PERSONAL INCOME TAX ADMINISTRATION IN NIGERIA AND THE CRISES OF REVENUE ACCOUNTING: A CASE STUDY OF KADUNA STATE BOARD OF INTERNAL REVENUE

BY

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DECLARATION

I hereby declare that this project has been written by me, and that, it is a record of my own research work. It has never been previously presented in any area of academic endeavour for a higher degree.

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CERTIFICATION

This Project entitled PERSONAL INCOME TAX ADMINISTRATION IN NIGERIA AND THE CRISES OF REVENUE ACCOUNTING: A CASE STUDY OF KADUNA STATE BOARD OF INTERNAL REVENUE meets the conditions governing the award of a MASTER'S DEGREE IN BUSINESS ADMINISTRATION (MBA) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This work is dedicated to the memory of my grand father, late Mal. Garba Usman, whose burning love for my education propelled him to sacrifice his yesterday for my today and tomorrow so that I might not only be the person I am today but a force to reckon with in tomorrow's academic world; my parents, whose desire to build strength of character in me, did not allow them to spare the rod regarding my education until they were sure that I had become a person of both letters and figures to the MBA level and ofcourse the rest of my brothers and sisters in the family and country wide whose educational foregone alternative is the MBA I have acquired.

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In conclusion, like some authors usually say, while appreciating the help I received from the people listed above, any remaining errors (since in many books there are plenty of remaining errors) are ofcourse my own responsibility.

ABSTRACT

This research entitled Tax Administration and the Crisis of revenue Accounting attempts to unravel the rudiments of taxation with a special emphasis on accounting for the revenue derived from it. The interest on accountability derives its relevance from the fact that apart from the controversy that goes along with it, direct taxation as a source of revenue under the jurisdiction of State Governments in Nigeria, is a difficult issue to administer. Its high cost of administration, low yield and the kleptomanic tendencies of the tax administrators, amalgamate to make it a more difficult issue when compared with the benefit derived.

No wonder Edmund Burke rightly pointed out that "to tax and to please, no more than to love and be wise is not given to men"[1] no matter how good that may be. Although a good tax has no yard-stick given regard to Burke's opinion, in the perception of Adam Smith however, (a good) tax "ought to be so contrived as both to take out and keep out of the pockets of the people as little tax as possible over and above what it brings into the treasury of the state"[2]. Since taking out this "little" is by no means easy as a result of non compliance, the State Governments all over Nigeria decided to enforce the tax payer's compliance by insisting on the presentation of Tax Clearance Certificate, as an evidence of tax settlement, a compelling precondition for obtaining many government services not only to educate the taxpayer on the rationale of "rendering to Caesar what is Caesar's"[3] but to compel his self-compliance with tax legislations, thereby reducing the high cost of administration.

Without prejudice to the reduction in administrative cost, the problem of accounting for the revenue derived from taxation still remains a knotty issue which the Government has to contend with. Unless this problem is addressed very squarely, all efforts of the government, in this regard, will completely be futile and a random empirical wandering.

1. Colin Baker and M.J. Balogun. Ife Essavs in Administration University of Ife Press 1975, P. 134
2. Adam Smith. The Wealth of Nations, 1776 Book V (New York: Random House), Chapter II. Pan II.
3. Holy Bible, Mathevv. Chapter 22:15-22.

This is perhaps is the researcher's motivation for undertaking the research in this area with emphasis on accounting for the revenue.

In view of the fact that principles and laws of taxation constitute the modu operandi on which tax operations are founded, the research tried to find out the extent to which these principles and laws are applied by the Kaduna State Government in its administration of tax and how they are complied with by the taxpayers since non--compliance with the rules of a game easily changes clubs to trumps. These findings have been carefully made. The studies that led to the findings took into account the nature of the administrative structure of the organisation as well as the type of security books used by the Board vis-a-vis its accounting procedures and the calibre of its manpower.

The research findings reveal that the factors that led to the crisis of revenue accounting are multi-dimensional commencing from the confused nature of the Board's organisational structure, to the calibre of its manpower and its (the manpower's) unholy marriage of convenience with the agents of deduction to beat the tax authority at its own game. Therefore, since the Board has such a net-work of loose internal controls, coupled with a characteristic of poor conditions of service, what do you expect from a staff that is hungry and knows how to steal or bend the rules of the game?.

It is against the background of these findings that the research looked critically into the problems, their causes and profered recommendations for eradicating or ameliorating them. Therefore rather than using the recommendations as a solution to the problem, they should be viewed as suggestions.

LIST OF TABLES

Table		Page
2.1	Income Tax Structures.....	17
2.2	Sample of Income Tax Rates.....	18
2.3	Table of Tax payable based on Rates.....	18
4.1	Liabilities of Companies to Area Revenue Offices.....	53
4.2	Liabilities of Defaulting Companies listed for prosecution.....	56
4.3	Liabilities of Local Governments to Area Revenue Offices.....	59
4.4	Combine Liabilities of both Companies and Local Governments...	63
4.5	Revenue not Accounted for by D/A Units of Area Revenue Offices.....	65
4.6	Amounts not Accounted for MLA Units of the Revenue Offices...	68
4.7	Miscellaneous Revenue not Accounted for by the Revenue Offices.....	71
4.8	Total Revenue (from all sources) not Accounted for.....	75

LIST OF FIGURES

Figure		Page
3.1	Organisational Chart of Kaduna State Revenue Board.....	36
3.2	Organisation of State Revenue Office.....	37
4.1	Liabilities of Companies to Area Revenue Offices.....	54
4.2	Defaulting Companies listed for prosecution.....	58
4.3	Liabilities of Local Governments to Area Revenue Offices.....	61
4.4	Combine Liabilities of both Companies and Local Governments	64
4.5	Revenues not Accounted for by D/A Units of Area Revenue Offices.....	67
4.6	Amounts not Accounted for by MLA Units of Revenue Offices...	69
4.7	Miscellaneous Revenues not Accounted for by the Revenue Offices.....	73
4.8	Total Revenue (from all sources) not Acounted for.....	76

LIST OF ABBREVIATIONS

Technical Terms

BIR	=	Board of Internal Revenue
D/A	=	Direct Assessment
ITMA	=	Income Tax Management Act
MLA	=	Motor Licensing Authority
P.A.Y.E	=	Pay As You Earn
WHT	=	Withholding Tax
LIAB	=	Liability
LGA	=	Local Government Area

Revenue Offices

KKR	=	Kakuri (Revenue Office)
DKA	=	Doka "
KW	=	Kawo "
T/W	=	Tudun Wada "
ZAR	=	Zaria "
SAM	=	Samaru "
KAF	=	Kafanchan "
SNK	=	Saminaka "
KCH	=	Kachia "
BG	=	Birnin Gwari "

Defaulting Coys listed for Prosecution

BON	=	Bank of the North Plc
NEPA	=	National Electric Power Authority
AFRI	=	Afribank Plc
MCCL	=	Metalurgical Construction Company (Nig) Ltd.
SFPN	=	Safa-Foam Products (Nig) Ltd.
NNIL	=	Northern Nigeria Investments Ltd.

LIST OF ABBREVIATIONS CONT'D

NAHL	=	New Africa Holdings Ltd.
PW	=	P.W. Nig. Ltd.
FSFC	=	Fed. Superphosphate Fertilizer Co. Ltd.
ABG	=	ABG Communications Nig. Ltd.
ANL	=	Agross Nig. Ltd.

TABLE OF APPENDICES

		PAGE
i.	Schedule of Revenue Not Accounted for.....	96
ii.	Schedule of Revenue Collected for the years 1995 and 1996.....	97-98
iii.	Schedule of Companies with Outstanding Liabilities.....	99-103
iv.	Schedule of Local Governments Liabilities.....	104-107
v.	Specimen of Research Questionaire.....	108-111

TABLE OF CONTENTS

		PAGE
Title Page		i
Declaration		ii
Certification		iii
Dedication		iv
Acknowledgements		v
Abstract		vii
List of Tables		ix
List of Figures		x
List of Abbreviations		xi
Table of Appendices		xiii
Table of Contents		xiv
CHAPTER ONE		
1.1	Introduction	1
1.2	Statement of the Problem	3
1.3	Objectives of the Study	6
1.4	Significance of the Study	6
1.5	Scope of the Study	7
1.6	Limitations of the Study	9
CHAPTER TWO		
	LITERATURE REVIEW	
2.1	Definition of Tax	11
2.2	Rational for Taxation	12
2.3	Origin and Development of Taxation	12
2.4	Canons of Taxation	14

		PAGE
2.5	Tax Classifications.....	22
2.6	Development of Taxation in Nigeria.....	24
2.7	Nigerian Tax Laws.....	24

CHAPTER THREE

RESEARCH METHODOLOGY AND HISTORICAL BACKGROUND OF PERSONAL INCOME TAX ADMINISTRATION IN KADUNA STATE

3.1	Research Methodology.....	29
3.2	Historical Development of the Board.....	30
3.3	Functions of the Revenue Board.....	30
3.4	Organisational Structure and Functions of the Board.....	32
3.5	Liability to the Payment of Tax in Kaduna State.....	38
3.6	Non Taxable Income.....	40
3.7	Penalties for Tax Default.....	42

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1	The Geo-Economic Set up of Kaduna State.....	44
4.2	Organisational Structure of the Board.....	46
4.3	The Role of Government in the Administration of the Board.....	47
4.4	Relationship of the Board with Joint Tax Board.....	49
4.5	Human Financial and Material Resources of the Board.....	50
4.6	Liability and Revenue Losses.....	52
4.6.1	Liabilities of Companies to the Board via Revenue Offices	52
4.6.2	Liabilities of Defaulting Companies listed for prosecution..	55

PAGE

4.6.3 Liabilities of Local Governments to the Board via Revenue Offices..... 59
4.6.4 Combine Liabilities of both Coys and Local Governments to the Board via Area Revenue Ofices..... 62
4.6.5 Direct ssessment Units and Revenue Not Accounted for.. 65
4.6.6 Motor Licensing Units and Revenue Not Accounted for... 68
4.6.7 Miscellaneous Revenue Not Accounted for..... 71
4.6.8 Total Revenue Not Accounted for..... 74
4.6.9 Revenue loss resulting from Tax Evasion and Avoidance... 77
4.7 Statement of Revenue Collections..... 78
4.8 Findings..... 79
4.8.1 Problems Emanating from the Government..... 80
4.8.2 Problems Emanating from the Board..... 83
4.8.3 Employee Related Problems..... 87
4.8.4 Taxpayer Related Problems..... 88

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.2 Recommendations..... 89
5.3 Conclusion..... 90
References..... 91
Appendices..... 96

CHAPTER ONE

1.1 INTRODUCTION

The near collapse of our national economy, in recent years, due, partly, to over-reliance on revenue accruing from the sales of petroleum products, prices of which are unpredictable created a serious financial stress for all tiers of government. Particularly hardest hit were the state governments, all of which experienced palpable reduction in their share of the national revenue from the federation account.

As if to deliberately increase the financial burden of the states, the Federal Government increased the renumeration of civil servants by a significant percentage. This, with ever-increasing inflationary trend, further astronomically increased the cost of services and infrastructures to be provided by the state governments, thereby forcing them to operate from hand to mouth - barely getting just enough from the Federation Account to pay the salaries and allowances of civil servants. Given this situation, the question of initiating (or even paying for already executed) capital projects became an illusion for the state governments.[1]

Consequently, in the course of his official visit in Rivers State, the Head of State Gen. Sani Abacha, publicly directed all state administrations to devise various ways of improving their internally generated revenue. This scenario made the adoption of Accelerated revenue Generation Programme a necessity by most of the state governments in response to the call made by the Head of State. The implications of these developments are two fold:

1. Olusola Adekanola: ARGP-Official Journal of Accelerated Revenue Generation Programme. Vol. 1 Sept. 1997.

1. That there has been too much over-reliance on revenue derived from the sale of petroleum products prices of which are highly unpredictable in the world - market and hence, dangerous.
2. That taxation is a viable source of internally generated revenue which, though neglected for several years can be resuscitated to provide the state governments the revenue they need for their internal governance

Since "the primary purpose of taxation, is to raise revenue to defray the cost of government"[2] but the tax-system cannot perform this function, governance may be frustrated to a total halt.

It is probably this consideration vis-a-vis the Federal Government's challenge that the state governments should fend for themselves that prompted Kaduna State Government into action to arrest the situation by adopting a number of measures.

The setting up of the Jibo Commission of Inquiry in March 1993 by the Dabo Lere Government, the engagement of various auditors and tax consultants, as well as panels such as the Makarfi Panel, Bawa Sani Panel, Dogary Panel and the Joshua Gambo Garba Committee of investigation, with the researcher as Chairman, to investigate the allegation of suspected loss/diversion of government revenue, confirmed the existence of an endemic problem that had eaten deep into the fabric of the tax system, which if not arrested in time, would eventually destroy even the very purpose of its existence. Herein lies the justification for the actions taken by the Board in this direction with the researcher as an active participant.

2. Northern States of Nigeria, Study Notes for Revenue Inspectors Government Printer, Kaduna. P.1

Accordingly, the researcher's discovery of a high level of impropriety perpetrated by the staff of the Board in accounting for the revenue collected, coupled with his discovery, also of a high degree of tax defaulting resulting from both evasion and avoidance by numerous taxpayers and outright tax diversion by agents of deduction in collaboration with the staff of the Board, led to the conception of idea, in the researcher's mind, of undertaking a research in this area to unravel the mystery behind the phenomenon.

Accordingly, efforts have been made to examine those aspects of the Board's operations that are relevant to the study, ranging from its structure to its operations. Thus, while the first chapter lays the foundation on which the research is built, the second chapter is a review of the structure of the Board, its functions and possible impact on revenue generation and accountability. Chapter three on the otherhand, is a review of all related literature that help to determine the place of the research in the area of taxation.

Chapter four on its own part however, deals with the collection, analysis and interpretation of data while chapter five which is the concluding chapter is a summary of the issues discussed as well as an examination of the problems involved in the operations of the Board and closes up by recommending some solutions to the problems.

1.2 STATEMENT OF THE PROBLEM

In life according to Benjamin Frankling only two things are sure - death and tax.[3] Funny as it may sound, tax is as sure as death because whether we like it or not we must pay it - whether directly or indirectly and whether consciously or unconsciously. This attribute of inescapability makes tax not only unique, in life, but important and worthy of study.

3. Ola C.S. Income Tax Law and Practice in Nigeria. Oxford University Press Ibadan, 1974

Though it is neither wanted nor desired by people as individuals, tax is needed because of what it can be used to accomplish for the government since, apart from its primary purpose of raising revenue to defray the cost of government[4] tax is an important tool for national economic management because of its perversive impact. Its effects permeate every sector of the economy because it affects government finances, national output, incomes, productivity, prices and general economic development directly. One therefore, cannot help conceding to the opinion that "no person, in modern society enjoys full immunity from the impact of taxation"[5]. The importance of taxation to government is underscored by the prominence given to the subject by Adam Smith (1776) in his "Wealth of Nations"[6] and the fact that taxation is not just an economic engineering issue but an issue that has political, socio-cultural and ethical connotations that must reflect the political economy of the day.

But rather than serving this purpose, more often than not, tax is so trivialised to the extent that some individuals and organisations (serving as agents of deductions) don't remit it at all. Instead, they use the deducted (but unremitted) taxes as a very cheap and unsecured source of financing by ploughing it back to solve internal organisational problems without the slightest remorse for not honouring their obligations. This phenomenon a lone, which constitutes the genesis of the crises of revenue accounting is bound, not only to attract attention but to be worthy of study.

Apart from outright refusal to remit, the rampancy of the cases of tax-evasion resulting from either the suppression of or provision of wrong

4. Government Printer Kaduna , Northern States of Nigeria, Study Notes for Revenue Inspectors P.1
5. F.O. Okafor, General Concepts and Financial Implications of Taxation. Being a Paper Presented at the Trainers Workshop on Modified Value Added Tax held at Obafemi Awolowo University, Ile-Ife, May 11th, 1993.
6. Adam Smith, The Wealth of Nations (1776).

information, with the intent of paying a lower amount than the taxpayer ought to pay, coupled with the prevalence of cases of tax - avoidance, which deprive the Government meaningful access to huge revenue, is also partly the motivation for conducting a research in this area.

Of interest as well are cases of outright tax-diversion by employees of a legally constituted tax - authority whose responsibility is to collect and bank these taxes for and on behalf of the government. These are not only striking cases of the crises of accountability but criminal issues emanating from weakness in the internal control system of the tax authority.

Regardless of what it may be - avoidance, evasion, default or outright diversion - the fundamental issue involved is that revenue that is due to the government has not been accounted for. Therefore, whether deducted, but not remitted or both deducted and remitted but diverted by the employee of the tax authority either unilaterally or in collaboration with some other persons outside his organisation, it is still factual that the amount not accounted for is a liability on the part of the agent that has deducted but not remitted or the employee of the tax authority and his collaborators who have diverted the amount respectively.

Therefore, since the tax authority is free to recover the liability, it is at liberty to employ whatever lawful means to effect the recovery. It is needless therefore to mention that the need to create awareness by sheding more light on the crises which the above negative actions can generate in the area of taxation and the corresponding desire to proffer recommendations as a way out attracted the researcher into undertaking a study in this area.

1.3 OBJECTIVES OF THE STUDY

A study of this nature should usually be expected to have quite a number of objectives - if not because taxation is an important but knotty issue of life the phenomenon of which is worthy of study, certainly because it will be a notable profession of the 21st century, not only in Nigeria but the world over. Accordingly, among other reasons, the objectives of the study include the need:

1. To examine the nature of tax administration in Nigeria with specific reference to Kaduna
2. To shed more light on the topic of taxation with the aim of assisting tax adaministrators and tax practioners to understand the motives for the past and present behaviours of their employees and taxpayers and to predict the future trend of such behaviours.
3. To identify the impediments to effective and efficient tax administration and their effect on accounting for the revenue realised.
4. To predict the role of taxation in Nigeria as an evolving profession of the 21st century.
5. To identify the role of taxation in our national economy and to ascertain the reasons for its low yield.
6. To proffer recommendations for improvement in taxation.

1.4 SIGNIFICANCE OF THE STUDY

Since it is obvious that taxation will not only be one of the most important professions of the 21st century but the strongest vehicle that will be relied upon by Governments all over the world and particularly in Nigeria, for the generation of revenue, considering the advancement in the sophistication of the techniques used by individual and corporate - taxpayers to either avoid or evade the amount of tax payable by them as well as the advanced methods

of tax diversion employed by the employees of the tax authorities and their collaborators, thereby leading to a sharp decline in the amount of revenue at the disposal of the government, the need to undertake a research in the area of taxation cannot be over-emphasized. Since it is one thing for the tax authority to gear efforts towards optimum revenue generation and another to have the revenue properly accounted for, this is the reason why the emphasis of the research is on revenue accounting.

The significance of the study therefore lies in the fact that it empirically, reveals that any tax administration devoid of emphasis on accountability is not only a random empirical wondering but an effort in futility, giving regard to the huge sums of money that will find their way into private pockets rather than into the coffers of the government.

Needless to mention therefore, that the research will not only be of great value to the government and tax authorities but even to private tax practitioners, teachers and students alike as well as tax payers and members of the public in general.

1.5 SCOPE OF THE STUDY

The study is that of Personal Income tax in Nigeria, with specific reference to Kaduna State as a representative sample of the federation. Though restricted to Kaduna State only, the study can be regarded as that of taxation in Nigeria generally because it attempts to bring into focus not only the geo-political coverage of taxation within the state but also the degree of application of technical knowledge in the administration of the tax itself. Furthermore, it also attempts to consider the quality of the manpower of the revenue Board and the extent to which it can influence efficiency of tax administration. In the same manner, the degree of the socio-cultural and religious coverage of the tax being administered in the state is also brought under study.

