

**PROBLEMS AND PROSPECTS OF TAX COLLECTION:  
ITS POLITICAL IMPLICATION FOR GOOD GOVERNANCE AND  
SUSTAINABLE DEVELOPMENT IN NIGERIA.  
A CURSORY ANALYSIS.**

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**Abstract**

Tax generally is a compulsory levy usually imposed by the government, it remains quintessential for good governance, meaningful growth, enduring industrial harmony and development. In most countries of the world and Nigeria in particular, Government collect taxes both from individual and companies which are backed by laws enacted at different times which include personal income tax Decree of 1983 and Tax Act of 1979 to enhance their effective assessment, collection and administration. Some of the taxes collected in Nigeria include, personal income tax, capital transfer tax, company tax, capital gain tax, value added tax and purchase tax which are administered by the various tax authorities in the three tiers of government. Unfortunately, the administration of tax in Nigeria is nothing to write home about and its implication remains lack of adequate fund to execute government projects and the provision of good governance. It is in this light that this paper aims of appraising the problems of tax collection in Nigeria which include inadequate planning, method of administration, inadequate orientation and problems of staff indiscipline and corruption. The political implication and the challenges ahead remains enormous in the phase of present realities in the country. In conclusion, this research paper suggest and recommends the need for good orientation on the part of tax collectors and the tax payers, assessment should be based on correct information and notification.

**Keywords:** Tax collection and Political implications.

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**Introduction**

It is important to note that, it remain the basic responsibility of the government to provide her citizens with the basic social essential services which include but not limited to, the provision of good drinking water, electricity, health care services, good schools (Education) and good road. It is equally pertinent to note that these can only be provided, maintain and sustained through a system of revenue and (money) generated, maintained and sustained from an efficient and effective tax regime.

What is Tax: Tax, refers to money collected through which an individual is meant to pay either directly or indirectly for the goods and service provided him by the government or for capital projects. It remand the vehicle for the extraction of money and other valuables from the public for financing the

administrative and capital expenditure of the government of the country.

Unfortunately revenue generation through taxation has been at the cross road, it has become obvious that some commercial institutions, establishments, businesses, including a reasonable number of taxable adult in the country evade and avoid tax payment which result in poor revenue generation for the government which places her, in a helpless situation towards the provision of those essential services. See Onwurah (1990).

The new Webster dictionary of the English Language International Edition (1995) defined taxation as a system used by the government to obtain money from the public and organization. The tax collected is used by the government to support itself and to provide public services.

Asuquo (1990) view taxes as a compulsory

payment imposed on the citizens by the government to enable her attain the national goals and objectives. According to him tax remains one of the major sources of revenue for the government, through which it raises fund to tackle her numerous financial and economic obligations like the provision of base infrastructural facility among others.

Deduction from the above diction one might rightly conclude that tax is a compulsory levy, and payment imposed on the citizens, businesses financial and other enterprises by the government to raise money to enable her attain the national goals and objective accordingly. It is important to note that government can function effectively without a form of taxation. Apart from tax being relatively permanent, taxation is compulsory and does not guarantee direct relationship between the amount contributed by a citizen and the extent of government services provide him.

### Reason for institution of taxation

Significantly taxes are instituted to raise fund for the government expenditures and most importantly for the provision of minimum government for her ever teeming population. It's important to note that no government can do without an effective and efficient tax administration.

The reasons for taxation as enumerated by Ogbuewu (2010) include;

- i. To generate revenue for the government.
- ii. It serves as a means of controlling the economy in order to achieve full employment.
- iii. Tax is used by the government to promote and achieve economic growth.
- iv. It is used to effect the redistribution of income in the society.
- v. Tax is used to promote social services, such as education, poor relief, social insurance etc.
- vi. It is used to maintain balance of payment.
- vii. Tax counters or reduces inflation. Onakoya and Avintinni (2016).

### Tax administration

Tax administration in Nigeria summarily, establishes the basis of the following:

- i. The assessment, collection and accounting for the taxes.
- ii. Persons and entity to be taxed.
- iii. Tax jurisdiction.

- iv. Scope and powers of the tax authorities.
- v. The rights and obligations of the tax payers.
- vi. Ways grievances and appeal against arbitrary or unfair assessments are to be dealt with.

The existing Tax Legislation in Nigeria: Some of the existing tax laws in Nigeria include:

- i. Personal Income Tax (PITD) decree 104 of 1993.
- ii. Companies Income Tax Act (CITA) 1979.
- iii. Value Added Tax (VAT) Decree No. 102 of 1993
- iv. Petroleum Profit Tax (PPT) Cap. 354, LFN, 1990
- v. Capital Gains Tax (CGT) Cap. 42. LFN. 1990.
- vi. Education Tax Decree No. 7 of (1999).

