference and vested interests, mean that tax revenue will continue to be disappointingly low. There is an ongoing review of tax incentives that, when completed, should positively impact on government revenue if it addresses current abuse and block existing leakages.⁵⁴

4.4. Current Tax Administrations in Nigeria

The administration of taxes now requires competent and effective human resources to make sure that all taxes due are collected promptly and correctly. For this reason, Oseni⁵⁵ suggested professionalizing all the tax Agencies in the country. The Federal Inland Revenue Service (FIRS) and States Internal Revenue Services (SIRS) are established at the centre and in all the states of the Federation, respectively, for purposes of systemic and aggressive tax system. The third tier of government is that local government councils are statutorily required to have Local Government Revenue Committees.⁵⁶ The administration of taxation in Nigeria is vested in the various tax authorities depending on the type of tax under consideration.⁵⁷ Broadly, there are three

⁵⁴ *Ibid*

⁵⁵ M. Oseni, 'Sustenance of Tax Administration by Information and Communications Technology in Nigeria' Archives of Business Research, Vol. 4, No. 1, [2015]. p.49

⁵⁶ *Ibid*

⁵⁷ DikeM.A.C., *Op cit.* 7

tax authorities categories: the Federal Inland Revenue Service, State Internal Revenue Service, and the Local Government Revenue Committee.

The enabling law with respect to each type of tax will normally contain a provision for the body charged with the administration of the tax.⁵⁸ Each of the above-mentioned tax authorities has its distinct composition, powers and functions.⁵⁹ It was in connection to the above that G.N. Ogbonna⁶⁰ stated thus:⁶¹ ‘Tax administration involves all the principles and strategies adopted by any government in order to plan, impose, collect, account control and co-ordinate personnel charged with the responsibility of taxation and it includes the effective use of tax revenue for efficient provision of necessary social amenities and other schemes intended to improve the welfare of tax payers.⁶² Several operational issues impact tax administration and cut across policy, legal and operational fields.⁶³ In the emerging system of tax administration, several initiatives are being implemented at various stages of consideration and implementation by the FIRS.⁶⁴ These include modernization of tax administration which includes automation, introduction of electronic processes and tailored projects to address specified areas of the tax system such as: Factual Accurate Complete Timely; Unique Taxpayer Identification Number (U-TIN); Integrated System of Tax Administration ITAS; Reengineering and Automation; Tax Clearance verification and electronic platform for automation tax payments etc.

⁵⁸ *Ibid*

⁵⁹ *Ibid*

⁶⁰ G. N. Ogbonna, ‘Burning Issues and Challenges of the Nigerian Tax Systems with Analytical Emphasis on Petroleum Profits Tax’ Unpublished Mimeograph, [2010].

⁶¹ *Ibid*

⁶² *Ibid*

⁶³ *Ibid*.p.7

⁶⁴ *Ibid*

5. CONCLUSION

Given the importance of tax to IGR in Nigeria and couple with the dwindling revenue from crude oil, there is no better time than now for all stakeholders to look inward in revenue generation. It is noted in this paper that IGR is wider in nature than taxation. However, it is an integral part of IGR. The paper also revealed that tax is not synonymous to levy. For instance, it is a fact that for a levy to qualify as tax it must be legislated upon. The paper also observed and emphasized the fact that the country's legal framework on IGR has witnessed several reforms, and there is still rooms for more reforms and innovations to meet the challenges of an ever changing modern society. The paper, therefore, recommends that the government provide basic amenities of high quality in the country in appreciation of various taxes paid by Nigeria. It is strongly suggested that by so doing, the people's interest would be geared towards giving their maximum support to the local government in terms of faithfulness in the payment of taxes leading to the development of the rural areas.

REFERENCES

- Abdulrazaq, M.T., *Principle and Practice of Nigerian Tax Planning and Management* (Batay Law Publishing Ltd. 1993).
- Abdulrazaq, M. T., *Principles and Practice of Nigerian Tax Planning & Management*, (2ndEdn., Stirling – Horden Publishers Ltd. 2015).
- Abdulrazaq, M.T., *Revenue Law and Practice in Nigeria* (3rdEdn.Malthouse Press Limited 2015).
- Adeola, S.M., *Income Tax and Administration in Nigeria* (University Press Ltd, 1998).
- Agyei, K., *Principles of Personal Income Taxation* (West Africa Book Ltd. 1983).
- Akpo, U., ‘The People as Government: Imperatives of Tax Payment’ A Paper Presented at the 1st AkwaIbom State Revenue Summit, 2009.
- Amechina, S.S., ‘The Effectiveness of Clearance Certificate as a Measure against Tax Evasion and Avoidance in Nigeria’ M.Sc Thesis. Department of Accountancy, UNILAG, 1998.
- Anwornde (1982) in Chinwendu E. J., ‘Effectiveness of Taxation as an Instrument for Control of Money in Circulation’, A Project Submitted in Partial Fulfillment of the Requirement for the Award of Masters Degree in Accountancy (MBA), Department of Accountancy Faculty of Business Administration, University of Nigeria, 2012.
- Anyanwu J.C., ‘Fiscal Relations Among the various tiers of Governments in Nigeria’ NES Conference Paper, 1999.
- Anyawuokoro, M., *Theory and Policy of Money and Banking* (1st Edn., Hosanna Publication 1999).
- Arogundade, J. A., *Nigerian Income Tax and its International Dimension* (Spectrum Books Ltd. 2005).
- Ayodele, A. L., *The Principles and Practice of Nigerian Personal Income Tax* (El-Toda 2004).