To be specific, the study covers the following areas:

1. **Technical**: The areas brought under study include: Pay As You Earn, Direct Assessment, Withholding Taxes, Levies, Fees (e.g Vehicle Registration Fees, Business Premises Registration Fees) etc.
2. **Geo-Political**: Here, the study focuses on the entire state ably covered by the eleven Area Revenue Offices located in its various local governments.
3. **Socio-Cultural**: The study can be said to be that of taxation being administered on all Nigerians given the fact that Kaduna State, on account of its liberalism encompasses Nigerians from all the states of the federation with diverse socio-cultural backgrounds and non-Nigerians living in Kaduna State.
4. **Manpower**: Because it is the researcher's believe that the art of revenue generation and accounting has a relationship with the manpower involved (quality and quantity) in generating and accounting for the revenue, the researcher found it imperative, accordingly, to critically examine the manpower along these criteria and the effect it has on the very important role of revenue generation and accounting. For this purpose, some of the aspects of the manpower examined in more detail are the top management, the middle management, other senior staffers and the juniorate, their quality, quantity and integrity matters alot in their ability to generate revenue for the government and account for it.
5. **Organisational Structure of the Board**: This is also important in revenue generation because though the Board maybe alright in other aspects, a fault in its structure may create problems of administration that may inhibit success in the dimension of revenue generation.

6. **Role of Government**: This has also been brought under focus in the researchers believe that government intervention either by way of appointment/recruitment of leadership (chief Executives and Directors especially) or conflict resolution either make or mar the success of the organisation.

7. **Relationship with the Joint Tax Board**: The study has also examined the relationship of the Board with the Joint Tax Board (JTB) especially in its ability to work hand in hand with the JTB and the extent of implementing the policies of the JTB at the state level and the impact of this relationship on revenue generation.

1.6 LIMITATIONS OF THE STUDY

A study of this nature is bound to be frought with problems and errors whether of commission, omission or both. Some of the problems include:

(i) Lack of Funds: Considering the fact that the course was undertaken without sponsorship, one could not have expected the research to be easy going for reasons of financial constraints.

(ii) Difficulty in getting the required Data: This arose out of a number of factors some of which included the unwillingness of the organisations and individuals to expose their secrets. Thus, it took the researcher more than two years to get some of the pieces of information he was looking for.

(iii) Time factor: This resulted from (2) above, since the researcher had to wait patiently to assemble his data.

(iv) Suitability of the Hypothesis: Considering the approach adopted in the study it may not be out of place to conclude that the hypothe(sis) used in undertaking the research, might not be entirely suitable.

(v) Human element: Though taxation is the concern of the research, the fact that it deals with human being who cannot be reduced to the test-tube, it is logical conclusion that the research ought to have been tainted with elements of human bias.

(vi) Lack of cooperation from other staff of the Board and poor record keeping culture inter-played to impede an early accomplishment of the research.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 THE DEFINITION OF TAX

Tax is as sure as death. Regardless of any controversy, it must be paid - whether consciously or unconsciously and whether directly or indirectly. The primary purpose of tax is to raise revenue to defray the cost of government[1]. Tax is a (sum of) money (to be) paid by citizens (according to income or value of purchases etc) to the Government for public purposes[2]. As a statutory contribution required to be made by persons or companies, by or on the authority of Government, tax is paid for the purpose of meeting the cost of government.

Furthermore, tax is a general concept or device used by government to extract money or other valuable things from people and organisations by use of the law[3]. While Hug Dalton in his classic work perceived tax as "a compulsory contribution imposed by a public authority in respect of the exact amount of service rendered to the taxpayers and not imposed as a penalty for any offence[4], Summerfeld, Hershel and Brock view it as any non-penal yet compulsory transfer (of money) from private to the public sector, levied on the basis of predetermined criteria and without receipt of a specific benefit of equal value in order to accomplish some of a nations's economic and social objectives[5]. Therefore, for any contribution to qualify as tax:

(a) It must be an involuntary contribution

1. Northern States of Nigeria Study Notes for Revenue Inspectors. Printed by the Government Printer, Kaduna
2. A.S. Hornby; Oxford Advanced Learner's Dictionary of Current English Oxford University Press.
3. International Encyclopedia of Social Sciences
4. Hugh Dalton, Principles of Public Finance
5. Summerfield, Hershel and Brock; An Introduction to taxation

(b) It must have been imposed by a government or its agency which is duly constituted to exercise authority over the taxpayer

(c) It must be for the purpose of meeting the cost of government rather than for the personal use of those who exercise the authority of governance.

2.2 THE RATIONALE FOR TAXATION

The moral authority of Government to levy and collect taxes rests on the fact that government is for the good of all. Everyone therefore, has a duty to contribute to the cost of discharging the functions of government.

Apart from revenue considerations, taxation could also be used as an effective instrument for influencing the level of output, aggregate demand, investment, savings, price level etc.

2.3 ORIGIN AND DEVELOPMENT OF TAXATION

Though it is difficult to say, with finality, when and where taxation began, suffices to say that it is as old as history. Many biblical and historical references abound to buttress this assertion.

Biblically, evidences of the development of tax are to be found in Gen. 14:20 which informs us that Abraham gave 1/10th of his possession to the King of Sodom sequel to his conquest, and the same book[6] reckons the account of the 1/5 of the harvest said to have been given to King Pharaoh during the worldwide famine that drove people to Egypt in search of food. Accordingly, valuation and payment according to ability, which is the origin of assessment, is to be found in the book of Leviticus 27:8.

6. Holy Bible: Genesis 47:24

In the same vein, wars could erupt in the event of any refusal to pay annual tributes like it did happen when the King of Moab refused to pay such tributes to the King of Israel[7]. And in the event of any controversy as to whether or not people should pay tax to the government, the answer is to be found from the Lord Jesus Christ Himself, when he urged the Pharisees, who came to trap Him with a question on taxation to, "render unto Caesar what is Caesar's and to God what is God's". To back up His words with action, He Himself paid tax when He commanded Peter His disciple, by saying "But so that we may not offend them (Government), go to the lake and throw your line. Take the first fish you catch, open its mouth and you will find a four drachma (silver) coin. Take it and give it to them for my tax and yours"[8].

Historically however, the Egyptian Pharaoh is said to have been reliant on free labour (Isrealites) and regular taxation exacted from the produce of his soil, to run his government. In Persia, taxes were paid in kind while money was paid in Syria. The Roman Empire on the other hand, relied on heavy taxation to feed the Roman soldiers.

Characteristically, while the payment of tax was a matter of compulsion in other parts of the world, in Athens, there were cases of voluntary compliance by the rich to show their patriotism in terms of war. Similarly, France is known for taxation by the Crown, the church and feudal lords.

However, be they as they may, it should be noted that these payments in the strictest sense, were more of exactions than tax in the modern sense because not only were they collected sometime in kind but the collection was done under very harsh conditions through crude and brutal means, usually for the use of the ruling class and feudal aristocrats.

7. Holy Bible: II Kings 3:5 - 27
8. Holy Bible: Mathew 22:21

As expected, this was later resisted quite vehemently in various parts of the world thus, paving way for refinement and modernisation of the tax system. Some of the constitutional and legal references to such developments in Britain include:

(i) **The Magna Carta (1215)**: which prohibited the subjection of merchants to unfair taxation.

(ii) **Petition of Rights (1628)**: which contained protests against taxation without parliamentary consent

(iii) **Civil War (1642)**: which was partially caused by high and oppressive taxation and levy by the King.

(iv) **The Bill of Rights (1688)**: which prohibited the levying of money for the use of the crown without parliamentary consent.

(v) **Introduction of Income Tax (1790s)**: for the payment of wars against France. It was intended to last for a year but renewed till 1816 when it was abolished at the end of the Napoleonic wars and reintroduced again in 1842.

(vi) **Parliamentary Act (1911)**: which endorsed that money bill may pass to the crown for assent without concurrence of the House of Lords if sent within a month and endorsed by the Speaker as Money Bill[9].

2.4 CANONS OF TAXATION

Quite a number of great thinkers have ventilated their view on taxation - either on what they believe it is, its origin, virtues or such other arguments. Adam Smith (1776) for example, is one of them whose works not only form

9. Prof. Grace T. Fatunla: The Nature and Origin of Taxation, Lecture Delivered During the Modified Value Added Tax Train the Trainer's Course Organised by MVAT Committee C/o Federal Ministry of Finance, Lagos on 12th May, 1993.

the basis of modern developments, in taxation but make him to be regarded as the founding father of political economics.

Adam Smith views a good tax as that which "ought to be so contrived as both to take out and keep out of the pockets of the people (taxpayers) as little tax as possible over and above what it brings into the public treasury of the state"[10] and cites equity, certainty, convenience and economy as the virtues (canons) of such a tax. Though his argument is unassailable, and serves to encourage the tax-payers compliance by educating him in the rationale of rendering to Caesar what is Caesar's, the questions that stare one in the eyes are

- How do you determine convenience since a particular taxpayers convenience is another's inconvenience?
- What criterion is to be adopted to ensure the equitable imposition and collection of the tax from taxable persons? and
- What conditions must be in place to make feasible the attainment of the economic objective of the tax as enunciated by Adam Smith?

These and other difficult questions make other authorities such as Edmund Burke in his famous dictum to conclude that "to tax and to please no more than to love and be wise is not given to men"[11]. And as regards the infrastructure that must be in place to make feasible the introduction and administration of a tax (especially in a previously untaxed territory), Dr. Richard Goode identifies them as follow:

(a) The existence of a predominantly money economy

(b) A high standard of literacy among taxpayers

10. Adam Smith. The Wrealth of Nations, 1776. Book V (New York: Random House) Chapter II, Part II.
11. Colins Bakar and M.J. Balogun Ife Essay in Administration University of Ife pRESS, 1975. P.134.

(c) The prevalence of accounting records, honestly and reliably maintained

(d) a large degree of voluntary compliance on the part of the taxpayers

(e) the absence of an upper-income group with enough political power to block tax measures deemed inimical to its position, and

(f) an honest and efficient administration[12]

This being the case, one might be tempted to conclude that Nigeria and indeed Kaduna State , is a good environment for the introduction and administration of any given tax that may be in contemplation but when one brings into focus the Aba Women's riot of 1929 and other resistance to taxation as well as the high degree of tax evasion and avoidance, it is clear that there is more to the issue than think the ordinary mind. Perhaps a closer examination of both Adam Smith's canons of taxation vis-a-vis the attitude of typical Nigerian taxpayers may throw light on the issue .

The importance of taxation to government is underscored by the prominence given to the subject by Adam Smith (1776) in his classic work[13]. Perhaps the greatest contribution of that sage in this regard was his enunciation of what is known as the cannons of taxation which include: Equality, certainty, convenience and economy. How these cannons are used depends on the economic policy being pursued by the government in question. Generally however, socialist governments will want to manipulate the tax instrument to maximise their social welfare objectives while capitalist governments will use them to promote free enterprise or laissez - fair policies. Developing countries on their own part manipulate taxation to enhance their general socio-economic

12. Colins Bakaer and M.J. Balogun, Ife Essays in Administration University of Ife Press. 1975. p.113
13. Adam Smith, The Wealth of Nations 1776 Book v (New York: Randum House) Chapter II Part II.

growth - Though these principles have been re-interpreted by several people, in general, their connotations are:

(i) Equality: This implies that tax contributions should be in direct proportion to the revenue earned and or benefits derived under the protection of the state. Thus, Adam Smith's concept of equality does not imply equality of contribution but of sacrifice. This principle of taxation is a principle of social justice based on ability to pay the tax imposed. Though there is the tendency to view the notion of equality as implying a flat amount of tax payable by each and every taxable person, in its broadest sense however, it is referring to the imposition of the same rate of tax on taxable persons who belong to the same socio-economic bracket. But when the rate imposed on one bracket is viewed vis-a-vis the one imposed on another bracket, the relationship may either be proportional, progressive or regressive as shown below:

	Taxable Income (₦)	Rate of Tax	Tax Payable (₦)	Type (Incidence) of Tax
A	90,000 80,000 70,000	10% 10% 10%	9,000 8,000 7,000	Proportional
B	90,000 80,000 70,000	20% 15% 10%	18,000 12,000 7,000	Progressive
C	90,000 80,000 70,000	10% 15% 20%	9,000 12,000 14,000	Regressive

Table 2.1: Income Tax Structures

Source: Improvished by the researcher

It should be noted that a tax system is proportional if the same rate of tax is charged on every taxpayer regardless of the difference in incomes of the taxpayers. On the contrary, the tax system is regarded as regressive if the rate of tax is inversely related with increases in income. That is, if the rate of tax increases with decreases income.

Accordingly it is viewed as progressive if it increases with increase in income. The rate of progression however, varies from country to country. In some countries, it is steeply progressive while in others, it is less steeply progressive. In Nigeria, the progression of the tax rates are as presented hereunder:

1	For every naira of the 1st ₦10,000	@	5%
2.	" " " " next 10,000	@	10%
3.	" " " " next 20,000	@	15%
4.	" " " " next 20,000	@	20%
5.	" " " " next 60,000	@	25%

Table 2.2: Income Tax Rates

Source: 1997 Income Tax Guidelines for the operation of PAYE in Kaduna State.

Accordingly, the tax payable on an income of ₦100,000 for example will be

1.	₦10,000	@	5%	=	₦500
2.	₦10,000	@	10%	=	1,000
3.	₦20,000	@	15%	=	3,000
4.	₦20,000	@	20%	=	4,000
5.	₦40,000	@	25%	=	10,000

Total Tax Payable				=	₦18,500
					======

Note: Workers whose earned income is ₦30,000 or below are to pay only the minimum tax of 0.5%.

Table 2.3: Tax payable based on rates

Source: Adopted from 1997, Kaduna State Income Tax Guidelines for the operation of P.A.Y.E.

Without prejudice to what their virtues may be, progressive tax systems have their own problems. For example, when the rich pay their tax under direct assessment, the amount paid is by far less than what employees pay under P.A.Y.E thereby violating the equity principle of taxation. This is one of the problems, the Nigerian Tax System is contending against.

Tax is usually based on something defined by law. This is known as the "Tax-base" which is either income or property.

Income from sales of services rendered by property is called "Unearned income" while the one derived from the sales of services is called "earned income". The Nigerian tax law, it should be noted does not quite define income in a comprehensive manner. It is difficult, therefore to deliniate between taxable and non-taxable incomes. For instance, section 20(1) of ITMA (1961) provides only the general procedure for calculating assessable income. As a consequence, therefore, the taxman has to grapple with the problem of identifying the income to be assessed.

Apart from definition problem, it is well known to the taxman that the taxpayer's property may not necessarily be income, after all, not all types of property can be quantified. If on this basis a relationship is created between the taxpayer's property and his ability to pay tax, what is to define the relationship? This will then imply that people who have only the necessities of life such as shelter, food and other intangible human characteristics such as obedience, integrity and subserviance do not belong to the bracket of taxable persons. And if they are to pay,

then care has to be taken to ensure that it is not unnecessarily too high and progressive since it is a disincentive to efforts.

(ii) Certainty: This principle postulates that tax-liability should be certain to the tax-payer in terms of payment period, amount to be paid and the manner of payment. Arbitrariness on any part of the above issues, is a violation of the principles of certainty. And lack of it bestows the power of favouritism, corruption or repression on tax administrators. By certainty, therefore, Adam Smith means that tax legislation should be unambiguous, precise and that the amount of tax to be paid should be based on legislation.

(iii) Convenience: This implies that tax should be collected in a manner that makes payment most convenient for the taxpayer. Thus, taxes on income are best deducted at source while outlay taxes are best discharged at the point of purchase.

(iv) Economy: The economy of tax collection is a function of the relationship between revenue generated from taxes and the burden (cost) of tax collection. There is diseconomy where cost of tax collection constitutes a very high proportion of the revenue generated and tax economy where the reverse is the case.

As expected, these original postulates of Adam Smith have been redefined and expanded in various ways[14]. Thus, the maxim of equality has been redefined by subsequent contributors into various equity principles. The contributors include John Stuart Mill and A.C. Pigou.

14. Prof. F.O. Okafor, General Concepts and Financial Implications of Taxation, Paper delivered at the Trainers Workshop on MVAT, held at the COnference Centre, Obafemi Awolowo University Ile-Ife May 11th, 1993.

On his part, Mr Mill views it as meaning equal sacrifice by every person irrespective of income. The greatest impediment however, to this view is the fact that since people are not equal both economically and socially, how can their sacrifices be the same then?.

A.C. Pigou however expanded it to imply least aggregate sacrifice or sacrifice benefit principle which means any amount of money paid as tax should fetch marginal net aggregate welfare. In other words, if people want to enjoy any government services they must be ready to pay for them.[15]

However, the questions raised by these analyses are how these benefits of social service received could be measured e.g. between the young and old; how many recipients of the benefits can pay for them and who actually receives more benefit from the government - the young, old or who?. The young, old and infirm, in the believe of the capitalist governments, should receive social benefits regardless of their contribution to the government. In socialist countries however, the principle that relates the government to its citizens is that of the state getting "from each persons according to his ability and to each according to his needs..... everything for the sake of man and for the benefit of man...."[16].

Thus, when viewed critically especially in modern context, it can readily be concluded that the issue of economy is operationalised to emphasise the question of efficiency rather than economy per se. In that regard, the efficiency of a tax regime is measured by its propensity or lack of it to distort prices. These maxims and principles of taxation must therefore be interpreted and applied in the proper context because taxation is not just an economic engineering issue. It has political, socio-cultural and ethical connotations that

15. Prof. P.C. Daudu (Lecture on) "The Principles of Taxation" Nov. 1980.
16. "The Communist Manifesto" Quoted by Frederick C.J. in "An Introduction to Pol. Theory" Arthurton Press Achor 1968.

must reflect the political economy of the day. Thus, issues like the simplicity, flexibility and income distribution effects of the tax system have become important considerations.

The issue of simplicity, for example, includes the need for the average taxpayer to understand the main principles involved in the relevant tax system and the need for tax assessment and collection procedures to be straight forward and inexpensive to operate.

Flexibility on the otherhand is important because of the need to use taxation as an instrument for regulating the economy. The above conceptual framework provides the basis for analysing the merits and demerits of a tax system which may either be in operation or is being considered for introduction.

2.5 TAX CLASSIFICATIONS

There are various classifications to taxation and each underscores distinction (dichotomy) which derive from the basic features of analysis being pursued. Three basis for the classification include:

(A) The tax base (i.e the economic variables subjected to tax)

(B) The tax collection strategy adopted (i.e direct or indirect)

(C) The proportionality of the tax burden on different tax payers (i.e progressive or regressive).

(A) **Tax Base Classification**: This include:

(i) **Income Tax**: is tax on the flow of current factor earnings such as tax on wages and salaries, rents royalties and interest received. Company profit tax is also included in this classification because corporate profit in principles represent income to shareholders.

(ii) **Capital (Wealth) Tax**: is imposed on various stock of assets owned by the taxpayers such as property tax, inheritance tax, and tax on gifts and other endowments.

(iii) **Outlay or Transaction Tax**: is levied on the purchase, use or enjoyment of particular goods and or services. Examples are sales, entertainment, and mortuary taxes.

(iv) **Head or Capitation Tax**: which refers to tax, specific in amount, that is imposed on individuals, as persons, without regards to their economic level or status.

(B) **Direct and Indirect Tax Classification**

(i) Direct Taxes: are those that are levied directly on the tax-payer and are generally collected from him. Its incidence is direct and total - total because the burden is borne completely by the person levied, its example, is income tax.

(ii) Indirect Taxes: are those levied on goods and services. Their burden, is borne by those who consume the goods and services, because they are included in the cost or price of the commodities taxed. Indirect taxes are generally collected from third parties such as manufacturers or wholesalers. But the incidence or burden of payment is passed down completely or partially in the form of tax - adjusted prices payable by the ultimate consumers. Excise duties and tariffs are examples of indirect taxes.

(C) **Classification Based on Proportionality of Tax Burden**

Among others, such taxes include:

(i) Ad Valorom Tax: this is a value determined tax. Its liability is

calculated as a proportion or percentage of the value of the assessable tax base.

(ii) Capitation Tax: is a fixed or specific tax payable by each taxable person. The value of capitation tax could however, vary among various categories or groups of individuals such as age or sex or professional groups. But a fixed amount is imposed on persons within each group. Capitation tax is often referred to as headtax because it is levied on a per capita basis.

2.6 DEVELOPMENT OF TAXATION IN NIGERIA

The British introduced Personal Income tax to Nigeria about one hundred years after its evolution in Britain. But before the coming of the British, various taxes were already being administered by various communities. In Hausa land, Zakat which is the tithe commanded by the Koran was being paid by muslims. Jangali (cattle tax), "kudin kasa" (land tax) and "Gandu" (capitation tax) were all being collected by community leaders before the advent of the colonial masters.

In the same vein, "Isakole"[17] which is tax on land in Yoruba communities as well as death duties, fines and tributes were also being collected by community leaders before the advent of colonial masters. Therefore, by the time the British came there was already an enabling environment for the introduction of personal income tax.

