CHALLENGES AND PROSPECTS OF PERSONAL INCOME TAX ADMINISTRATION IN NIGERIA

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Abstract

The primary purpose of levying tax in general and personal income tax in particular is to generate revenue for government expenditure. Laws are therefore enacted to guarantee smooth administration of personal income tax in Nigeria. But it is sad to note that the administration of personal income tax in Nigeria is still be-deviled with a plethora of problems. These problems to say the least ranges from non-comphance by citizens to voluntarily pay their taxes, to lack of political will on the part of government to enforce tax laws. This paper analysed the challenges and prospects of personal income tax administration in Nigeria. We concluded by reiterating that the major challenge of personal income tax administration in Nigeria is majorly tax evasion and tax avoidance and urge the government to confront these hytra-headed monster in order to sustain the primary purpose for which tax is collected no matter who may be affected at the end.

Introduction

This discourse is stimulated by realization of the need for proper and efficient administration of personal income tax in Nigeria in order to fully appreciate the rationale for levying tax by

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government. The philosophy behind personal income tax is to generate revenue for government expenditure. Inspite of the overwhelming importance of personal income tax as a source of government revenue, it is regrettable to note that the resources generated from it is poorly managed. In this work, effort is made to explain the meaning of tax and the legal basis for imposition of tax. Thereafter, attention is shifted to an analysis of the imposition of personal income tax in order to justify its existence in the purpose it is designed to serve, before discussing challenges and prospects of personal income tax in Nigeria.

Tax Defined

Before attempting a detailed appraisal of the entire spectrum of personal income tax and for background purpose, it is important to first attempt a definition of the term tax although, the Nigerian Tax Act did not define the word tax[1]. Thus, for the purpose of establishing its meaning resort has been made to decided cases and efforts by scholars. In *United State v. Butter*[2], the United State of America Supreme Court said tax is …. an exaction for the support of Government. Similarly the Australian Supreme Court in *Matthews v. Marketing Board*[3] defines tax as a compulsory exaction of money by a public authority for public purpose or taxation is raising money for the purpose of government by means of contribution from individual persons.

Also contributing in no small way Ola, a renowned scholar said tax is a demand made by the government of a country for the

1 I.A., Ayua: The Nigerian Tax Law (Lagos: Spectrum Law Publishing 19996) p. 1

2 279 USA (1936) p. 6

3 (1988) 60 C.L.R 263 TP. 276

compulsory payment of money by the citizens of the country[4]. The author of the work is of the view that tax is a compulsory imposition by the government on the individual whether natural or artificial to pay certain sum of money to the government[5] As could be seen from the above, tax is not a voluntary payment but a compulsory pecuniary burden placed upon the citizens of a given country to support the government.

Historical Development of Tax Laws in Nigeria

Life must be lived forward but can only be understood backwards[6]. The history of tax payment dates back to time immemorial. This is because taxes have always been collected in various human societies from primordial time. In early times, taxation was to a large measure one of the instruments of oppression wielded by the ruling class over the subjected. In support of this assertion, a clay tablet found in Iraq, estimated to be about 3,500 years ago was inscribed with the word, you can have a Lord, you can have a king, but the man to fear is the tax collector[7]. It may be recalled also that during the reign of King Rehoboam, over Israel, the children of Israel came to King Rehoboam to protest against the burden of

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4 C.S., Ola,: Income Tax Law and Practice in Nigeria (new ed.) (London, Macmillan Publishers 1985) p. 1

5 Payment of tax is as old as mankind. In early times, taxation was to a large measure one of the instruments of oppression wielded by the ruling class over the subjects. Thus, there has always been hostile response to the payment of tax by the people who vie tax collectors as nuisance to the society. Even in the Bible, instances abound where the Jews treated tax collectors with disdain and contempt because of the compulsory nature of payment of tax.

6 P.A., Oluyede, Prospect of State Taxation in Akanle, O. (ed) Tax Law and Administration in Nigeria (Lagos Nigeria Institute of Advanced Legal Studies 1991) p. 154

7 *Ibid*

taxes imposed on them by his father King Solomon as excessive. King Rehoboam told the children of Israel that; “My father made your yoke heavy and I will add to your yoke; “My father also chastised you with whips, but I will chastise you with scorpions”[8]. In other words, they were to pay heavier taxes for the upkeep of the government. The dissatisfied Israelites chorused in frustration, “To your tents O Israel”[9]. This means that citizens have never enjoyed the yoke of taxation. The point being made here is that even in the ancient times, payments of taxes were exacted by compulsion. The obligation to pay tax was non-negotiable on the part of the payer. Furthermore, in the days of Jesus Christ, the Pharisees sent their disciples with the Herodians to find out from Jesus Christ if it is lawful for them to pay tax to Caesar[10]. Jesus told them to render to Caesar the things which are Caesars and unto God the things that are God[11].