All these taxes are administered through the various authorities in the three tiers of government in Nigeria. They include Federal Board of Internal Revenue and the Local Government Tax Authority respectively. See: - Price 2019; and KPMG (2017).

### Types of Taxes in Nigeria

There are many types of taxes. In Nigeria taxes collected by the government include:

- i. Personal Income Tax: This is the most important form of taxation in direct form. Generally, taxes may either direct or indirect. It is direct where the duty to pay falls directly on the income or property of a person and indirect in the case where the individual has to pay indirectly for a certain items especially perishable goods.
- ii. Capital Transfer Tax: This refers to tax levied not only on the estate of a certain person but also on gifts.
- iii. Company or Corporation Tax (Value Added Tax): This includes taxes levied on the profits of companies.
- iv. Capital Gain Tax: This refers to all levies on the increase on value of certain kinds of property on its disposal as compare with its value at the time it as acquired.
- v. Purchase Tax: This exist where government intend to curtail demand for some certain consumer goods. Example, a high rate may be imposed as such items as cigarette and beer while low rates may be imposed on

things like kerosene, generally perishable goods.  
See: -Asuquo (1990) and Price (2019).

### **Problems of Tax Collection in Nigeria**

The problem of tax collection in Nigeria cannot be over emphasized in lieu of its attendant characteristics. Thus, in spite of its significance, the administration of tax in Nigeria is still in shambles.

The existing body of research information identified the following as the basic principle that contribute tragically to most of the problems of tax collection in Nigeria. According to Onwurah (1990) and Abata (2014) some of them include:

- i. Lack of Adequate Planning: Generally planning is a significant factor in administration and this remains the cardinal problem of tax collection in Nigeria. There is no gain saying that, lack of adequate planning no doubt will necessitate numerous problems because there will be no base upon which action will be propagated.
- ii. Lack of Adequate Materials and Adequate Staffing: The combination of men and materials for a purposeful venture is what all organization are expected to do, unfortunately there isn't in existence adequate manpower including sufficient resources to battle the problem of tax collection, couple with the fact that, effort are not in any way made to alleviate these problems. The available staff don't perform to their full capacity, consequently, the meager resources available are regrettably not adequately utilized.
- iii. Method of Allocation: This problem has become a routine in Nigeria. There has never been a time when the issue of tax allocation has been settled.
- iv. Sharp difference in income. This may make some people privileged either by nature or by environmental factor to feel that they are above the laws of the land and can ignore tax. This feeling is even sometimes made by those who are in government. This boils down to the fact that those who make the law full prey to it.
- v. Lack of Adequate Orientation: Lack of adequate orientation on the part of the staff/ personnel of the tax authorities and the public generally contribute immensely to the problem of revenue collection in Nigeria.
- vi. Lack of Adequate Motivation: The average Nigeria worker is not adequately rewarded and staffs of the Nigeria tax authorities are not left out. This ugly development consequently created room for poor performance nay productivity.
- vii. Population Problem: By population we mean number of inhabitants of a place at any given point in time. Normally before actual collection drive is made, there is always a sort of projection. The percentage expected to pay tax are stated as well as the amount. This enables the authorities and government to be able to know the amount to be collected from who, this equally enables them to plan based on what they perceive. Unfortunately in Nigeria today, the actual population is certainly not known. Thus one can project or falsify the figure thereby frustrating the objective. There is this maxim that tax is a contribution to the government towards or a means to providing social amenities but one is perplexed when one realizes that, there is no accurate population figure for accurate tax purposes in Nigeria.
- viii. Leadership Corruption: Corruption is a house hold name associated with leadership in Nigeria. Our leaders are always in the habit of not doing those things that need to be done. Hence, instead of tackling the problems of tax collection they rather indulge in tax evasion. There is no gain saying that most influential people in Nigeria today don't pay their taxes accordingly.
- ix. Road Transportation and Communication Network: Nigeria has a poorly developed network of road and telecommunication net

work which had continued to hamper adequate assessment and inspection by field staff and agents especially in the rural areas. Most of the roads are poorly developed and exist most often as death traps. Okpe (1998); Irish (1978); Federal Republic of Nigeria (1993); Nwanekwe (2015) Hebous S, Klemm A and Stausholm S, (2019).