2.7 NIGERIAN TAX LAWS

The first tax law was introduced by Lord Lugard in Northern Nigeria in order that a proportion of the tax collected by the Emirs was paid to the treasury. This was the native Revenue Proclamation No.4 of 1904. The

17. Prof. Grace Fatunla: The Nature and Origin of Taxation. Lecture Delivered during the Modified Value Added tax Train the Trainer's Course Organised by MVAT Committee C/o Federal Ministry of Finance. Lagos 12th, May, 1993.

assessment which was meant for a whole community was done by the administrative officer in consultation with the District and Village heads who were responsible for its collection. This tax law was later to be known as Community tax.

(i) **Tax Laws in the South**

Personal Income Tax was not introduced to the South until 1914. When Oba Overami died in Calabar in 1914, his son became Eneka III of Benin. The native Authority system was then introduced to Benin under the new Oba. It was then that the people there accepted to pay their taxes. The system was introduced to the yorubaland in 1916, and in 1918, poll tax was introduced in Oyo. While the chiefs collected the tax in Oyo, and Ibadan, the Ogbonis collected it in Egba area.

In the East, warrant chiefs were created to pave way for its introduction and in 1928, it was finally introduced with the aid of 500 additional policemen enrolled to control any disturbances. In 1929, the well-known "Aba Women's Riots" took place on the wrong notion that women were to pay tax. Income taxes were paid by natives outside Lagos under a separate law while natives in Lagos and non-natives all over the country paid under another law. The Income tax Ordinance No. 3 of 1940 applied to non-natives in the country and to natives in the colony of Lagos. Direct Tax Ordinance No.4 of 1940 was applicable to all natives except those in the township of Lagos. But the laws were amended in 1943 and 1948. When the country was federalised in 1954, the Income Tax Ordinance became a federal responsibility and the Direct Tax Ordinance was operated by the Regions.

In 1956, the Eastern Region enacted its first tax law, called Finance Law No.1 and abolished the application of the Direct Tax

Ordinance, 1948 in the Eastern region. The Western Region did a similar thing in 1957 by enacting the Income Tax Law No.16 of 1957 while the North passed its own - the Personal Income Tax Law No. 6 of 1962.

(ii) **Policy Background**

Direct taxation became a concurrent power of the Federal and Regional Government under the Nigerian (constitution) Order in council, 1954. The report of a commission in 1958 was contained in section 70 of the Nigerian (constitution) Order in council 1960. This forms section 76 of the 1963 constitution.

(iii) **Income Tax Management Act**

This act was passed to attain uniform principles of Personal Income Tax in the country. It is not a complete tax law and each region had its own law which provided for the administration of the Act.

(iv) **Joint Tax Board**

This body is created by section 27(2) of the Income Tax management Act 1963, the chairman of the Board of Inland Revenue is the chairman of the Board. Each state has a member on the Board. Its primary purpose is to consider inter-state problems and recommend tax measures to the Federal Government for action.

(v) **Uniform Taxation Decree No.7 of 1975**

The decree was promulgated as a result of different tax rates and allowances in different states of the Federation. This has effect on mobility of labour where an employee who was transfered from one state to another found himself in a different tax system and might have to pay more tax than before on the same level of income. The Joint Tax Board, made recommendations which were considered by each state and

finally accepted by the Federal Military Government. It must be remembered that Decree No.1 of 1966 has already suspended section 76(4) of the 1963 Federal Constitution which might have made the intended uniform system impossible. The effect of the Decree, which forms section 20(A) of the Income Tax management Act, 1961 made tax reliefs and rates of tax the same for all personal income tax in the country.

(vi) **Stamp Duty Ordinance 1958:**

This regulates transactions which are subject to advalorean duties to give them legal backing for purposes of revenue. Under this ordinance, those matters over which the states had no tax collection jurisdiction are stamp by the Federal Inland Revenue Service e.g stamp duties for the registration of capital of new companies are collected by the Federal Inland Revenue Service. Stamp duties on legal transaction involving individuals only are payable to the state. The Act is now being reviewed to streamline the various rates with a view to having uniform rates.

(vii) **Capital Gains Tax 1967**

This imposes tax on profit derived from the sale of capital items e.g property, shares, etc. The tax rate is 20% of the net gain after deducting the original cost of the assets and the expenses of sale.

(viii) **Capital Transfer Act 1972**

This is intended to tax capital transfered from one person to another other than by outright sale. Capital is deemed to be transfered to another person when the owner dies, or by way of gratitious gift and the transferee bears the tax. Gifts of property from father to children during life-time are deemed to be capital transfer liable to tax because the law was designed to catch those who are really wealthy. For this purpose,

property less than ₦100,000 in value is not taxable. States which are supposed to implement this legislation, have continued to shy away from the implementation. So far no one is known to have been assessed under the law as such.

(ix) **Personal Income Tax Decree (Decree 104 of 1993)**

This legislation regulates personal taxation in Nigeria. In other words, it regulates the assessment and collection procedures for the individuals or body of individuals including a family, any corporation sole, trustee or executor having any income which is chargeable with tax under the provisions of the Decree. The provisions of the decree are to apply throughout the federation except as therein provided.

Note that in reflecting the constitutional provision which places the taxation of income and profits in the exclusive legislative list Income Tax Management Act Cap 173 LFN 1990 and the Income Tax (Armed Forces and Other Persons) (Special Provisions) Act (Cap 174 LFN) 1990 have been merged with Personal Income Tax (Lagos) Act 1961 (PITLA) and redraft to Personal Income Tax Act (PITA).

CHAPTER THREE

RESEARCH METHODOLOGY AND HISTORICAL BACKGROUND OF PERSONAL INCOME TAX ADMINISTRATION IN NIGERIA

3.1 RESEARCH METHODOLOGY

The research is undertaken in the field of taxation (i.e tax chargeable on income, the determination of which is best on preceding year basis, be it Direct Assessment, Withholding etc). The researcher, accordingly, adopted a historical approach to conduct the research for a six-year period (1991 - 1996).

Since the issue of accountability is the central theme of the research, efforts have been made to bring into focus all sources of revenue available to the Board namely, PAYE, Direct Assessment, Withholding taxes, Fees (e.g Motor Licensing fees) Levies (e.g Development Levies), Stamp duties, Entertainment tax, etc.

In the same vein, the activities of all the eleven Area Revenue Offices located all over the state namely; Doka, Kakuri, Tudun Wada, Kawo, Zaria, Samaru, Kafanchan, Saminaka, Birnin Gwari, Kachia and Ikara revenue offices have been brought into focus to enable a more substantive determination of the revenue generating capacity of the state vis-a-vis the amount actually accounted for during the period under review.

To achieve the above objective, a random sampling of data is made from all the eleven offices including the headquarters and then aggregated and analysed in addition to personal interviews conducted all over with principal officers of the Board.

Apart from the above, the research also administered Questionaires on taxpayers who were either not accessible or were too busy to avail themselves for personal interviews.

3.2 HISTORICAL DEVELOPMENT OF THE BOARD

What is today known as Kaduna State Board of Internal Revenue was, prior to 1985, a division (Revenue Division) of the then Kaduna State Ministry of Finance. The division was headed by a Commissioner of Revenue, whose choice was expected to be guided by experience and transparency of character, among other factors. Under this arrangement, all other officers of the division were directly responsible to the Commissioner regarding the day to day discharge of their official assignments. On his own part, the Commissioner of revenue was answerable to the Commissioner of Finance both in matters of administration and those that border on revenue generation and accounting.

In 1985 however, the government decided to elevate the division to the status of a full fledge Board, headed by a Director General[1]. In matters of administration, the Board became independent of the Ministry but in matters of financing, its activities were to be financed by the Ministry of Finance. The Board continued to operate in this manner until 1993, when it was in principles, elevated further to the status of an independent Board, headed by an Executive Chairman, for the purpose of efficiency and administrative convenience

3.3 FUNCTIONS OF THE REVENUE BOARD

The Board,, being the live-wire of the Government is charged with vital responsibilities. Though tax administration is the primary function of the Board, suffices to say that administering tax is a responsibility that entails

1. Kaduna State Edict No. 12, 1985.

many other responsibilities some of which are performed everyday while others are performed periodically. Some of these functions include:

A. Assessment of taxpayers

B. Collection and accounting for the tax assessed

C. Provision of tax clearance certificate

D. Prosecution of tax defaulters

E. Taxpayers education etc.

Considering the size of the state, and the need for efficiency of tax administration statewide, the Board decided to open up more Area offices at different locations of the state to cater for the needs of the taxpayers in each of these locations. Therefore apart from the Headquarters in Kaduna and a Liaison Office in Lagos[2], one branch office each was opened in Zaria and Kafanchan. Realising that these offices were not adequately exploiting the tax potentials of the state, the Board in 1987, decided to open up 9 additional branch offices at various parts of the state to bring the total number of offices to 11 in all as listed hereunder:

1. Doka Revenue Office
2. Kakuri Revenue Office
3. Tudun Wada Revenue Office
4. Kawo Revenue Office
5. Zaria Revenue Office
6. Samaru (Zaria) Revenue Office
7. Kafanchan Revenue Office
8. Saminaka Revenue Office
9. Birnin Gwari Revenue Office

2. Payments of Withholding taxes deducted from payments due to Kaduna State indigenes in other states are payable to the Headquarters while the Board's Liaison Officer in Lagos whose office is also considered as a Revenue Office, collects all WHT payments due to Kaduna State indigenes residing in Lagos and remits same to the Headquarters.

10. Ikara Revenue Office

11. Kachia Revenue Office.

3.4 ORGANISATIONAL STRUCTURE AND POWERS OF THE BOARD

At inception, the organisational structure of the Board was in every way the same with those of other states in the North. With time however, the structure received various modifications that made it different from others. Though the intention behind these modifications has been to create room for administrative pragmatism so as to enhance efficiency of revenue collection and accounting, whether or not these targets have actually been achieved, is a different issue altogether. Accordingly, some of the organs of the Board include:

(a) **Office of the Executive Chairman:**

Being the Chief Executive of the Board, the Chairman is primarily charged with the general administration of the Board. While he is expected to work hand in hand with the Commissioner of Finance in accounting for the activities of his organisation, the Executive Chairman has some room for direct reporting to the State Governor. Powers of the Executive Chairman (Commissioner of Revenue as in the case of former arrangement) are defined by section 3(1), 3(2) and 39(1) of Personal Income Tax Law (Northern States). He is generally regarded as being in charge of administration of the tax laws and revenue generation.

These include powers to assess, collect and account for the taxes. He also has discretion of exempting people from tax payment in the face of evidence to suggest same. Because broad policy issues are his main concern, detailed and routine issues are not part of his schedule. These he passes on to his Directors and other members of the management

team. However, the coordination of tax audit activities is part of the responsibilities of the Office of the Executive Chairman.

(b) **Directors**

The Executive Chairman together with his directors constitute the membership of the Governing Board of the organisation with himself as the Chairman. It is worthy of note however, that while most of the members are working directors who have portfolios, the rest are outside directors without portfolio[3]. Though the organisation has, over the last few years, witnessed many changes that have not allowed for a stable structure, suffices to mention that the following are some of the members of the Governing Board.

(i) Director of Administration and Personnel: He is a senior officer of the Board, who is very experienced in staff administration. He is particularly responsible for the day to day administration of the Board with particular respect to staff matters.

(ii) Director Personal Income Tax: He is vested with the responsibilities of advising the Executive Chairman on matters relating to Personal Income Tax, issuance of Tax Clearance Certificates and other related duties.

(iii) Director Other Taxes: (in otherwords, Director Miscellaneous Taxes), his primary responsibility is to handle all issues relating to miscellaneous taxes such as Road Taxes, Business Registration, Stamp Duty, Development Levies and advising the Executive Chairman on same.

3. Working Directors here, is in reference to those top officers of the Board who are heading the various departments of the Board while those who are neither from within nor are heading any department are outside directors. However, in a bid to reorganise the Board, the number of directors was later reduced from 8 to 5.

(iv) Director, Revenue Collection and Accounting: It is his responsibility to see to the effective collection of and accounting for all taxes and fees due to the state government and advising the Executive Chairman on same. He is also incharge of running the computer unit of the Board.

(v) Director of Investigations and Audit: He is an experienced officer in audit and is primarily concerned with ensuring that fraud is eradicated or minimised to the barest minimum.

(c) **Middle Management**

The membership of the middle management is constituted by senior officers of the Board who are well versed in technical tax matters. They are the immediate assistants to the Directors. Each director therefore has a number of such officers directly under him. They are charged with the responsibility of facilitating the activities of their respective directors.

(d) **Area Revenue Officers**

These are supposed to be technically competent senior officers of the Board, who are versed in various aspects of taxation. Under normal circumstances, any officer who is to head an office of this nature must not only be a technical officer, but he must have passed prescribed conversion examinations to the technical cadre if he is not a graduate from the relevant discipline[4].

4. Relevant disciplines here refer to Business Administration, Accounting and Economics.

Unfortunately over the years, either as a result of shortage of manpower or the outright prevalence of nepotism, this virtue was discarded and appointments to the headship of these offices started to be made arbitrarily.

However, be it as it may, each Area revenue Officer is expected to administer all tax matters emanating from the jurisdiction of his office particularly as they relate to tax assessment, tax collection and accounting, taxpayer education and the processing of tax clearance certificates preparatory to their issuance at the Headquarters.

Fig. 3.1

Source: Revenue Board Computer System

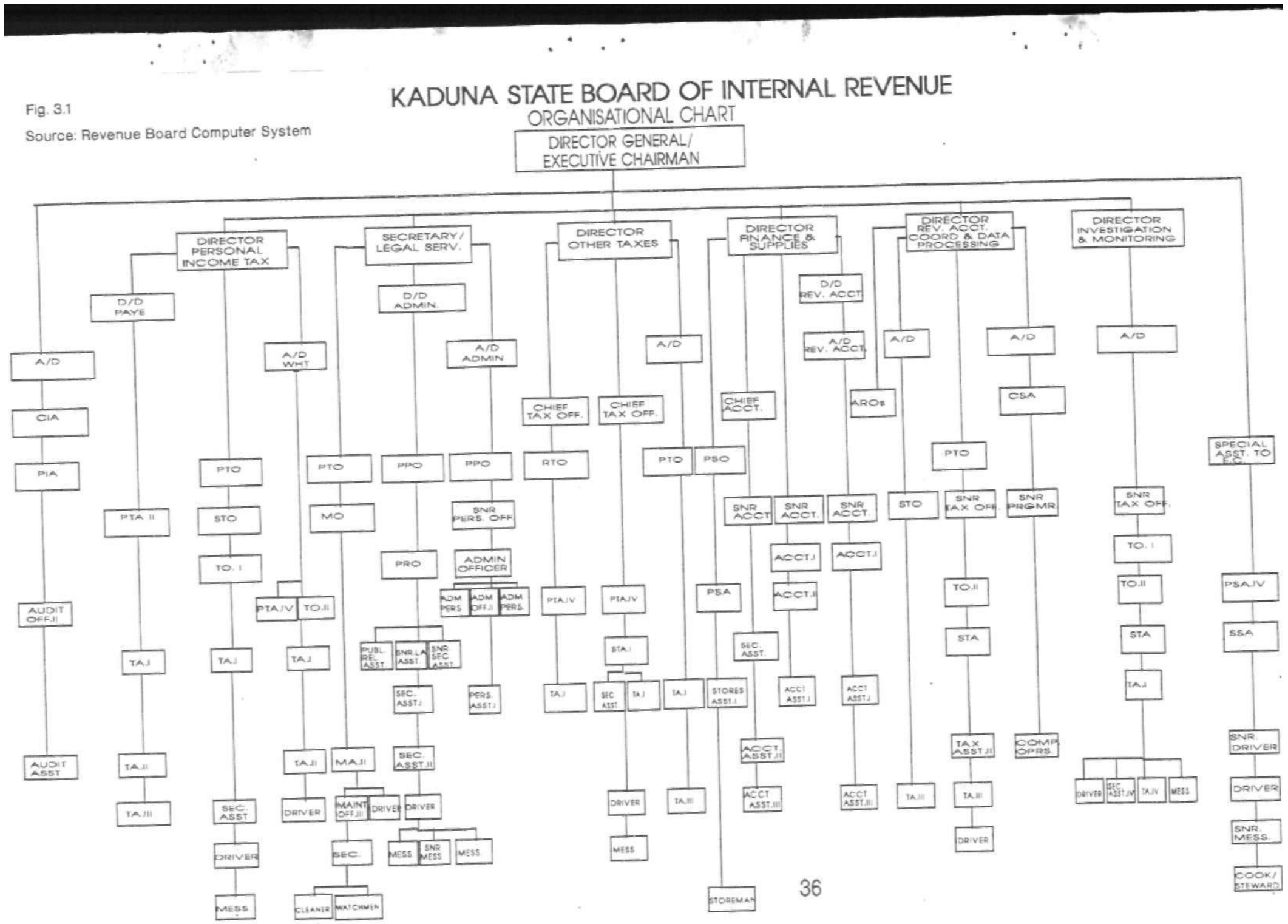
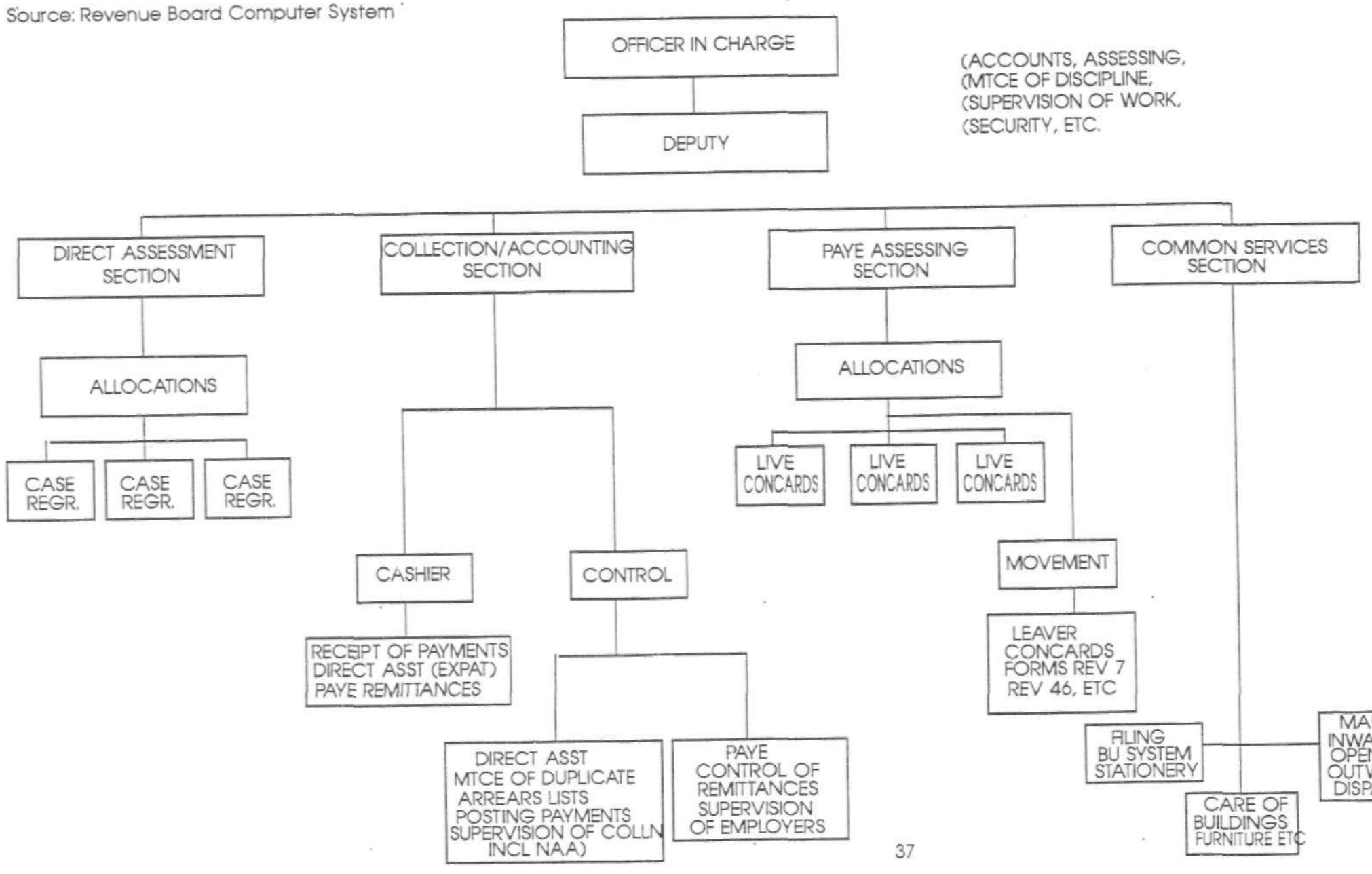


Fig. 3.2

ORGANISATION OF STATE REVENUE OFFICE

Source: Revenue Board Computer System



Pursuant to this, each Area Revenue Office is subdivided into various units such as PAYE, Direct Assessment, Collection and Accounting, Motor Licensing and Cashier's units, with each of these units being headed by an officer that is supposed to be technically knowledgeable in that aspect.