From time immemorial, Nigerians cheerfully paid their taxes in kind by rendering free services such as bush clearing, digging pit toilets and wells for the benefit of the community as a whole. The importance of community taxation gave birth to “MANOR HOSUE”. the former Western State Government VIP Rest House at Iseyin, now inherited by Oyo State Government which was built between 1916 and 1932 after the Iseyin rising of 1916 by tax defaulters under the supervision of Captain W.A. Ross, the then District Officer and Mr. Yerokun[12].

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8 Holy Bible, Authorised King James Version – 1st Kings Chapter 2 v. 14

9 *Ibid v. 16*

10 *Ibid Matthew Chapter 22 v 17*

11 *Ibid v. 21*

12 Section 3. Constitution of the Federation, (Federal Nigeria Act No 20 of 1963. See also Ola C.S. Income Tax Law in Nigeria (Revised Edition) (Ibadan, Heinemann Educational Books Ltd 1999) p. 1

A system of direct taxation also existed before the advent of the colonial rule, more particularly in Northern Nigeria where there was an efficient and stable administration based on Islamic legal system. In Northern Nigeria, there were various forms of taxation such as the Zakat, a tax levied on Muslims for charitable, religious and educational purpose, Kurdin Kaa-an, agricultural tax; Sukka-Shukka, another tax paid on all crops not liable to Zakat. There is another called Jangali – a cattle tax levied on livestock[13].

It is important to state that during the pre-colonial period, taxation functioned mostly on ethnic basis. For instance, in the chiefly societies with a centralized authority, administrative machinery and judicial institutions such as in the areas of Northern Nigeria, Yoruba Land and Benin Kingdom where we have Emirs and Obas respectively, there was a system of taxation more organized than the Eastern Nigeria.

As earlier stated, taxes were not necessarily paid in money. They were mostly paid in kind and obligatory personal services otherwise known as tribute taxes[14]. When however the British came to Nigeria, they were attracted by the organized tax system in Northern Nigeria and so immediately consolidated all the various traditional taxes in the North under the Land Revenue Proclamation Law of 1904[15].

Income tax was first introduced in to Nigeria in 1904 by Lord Lugard[16]. But the instrument that introduced income tax in

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13 I.A., Ayua: Supra, No. 1. p. 22

14 *Ibid*

15 *Ibid*

16 *Ibid*

Northern Nigeria was not extended to Southern Nigeria until after the amalgamation of the Northern Provinces with the Colony and Protectorate of Nigeria in 1914 when the Native Revenue Ordinance of 1917 was enacted and applied only to Northern Nigeria. Later, an amending Ordnance that extended the provisions of the 1917 Ordinance first applied in Abeokuta and Benin City all in then Western State of Nigeria. Personal Income Tax Law was introduced into the Eastern Region of the country in 1927 along with the indirect rule system. This sparked off disturbances resulting in the Aba/Women Tax Riot of 1929 which resulted in the loss of lives and destruction of properties.

The legal history of Personal Income Tax in Nigeria may be traced to the enactment of the Direct Taxation Ordinance No. 4 of 1940 and the Income Tax Ordinance No. 3 of 1940[17] which repealed all previous Ordinances. The Direct Taxation Ordinance provided for the taxation of Nigerians except those in the township of Lagos. Taxable persons covered by the Direct Taxation Ordinance include the community which was defined to comprise any town, village or settlement, or any locality therein including a band of nomadic herdsmen and individual residing within a community[18]. Incomes that were taxable under this Ordinance were: Income from land, Rents derived from land, Annual profits of the produce from land which were enjoyed by the community or individuals, Income from employments and pensions, Dividends or interest; and The value of all livestock owned by the individuals or the community[19].

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17 C.S., Ola, Income Tax Law (for Corporate and Unincorporated Bodies in Nigeria) (Ibadan, Heinemann Educational Books Niger Lit).