- x. Tax evasion: Tax evasion remains one of the problems that is drastically affecting revenue generation in Nigeria. Nwanekwe (2015) expressed the view that the due to economic hardship in the country, many taxable entities have devised strategies to avoid tax, thus they have learnt to spent time gathering information on ways to either evade tax or reduce their tax bill by often engaging in services for non traceable cash payments.

On the other hand the Federal Inland Revenue Service (2002) explained that tax evasion is an attempt to escape tax liabilities wholly by breaking the existing tax laws which is regarded as a criminal offence. Hence, it has to do with false declaration such as under reporting income or over reporting relief and allowances. The FIRS explained that avoidance is an attempt to escape the payment of tax by circumventing tax laws not by breaking them. Thus tax evaders and avoiders have similar motive, to escape tax liabilities. Their means to an end differ. While the tax evaders are criminal, tax avoider are simply smart by exploiting loop holes in the tax laws to reduce their liabilities. According to ICAN Journal (1989) tax evasion is serious handicap in the realization of government revenue objective in the area of taxation.

### **Problems of Tax, Collection Its Political Implication for Good Governance**

One of the cardinal problems of policy implementation in most third world countries of Africa, Asia and Latin America revolves round indiscipline, corruption and death of adequate fund and Nigeria had never been an exception. The problems of Tax Collation in Nigeria are simply enormous see Nwamekwe (2015), Onokoya and Avintinni (2016).

In lieu of this singular dictum, one may rightly ask the question, what magic wand does the present administration wields to achieve her laudable goals and objectives. Thus, can Nigeria achieve adequate

power and energy' supply; food security and best agricultural practice; wealth creation and employment; mass transportation; land reforms; security of life and property and most importantly, qualitative and functional education in the phase of present realities. The answer is absolutely no, its political implication for good governance and the danger it poses is significantly obvious. The function of government is to do for her citizens what they can not do for themselves. To provide her citizens adequate security cutting across all spheres of human endeavour in the country. Thus the problem of inadequate fund occasioned mostly by poor tax administration has serious political implication which lies in the inability of the Government to provide minimum government and god governance to the people. There is no gain saying therefore that, no government can be sustained without an efficient and effective system of taxation administration. See: Burgois I. and Mosque I (2017) Nwanekwe (2009).

### **The way forward**

The problems of tax collection and its political implications and the danger its poses for good governance in Nigeria remains enormous. Thus to give a boost to revenue base of the government which will help to facilitate good governances and to solve the problem of tax collection in Nigeria the following measures can be taken:

- i. Good orientation: Adequate education cum sensitization and the need for attitudinal change on the part of tax revenue collectors and their agent including the general public.
- ii. Giving notice to tax payers to deliver statement of income for purposes of assessment: If tax payers are notified about the criteria about the payment of taxes and its importance to the continuous existence and sustenance of the government, there will be that tendency for mutual commitment to the declaration of their statement of income for purposes of assessment which will enhance the smooth and accurate data of what the individual, suppose to pay and solve not only most of the problems encountered in tax collection, but equally, help to boost the revenue base of the government.
- iii. Asking employer to give the list of their employees: This has more to do with the different private enterprises where there is

the tendency of false declaration of income from managers or person's in-charge of a company, to present to the revenue officers, the number of his employees, this no doubt will truly determine what they suppose to pay to the government.

iv. Assessing income and leveling taxes based on information obtained: This emphasizes the need for proper allocation of taxes to all persons that is eligible to pay tax. This is to enable them to know the exact amount the individual or firm suppose to pay without favour or prejudice.

v. Notifying the individual (Citizens) that their assessment has been made and encouraging them to pay within a specific period: This is a sort of encouragement from the tax collectors to the tax payers, telling them on what their assessment is all about and equally motivating them, this can be a sort of orientation on what their assessment denotes, which will probably make them understand the importance of tax being collected. This will do doubt make them to pay consequently within the specified period. See: - Ocheni and Gemade (2015); Hilary (2017); Abata (2014); Onakoya (2016).

vi. The need to fight corruption in all its ramifications both on the part of tax collectors and tax payers who from all indication most often collude to sabotage government effort in increasing her revenue base.

vii. The need for the government to put in place a well developed road transportation and communication network.

### Conclusion

There is no gain saying that tax remains a significant factor for the proper implementation of any government policy. Problems and challenges of tax collection abound as identified in the body of this literature and the consequences and suggestion for improvement on the already existing status-quo.

It is my firm resolve that if all the point suggested are implemented, the problems of tax collection in Nigeria will be drastically reduced and thereby providing the government with the much needed fund to achieve her desired objective of providing the people the essential social services in

all its ramification.

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