3.5 Liability to the Payment of Tax in Kaduna State

Both issues of payment of tax to a particular tax authority and the relevant tax payers who are to pay the tax to the tax authority are issues that are guided by the provisions of the Income Tax Management Act (ITMA) 1961. Accordingly, everyone of adult age, who resides in Kaduna State for at least half a year and who is gainfully employed, except otherwise stated, must pay his personal income tax to Kaduna State Government. Payment of the tax either PAYE or Direct Assessment is without prejudice to whether or not a person is in someone's employment or he is self-employed.

In the same vein, modalities for the payment of the tax is guided by the provisions of the tax law in consonance with the principle under which the income is derived. Accordingly therefore, while the payment of directly assessed tax (Direct Assessment) is on preceding year basis, that of PAYE is on current year basis[5]. The intention behind this arrangement is to provide adequate opportunities to taxpayers under both schemes and to the tax official as well to reasonably determine whether or not profit has been realised out of the business as to warrant the imposition of tax. Therefore, once it is ascertained that profit has been realised, an assessment will be made whether or not the source of income has ceased to exist or produce income.

2. Federal Government of Nigeria. Income Tax Management Act, 1961

However, while the taxpayer has the right to object to any assessment he feels has been arbitrarily raised, the tax authority on its own part has the right to refuse to amend the assessment in the absence of evidence to suggest the contrary[6]. For this reason, income from employment, rents paid in advance, income of itenerant workers, pension, bonuses and commissions are all liable to tax in the year they are earned given regard to the certainty as to their magnitude.

A taxpayer's obligation to pay tax to Kaduna State, ceteris-parribus, is a function of whether or not the taxpayer is resident or deemed to be resident in Kaduna State on the first day of January of the year of assessment [7]. For this purpose, "residence" or "home" means a place available for the individual's domestic use in Nigeria[8]. Residence in this case does not include any hotel or rest house where the taxpayer is lodging temporarily unless there is no more permanent place available for his use than this. The tax laws further provides that if an individual has more than one home in different places, the relevant home is where he resides or deemed to be resident on the first day of January. As regards a pensioner who has no income from employment, trade, business, profession or vocation, the place where he usually resides is to be regarded as the residence, whereas in the case of an employee, the place nearest to his usual place of work is to be regarded as the resident. Therefore, subject to the fulfilment of the above conditions, some of the taxes payable to Kaduna State Government include:

1. Pay as you earn (PAYE)
2. Direct Assessment

6. Northern States of Nigeria. Personal Income Tax Laws, Section 28
7. Federal Government of Nigeria. Income Tax Management Act, Section 3(2)
8. Federal Government of Nigeria. Income Tax Management Act, Section 21

3. Withholding Taxes (on contracts, Director's fees, dividend, bank deposits, etc)
4. Registration of Business premises
5. Entertainment Tax
6. Development Levy
7. Stamp Duties
8. Road Taxes e.g.
   (i) Driver's Licence Fee
   (ii) Motor Vehicle Licence Fee
   (iii) Vehicle Registration Book Fees
   (iv) Learner's Permit Fees
   (v) Change of Ownership Fees
   (vi) Vehicle Registration Fees
   (vii) Local Identification Mark (Stickers) Fees
   (viii) Fuel Log Book Sales
   (ix) Vehicle Number Plate Fees.

3.6 Non Taxable Incomes

Without prejudice to the foregoing, it is worthy of mention that not all incomes are taxable. Some of the non-taxable incomes include:

1. Incomes of ecclesiastical, charitable, or educational institution of public character in so far as such income is not derived from trade or business.
2. Incomes of persons engaged by various overseas aid e.g USAID, UNESCO, ICRC, etc.
3. Incomes of any trade union registered under the Trade Union Ordinance, in so far as the income is not derived from any trade or business.

4. Official emolument of the Head of State and State Governors.
5. Income of any Local Government or Government institutions.
6. The establishment allowance of a chief.
7. Interest paid or credited to any person by the Nigerian Post Office Saving Bank.
8. Investment income of bodies running an approved pension, provident fund or retirement benefit scheme.
9. Incomes of registered cooperative societies
10. Emoluments payable from United Kingdom Funds to a person in the permanent service of the United Kingdom Government in Nigeria except where the employee is a citizen of Nigeria and he ordinarily resides in Nigeria.
11. Income of any statutory or registered friendly society in so far as the income is not derived from a trade or business carried on by such society.
12. Remuneration of any consular officer or employee of a foreign country except where the employee is engaged in domestic duties or he ordinarily resides in Nigeria.
13. Gratuities payable to government officers subject to a maximum, in cases of services not amounting to five years or ₦30,000 per year of service; any excess is taxable.
14. Death Gratuity[9]
15. Wound or disability pensions granted to members of the armed forces or any of the recognised national defence organisation or to persons injured as a result of enemy action.

9. Joint Tax Board Employer's Guide to PAYE, 1981

3.7 **Penalties for Tax Default**

There are as many penalties for tax default as there are benefits for tax payments. Some of which include:

1. Interest at the prevailing rate on the liability
2. Penalty (10% of the liability)[10].
3. Issuance of provisional clearance certificate instead of a full certificate
4. Outright refusal by the Internal Revenue Authority to issue tax clearance certificate.
5. Any other form of punishment the court may impose on the defaulter upon prosecution.
6. Refusal by organisations (private or public) to register the defaulter as contractor.
7. Refusal to grant him foreign exchange
8. Refusal to issue him international passport
9. Refusal to grant the defaulter's application for land from the state government.
10. Refusal to register the defaulter motor vehicle
11. Refusal to be granted government loan
12. refusal to grant the defaulter's application for firearm licence
13. Refusal to grant his application for approval of building plan.
14. Refusal to grant his application for trade licence
15. Refusal to grant his application for transfer of real property.
16. Refusal to grant his application for import/export licence
17. Refusal to grant his application for pools or gaming licence
18. The defaulter cannot register as a distributor

10. Federal Government of Nigeria, Nigerian Tax Laws

19. He cannot be confirmed with any public appointment
20. He cannot be allowed to contest any election
21. Refusal to grant his application for business registration
22. Refusal to grant his application for market stall.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

This chapter deals chiefly with summaries of the information, facts and findings of the research. The statistics presented is closely studied and analysed.

Since the purpose of the study is to understand the basic variables that interplay to make feasible the effective administration of tax in Kaduna State as well as the factors that impede effective accountability of the proceeds of tax, a close analysis is made of the following: the geo-economic set-up of the state with reference to its human and natural resources as well as its industrial endowments and their composite impact on revenue generation.

In the same vein, the role of government in the establishment of a Revenue Board; the organisational structure of the Board; the relationship of the Board with the Joint Tax Board is also examined to determine their relationship with the amount of revenue that could be generated. In conformity with the above, the various revenue (tax) sources available to the Board are critically analysed to determine their viability/performance and the losses incurred by the government as a result of lack of accountability either due to lack of remittance or due to diversion by employees of the Board.

4.1 The Geo-Economic Set-up of Kaduna State

Kaduna State is one of the 36 states of the federation located in the heart of the Northern part of Nigeria. The state is bounded in the North by Katsina and Kano States while in the West it is bounded by Zamfara State. In the North East it is bounded by Kano State while in the South East and South West it is bounded by Nasarawa and Niger States respectively.

With a total population of about 5 million people, the state is made up of 23 Local Governments namely: Zaria, Kaduna South, Igabi, Jema;a, Jaba, Ikara, Kaura, Zangon Kataf, Kaduna North, Soba, Kachia, Makarfi, Giwa, Chikun, Lere, B/Gwari, Sanga, Kajuru, Kagarko and Kauru, others include S/Gari, Kubau and Kudan. The major tribes in the state include Hausa, Kurama, Gwari, Kadara, Bajju, etc while the major towns in the state are Kaduna, Zaria, Kafanchan, Saminaka, Zonkwa, Kwoi and B/Gwari, etc.

This configuration defines the pattern of economic activities in the state at both urban and rural areas. Accordingly, the urban areas constitute the major centres of commercial and industrial activities. Among others some of the industrial concerns in the state include the NNPC, United Nig. Textiles, Peougeot Automobile Nig. Ltd; Arewa Textiles Nig. Ltd, DIC, NTC, etc, while institutions include: Ahmadu Bello University, Kaduna Polytechnic, Federal College of Education Zaria, Kaduna State Polytechnic Kaduna, College of Education Kafanchan, etc.

As of Government Ministries and parastatals both Federal and State, are quite many. They also go along away in helping to define the volume of economic activities going on in the state. Interalia, such Federal Institutions including: the National Teachers Institute, National Primary Education Commission, National Education Technology Centre, National Board for Tecnical Education, National Commission for colleges of Education, National Commission for Normadic Education, National Water Reasources Institute and a host of others. At the State level they include all the State mistries and paratals which are too numerous to mention here.

Another interesting feature of the State economy are the various activities going on at the rural areas that are mainly agrarian in nature such as the production of various food and cash crops and their subsequent

commertialisation. Some of them include maize, rice, g/nuts, millet, yam, ginger, cotton, guine corn, cassava, etc.

4.2 Organisational Structure of the Board

The structure of an organisation is the frame work on which the weight of the responsiblities of the organisation rest. In the same vein, the success or failure of the organisation depends, very squarely, on the ability of the frame work to sustain the gravity of the activities it is expected to carry out.

A study of the organisational structure of the Revenue Board (see page 18) reveals nothing rather than a confused situation that is difficult to describe. This stems from its lack of unifomity. Apart from the Executive Chairman and the working Directors, the positions of other principal offices of the Board are not well defined.

A cursory look at the organogram will reveal the following:

(i). That some Directors such as the Director of Personal Income Tax and the Director of Finance and Supplies have Deputies while others such as those of Other-Taxes (miscellaneous Taxes); Revenue Accounting and that of Investigations and Monitoring have no Deputies except Assistant Directors - Why!

(ii). The Secretary/Legal Adviser of the Board, who is not a Director but an Ex-officio member has a Deputy Director under him- Why?

(iii). Some Assistant Directors such as that of Revenue Accounting are at par with Deputy Directors - why?

(iv). The organogram is generally very complicated and confusing - officers of the same rank are not placed at par. The organogram never assumes the dimentions of a normal organisational chart. Why should an organisation of this nature not always have problems? The inability of

an organisation to define its structure is a clear indication of the existence of an indemic problem that bedevills the organisation for as long as it exists.

Among other things, some of the problems that may arise out of a faulty organisational structure of this nature include personality clashes, since the structure has not been able to place officers of the same rank at par. There is also the inherent inevitability of job-overloading in which case some Directors will be overloaded with work given regards to the fact that such Directors have no Deputies who will help decongest their work.

In other words, delegation of responsibilities in situations of these nature is not practicable. Personality clashes will also be inevitable since some officers are placed above their counterparts even though all of them have the same rank and in some circumstances, some of the officers elevated are junior to those above whom they have been placed. The resultant outcome of such a structure is the frustration of revenue generation efforts due to inappropriate definition of roles. Unless this problem is arrested in good time, it will impede every meaningful efforts the Board is making and will eventually destroy the very basis of the Board's existence.

4.3 Role of Government in the Administration of the Board

Perhaps, more than any other factor, the role of the government in the appointment or recruitment of the leadership (Chief Executives and Directors especially) of an organisation as well as its role in conflict resolutions either make or mar the success of an organisation.

In the case of appointments of Chief Executives and Directors, it is expected that those to be appointed are professional tax men of proven integrity from within the Board. Incase of conflict resolutions, it is also expected that issues would be looked into very objectively and adjudicated over very fairly. These guidelines have been given by the Joint Tax Board in the belief that it is the only way the Board can be made to move forward.

Unfortunately, it is not so in Kaduna State Revenue Board. In the case of appointment of Chief Executives and Directors, instead of appointing tax men from within the Board, the government over the years, in its actions demonstrated preference for non-taxmen from outside for the leadership of the Board. In the case of conflict resolution, the Government cannot be said to fare any better either. The suspension of all Directors sometime back for nearly two years (1997/98) simply because one of the departments (Other Taxes) had problems is a case in point.

Needless to indicate therefore, that some other problems that have always bedevilled Kaduna State Revenue Board such as those of poor performance due to lack of qualified staff, fraud and even administrative problems are largely as a rsult of defective appointments. or recruitments of some of the Chief Executives/Directors . Consequently, if the Board is to move forward, both the Government and the Board must be ready to abide by the guidelines issued by the Joint Tax Board which provides for the composition of the State Revenue Board as follow:

1. Executive Chairman - Who is a person experienced in taxation and who is transparently honest, must come from within the Board.
2. Three other persons to be nominated by the Commissioner of Finance on merit.
3. The Directors and Heads of Departments within the service

4. A Director from the State Ministry of Finance

5. A Legal Adviser - Who shall be appointed from the State Ministry of Justice and

6. A Secretary, who shall be an Ex-Officio member

In the same vein, the Board is to have a technical committee, the constitution of which shall be as follows:

i. The Chairman of the Board as Chairman

ii. The DIrectors of the Board (All Directors of the Board) as members

iii. The Legal Adviser to the Board and

iv. Secretary to the Board.

4.4 **Relationship of the Board with the Joint Tax Board**

The Kaduna State Revenue Board is a member of the Joint Tax Board, whose chairman (i.e Chairman of the Joint Tax Board) is the chairman of the Federal Inland Revenue Service. Though the primary concern of the State Internal Revenue Board is the administration of taxes on the basis of residence; as a secondary function, the Board makes recommendations, where appropriate, to the Joint Tax Board on tax-policy, tax-reform, tax legislation, tax treaties and exemptions as may be required from time to time.

On the other hand "the Joint Tax Board considers and approves pension schemes which are implemented by the state. The Joint Tax Board promotes uniformity both in the application of the provisions of the law and the incidence of tax, on individuals through out Nigeria. The Joint Tax Board also exercises powers or duties arising under the Act which may be agreed with by the government of each territory to be exercised by the Board"[1].

1. Training Lecture Notes for Inspectors of Taxes - Module II P.21 Published by the Federal Inland Revenue Service.

4.5 Human, Financial and Material Resources

The human and material resources of an organisation constitute a very important determinant of the success or failure of that organisation since it is against the interplay of these factors that its anticipated success is predicated. For this reason therefore each of the factors will be examined separately.

(i) Human Resource

The Board has a staff strength of about 400 people of which about 70% of them belong to the junior cadre while the remaining 30% is in the senior cadre. The demands of the job require that the Board maintains not just the right quantity of staff but a staff that is well trained and experienced in various aspects of the job. Accordingly, while the directors and other members of the management team are sufficiently educated, the exigencies of their jobs require them to be people who are well trained in tax administration. Unfortunately this is not the case. Instead, all the directors of the Board (eight in all before they were streamlined to five) except two are non-taxmen. Their being drawn from other ministries and parastatals in Kaduna State is the underlying reason for this. The two directors that are the only tax men, however, are from within the Board.

Apart from these Directors other members of the management team who are made up of either Deputy and Assistant Directors are all taxmen who have risen through the ranks from within the Board. All of them numbering about seven are graduates of vrious universities and polytechnics nationwide. Next to them are officers of the middle management who fall within grade levels 9 and 12 bracket who are about 20 in number some of whom are holding various positions at the

Board's headquarters while others are maning the Area Revenue Offices as either Revenue Officers or Deputies.

Other than the above mentioned categories of employees, all others below their ranks are mostly junior officers of various categories with various qualifications. It is this category that is more directly involved in the implementation of the Board's policies since clerical functions such as the processing of application forms for tax clearances, registration of business premises, registration of motor vehicles, processing of drivers licences, sales of vehicle number plates, renewal of motor vehicile licences, issuance of security items from the stores etc are all performed by the group.

In view of the significant roles played by officers who are in this bracket, it is reasonable to expect that proper screening is done prior to their employment and placement to ensure that those employed are not only qualified but persons of proven integrity. Unfortunately, this is not always the case. In a good number of cases, what is done is a conscious effort to force square pegs into round holes. The shocking news of the breakage into one of our Area Revenue Offices (Kawo Revenue Office) and the stealing away of some of the security books (vehicle licences, receipts, etc) used by the motor licencing unit of the office by persons suspected to be officers of the same motor licensing unit, is a case in point. The report reached me just while writing this paragraph. This goes along way to show the crises of revenue accounting the Board has been passing through as a result of the recruitment of dubious characters in the name of employees.

(ii) **Financial and Material Resources**

Initially the needs of the Board were financed directly by the Ministry of Finance. But when the Board (in principles) was granted full autonomy the government allowed it to retain 5% of the revenue it generates for the purpose of meeting all its needs such as the printing of security books, maintenance of vehicles, utility bills and other costs. Infact some of the vehicles currently in use by the Board were acquired with such funds. This has placed the Board in a better position as to be able to afford even some of the facilities it never had in the past.

In addition to the above, and most importantly, is the issue of staff welfare, who in addition to their normal salaries as civil servants, have been given a little incentive allowance (20% of their monthly salaries) in the bid to improve their welfare. Though this is too far from addressing the actual needs of the employees of the Board, it can be concluded that the journey towards improving their welfare has started.

4.6 Liabilities and Revenue Losses

For clarity of purpose, the liabilities owed the Board and revenue losses sustained are discussed under various topics as presented below:

4.6.1 Liabilities of Companies to the Board via Area Revenue Offices

It is of interest to note that the success of a State Board of Internal Revenue, to a reasonable extent, depends on the willingness of individuals and organisations, both public and private, to serve as effective agents of tax deductions by practically being seen to be accountable. Their role in this regard can either make or mar the efforts of the Revenue Board. This is particularly true of a state that has a heavy concentration of industries and governmental organisations such as Kaduna State. The success of the State Revenue Board,

therefore depends on the cooperation of the organisations, existing within it, to live up to their tax obligations as expected.

A survey of 170 companies in Kaduna State as revealed by the audit report compiled by Olusola Adekanola and Co. (Chartered Accountants and Tax Consultants) for a six year period (1991 - 1996) reveal that the government was owed over ₦500,000,000 (half a billion naira) for the period under review, by these companies. A schedule of the liabilities is presented below for ease of reference.