18 Section 2 (1) Direct Taxation Ordinance, No. 4 of 1940

19 Section 4 (Direct Taxation Ordinance No. 4 p. 1940

Direct Taxation Ordinance is very important in the history of Income Tax Law in Nigeria because it was the first Tax Law or Statute that applied throughout the Country having consolidated all previous Tax Ordinances from 1904 to 1940. The Ordinance also provided for the appointment and control of tax collectors by the residents. One of the shortcomings of the Direct Taxation Ordinance was its failure to provide for uniform tax rates throughout Nigeria. Another noticeable shortcoming of the Ordinance is that it lumped together under the same law the provisions for the taxation of personal and company incomes[20].

In 1943 a more comprehensive Income Tax Ordinance was passed which repealed the 1940 Ordinance. The 1943 Ordinance imposed higher rates of tax on certain types of income and in general taxed income which accrued in, derived from, or brought into Nigeria and these include profit from trade, business, profession or vocation for whatever period of time such trade, business, profession or vocation may have been carried on or exercised in Nigeria.

It was not until 1958 when the Raisman Fiscal Commission recommended the introduction throughout Nigeria the basic principles of taxing income of persons other than limited liability companies. This recommendation was embodied in the Constitution Order in Council and formed the basis of the Income Tax Management Act, 1961[21]. The Income Tax Management Act 1961 was the precursor to Companies Income Tax of 1961, 1979 and 1990 as well as the Personal Income Tax Decree of 1993[22] (Now Laws of Federation 2004).

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20 I.A., Ayua *Supra* No. 1. p. 24

21 C.S., Ola, *No. 4*

22 H.O.A., Taiwo, Personal Income in "Nigerian Tax Guide and Statutes" (Lagos Chartered Institute of Taxation of Nigeria 2002 p. 37)

In 1975, the Income Tax Management (Uniform Taxation Provisions Decree No. 7 was promulgated). The Decree unified relief's and rate throughout the country with the key advantage of resolving to some extent, the proliferation of various tax laws in the Federation [23]. This was the position until 1979 when all the States laws were invalidated by the 1979 Constitution. In 1993, the Personal Income Tax Act (P.I.T.A) was enacted as a uniform law to regulate Personal Income Tax throughout Nigeria.

Legal Basis for Imposition of Tax

Traditionally, tax is the main source of revenue to government all over the world. For instance, the first income tax suggested in the United State of America was used to finance the war of 1812 between the Northern State and the Southern State of America[24]. In Egypt, the first known system of taxation was around 2800BC – 3000BC. The tax was used to build the palace of the first Egyptian Pharaoh which subsequently housed other Pharaohs[25]. Even in the days of Jesus Christ when the Pharisees sent their disciples to find out from Jesus if it is lawful for them to pay tax to Caesar[26], the only reason or purpose why Jesus Christ ask the Pharisees to render to Caesar the things which are Caesar and to God the things which are God[27] is to find out those that are loyal to Ceasar and those loyal to God. At that time, tax was used to exact loyalty and fellowship.

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23 *Ibid*

24 w.w.w. Wikipedia the free enclyclopidia.com. See also Taxes in the Ancient World, University of Pennyslavia Almanac; Col. 48 April 2, 2002

25 Adams; C.; For Good and Evil; The Impact of Taxes on the course of Civilization (New York; Madison Books, 1993) p. 11

26 Holy Bible, Matthew Chapter 22 v 17

27 *Ibid*

But since payment of taxes in modern societies is backed by laws, the question that agitates the mind is; why must citizen pay tax? According to Davis, the primary purpose of taxation is to generate revenue for government expenditure[28]. This assertion has also been reiterated by Ndukwe a Nigerian scholar that the importance of taxation lies primarily in its ability to raise capital formation for the public sector for the development and growth of the economy[29]. Thus, in a developing country such as Nigeria, when government raises money from the taxes paid by citizens, such funds are used for the provision of infrastructure for the common good of the citizens. For example, money derived from taxes is used for the construction and tarring of roads, provision of hospitals and health centres, security, building of bridges, provision of portable water to mention but a few.

Tax also assists in the regulation of consumption pattern resulting in economic stabilization and effective redistribution of income[30]. Furthermore, a good tax regime will help to regulate immoral behaviour as could be seen in the stringent taxing of alcohol and tobacco companies. Such stringent taxes no doubt have the end result of controlling the vices associated with them such as criminal activities. The only problem the writer envisaged here is that even with the heavy tax burden on these companies, those who are addicted to drinking and smoking are prepared to buy these goods

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28 F.R., Davis: Introduction to Revenue Law (London: Sweet & Maxwell, 1980) p. 4. See also Olugbenga. S. and Asada, D: The Legal Regime of Corporate Taxation in Nigeria: An Appraisal for Management (1996) C.J.L.J vol. 2 No. 2. p. 66

29 E.E., Ndukwe: Taxation with a Micro-Economic Framework for Development in Tax Structure and Administration in Nigeria. (Ibadan; NISER, 1989) p. 13

30 *Ibid*

at any price provided they derive pleasure from drinking and smoking. The basis of taxation as gleaned from above is by no means exhaustive; issues like investment promotions, favourable balance of payment are also good reasons for taxation.