- Babalola, R., 'Boosting Government Revenue through Non-Oil Taxes' in iProject (ed), *Evaluation of Internally Generated Revenue and Economic Growth of Kano State from 1999-2014*<<https://iproject.co.ng>> accessed January 10, 2018
- Chinwendu E. J., 'Effectiveness of Taxation as an Instrument for Control of Money in Circulation', A Project Submitted in Partial Fulfillment of the Requirement for the Award of Masters Degree in Accountancy (MBA), Department of Accountancy Faculty of Business Administration, University of Nigeria, 2012.
- Deloitte, 'Inside the New National Tax Policy' *Tax & Regulatory Services*, 2017. <https://www.blog.deloitte.com.ng> accessed January 20, 2018.
- Dike M.A.C., 'An Overview of The Nigerian Tax System: Implications for Foreign Investors' At the Nigerians In Diaspora Organisation (NIDO) UK South Investment Conference on the 17th – 18th March 2014.
- Egwa and Udu and Agu G.A., *New System Economic: A Senior Secondary Course African* (FEB Publisher 1999).
- Kiabel B.D. and Nwokah N.G., 'Boosting Revenue Generation by State Governments in Nigeria: The Tax Consultants Option Revisited' *European Journal of Social Sciences*, Vol. 8, No. 4, 2009.
- Kontagora A.M., 'A Review of Income Tax Enforcement Procedures Under The Nigerian Tax System', Thesis in Fulfillment of the Requirements for the Award of Ph.D in Law of the University Of Abuja, 2017. 1.
- Odusola A., 'Tax Policy Reforms in Nigeria' United Nations University – World Institute for Development Economics Research (UNU-WIDER) (Research Paper) 2006.

- Ogbonna G. N., 'Burning Issues and Challenges of the Nigerian Tax Systems with Analytical Emphasis on Petroleum Profits Tax' Unpublished Mimeograph, 2010.
- Okauru I. O., 'Emerging Issues in Tax Administration: The Way Forward for Nigeria' The Lead
Paper at the 4th National Conference of the Department of Finance Faculty of Business Administration University of Lagos, 2011.
- Okpe I.I., *Personal Income Tax of Nigeria* (New Generation Book 1998).
- Oseni M., 'Sustenance of Tax Administration by Information and Communications Technology
in Nigeria' Archives of Business Research, Vol. 4, No. 1, 2015.
- Oyedele T., 'Nigeria's New National Tax Policy: A New Dawn or Another False Start?' <https://www.pwc.com> accessed January 21, 2018.
- Oyedele T., 'Tax & Fiscal Policy Prospects' 2017. p.1
<<https://www.pwc.com>> accessed January 23, 2018.
- Nigeria Governor's Forum, 'Improving Revenue Generation Through Taxation in Nigeria' Workshop Communiqué, Abuja, DFID,2012.
- NRGI Reader, 'Legal Framework Navigating the Web of Laws and Contracts Governing Extractive Industries, Natural Resource Governance Institute', 2015.<https://resourcegovernance.org> accessed January 20, 2018.
- Nwanne T. F. I., 'Effects of Tax Policy on the Expenditure of Local Government Councils in Imo State' *European Journal of Accounting, Auditing and Finance Research*, Vol. 3, No. 12, 2015.
- The Initiatives, 'Internally Generated Revenue (IGR) and the Challenges of National Development' A Presentation on the Occasion of the First National Roundtable for Good Proactive Laws and Governance, International Conference Centre, Abuja, 2008.
- The Tax Prof, 'History of taxation in Nigeria: Understanding Nigeria Tax' <https://www.taxprof.com.ng> accessed January 23, 2018.

TransLegal, 'The World Law Dictionary Project'

<https://www.translegal.com> accessed January 20, 2018.

Vanistendael, F. and Thuronyi V., 'Legal Framework for Taxation'
International Monetary Fund,

Vol. 1, 1996.1.<https://www.imf.org/external/pubs/nft/1998/tlaw/eng/ch2.pdf>
accessed January 20, 2018.