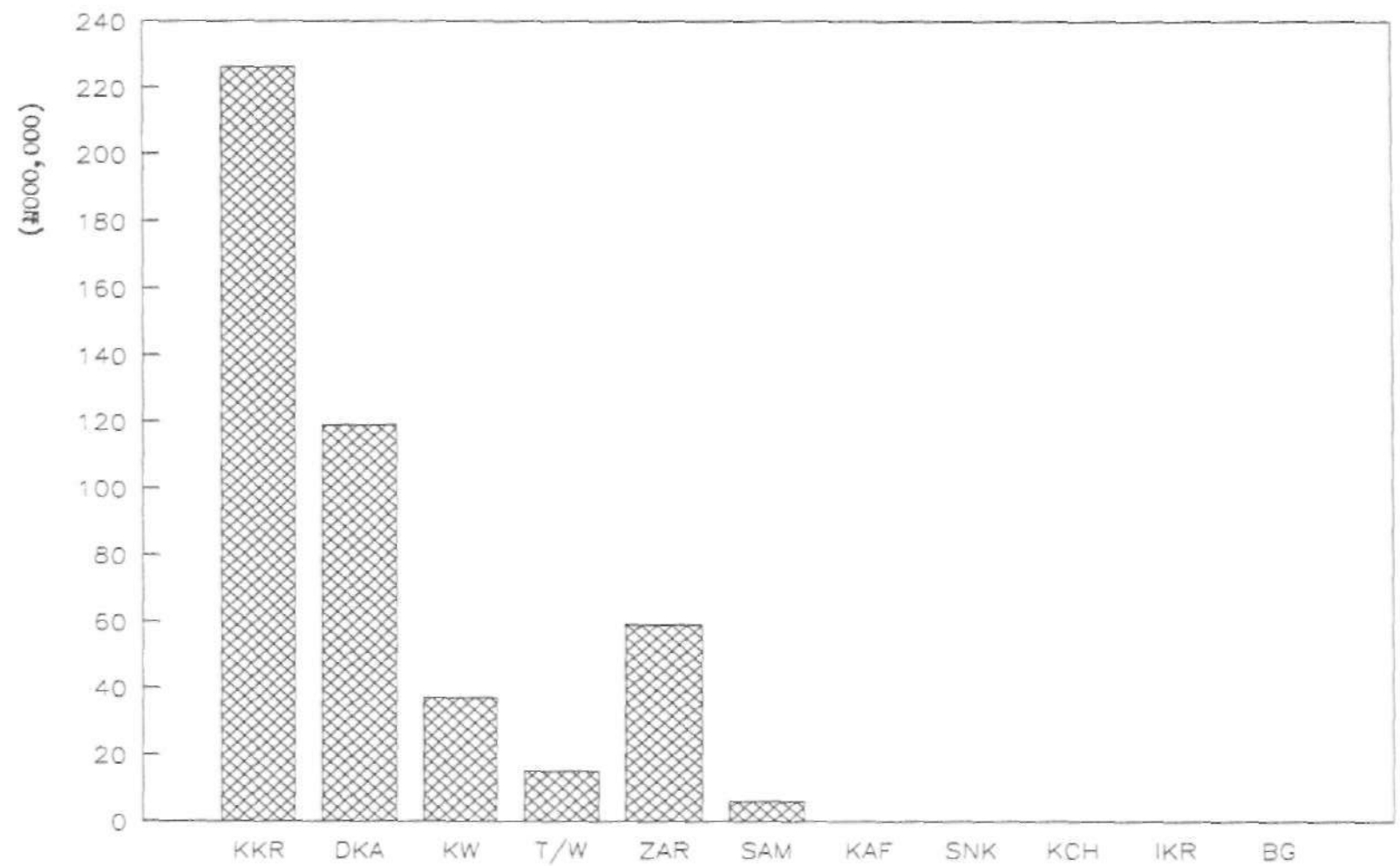
S/No	Revenue Office	Liability owed the Board through the Revenue Offices
1.	Kakuri Revenue Office	₦226,863,360.34
2.	Doka Revenue Office	119,734,766.28
3.	Kawo " "	37,638,024.84
4.	T/Wada " "	15,072,706.62
5.	Zaria " "	59,831,045.09
6.	Samaru " "	6,111,790.38
	Total	₦465,525,169.55

Table 4.1: Liabilities of Companies to Area Revenue Offices

Source: Audit Report of Olusola Adekanola and Coy (1991-1996)

In order to appreciate the magnitude of the liabilities of the companies to the Board, the liabilities are presented hereunder against the respective Area Revenue Offices through which the companies are owing the Board.

KASU



Liabilities of Companies to the Board through respective Area Revenue Offices

Source: Table 4.1.

Fig. 4.1

From the foregoing analysis, it will be observed that Kakuri Revenue Office under whose jurisdiction 62 companies were tax audited is owed a staggering sum of ₦226,863,360.34 while Doka office is owed ₦119,734,766.28 by 48 companies. The third largest amount is that of ₦59,831,045.09 owed Zaria Revenue office by 12 companies. On the other hand, Kawo and T/Wada Revenue offices are owed the sums of ₦37,638,024.84 and ₦15,072,706.62 by 30 and 15 companies respectively. The least amount, however, is the ₦6,111,790.38 owed Samaru Revenue office by 3 organisations (the ₦76 million owed the Board by A.B.U. Zaria had not yet been included in the report of the auditors at the time of this compilation).

Further observation of the chart will however, reveal that Kafanchan, Saminaka, Kachia, Ikara and B/Gwari Revenue offices have no tax liabilities payable to them. In actual fact, it is not that they are not being owed by any organisation as such. The truth of the matter is that these offices are located in the rural areas of the state that have very few industries such as Kachia Giner Processing and Ikara Food Processing companies which at the time of audit were not functional. Therefore, since the industries are concentrated mainly in the urban centres, the audit exercise was consequently begun there. However, suffices to indicate that these officeswere also being owed by other government organisations as will be observed later in the analysis.

4.6.2 Liabilities of Defaulting Companies listed for Prosecution

Nothing best exemplifies the crises of accountability such as the total refusal of some companies to cooperate with the Board to the extent that 11 of them were listed for prosecution in accordance with the provisions of the personal income tax law. Below is a schedule of the companies listed for prosecution by the Board and their corresponding liabilities.

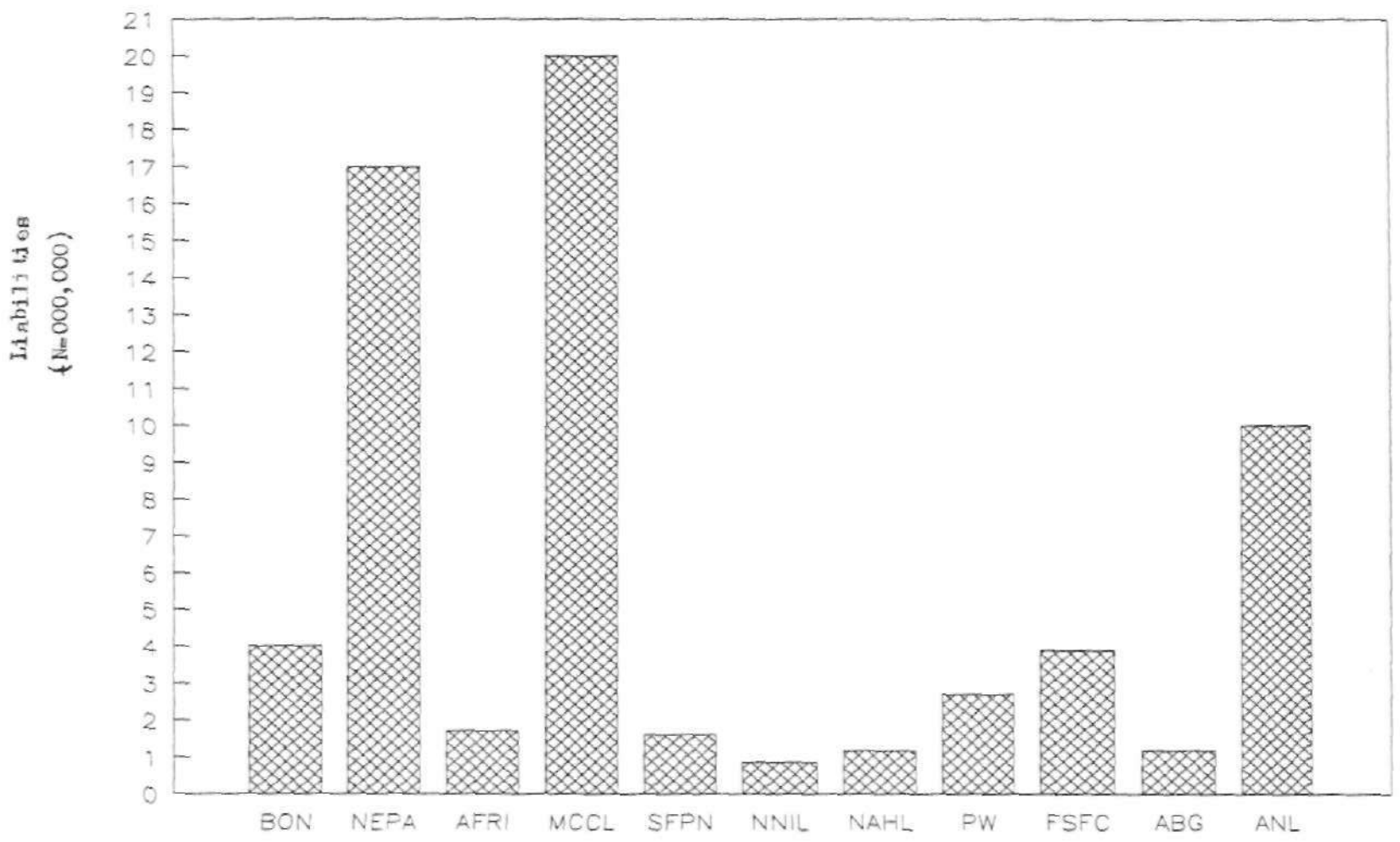
S/No	Company	Amount
1.	Bank of the North	₦4,134,923.89
2.	NEPA Ahmadu Bello Way, Kaduna	17,178,361.41
3.	Afribank PLC, Kaduna Main	1,713,480.73
4.	Metallurgical Construction Coy Ltd.	20,304,510.73
5.	Safa-Foam Products Nig. Ltd.	1,677,257.41
6.	Northern Nigeria Investments Ltd Waff Rd.	855,059.86
7.	New African Holding Limited	1,163,077.19
8.	P.W. Nigeria Ltd.	2,790,627.20
9.	Fed Super Phosphate Fertilizer Coy Ltd.	3,949,095.71
10.	ABG Communications Ltd,Ali Akilu Road, Kad	1,189,035.83
11.	Agross Nigeria Ltd, Isa Kaita Road, Kaduna	10,000,000.00
	Total	₦64,955,330.95

Table 4.2: Liabilities of Defaulting Companies listed for prosecution

Source: Olusola Adekanola's Audit Report (1991-1996)

A translation of the above liabilities into a chart will probably give us a better picture of the extent of the indebtedness of the companies to the government and how much the Board has been loosing to the companies due to lack of enforcement.

Highlights of the indebtedness of the companies comprise of Metallurgical construction coy Nigeria Ltd, and NEPA Ahmadu Bello Way Kaduna both of which, owe the Board, ₦20.30 million and ₦17.17 million respectively, on the high side. On the intermediate range however, only Agross Nigeria Limited, whose indebtedness is exactly ₦10 million is found here while the indebtedness of most of the organisations is on the low side. Those whose debts are on the low side include bank of the North Ltd, Kaduna South, Federal Superphosphate Fertilizer Coy Kaduna, and P.W. Nigeria Ltd, Kaduna which owe the Board ₦4.13 million, ₦3.94 million and ₦2.79 million respectively.



Companies Earmarked for Prosecution and their correspondencing liabilities.

Source: Table 4.2

Fig. 4.2

4.6.3 Liabilities of Local Governments to Area Revenue Offices

It is of interest to observe that Local Governments and indeed other government organisations who supposed to be a strong machinery for the mobilisation of State Government revenue, given their significant role as agents of deduction, are unfortunately, among the organisations that are least accountable for the revenue collected for and on behalf of the State Government.

A study of the cummulative liabilities of the Local Governments to the Area Revenue Offices under whose jurisdiction they fall, reveal that the Local Governments, owe several million of naira to the State Government. An audit investigation (see appendix 4) conducted by Olusola Adekanola and Co. for a six year period (1991-1996) revealed that Local Governments of the state owed the State Government the sum total of about ₦50 million. The breakdown of the amounts the Local Governments owe the Board through the respective Area Revenue offices of the Board are tabulated hereunder against the revenue offices.

S/No	Area Revenue Office	Amount owed by the LGAs
1.	Kakuri Revenue Office	₦5,907,826.37
2.	Doka " "	6,699,312.80
3.	Zaria " "	12,391,110.02
4.	Samaru " "	2,068,197.76
5.	Kafanchan " "	8,821,813.79
6.	Saminaka " "	3,528,002.47
7.	Kachia " "	3,553,998.17
8.	Ikara " "	2,078,662.19
9.	B/Gwari " "	4,647,610.26
	Total	₦49,696,653.83

Table 4.3 Liabilities of Local Governments to Area Revenue Offices

Source: Olusola Adekanola & Co. Audit Report (1991-1996)

A chart displaying the above information is presented below for better understanding (PTO).

From the above, it can be observed that Zaria (Main) and Kafanchan Revenue Offices owed the largest sums of ₦12 million and ₦8 million respectively. Samaru and Ikara Revenue Offices are those that owed the least amounts of ₦2.068 million and ₦2.078 million. At the intermediate range, there are Kakuri and Doka offices each of which owes ₦5.9 million and ₦6.69 million respectively.

It will be noted however that Kawo and T/Wada offices have no liabilities in their favour (i.e they are not owed any amounts). This is beacuse both offices do not have specific Local Government Areas under their jurisdiction. Both operate within Kaduna town which is divided into two - Kaduna North LGA and Kaduna South LGA. Since both LGA's pay their taxes to Doka and Kakuri Revenue offices respectively, this implies that T/Wada and Kawo Revenue offices will have no Local Government Area that is liable to pay its tax to them.

4.6.4 **Combined Liabilities of both Coys and Local Governments Owed the Board via Area Offices**

Having weighed the gravity of the liabilities of both companies and Local Govenments separately, it is pertinent at this juncture, to weigh the combine magnitude of both liabilities of companies and Local Governments to the Area Revenue offices in order to have a clearer picture of the size of the revenue the government is losing due to their refusal to account for the taxes deducted from the incomes of third parties - PAYE and Withholding Taxes - but which they don't remit to the State Government.

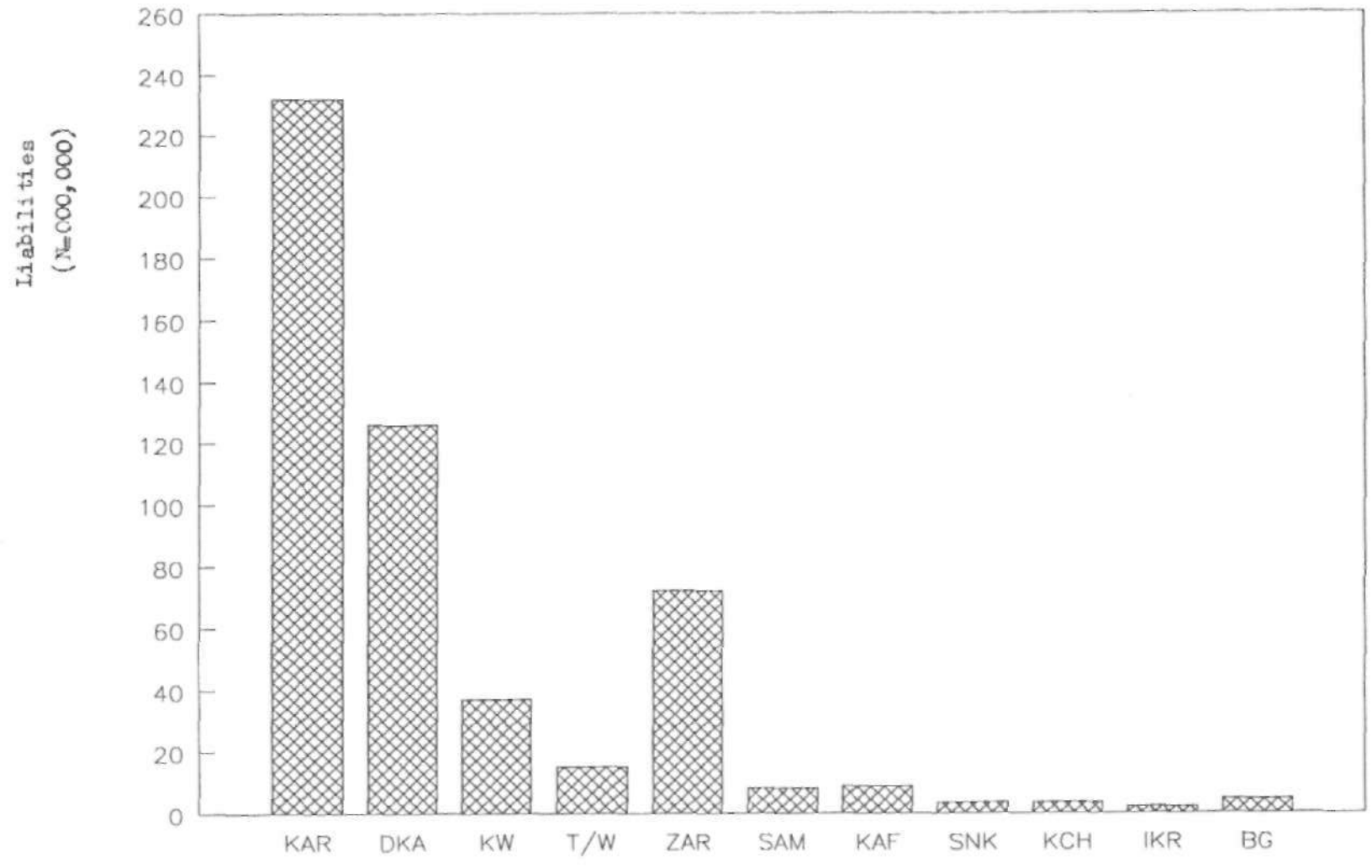
The report of tax audit conducted by Olusola Adekanola and Coy on both companies and Local Governments under the jurisdiction of each Area Revenue office is given below:

S/No	Revenue Office	Amount
1.	Kakuri Revenue Office	₦232,771,186.71
2.	Doka " "	126,434,079.08
3.	Kawo " "	37,638,024.84
4.	T/Wada " "	15,072,706.62
5.	Zaria " "	72,222,155.11
6.	Samaru " "	8,179,988.14
7.	Kafanchan " "	8,821,813.79
8.	Ikara " "	2,078,662.19
9.	B/Gwari " "	4,647,610.26
10.	Kachia " "	3,553,998.17
	Total	₦514,948,227.38

Table 4.4 Combine Liabilities of both Coys and LGAs to Area Revenue Offices

Source: Olusola Adekanola's Audit Report (1991-1995)

This information is presented below in a graph for better understanding and clarity of purpose.



Liabilities of Both Companies and Local Governments to Area Revenue Offices.

Source: Table 4.4

Fig. 4.4

4.6.5 **Direct Assessment Units and Revenue Not Accounted for**

Direct Assessment Unit refers to that unit of the Area revenue office that is charged with responsibilities of interviewing and raising assessments on the self-employed or independent taxpayers. usually, the assessment is based on the information supplied by the taxpayer as contained in his income tax return form. However, where the taxpayer makes no return of his income within the first three months of the year, the assessment officer is free to assess him on the best-of-his-judgement and subsequently, send a copy of the assessment to the taxpayer for his information and action. Accordingly, all other taxpayers under the jurisdiction of the office are assessed and a notice to this effect is given to each of them for immediate settlement of the tax liability.

Unfortunately, while it is one thing to assess the taxpayer, it is another to get him to settle the liability. Furthermore, even if he settles the liabilities, since the settlement is usually in cash, the possibility of the staff of the revenue office not tampering with the money cannot be ruled out. It is from these developments that the problems of accounting arise.