Personal Income Tax

Personal Income Tax is levy imposed on individual, communities and families and an executor and trustees[31]. It is the tax levied on employment income and any other income received by individuals[32]. In other words, it is a tax levied on individual income after removing allowable deductions. Personal income tax is payable for each year of assessment on the aggregate amount each of which is the income of every taxable person, for the year, from a source inside or outside Nigeria, including without restricting the generality of the foregoing:[33]

i. The gain or profit from any trade, business, professions or vocation for whatever period of time such may been carried out.
ii. Any salary, wages, fees, allowances or other gains or profit from an employment including gratuities, compensation, bonuses, ,premiums, benefits or other perquisites allowed, given or granted by any person to an employee.
iii. Gain or profit including any premium arising from a right granted to any other person for the use or occupation of any property.

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[31] Personal Income Tax Act 2011

[32] J.F., Adebisi; & O.D., Gbegi: "Effects of Tax Avoidance and Tax Evasion of Personal Income Tax Administration in Nigeria". (A.J.H.S.S) American Journal of Humanities and Social Sciences Vol. 1 No. 3, 2013, p. 125-134

[33] Section 3 Personal Income Tax Act, 2011.

iv. Dividends interest or discount
v. Any pension, charge or annuity
vi. Any profit, gain or other payments not falling within paragraph (a) to (e) inclusive of this subsection.

Although, the above list of taxable items are not the only ones that are open to taxation. All income except those exempted are taxable, it also include pay-as-you-earn, (P.A.Y.E), direct assessment and withholding tax. This system of taxation came into limelight in 1958 when the Raisman Fiscal Commission recommended the introduction throughout Nigeria the basic principles of taxing income of persons other than limited liability companies. This recommendation was included in the Constitution Order in Council Act[34].
In 1975, the Income Tax Management (Uniform Taxation Provision Decree, No. 7) was promulgated as an amendment to the 1961 law. The new law unified reliefs and rates throughout Nigeria with the key advantage of resolving to some reasonable extent, the proliferation of different tax laws in the country. This was the position until the Personal Income Tax Act 1993 was enacted as a uniform law to regulate personal income tax throughout Nigeria. The 1993 Personal Income Tax Act remained until the 2011 amendment. The philosophy behind the personal income tax is to generate revenue for government and bring every taxable person into the tax net.

Personal Income Tax Administration in Nigeria

[34] The view expressed were equally shared by C.S., Ola; in his book titled Income Tax Law for Corporate & Unincorporated Bodies in Nigeria (Ibadan, Heinemann Educational Books Nig. Ltd and Y.A.A., Agbonika; in his book titled Problems of Personal Income Tax in Nigeria (Ibadan, Agbonika Press Ltd, 2012) p. 450

Government had always used tax to raise fund to run the business of government but also as an important fiscal tool for economic development and alleviation of poverty. There is therefore need to have in place a strong and vibrant tax administration not only at the Federal level but also at States and Local Government level in order to achieve tax objectives. Sadly, the administration of personal income tax has been neglected due to the discovery of oil. Since the discovery of oil, the Nigerian economy has to large extended been dominated by the oil sector and oil revenue now accounts for about 85 percent of foreign exchange and over 80 percent of government revenue[35]. The rise in the relative importance of oil has resulted in the relative neglect of other sectors. Unfortunately, this development in the oil sector has a serious unintended consequences on other important sections of the economy, especially manufacturing and agriculture thereby making efficient and effective personal income tax administration become less competitive. The primary objective of this segment is to examine personal income tax administration in Nigeria, the agencies that are involved in the administration, their efforts, challenges and prospects.