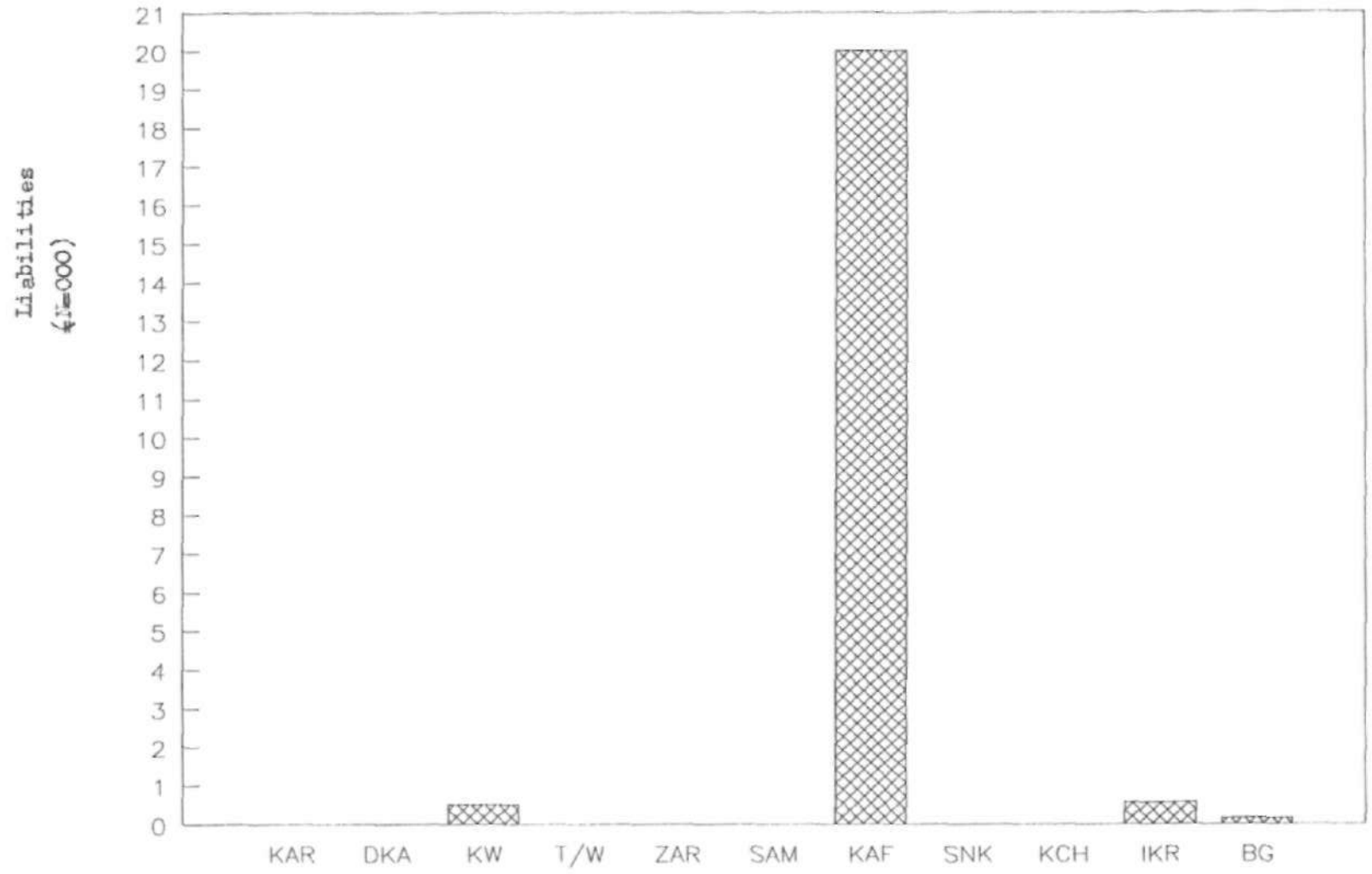
Accordingly, during the period under review, an audit exercise conducted into the activities of all the area revenue offices reveal that out of 11 Area Revenue Ofices, only 4, namely B/Gwari, Ikara, Kafanchan and Kawo had problems of lack of accountability as represented hereunder:

S/No	Office	Amount
1.	B/Gwari	₦165
2.	Ikara	546
3.	Kafanchan	20,000
4.	Kawo	500
	Total	₦21,211

Table 4.5: Revenue Not Accounted for by Direct Assessment Units

Source: Suleiman & Co. Audit Report

From the above information, the total amount not accounted for out of the revenues generated by all the offices is to the tune of ₦21,211 only. As could be seen, Kafanchan has the highest amount of ₦20,000 alone while the remaining three offices have less than ₦1,000 each. For clarity of understanding, the amount not accounted for by each office is diagramatically presented as follows:



Amounts Not Accounted for by D/A Units of Area Revenue Offices.

Source: Table 4.5

Fig. 4.5

4.6.6 **Motor-Licensing Units and Revenue Not Accounted for**

This is the area that generates more crises of accounting than any other area. The reason for this stems from the fact that revenue from road taxes is paid to the Board in cash. Among others, some of the sources of revenue include Driver's licence fee; learner's permit fees, change of ownership fees, vehicle registration fees, local identification mark (Stickers) fees, fuel log books sales, vehicle number plate fees, etc.

Though there are 15 Motor Licensing units scattered all over the state most of which are within the area revenue offices while others are appendages to the offices but standing on their own, it is needless to mention that the revenue generated through them is in no way comparable with the one derived from PAYE, Withholding tax or the like.

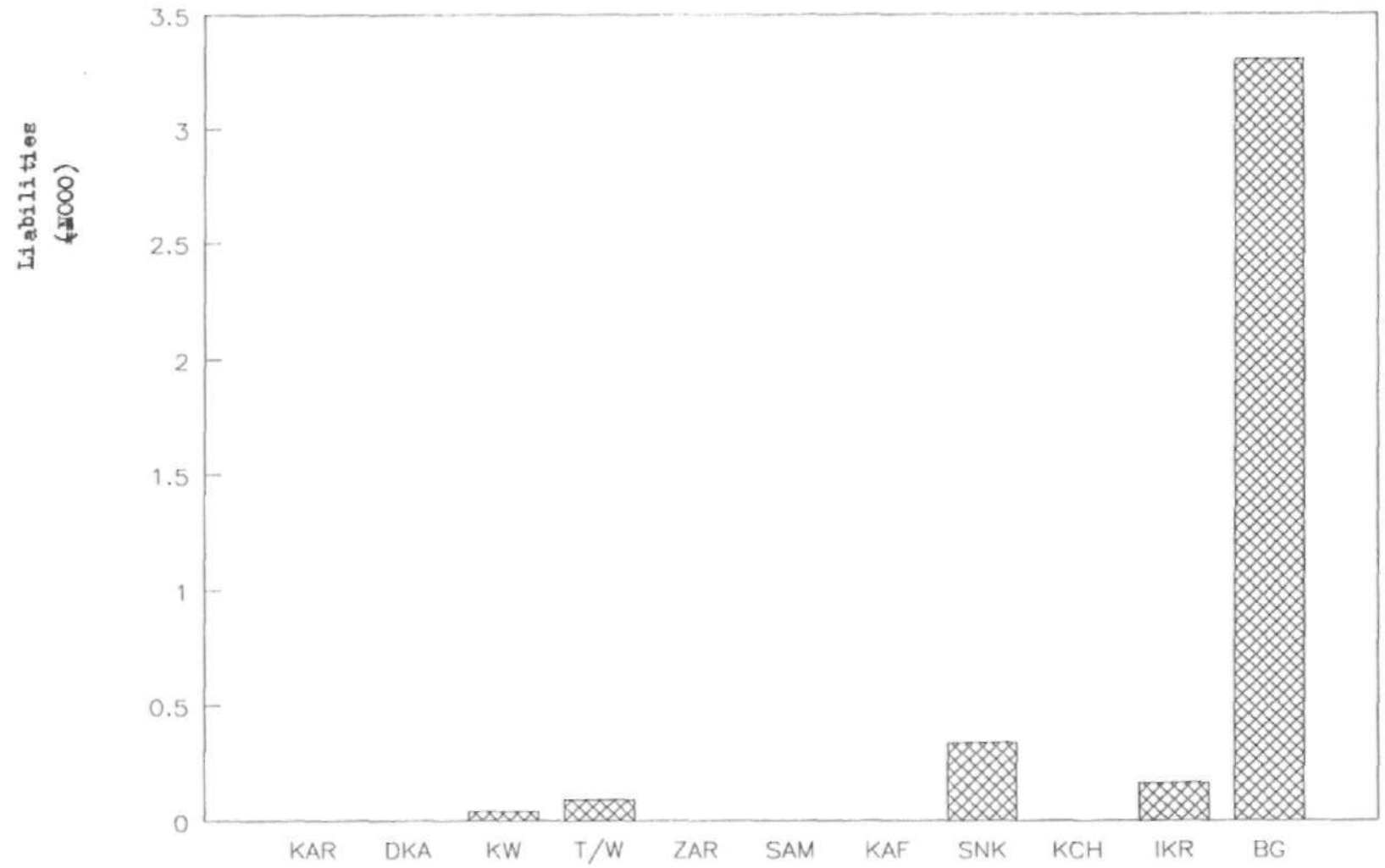
The audit report submitted by Suleiman and Co. which covers some of the years under review reveal that the total amount not accounted for by the various motor licensing offices of the Board amounted to the total sum of ₦3,983.50 only. The breakdown is:

S/No	Motor Licensing Office	Amount
1.	B/Gwari	₦3,357.50
2.	Ikara	161.00
3.	Kawo	40.00
4.	T/Wada	90.00
5.	Saminaka	335.00
	Total Amount not accounted for	₦3,983.50

Table 4.6: Amounts Not Accounted for MLA Units of the Revenue Offices

Source: Audit reports of Sueliamn and Co on Motor Licensing Units.

The above information has been translated into a chart for ease of understanding as shown below:



Amount not accounted for by Motor Licensing Units of the Revenue Offices.

Source: Table 4.6

Fig. 4.6

As could be seen from the graph, Birnin Gwari Motor Licensing office has the largest amount of ₦3,357.50 not accounted for followed by Saminaka which has a mere ₦335.00. Ikara and T/Wada both having ₦161 and ₦90 respectively while, Kawo office has the least amount of ₦40 not accounted for.

Again a cursory look into the above information will immediately give the impression that of all the motor licensing offices, only five have problems of revenue accounting namely those of Kawo, T/Wada, Saminaka, Ikara and B/Gwari while the rest namely those of Kakuri, Doka, Zaria, Samaru, Kafanchan and Kachia are free from this blame. However, this is far from being true. The reasons include:

(i) The audit report prepared by Suleiman and Co explained that some of the Area Revenue Offices did not avail the records neded by them (Suleiman & Co) on the ground that the records were submitted to the Jibo Panel of Investigation into the Colossal Loss of Government Revenue, but were never return back to such Revenue Offices.

(ii) Of the offices that availed the records not all the records were actually given to the consultants and out of the ones adduced, some ought to have suffered distortion, falsification and or destruction.

(iii) Lack of conversance with the accounting system of the Board especially with respect to motor licensing. Experience has shown that outsiders no matter their orientation and experience do not understand the motor licensing accounting system of the Board nor can they, for that matter, make anything out of it. The resultant outcome therefore are reports of this kind which do not actually reveal much or represent a true picture of the situation.

A case in point is that of the failure of external auditors (both private and Government Auditors) to discover anything reasonable from Zaria Motor

Licensing office when, both teams at separate times (not within the period under review) were assigned to audit the office and its branch at Zaria city. The private auditors, as could be seen from the above information, could not come out with anything because they were denied the necessary records while the Government Auditors (from Audit Department) came out with only a paltry sum of a few thousands as the amount not accounted for.

But when later the Board decided to set up a committee from amongst its staff, with the researcher as chairman, to audit the office just for a 17 months period (Jan. 1996 - May 1997), the amount discovered by the committee, not to have been accounted for, was to the tune of ₦2,453,177.42 (two million, four hundred and fifty-three thousand, one hundred and seventy-seven naira, fourty-two kobo). This goes along way to explain that there are more crises of revenue accounting in the motor licensing section of the Board that do not often come to limelight than think the ordinary mind.

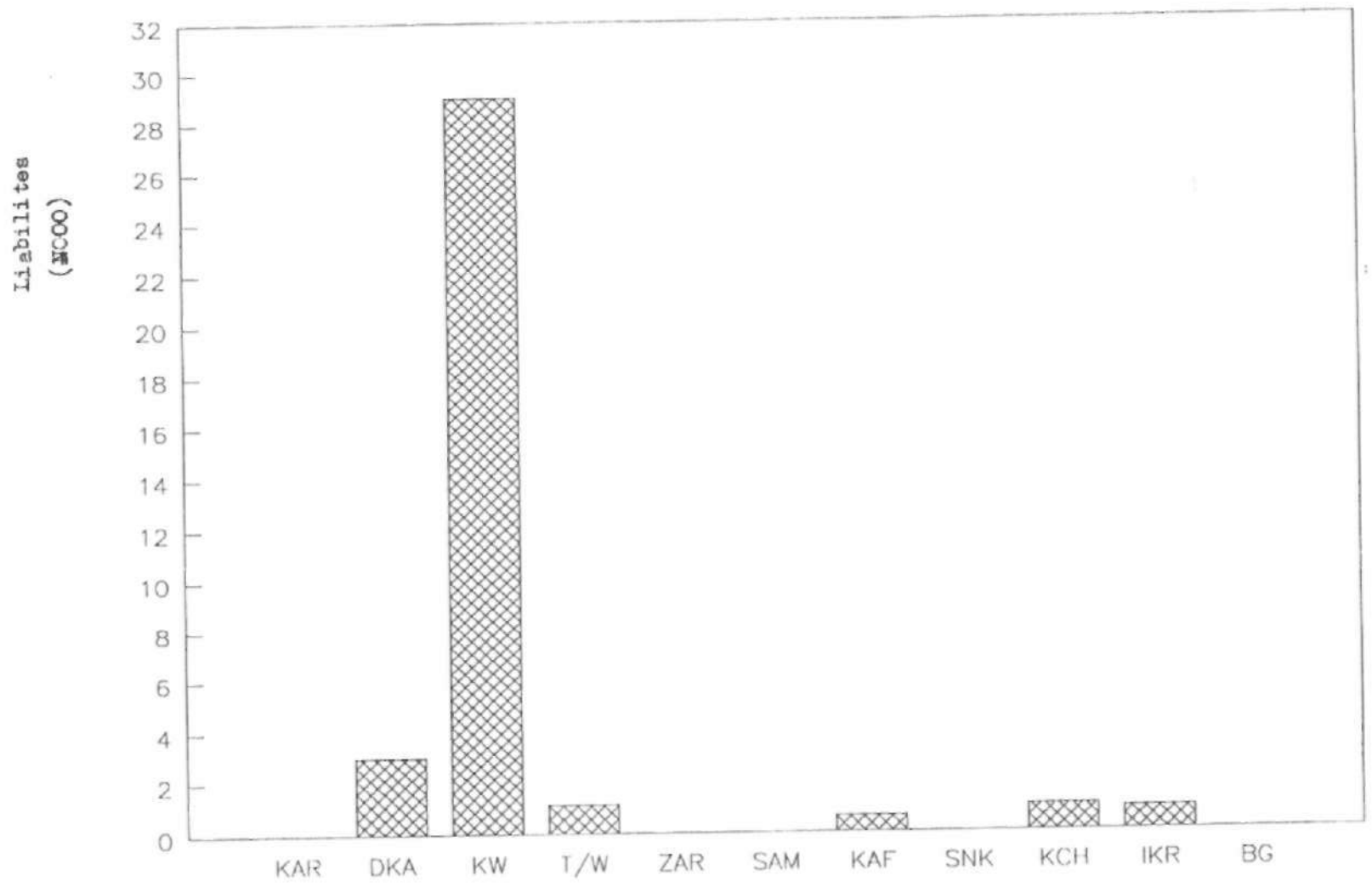
4.6.7 **Miscellaneous Revenue Unaccounted for**

In the course of its audit investigations, Suleiman and Co. came across some amounts from miscellaneous sources that were also not accounted for. Such amounts were found in some of the offices. The details are as presented below:

S/No	Office	Amount
1.	Doka	₦3,029.00
2.	Ikara	855.00
3.	Kachia	1,041.75
4.	Kafanchan	607.34
5.	Kawo	29,914.04
6.	T/Wada	1,175.00
	Total	₦36,622.13

Table 4.7: Miscellaneous Revenue Not Accounted for by the Area Offices
Source: Audit Report on Area Revenue Offices compiled by Suleiman & Co.

For better understanding, the above information is presented below in a chart to show the degree of non-accountability of the revenue from miscellaneous sources.



Amounts from miscellaneous sources not accounted for by the Area Revenue Offices.

Source: Table 4.7

Fig. 4.7

From the above information, it can be observed that Kawo Revenue Office has the highest amount of ₦29,914.04 followed by Doka with ₦3,029.00 while T/Wada and Kachia offices each has ₦1,175 and ₦1,041.75 respectively. The least amounts of ₦855.20 and ₦607.34 are the amounts not accounted for by Ikara and Kafanchan offices. On the other hand, Kakuri, Zaria, Samaru, Saminaka and B/Gwari are recorded as not having any amount from miscellaneous sources that have not been accounted for.

Again, a cursory look into the above phenomenon will give the erroneous impression that the revenue losses resulting from either poor or lack of accountability are not too pronounced thereby creating the impression also that the overall performance is good. However this is far from being true if we take into account the prevalence of acts of sharp practices by the staff of the Board especially in the areas of record suppression and destruction.

The refusal of most offices to give their records to the Jibo Commission of Inquiry clearly attest to this. Besides, the personal experiences of the researcher when auditing the books of some of the offices and the startling revelations of fraud on a large scale is quite convincing that there is an endemic problem of accountability in the Board. Therefore, the above information (chart) is a gross under-statement of the problem of accountability in the various units of the respective Area Revenue Offices of the Board.

4.6.8 **Total Revenue (From all Sources under Review) Not Accounted For**

Reports of audit exercises conducted by both Olusola Adekanola and Co. as well as Suleiman and Co. reveal that, for the period under review, the total amount of taxes deducted by companies but not remitted including those not accounted for by the area offices amounted to the total sum of ₦515,010,044.21 (five hundred and fifteen million, ten thousand, fourty-four

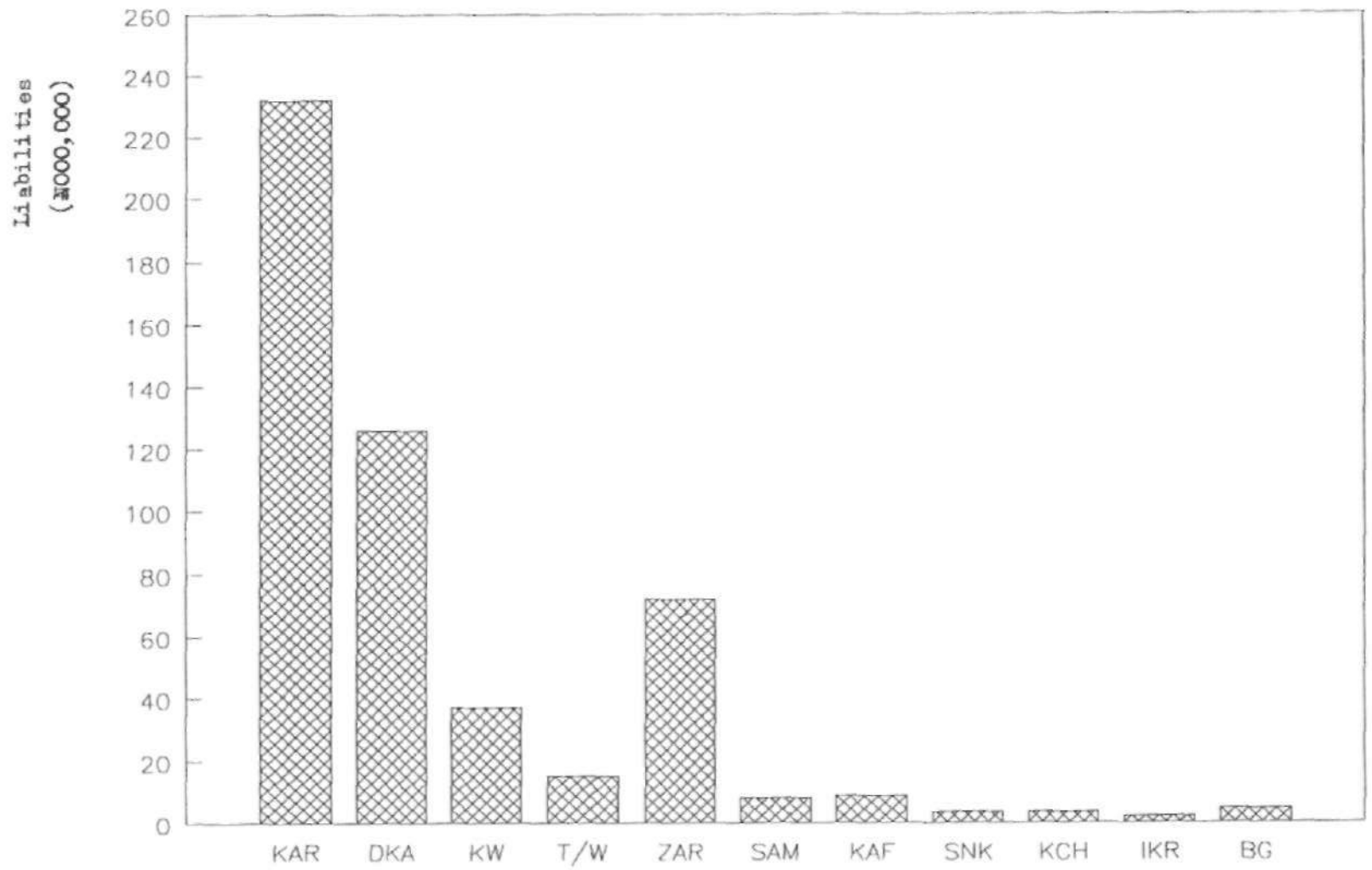
naira and twenty-one kobo) spread over all the area revenue offices. Below is the breakdown:

S/No	Revenue Office	Amount
1.	Kakuri Office	₦232,771,186.71
2.	Doka "	126,437,108.08
3.	Kawo "	37,668,478.88
4.	T/Wada "	15,073,971.00
5.	Zaria "	72,222,155.09
6.	Samaru "	8,179,988.14
7.	Kafanchan "	8,842,421.13
8.	Saminaka "	3,528,337.47
9.	Kachia "	5,555,039.92
10.	Ikara "	2,080,224.39
11.	B/Gwari "	4,651,132.76
		₦515,010,044.21

Table 4.8: Total Revenue (from all sources under review) Not Accounted for.

Source: Audit Reports of Olusola Adekanola & Co./Suleiman & Co. (Tables 1 - 7).

For clarity of understanding, the above information is translated into a chart and presented below.



Total Revenue (from all sources under review) Not Accounted for by Area Offices.

Source: Table 4.8

Fig. 4.8

From the above chart, it is observable that on the high side, Kakuri Revenue office is owed the largest amount of ₦232,771,186.71 followed by Doka Revenue office with ₦126,437,108.08 and Zaria (Main) office which has a total of ₦72,222,155.09. On the otherhand, apart from B/Gwari which is owed ₦4.6 million, Saminaka and Kachia offices each has a total liability including any other revenue not found to have been accounted for to the tune of ₦3.5 million while, Ikara has the least amount of ₦2.08 million.

4.6.9 **Revenue Loss Resulting from Tax Evasion and Avoidance**

No exhaustive discussion of the crisis of revenue accounting is ever possible in a tax system without mentioning the effects of tax evasion and avoidance on accounting for the revenue. An inspection conducted round some of the Revenue Offices reveal that over 40% of the taxable adults of the state do not have any relationship with the tax office let alone paying. Most self-employed persons therefore do not pay tax at all. And if at all they do, it is only to a limited extent when they need tax clearance for one reason or the other. Most self-employed millionaires living in Kaduna State fall in this bracket. They constitute the "upper income group with enough political power to block tax measures deemed inimical to its position".

Unfortunately, of the few Direct Assessment files maintained by the various revenue Offices, only about 15% file income tax returns for the purpose of assessment. The inability of the Government to have these people in its tax net is quite frustrating and a great loss to the state. Furthermore, a careful study of all income tax returns filed at the Revenue Offices reveal that more than 50% of them contain false information supplied by the taxpayers with the intent of evading the payment of the actual amount of tax payable.

Such false declarations include the taxpayer's claims for being married with children and dependents while he is a bachelor, as well as claiming to have an insurance policy all for the purpose of claiming higher reliefs in order to reduce the amount of tax payable. Other cases of tax evasion include the outright refusal of some taxpayers to declare their overall sources of income. Most income tax return forms completed by tenants reveal who their landlords are but more often than not when such landlords are declaring their incomes they do not reveal that they are landlords.

Needless to mention therefore, that the Government is denied hundreds of millions of naira through these practices. It is estimated that not less than (at least) ₦150 million revenue is lost by the State Government through the above cases annually.

4.7 Statement of Revenue Collection

Though there has been a steady rise in the amount of revenue generated which seems to give the impression of a better performance, when a number of factors are brought under considerations however, the picture will not be as impressive as it now appears to be. Some of these factors include the increases in salaries of employees over the years, the dwindling value of the naira coupled with increases in tax rates. These factors are bound to give a boost to the absolute amount generated annually. A cursory look for example into the amounts of revenue generated by the Board, from all sources reveal that the sum total of ₦421,078,901 was generated in 1996 against the ₦269,927,798 generated in 1995, thereby giving an increase of ₦151,151,103 or about 60% over and above the amount generated in 1995. But when the above and other factors are carefully weighed, the seeming good picture of the performance will dwindle. A better judgement perhaps is to compare actual amount generated

with planned or budgetted amount.

When the above comparison is made, it will be observed that the result is not quite impressive. For example in 1996, the sum of ₦566,600,000 was budgetted to be collected but at the end of the year, the actual amount collected was ₦421,078,901 thereby giving a short fall of ₦145,521,099 or 25.68% of the expected amount. What really are the causes of this dismal performance and how can they be ameliorated or eradicated?. This and many more issues will be examined in the next chapter.

4.8 Findings

Tax administration is by no means an easy task. This is particularly difficult in developing economies, such as Nigeria, where the earning power and per-capita income of the citizenry is too inadequate for his subsistence let alone the payment of tax. Where a scenario of this nature is further complicated by the prevalence of a powerful "upper-income group with enough political power to block tax measures deemed inimical to its position"[1] such as the Kaduna Mafia and the dilution of the affairs of government with the politics of tribalism and ethnic chauvinism, tax administration is bound to be hypertensive. The concerted efforts being made by tax administrators "to tax and to please their fellow men no more than to love them and be wise" cannot therefore be the gift of any mortal beings under the sun. Some of the factors that condition this scenario and hence mitigate effective tax administration in the state emanate from different dimensions such as the Government itself, the Board, the staff, the public (taxpayers) and of course the agents of deductions. The various ways in which each of the above has contributed to this decay are outlined hereunder:

1. Dr. Richard Goode, Quoted by Collins Baker and M.J. Balogun in Ife Essays in Administration p.113

4.8.1 **Problems Emanating from the Government**:- These include:

(i) Improper Constitution of Board of Directors: Inter-alia, one of the conditions laid down by the Joint Tax Board regarding the appointment of the Chief Executive is that, whoever is to be appointed as the chief executive of the Board, should be somebody who by virtue of his experience is a tax man and preferably somebody who has grown with the Board. Unfortunately, this is not the case in Kaduna State Revenue Board. The wisdom in this arrangement is that if the chief executive is one who grew up to that position within the Board, he will be better informed and acquainted with the problems of the Board than somebody who is not from within the Board, who may not be so much informed about its problems. Every efforts made to fit him in will be like that of trying to fit a square-peg into a round hole - it will never fit in properly.

(ii) Lack of Absolute Autonomy: As in the above situation, the Board is also expected, for the purpose of efficiency to be administratively autonomous. Unfortunately, it cannot shake-off its parent-child relationship with the Ministry of Finance. The administrative chain of controls between the Board and the Ministry is intended to guard against abuses and misuse of power and resources. Therefore all decisions of a major nature are expected to be refered to the Government House for approval through the Ministry of Finance, being the parent ministry of the Revenue Board. This administrative inflexibilities, somehow, stand on the way of speedy implementation of decisions, this is particularly the case in situations where there are clashes between the Chief Executives (the Executive Chairman of the Board and the Commissioner of Finance).

(iii) Tight Operating Budget: The Board was formerly running itself through subventions from the Ministry of Finance like every other government parastatal until it was eventually granted permission to retain 5% of all its total revenue collection from which it was expected to pay for the cost of printing its working materials, as well as a number of overhead costs while salaries continued to flow from the Ministry of Finance. However, experience has shown that the 5% allocated to the Board from these internally generated revenue is not enough for the Board. The Board's dependence on the Ministry of Finance on policy issues, is a set back to its performance. This is because the relationship is bureaucratic, and leads to inefficiency. No wonder Adebayo states that such a structure "is associated with inefficiency, lack of initiative, unintelligent rigidity in the approach to human problems, undue fussiness and bossiness on the part of the officials and down right stubborness"[2]. Definitely this calls for an increase in the subvention being given to the Board.

(iv) Frequent Changes of Chief Executives: This is one of the decisions that have actually reduced the Board to its present position of administrative epilepsy. Coupled with the fact that the persons appointed as Chief Executives are not groomed in tax administration, this lack of knowledge is making it difficult for the Chief Executives to appreciate some of the problems of the Board. Neither could they be in a position to solve the problems when they emerge.

2. Adebayo Augustus, Principles and Practice of Public Administration in Nigeria, Spectrum Books Limited, Ibadan 1982

(v) Red Tape in the Ratification of Board Decisions: Given the laid down procedure in which the Board is expected to relate with the Government, it is needless to mention that there is alot of red-tape in the ratification of the decisions of the Board by the government. The channel of communication (through the Ministry of Finance) is chiefly one of the factors responsible. More often than not, there are delays in the release of funds such as the much needed 5% of internally generated revenue meant for the upkeep of the Board.

(vi) Inadequacy of Infrastructural Facilities: The fact that the Board is not completely autonomous as far as financing is concerned, this places a very serious limitation on its ability to acquire and install all the facilities it requires for effective operation. Facilities such as motor vehicles, computers, office equipments as well as a permanent site for the Board are seriously needed due to the inadequacy of the existing ones. But because the Government has limited the ability of the Board not to spend more than 5% of its internally generated revenue, which has been reduced to a mere fixed amount of ₦3.5m, the Board cannot acquire the facilities so easily.

(vii) Inability of the Government to Punish Offence and Reward Performance: This is a very serious impediment to the operations of the Board and its ability to make progress as expected. More often than not the Board comes across serious problems of gross misconduct ranging from indiscipline and impropriety. If the gravity of the issues is of a serious magnitude, it has to be refered to the Government for the imposition of sanctions. Unfortunately, in most cases, there are undue delays in attending to the issues and eventually the rightful sanctions are not imposed thereby frustrating the ability of the Board to purge itself

of the activities of unscrupulous elements.

(viii) Inability of the Government to Enforce Compliance with Tax Obligations: Under normal circumstances, it is expected that if a tax-payer fails to honour his tax obligations, he should be brought to book and once this is done, it is also expected that the government should enforce his compliance with these tax obligations. Unfortunately, this is not the case in Kaduna State, instead, the state simply leaves the Board with this difficult task of both tax administration and enforcement of compliance. Since the Board cannot shoulder these responsibilities, it becomes clear that these tax-payers can always eat their cake and have it. This is particularly true when we recall that the Kaduna Mafia, is an "Upper Income Group with enough political power to block tax measures deemed inimical to its position".

4.8.2 **Problems Emanating from the Board**

These are problems that arise as a result of the leadership style of the Board itself. Among others, they include:

(i) Faulty Recruitment Procedures: Under strict management principles, people are created for jobs and not jobs for people. As a result therefore, there are laid down criteria for the recruitment of the men that will fill the vacancies. Unfortunately, it is not so in a typical Nigerian civil service set-up, where people are indiscriminately employed either to comply with a government directive that a programme of employment be embarked upon to decongest and appease the army of unemployed persons or to satisfy the whims and caprices of the Chief Executive. Therefore people, either without or with irrelevant qualifications are drafted to fill the vacancies. S.A. Rabiu is therefore

right to observe that "most tax officials raise assessments which cannot be supported in court and most of them have little knowledge of office procedure"[3].

Kaduna State Revenue Board is not spared of this short-coming either. Instead, there have been cases of indiscriminate employment along tribal, religious and ethnic lines. At the end of the day, when problems crop up, they are difficult to solve.

(ii) Lack of Training: This is one of the problems that have impeded the Board from making any headway. A situation wherein unqualified people are employed indiscriminately, and posted to handle very serious responsibilities, is bound to impede the success of the organisation no matter the amount of incentive. A scenario of this type is also like that of making a frantic effort to fit square pegs into round holes. They will never fit in. This is the situation that is characteristic of Kaduna State Revenue Board. Unfortunately, efforts towards training the newly employed mediocres is seriously at a very low ebb under the pretext that the Board has no money; even though the staff is aware of the Board's approved budget on training.

Accordingly the researcher's encounter on this programme is not a good story to tell, at all. Under normal circumstances, an officer of an organisation such as this undergoing a study programme that is very relevant to the needs of the organisation such as an MBA, should not only be sponsored regardless of whether or not the programme is a Part-Time programme, but be encouraged at all costs. Instead, the researcher had to contend with alot of opposition from colleagues ranging from

3. S.A. Rabiu, Personal Income Tax in Nigeria: Procedures and Problems, John West Publications 1981.

petitions (that he had abandoned his job in pursuit of a full time study programme) to frequent postings and transfers ill-motivated by adversaries to frustrate the programme, job overloading as well as naked opposition to every intention manifest by some other officers of the Board to assist him (the researcher) financially. This kind of atmosphere can never be conducive for the staff of the Board to contribute meaningfully to the progress of the Board as such. If anything, it is the reason why the Board can never retain qualified staff at all.

(iii) Weak Internal Controls: This embraces all aspects of internal controls installed to guard against fraud. This ranges from total absence of certain books of accounts such as Rev.10, Arrears Registers; Withholding Tax Registers, Ledger-Cards, Records of Totals, Stock Registers and associated accounting forms which were hitherto in use but which the Board no longer supplies to forestall against acts of record falsification, suppression, destruction as well as the outright lack of checks and balances. It should be noted however, that their inexistence is neither rooted from the fact that they are obsolete to the needs of the Board nor any other reason but from the fact that successive Chief Executives have neither been aware of their existence nor relevance. No conditions can be so fertile to fraud more than these. See what damage the appointment of non-tax Chief Executives can do to the Board.

(iv) Inability to Punish and Reward: Though every decision of the Board that is of a major nature is usually refered to the Government for approval before implementation, suffices to mention that even at its own level the Board, under certain administrators lacks the guts to either punish offence nor reward performance. There is no doubt that this scenario

has the capacity and capabilities for the creation of a large room for laziness and the breeding of fraudsters. No wonder it was not a startling revelation that the Jibo Panel of Investigation into the colossal loss of Government revenue uncovered such large scale fraudsters whose fraud cases range from 1K to more than ₦14 million per fraudster. No where under the sun can such a free for all bonanza be found than in Kaduna State! On the whole, however, one must commend the encouragement and initiative of Chief Executives such as Alh. Habibu Yakubu who did not only encourage staff through the issuance of letters of commendation, bonuses, promotions as well as supporting private academic initiative, but for actively charting a course for other chief executives to follow.

(v) Inadequate Tax Payer Education: This is another area where the performance of the Board leaves much to be desired. As a matter of fact, the success of a typical Revenue Board will ever be at stake as long as there is lack of tax-payer education both inter-personally between the staff of the Board and the taxpayers as well as through the mass media. Unfortunately, the reverse is almost the case in Kaduna State. Since our economy is typically a developing economy that is still characterised by ignorance and low per-capita income, the tendency for people to fail to honour their tax obligations abounds. A very strong taxpayer-education programme is, therefore, necessary to raise the level of awareness and consciousness in the minds of tax-payers to honour their responsibilities. Needless to highlight therefore, that among other factors to consider when appointing a chief executive of the Board should be his desire for publicity. The only exception to this dormancy in Kaduna State Revenue Board is Alhaji Habibu Yakubu's era which

of the endemic problems of the Board that make it difficult for the staff to stop their incorrigible habits of pilfering the revenue being generated.

However, apart from staff kleptomanic habits, there are also cases of connivance between the staff and tax-deduction agents to divert part of the revenue that ordinarily should be paid into government coffers. Officers involved in this syndicated acts of stealing are usually the accounts officers who are appointed to deduct such taxes from staff salaries and or withholding taxes from contractors, directors, landlords, depositors etc on one hand and the officers of the Board on the other who have been duly appointed to collect such revenue for and on behalf of the government.

4.8.4 **Tax Payer Related Problems**

These range from ignorance of what his obligations are as a citizen, lack of knowledge of the uses or advantages that will acrue to him if he pays and obtains his tax clearance certificate, to conscious acts of tax avoidance, evasion, non-remittance and outright diversion. Each of these acts denies the Board a certain percentage of its revenue but the most important thing to note however, as regards tax avoidance and evasion is that "while tax avoidance is lawful, tax evasion is illegal, criminal and hence punishable"[1]. On the otherhand, both cases of non-remittance by the organisation in question and diversion of the tax by its staff are unlawful. But of all these factors none denies the Board of the highest amount of revenue such as cases of deductions being made by organisations from staff salaries, contract sums, rents due to landlords, fees to directors, deposits belonging to bank customers etc. The Board needs the complete backing of the Government to combat this practice and to enforce compliance and ensure that all amounts deducted are paid to the Board.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

From the information analysed and presented above, it is quite obvious that Kaduna State is one of the few states of the federation that are very well endowed with economic potentialities that should enable the realisation of huge amount of revenue from tax. Its vast agricultural land, high population and the concentration of heavy industries and tertiary institutions attest to this.

Unfortunately, the dismal performance of the revenue generating organ of the state (Revenue Board) leaves much to be desired. Apart from the fact that only less than 20% of the total population pays tax (especially with the abolition of Development Levy) it is also clear that of the population that pays, most of the taxpayers in this category do not pay the correct amount. The prevalence of the cases of tax evasion, avoidance and outright tax diversion by some unscrupulous taxpayers and some staff of the Board and their collaborators is a clear confirmation of this assertion.

In consonance with Dr. Richard Goode's argument of what constitutes the infrastructure for the introduction and successful administration of tax, the research has been able to identify the existence of a high degree of poverty, which does not allow for the predominance of a money economy, as a major barrier to the success of taxation in the state. In line with his arguments, other contributing factors include the persistence of a high level of illiteracy and ignorance among a sizeable portion of the population, which coupled with the poverty factor, mentioned earlier, impede any effort towards voluntary compliance. Where such factors are further blended with the activities of "an upper-income group (such as the Kaduna Mafia) with enough political power to block tax measures deemed inimical to its position", the surest outcome of

any measures taken to revamp the revenue position of the state must be a dismal performance as could be realised from the data presented.

As if these factors are not enough, problems emanating from the government such as its refusal to properly constitute the Board in accordance with the provisions of the law (Decree 104 of 1993 as amended), refusal to allow the Board to be completely autonomous and frequency of changes of the Board's Chief Executives coupled with those problems that emanate from the Board directly such as its faulty recruitment procedures, weak training programmes, weak internal controls that allow for the diversion of public funds and its inability to punish offence and reward performance further impede any success in the tax administrative efforts of the Board. These factors coupled with very poor staff remuneration which eventually paved the way for kleptomanic cooperation between the staff of the Board and taxpayers is bound to have the effect of "beating the tax authority in its own game".

5.3 Conclusion

There is no doubt that Edmund Burke's dictum "to tax and to please no more than to love and be wise is not given to men" is an assertion that is certainly unassailable particularly in the case of Kaduna State because of the existence of this "upper income group with enough political power to block tax measures deemed inimical to its existence" and the near absence of Dr. Richard Goode's pre-conditions for the successful administration of tax. Without prejudice to these however, I am strongly convinced that the adoption of the following recommendations will mark the begining of the journey of our tax system into the realms of success.

5.3 Recommendations for Improvement

Though Edmund Burke is right to observe that "to tax and to please no more than to love and be wise is not given to men, "[2] taxation and indeed tax administration will continue to be in practice as long as life continues and regardless of the problems that accompany it. The clarification that probably needs to be made here is that there are actions that can be taken to ameliorate the crisis. These include:

(i) Government: The government should ensure that the Board is reorganised and constituted in the proper manner. Appointment of Chief Executives from now on should be from within the Board as directed by the Joint Tax Board. This will create a conducive atmosphere for professionalism and continuity along professional lines. In the same vein, cases of starving the Board of financing should stop. As a matter of fact the 5% approved for the Board to be retained from its internally generated revenue for staff welfare should be increased to 10% to enable the Board meet up the welfare needs of the staff as well as other overhead costs.

Unnecessary delays in the approval of the recommendations of the Board should be minimised. In the same vein, the government should give the administration of the Board the freedom with which to run the Board without undue interference.

The administration of the Board on the otherhand should have to take the following actions to solve or minimise its problems:

(i) Staff Recruitment: This should, from now on, be done only when there are vacancies rather than creating vacancies for people that have been indiscriminately recruited.

(ii) Staff Training and Development: As soon as recruitment is done, of persons qualified to fill any available vacancy, efforts should be made to give them appropriate training before they are posted to handle any job. And after the training, efforts should be made to ensure that each is given responsibilities that rhyme properly with his capabilities and abilities. Special mention need be made here that the Board should particularly show interest in officers who indicate desire to acquire additional qualifications on their own especially if the qualifications are relevant to the needs of the Board. Such officers should be encouraged both financially and otherwise if the Board cannot grant full sponsorship, it should at least shoulder some aspects of the costs.