Tax administration could be defined as the process of assessing and collecting taxes from taxable individuals and companies by relevant tax authorities in such a way that correct amount assesses is collected with minimum tax avoidance or tax evasion. In other words, tax administration simply put, is the implementation of tax laws in order to achieve their objectives. If there are good tax laws which are badly administered, the philosophy behind personal

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[35] J., Nnanna: Using Taxation to Reposition Nigeria. Being a paper presented during the conference of the Federal Inland Revenue Service (FIRS) 2006, p. 25

income tax will still fall short of achieving the objectives of taxation[36]. Tax administration in Nigeria is fundamentally a function of the three tiers of government. Each tier has a machinery to guarantee effective collection of taxes within its jurisdiction.

Administration of Tax at Federal Level

At the Federal level, the relevant tax authority is the Federal Board of Inland Revenue (FBIR). The Board is constituted under section1 (i) of the Companies Income Tax Act[37]. The operational arm of the Board is the Federal Inland Revenue Service (FIRS). The FIRS is charge with the responsibility of assessing and collecting relevant taxes on behalf of the Federal Government. The Federal Inland Revenue Service (Establishment) Act (FIRSEA) establishes a new legal framework for the reorganization of the Federal Board of Inland Service. The establishment of the Federal Inland Revenue Service (FIRS) under the FIRSEA is very germane from legal perspective. First, it transformed the Federal Inland Revenue Service from an extra ministerial agency into a government parastatals (a statutory body) with powers and duties clearly designated by the enabling Act. Secondly, the Federal Inland Revenue Service is now autonomous to the extent provided for in the Establishment Act. The autonomy of the FIRS has empowered it to formulate, innovate and implement policies targeted towards effective administration of personal income tax laws, recruit and in extreme cases terminate appointment of its personnel in appropriate

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36 The assertion has been alluded to by J.F., Due; when he stated that no tax can conform with expected standard of equity if it cannot be administered with high degree of effectiveness. If persons are able to escape, by Legal or Illegal means, the tax to which they should logically be subjected under the general scope of the tax, the theoretical equity of the tax is to a large measure lost.

37 Section 1 Companies Income Tax Act (CITA) 2004

situations. Although, the autonomy conferred on the Federal Inland Revenue Service is not without restriction. The power of the FIRS to borrow by way of loan, overdraft or otherwise from any source and appoint any governmental agency to collect revenue on its behalf are subject to the approval of the minister in-charge[38]. Furthermore, the Act provides that the Board shall be subject to the general direction of the Minister in the exercise of its power and duties except that the Minister cannot give instruction from which a person will benefit in relation to the person's tax liability or which will have the effect of influencing the effective enforcement of the tax laws[39].

Administration of Tax at State Level

The taxing authority of the state is the State Board of Internal Revenue[40]. The State Board of Internal Revenue has its operative arm as; State Internal Revenue Service (SIRS). The Board is headed by a chairman who is expected to be experienced in tax matters and should be a member of a recognized professional body. He has five (5) other members working with him.

The SBIR is saddled with the responsibility of ensuring the effectiveness and optimum collection of all taxes and penalties due to the government under the relevant laws among other duties. The state Board of Internal Revenue has Technical Committee whose

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38 Section 21 Federal Inland Revenue Service (Establishment) Act No. 13, 2007.

39 Section 51(1) Federal Inland Revenue Service (Establishment) Act No. 13, 2007.

40 Section 87(1) Personal Income Tax Act

duty it is to consider all matters requiring professional and technical expertise and make recommendations to SBIR.

There is also the Joint State Revenue Committee[41] whose function is to implement decisions of the Joint Tax Board and advise the Joint Tax Board of the state and Local Government on revenue matters.

Local Government Taxing Authority

Tax administration at the Local Government Level is under the auspices of the Local Government Revenue Committee[42]. The committee is under the chairmanship of the supervisor of Finance in the Local Government Council with three other councilors of the council as members in addition to two nominees of the Local Government Council chairman based on their personal merits. These two persons must be experienced in revenue matters.

The Revenue Committee is responsible for the assessment and collection of taxes, fines and rates under the jurisdiction of the Local Government Council. It operates through a Revenue Department. Both the Local Government Revenue Committee and the Revenue Department are autonomous of the Local Government Treasure[43].

It is remarkable to note that the state and Local Government Revenue Agencies were established by a Federal Statute, the Personal Income Tax Act (P.I.T.A). This is a carry-over from the military era which cannot fit into the framework of the 1999 Constitution and the principle of fiscal Federalism. The Federal

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41 Section 92 Personal Income Tax Act

42 Section 85 (d) Personal Income Tax Act

43 Section 85D & E of the Personal Income Tax Act

Government cannot lawfully establish revenue agencies for the state and dictate the membership of such agencies. In our opinion, it is the prerogative of each state and Lagos State has rightly chartered the correct course by enacting a law establishing Lagos State Board of Internal Revenue Law whose membership is determined by the State in accordance with its preference[44]. The National Assembly on 30th September, 1998 enacted the taxes and levies (Approved list for collection) Act[45] which is meant to check mate the rising incidences of double taxation.

The Taxes and Levies Act in section 1 (1) states:

> Notwithstanding anything contained in the Constitution of Federal Republic of Nigeria 1999, or in any other enactment or law, the Federal Government, State Government and Local Government, shall be responsible for collecting the taxes and levies listed in part I, II and part III of the schedule to this Act respectively …

Part I, of the schedule to the Taxes and Levies Act list taxes to be collected by the Federal Government as follows:

1. Companies Income Tax
2. Withholding tax on companies, residents of the Federal Capital Territory Abuja and non-resident individuals.
3. Petroleum Profit Tax.
4. Value Added Tax
5. Education Tax

44 Sanni Abiola in the paper to the Pre-induction Special Training Programme of the Chartered Institute of Taxation of Nigeria (2008) p. 31

45 Chapter T2 Laws of the Federation of Nigeria 2007 (hereinafter called the “Taxes and Levies Act) 2007.

6. Capital Gain Tax on residents of the Federal Capital Territory, Abuja, bodies Corporate and non-resident individuals.
7. Stamp duties on bodies corporate and residents of the Federal Capital Territory Abuja.
8. Personal Income Tax in respect of:
   a. Members of the Armed Forces of the Federation
   b. Members of the Nigerian Police
   c. Residents of the Federal Capital Territory Abuja; and
   d. Staff of the Ministry of Foreign Affairs and non-resident individuals

Part II of the schedule to the Taxes and Levies Act list the taxes to be collected by the State Government as follows:

1. Personal Income Tax in respect of:
   a. Pay-As-You-Earn (AYE); and
   b. Direct Taxation (Self Assessment)
2. Withholding tax (individuals only)
3. Capital gain tax (individuals only)
4. Stamp duties on instrument executed by individuals
5. Pools betting and lotteries, gaining and casino taxes.
6. Road Taxes
7. Business premises registration fee in respect of
   a. Urban areas as defined by each State; maximum of:
      i. ₦10,000 for registration, and
      ii. ₦5,000 per annum for renewal of registration, and
   b. Rural area
      i. ₦2,000 for registration; and
      ii. N1,000 per annum for renewal of registration.
8. Development levy (individual only) not more than N100 per annum on all taxable individuals.
9. Naming of street registration fees in the State Capital.

10. Right of occupancy fees on land owned by the State Government in Urgan areas of the State.
11. Market taxes and levies where State Finance is involved.

Part III of the schedule of the Taxes and Levies Act lists the taxes to be collected by the Local Government as follows:

1. Shops and Kiosks rates
2. Tenement rates
3. On and Off liquor license fees
4. Slaughter slab fees
5. Marriage, birth and death registration fees
6. Naming of street registration fee, excluding any street in the State Capital.
7. Right of occupancy fee on lands in rural areas, excluding those collectable by the Federal and State Governments.
8. Market taxes and levies excluding any market where State finance is involved.
9. Motor park levies
10. Domestic animal fee
11. Bicycle, truck, canoe, wheelbarrow and cart fees, other than a mechanical propelled truck.
12. Cattle tax payable by cattle farmers only.
13. Merriment and road closure levy
14. Radio and television license fees (other than radio and television transmitter)
15. Vehicle radio license (to be imposed by the local government of State in which the car is registered)
16. Wrong parking charges
17. Public convenience, sewage and refuse disposal fees
18. Customary burial ground permit fees.
19. Religious places establishment permit fees

The Taxes and Levies Act showed the tier of Government empowerment to collect particular taxes. The essence of the Act is to streamline the collection of these listed taxes; avoid double and multiple tax collection from the taxpayer. Accordingly, it is a check against double taxation.

Challenges of Personal Income Tax Administration in Nigeria

The administration of personal income tax in Nigeria has some challenges. Tax being legal compulsory money deducted from tax payers' earnings is sometimes not taken whole hearted by tax payers and thus would look for avenue to short change it's payment. Besides, the machinery of collection, and it's use is bedeviled with challenges. This is why Nigeria revenue derivable from income tax had been all time low as a result of improper tax administration, assessment and collection[46].

Flowing from the above; one major challenge to income tax administration inclusive of personal income tax is the problem of assessment. Assessment is the process by which the taxable income of taxpayer is denoted and appropriate tax chargeable. Assessment is done in three ways viz: Original assessment, Revised assessment and Additional assessment. Original assessment is the first assessment done on a tax payer income in a given year. A tax payer may agree or not agree to it. Should the tax payer disagrees; he raises objection by filling a notice of objection. On the basis of objection raised by the tax payer; the second type of assessment comes into being. Thus; revised or amended assessment is the assessment done in reaction to tax payer's objection and such is

[46] F.F., Adegbite, & A.S., Fakile, "Company Income Tax and Nigeria Economic Development European *Journal of Social Sciences*, 22(2); pp. 309-319

made to replace the original assessment done. Additional assessment on the other hand is assessment raised on a tax payer that had not been assessed or previously under assessed. In other words when it had seemed reasonable or discovered by the Board that a person or company liable to tax has not been assessed or assessed lower amount than what ought to be paid or charged, the Board may within the year of assessment or within six years after the expiration thereof, assesses such person or company at such amount or additional amount as supposed to have been charged.
The types of tax assessment discussed above can either be in form of provisional assessment, best of judgment (BOJ) assessment and self assessment. Provisional assessment is tax estimated for a taxpayer based on what the taxpayer paid the previous or preceding year of assessment. Best of judgment assessment is assessment done by the Board of Inland Revenue on its own best judgment or value for a taxpayer that is in default of filed returns or the one that had not even been registered for tax purposes. While self assessment is that type in which taxpayer is made to complete a Standard Self Assessment Form. Whatever that is filled in the form is subject to verification by the Board so as to arrive at what the taxpayer ought to pay.

Of concern from the foregoing is the challenge of assessments which are of two forms or aspects. The first issue here or challenge is that of identification of persons or company and the like to be assessed. In addition to this, is the address and place of residence of the aforementioned. It is difficult sometimes to identify taxable persons, company and the like. Viz-a-viz their addresses and place of residence. Many people or persons and companies do not come out voluntarily for tax purposes. Some give fake addresses both for official business and residence. Consequently, some taxpayers either evade and or avoid payment of taxes, thereby rendering tax administration ineffective and inefficient culminating in the reduction of revenue ought to be derived by government.

Another issue of tax assessment is the difficulty in the ascertainment of the word “income” for tax purposes. Income includes employment income, business income, income from profession or vocation, interest, rents, dividends and so on either earned in Nigeria or brought into it. Often times taxpayers disregard notices to file returns of income form by way of failure to render any returns at all or some in the pretext of being illiterate returned useless forms or some others engaging in all forms of illegalities to dodge tax burden. All these and more make assessment a problem.

Enforcement problem is another concern of tax administration in Nigeria. Agreed that there are enabling laws to tackle tax enforcement but strict compliance is a far cry from what is expected. There are machinery’s put in place for tax enforcement, like tax clearance certificate, penalties for tax defaulters nevertheless taxpayers still evade and avoid taxation.

Besides; sanctions put in place to check tax defaulters are either too insignificant or not effectively prosecuted. Tax defaulters either go unpunished or punished abysmally. This is why the author is of the view that punishment for tax defaulters under section 47(3) of PITA is too insignificant to enforce compliance. Thus tax payers could even choose to default and pay lesser fines than pay the actual tax. An inadequate experienced and qualified personnel is an issue or challenge to the administration of tax system in Nigeria. According to Ariwodola, most tax officers lack the basic or exquisite knowledge of tax payers.[47] Since there is shortfall in man power; the few ones are overstretched leading to low productivity. Closely related to this is poor condition of service that makes staff to embark on job mobility.

Corruption is a bane or challenge of tax administration in Nigeria; Personal income tax inclusive. There is the incidence of corruption and sharp practices among tax personnel. It is not uncommon to hear of tax officials printing their own receipts, forge tax clearance certificate for taxpayer; collude with taxpayers, companies to reduce tax burden. All these account for ineffective and inefficient tax administration and reduction in revenue ought to have been generated thereof.

The difficulties in delineating tax boundaries or jurisdiction is an issue in tax administration. There seemed to be overlap in tax jurisdiction among the three taxation authorities; Federal Inland Revenue Service; State Inland Revenue Service and the Local Government Revenue Committee ejecting difficulties in collection of taxes as a result of the conflict. Accordingly, the issue of revenue allocation and the distribution of proceeds of VAT still pose concern for tax administration. It is worthy to note that almost all the factors leading to tax avoidance and tax evasion are causes or problems of ineffectiveness and inefficiency of tax administration in Nigeria.

Prospects of Personal Income Tax Administration in Nigeria

It is not all glooming for tax administration in Nigeria. There is ray of hope that there will be improvement in tax administration in

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47 J.A., Ariwodola, (2002) Personal Taxation in Nigeria, (4th Ed). Lagos: J.A.A Nigeria Ltd.

Nigeria. One of the prospects of tax administration in Nigeria is Public Enlightenment. Tax authorities should embark on enlightenment campaign and educate tax payers on the need for payment of taxes. This is ongoing for a state like Delta; radio and television jingles and information about taxation on bill boards are displayed to encourage taxpayers to pay tax. This is capable of encouraging compliance and increasing revenue generation.

Insistence of presentation of Tax Clearance Certificate by individuals, groups and companies that have dealings with government on any form of transaction will sensitize the aforementioned to pay tax. It is on record that in some dealings with government, individuals and companies are required to present tax clearance certificate (TCC). All the government needs to do is to block loopholes or avenues of forging the TCC.

Closely related to this is the strengthening of the penalties for tax non-companies. As it is, some penalties for non-compliance with tax laws are too minimal that some tax payers would prefer to pay the fines than to comply with tax laws. For instance section 47(1) provides that: tax authority may give notice to a tax payer to among other things fill and return requisite tax form; attend personally before a tax officer for examination of such form; produce books, documents, account and return at a designated place and time for inspection and like; to this, contravention of this provision in section 47(3) is just ₦500,00 (five hundred naira) fine for individual and ₦5,000.00 (five thousand) for corporate body. Though this had been increased to ₦50,000.00 and ₦500,000.00 respectively by the Personal Income Tax Amendment Act, 2011, this fine is so minimal that individuals and corporate body could just deliberately contravene the law and pay this little token as fine.

One can imagine imposing a fine of five thousand naira (₦5,000.00) on UNILEVER (Nig) Plc for failure to submit to the FIRS relevant information and books of account may not mean anything to the company. Thus; tax laws should be reviewed with stiffer punishment to discourage deliberate avoidance and evasion. Some individual tax payers, corporate bodies and the like are usually not happy with the manner revenue generated from taxation are used by tax officials and government making them akin to embark on tax avoidance and tax evasion or other irregularities In line with this; government should make judicious use of generated revenue. There should be accountability on the part of tax officials and government on revenue derived from taxation. Once this is done tax payers might be motivated to pay taxes voluntarily.

Besides, government should employ experienced and qualified personnel to manage the country's tax system. In addition, their pay packet should commensurate with their tasks including taking cognizance of economic realities prevalent. This will encourage enhanced performance culminating in increased revenue generation. Other prospects include; encouragement of cooperative unions, empowerment of investigation and intelligence unit of the tax authority; and promulgation of anti-avoidance and evasion laws[48]. It is believed that if the aforementioned are carried out; the lot of the tax system in Nigeria will improve.

Conclusion

It is self-evident that the problem of personal income tax administration in Nigeria is hydra-headed. Even though the

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48 P.A., Angahar; & S.I., Alfred, (2002) Personal income tax administration in Nigeria: Challenges and prospects for increased revenue generation from self employed persons in the society. Global Business and Economics Research Journal 1(1), 1-11

problem of tax administration may not be peculiar to the Nigerian tax system, its impact in Nigeria appears more drastic than elsewhere. There is, therefore, an urgent need to improve on personal income tax administration and maximize tax revenue necessary for development. Although, it has been discovered among others that the major problems of personal income tax administration in Nigeria is tax evasion and avoidance. Here individual tax evader or avoider may engage in it simply because he is unable to appreciate any benefit that would accrue to him after payment of such tax. Other problem may include administrative ineptness and corruption among tax officials constitute the most serious cause. It is therefore suggested that to secure the respect and trust of the public tax payers, tax authority and government need to convince tax payers that their hard earned money will be judicially and judiciously spent and not found its way into the pocket of corrupt tax and government officials or be filtered away on projects that are moribund. It is further recommended that revenue officials should display good example in terms of probity and accountability. The assessment and collection of personal income tax should be reviewed in such a way that tax defaulters should be constantly prosecuted to serve as deterrent to others. Finally, the Nigeria tax system should be shaped to foster respect for law and a feeling of common purpose and joint obligation among the citizens of Nigeria.