(iii) Incentives: The Board should encourage the staff through the use of various incentive schemes such as bonuses, commendations, upgrading, promotions, financial awards, free medical care and ofcourse sponsorship for trainings. The need for the Board to show concern over the plight of its staff cannot be over-emphasised. This should, therefore, be stressed at all levels of the Board's structure. On the contrary bad eggs within the organisation should not be spared. They should be dealt with appropriately without fear or favour to ensure that justice is done.

(iv) Installation of strong and verile Internal Controls Mechanism: This is not only essential but a must for a tax generating outfit such as ours. The Board should ensure the provision of books of accounts such as registers, ledger cards, forms of varied nature that make fraud difficult be made available and the Board should not relent on checks and balances.

(v) Availability of functional facilities such as motor vehicles, computers and all other facilities that will aid the Board to operate efficiently, should be given attention.

(vi) Disengagement of Consultants: Considering the nature of work being done vis-a-vis the need to train staff, the Board should stop the use of consultants since the work they do can competently be done by the staff of the Board. And if they must remain, the government should give the Board the free hand to direct their affairs.

(vii) Revision of our Tax Laws: Most of our tax laws are outdated and do not conform with recent changes in the economy. Instead, says Thomas, "our tax laws have mainly been patterned along the same line as those of some countries, whereas our society is different and our level of compliance is not the same. Perhaps our laws need to be retouched in line with our orientation on tax if collection is to be improved"[4]. Otherwise, this situation will continue to pave way for tax-evasion which has "become a favourite crime to Nigerians, so popular that it makes armed robbery seem like minority interest. It has indeed become so wide spread that there now exists a cash economy of vasts proportion over which the tax man has no control and which is growing several times the rate of the national economy"[5].

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APPENDIX 1

KADUNA STATE REVENUE BOARD

SCHEDULE OF REVENUES NOT ACCOUNTED FOR

S/NO	OFFICE	LIAB. OF COYS (=N=)	LIAB. OF LGA's (=N=)	MLA UNDER-PAYMENTS (=N=)	D/A UNDER-PAYMENTS (=N=)	MISC. UNDER-PAYMENTS (=N=)	TOTAL (=N=)
1	Kakuri	226,863,360.34	5,907,826.37	–	–	–	232,771,186.71
2	Doka	119,734,766.28	6,699,312.80	–	–	3,029.00	126,437,108.08
3	Kawo	37,638,024.84	–	40.00	500.00	29,914.04	37,668,478.88
4	T/Wada	15,072,706.62	–	90.00	–	1,175.00	15,073,971.62
5	Zaria	59,831,045.09	12,391,110.02	–	–	–	72,222,155.11
6	Samaru	6,111,790.38	2,068,197.76	–	–	–	8,179,988.14
7	Kafanchan	–	8,821,813.79	–	20,000.00	607.34	8,842,421.13
8	Saminaka	–	3,528,002.47	335.00	–	–	3,528,337.47
9	Kachia	–	3,553,998.17	–	–	1,041.75	3,555,039.92
10	Ikara	–	2,078,662.19	161.00	546.00	855.20	2,080,224.39
11	B/Gwari	–	4,647,610.26	3,357.50	165.00	–	4,651,132.76
	Total	465,251,693.55	49,696,533.83	3,983.50	21,211.00	36,622.33	515,010,044.21

BOARD OF INTERNAL REVENUE - KADUNA STATE.

Statement of Internal Revenue Collections - 1995

	DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1	Pay As You Earn	3,096,497	6,719,785	9,792,752	7,483,749	8,635,524	14,649,915	8,660,515	8,660,515	8,706,688	12,520,065	12,688,312	12,484,030	114,098,348
2	Direct Assessment	236,818	712,307	737,187	220,868	187,648	372,767	232,551	232,551	186,077	264,191	108,293	200,367	3,691,627
3	Withholding Taxes	1,929,050	3,902,098	7,754,024	3,900,438	4,206,013	8,540,352	6,240,275	6,240,275	7,190,100	15,212,206	12,871,947	10,983,567	88,970,345
4	Entertainment Taxes	236,311	481,362	506,685	481,620	549,323	235,230	309,360	309,360	605,944	511,700	381,930	947,849	5,556,674
5	Arrears of Taxes & Fees	2,682,862	450	407,750	1,540,650	714,000	3,703,920	3,133,006	3,133,006	60,000	1,284,765	2,690,889	8,498,680	27,849,978
6	Motor Vehicle Reg. Fees	398,810	48,150	34,395	4,817	31,640	276,249	65,690	65,690	239,805	302,525	128,754	587,150	2,183,675
7	Cert of Road W. Fees	171,450	22,745	20,550	37,980	26,469	23,230	33,205	33,205	53,858	39,250	32,630	70,009	564,581
8	Other Traffic Reg Fees	47,570	31,170	28,475	29,210	50,225	36,179	37,941	37,941	51,640	41,928	25,039	46,795	464,113
9	Stamp Duties	1,652	1,274	44,820	49,414	39,202	257,341	179,740	179,740	494,112	321,259	333,586	620,199	2,522,340
10	Drivers Licence	9,015	35,800	4,315	18,284	5,900	5,435	5,435	5,435	2,635	309,667	72,300	4,865	479,086
11	Motor Vehicle Licences	834,724	323,087	324,644	888,479	315,556	950,782	309,606	309,606	621,180	300,165	234,909	540,191	5,952,929
12	Motor Veh. Registration	0	30,680	28,330	30,798	5,230	4,345	5,460	5,460	12,470	4,710	2,830	8,125	138,438
13	Drivers licence Booklet	11,255	2,100	1,030	2,275	0	50	0	0	0	27,130	0	0	43,840
14	Local Identification	630,220	25,600	57,116	60,470	137,090	106,640	195,650	194,650	178,845	48,130	43,600	66,199	1,744,210
15	Dev. Levey Individuals)	0	189,410	52,145	44,540	315,885	11,140	0	0	34,320	657,235	3,305,091	3,867,836	8,477,602
16	Dev. Levey (Companies)	0	0	1,750	490	0	0	0	0	0	30,145	109,710	152,220	294,315
17	Fuel Logbook	0	41,785	0	950	0	0	0	0	0	0	0	33,986	76,721
18	Bus Registration	0	32,425	15,100	140,425	550,706	385,060	462,093	462,092	67,085	388,790	60,925	878,804	3,443,504
19	New Number Plates	200,000	528,610	539,796	318,332	169,110	94,800	192,335	192,335	244,590	119,420	47,450	307,450	2,954,228
20	Reg Fees (Health Inst)	0	0	0	0	0	0	0	0	104,800	3,500	7,700	0	116,000
21	Miscellaneous Revenue	0	0	42,180	0	263,065	0	0	0	0	0	0	0	305,245
	TOTAL	10,486,234	13,128,838	20,393,044	15,253,789	16,202,587	29,653,434	20,062,862	20,061,861	18,854,149	32,386,781	33,145,895	40,298,322	269,927,798

APPENDIX 2.1

BOARD OF INTERNAL REVENUE – KADUNA STATE.

Statement of Internal Revenue Collections – 1996

	DESCRIPTION	BUDGETED FOR 1996	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1	Pay As You Earn	150,000,000	6,513,524	8,571,636	12,750,862	6,464,723	11,410,721	9,922,627	12,599,055	18,748,710	9,042,902	14,324,120	12,708,714	14,263,176	137,320,771
2	Direct Assessment	100,000,000	334,476	885,599	504,554	311,135	297,571	507,809	399,646	239,984	874,393	210,808	786,895	938,706	6,291,574
3	Withholding Taxes	80,000,000	10,590,460	10,640,541	12,062,169	5,527,619	15,148,902	10,838,662	8,632,019	6,770,879	10,808,899	15,825,102	9,004,688	8,641,204	124,491,143
4	Entertainment Taxes	6,000,000	349,400	514,925	568,936	403,051	429,905	452,957	471,242	424,343	307,345	797,230	512,753	621,690	5,853,777
5	Arrears of Taxes & Fees	100,000,000	5,103,144	2,012,745	461,263	209,400	2,836,475	1,915,317	14,956,546	8,894,843	8,941,776	23,062,361	13,213,708	3,587,753	85,195,331
6	Motor Vehicle Reg. Fees	24,800,000	1,044,715	110,700	153,462	192,350	480,920	104,900	146,850	1,848,700	535,400	462,300	1,533,450	3,079,850	9,693,597
7	Cert of Road W. Fees	5,000,000	40,260	43,170	53,270	44,690	54,310	42,560	52,011	91,600	37,300	21,125	39,825	42,425	562,546
8	Other Traffic Reg Fees	1,000,000	26,985	15,805	15,275	25,395	109,630	24,990	29,824	24,995	34,315	22,450	28,580	166,100	524,344
9	Stamp Duties	3,000,000	132,723	95,954	205,535	88,695	202,324	176,232	1,611,252	927,398	412,287	937,121	410,238	363,840	5,563,597
10	Drivers Licence	300,000	40,820	16,230	1,600	29,220	6,620	13,000	52,750	4,990	7,410	3,150	1,330	34,125	211,245
11	Motor Vehicle Licences	9,000,000	210,365	200,710	499,586	567,491	806,855	425,630	448,290	898,345	597,937	509,730	1,097,170	1,911,810	8,173,919
12	Motor Veh. Registration	2,000,000	30,021	15,960	1,600	37,860	48,500	16,310	23,520	75,200	105,870	121,450	255,310	554,850	1,286,451
13	Drivers licence Booklet	0	0	1,460	0	36,200	1,119	2,450	4,450	0	300	100	0	0	46,079
14	Local Identification	6,500,000	26,500	14,700	43,110	134,515	283,740	87,550	38,200	61,650	141,800	12,900	12,600	9,100	866,365
15	Dev. Levey Individuals)	20,000,000	321,660	1,669,791	295,665	96,530	966,717	249,810	114,156	18,950	103,880	126,200	783,680	3,917,749	8,664,788
16	Dev. Levey (Companies)	0	597,660	36,960	6,560	1,250	0	0	0	0	0	0	63,920	514,470	1,220,820
17	Fuel Logbook	0	0	11,850	0	15,380	0	0	19,100	0	0	0	0	62,033	108,363
18	Bus Registration	10,000,000	446,935	324,450	556,407	185,284	165,020	364,285	477,200	375,674	115,568	36,800	38,600	2,966	3,089,188
19	New Number Plates	49,000,000	461,520	220,447	519,565	925,016	169,110	276,500	229,550	2,261,450	1,920,423	2,100,828	4,597,930	7,711,660	21,393,999
20	Reg Fees (Health Inst)	0	1,700	8,100	6,260	30,000	0	0	0	1,500	79,700	800	2,500	1,300	131,860
21	Miscellaneous Revenue	0	500	28,655	35,100	0	0	147,000	0	0	177,890	0	0	0	389,145
	TOTAL	566,600,000	26,273,368	25,440,388	28,740,779	15,325,802	33,418,440	25,568,589	40,305,660	41,659,209	34,245,394	58,574,576	45,091,891	46,424,807	421,078,902

APPENDIX 2.2

OLUSOLA ADEKANOLA & CO

(CHARTERED ACCOUNTANTS)

KADUNA STATE

SCHEDULE OF COMPANIES WITH OUTSTANDING LIABILITIES

S/N	NOTICE NO.	COMPANY NAME	BALANCE DATE	GROSS TOTAL LIABILITY ₦	SECURED LIABILITY ₦	CURRENT LIABILITY ₦	FINAL INSTALMENT ₦	PAYMENT DATE	REMARKS
0009	TAU95\009	E. D'Alberto & Gianpoali Co. Ltd.	10/6/96	4,647,429.21	3,169,381.64	3,169,381.64	30,000.00	7/8/97	
0012	TAU95\012	Agromatrix Nigeria Limited	12/6/96	78,473.42	-	78,473.42	-		
0013	TAU95\013	Brian & Lubbe Water	12/6/96	1,583,475.71	478,261.00	478,261.00	185,000.00	13/11/2/3/4/6	
0020	TAU95\020	United Const. Engr. & Devt. Co. Ltd	20/6/96	405,576.21	-	405,576.21	-		
0025	TAU95\025	Agromechinex Nigeria Limited		651,781.57	-	651,781.57	100,000.00	6/8/96	
0029	TAU95\029	Crittal - Hope Nigeria Limited		5,048,858.45	890,455.18	890,455.18	100,000.00	18/7/97	
0033	TAU96\033	Midland Consolidated Ventures Ltd		155,885.04	-	155,885.04	25,000.00		
0034	TAU96\034	Prusag Drilling Engineers, Ltd		4,778,513.75	-	4,778,513.75	22,600.00		
0035	TAU96\035	Maharaja Hotel Ltd		1,543,999.17	-	1,543,999.17	40,000.00	24/9/97	
0036	TAU96\036	Costa Construction Ltd		992,128.21	-	992,128.21	-		
0039	TAU96\039	Kaduna St.L.G. Staff Pension Board		276,107.66	-	276,107.66	-		
0045	TAU96\045	Northern Nig. Investment Ltd, Kaduna		855,069.85	-	855,069.85	-		
0051	TAU95\051	CBS Communications Limited		1,169,035.83	-	1,169,035.83	-		
0054	TAU96\054	Action Nigeria Limited		950,926.51	197,336.00	197,336.00	130,000.00	13/5/97	
0055	TAU96\055	Allec Products Plc		2,852,163.94	-	2,852,163.94	300,000.00	21/11/96	
0062	TAU96\062	Kotsana Poultry		55,471.44	-	56,421.44	-		
0073	TAU96\073	Kaduna Hatchery		72,845.48	-	72,845.48	43,784.00	2/12/96	
0074	TAU96\074	Hillside Company Limited		260,559.24	-	260,559.24	156,610.00	6/1/97	
0075	TAU96\075	Kaduna Aluminium Limited		5,347,079.49	2,541,766.17	2,541,766.17	1,287,495.00	27/11,27/1	
0076	TAU96\076	Jafco Industries		8,776,087.60	-	8,776,087.60	-		
0078	TAU96\078	Hassan & Partners		200,592.60	-	200,592.60	-		
0081	TAU96\081	Muntuchi Nig. Limited		3,991,763.74	-	3,991,763.74	-		
0087	TAU96\087	National Primary Education Commission		1,745,958.21	-	1,745,958.21	-		
0090	TAU96\090	Water Wells & Test Boring Limited		1,290,072.67	640,709.42	640,709.42	-		
0091	TAU96\091	Projex West Africa Limited		582,218.03	250,000.00	250,000.00	150,000.00	15/10/97	
0092	TAU96\092	Impresit Bakolori PLC		13,816,600.82	3,909,803.01	3,909,803.01	1,437,492.87	21/2,2/12	
0096	TAU96\096	Prime Power Nigeria Limited	16/1/97	980,885.85	953,241.90	953,241.90	150,000.00	25/3/97	
0098	TAU95\098	Safa Foam Products Limited	18/11/96	5,109,213.13	1,677,257.41	1,677,257.41	60,000.00	27/2/97	
0099	TAU96\099	Nigeria Bricks & Clay Products Ltd	18/11/96	133,682.06	-	133,682.06	-		
0100	TAU96\0100	Perpias Nigeria Limited	18/11/96	1,555,124.28	678,217.47	678,217.47	239,222.67	23/7/97	
0102	TAU96\0102	Kaduna Primary Education Board	20/11/96	1,942,974.90	-	1,942,974.90	-		
0104	TAU96\0104	Nidogas Company Limited	12/12/96	444,104.80	6,560.56	6,560.56	-		
0111	TAU96\0111	National Teachers' Institute	26/11/96	498,134.98	-	498,134.98	299,401.94	13/1,30/1/97	
0115	TAU96\0115	CBI Nigeria Limited	22/11/96	2,982,824.68	643,916.16	643,916.16	100,000.00		
0116	TAU96\0116	NACB Consultancy Limited	2/12/96	2,403,917.14	-	2,403,917.14	-		
0121	TAU96\0121	Parkman Nigeria Limited	18/12/96	5,875,488.83	-	5,875,488.83	67,015.00		
0123	TAU96\0123	Finatex Nigeria Limited	19/2/97	11,523,696.66	5,662,118.24	5,662,118.24	4,529,694.60	28/3,4/3/97	
0125	TAU96\0125	Jaiby Construction Company	18/12/96	9,383,550.00	-	9,383,550.00	-		
0126	TAU96\0126	New Nigeria Construction Company Ltd	6/1/97	524,724.17	3,013,413.63	3,013,413.63	-		

S/N	NOTICE NO.	COMPANY NAME	SERVICE DATE	INITIAL TOTAL LIABILITY ₦	REVISED LIABILITY ₦	CURRENT LIABILITY ₦	FINAL PART PAYMENT	PAYMENT DATE	OUTSTANDING LIABILITY ₦
0127	TAU/97/0127	Nig. Institute for Trypanotomiasis Research	6/1/97	2,282,040.08	1,143,758.45	1,143,758.45	915,006.76	24/9/97	228,751.69
0128	TAU/97/0128	Isn:ku Hospital Kaduna	13/1/97	337,578.59	150,000.00	150,000.00	150,000.00	23/9/97	-
0129	TAU/97/0129	Lodigiani Nigeria Limited	3/4/97	596,663.08	-	596,663.08	-	-	596,663.08
0131	TAU/97/0131	S. A. A. P. Nigeria Ltd	13/3/97	705,826.21	153,038.48	153,038.48	50,000.00	13/9/97	103,038.48
0132	TAU/97/0132	Peugeot Automobile Nigeria Limited Zaria	20/1/97	32,176,754.42	6,888,591.30	6,888,591.30	1,500,000.00	3/9/97	5,388,591.30
0134	TAU/97/0134	Industrial Gases Ltd.	13/1/97	830,442.47	-	830,442.47	-	-	830,442.47
0136	TAU/97/0136	Bulet International Nigeria Limited	21/1/97	4,533,237.61	-	4,533,237.61	100,000.00	1/7/97	4,433,237.61
0137	TAU/97/0137	National Commission for Nomadic Education	20/1/97	551,943.11	-	551,943.11	-	-	551,943.11
0139	TAU/97/0139	International Merchant Bank Limited Kaduna	23/1/97	2,669,783.56	-	2,669,783.56	-	-	2,669,783.56
0142	TAU/97/0142	Tim Unity Specialist Hospital, Kaduna	28/1/97	733,876.61	-	733,876.61	-	-	733,876.61
0143	TAU/97/0143	Al barka Ore-Ofe Hospital, Kaduna	12/2/97	793,048.19	-	793,048.19	-	-	793,048.19
0145	TAU/97/0145	N.A.M.B. Limited, Kaduna	31/1/97	2,861,524.66	-	2,861,524.66	-	-	2,861,524.66
0146	TAU/97/0146	Nortex Nigeria Limited	31/1/97	19,232,388.74	6,505,925.45	6,505,925.45	5,204,740.36	3/4/97	1,301,185.09
0147	TAU/97/0147	Unipetrol Lube Plant, Kaduna	3/2/97	1,249,397.80	609,028.80	609,028.80	390,801.90	16/5.18/6	218,226.90
0148	TAU/97/0148	Gonaco Ent. Nig. Ltd, Zana	4/2/97	338,266.61	-	338,266.61	-	-	338,266.61
0149	TAU/97/0149	Union Bank Plc Waff Road	4/2/97	6,446,725.55	-	6,446,725.55	-	-	6,446,725.55
0151	TAU/97/0151	Nigeria Arab Bank Limited,kaduna	14/2/97	626,503.42	396,027.32	396,027.32	300,000.00	20/4/97	96,027.32
0152	TAU/97/0152	Union Bank Ahmadu Bello, Kaduna	14/2/97	9,733,030.08	-	9,733,030.08	-	-	9,733,030.08
0153	TAU/97/0153	City Specialist Hospital, Kaduna	14/2/97	700,882.55	-	700,882.55	25,000.00	6/10/97	675,882.55
0154	TAU/97/0154	Fam Hospital & Maternity, Kaduna	18/2/97	959,131.10	195,671.98	195,671.98	-	-	195,671.98
0157	TAU/97/0157	Zazzau Ginnery Limited, Zaria	24/2/97	3,352,059.19	-	3,352,059.19	1,250,303.00	26/8/97	101,756.19
0158	TAU/97/0158	Union Bank Plc Yakubu Gowon Way Kaduna	12/3/97	3,783,154.55	-	3,783,154.55	-	-	3,783,154.55
0159	TAU/97/0159	Metallurgical Construction Coy. Nig. Ltd Kadu	12/3.97	20,304,510.73	-	20,304,510.73	50,000.00	-	20,254,510.73
0162	TAU/97/0162	St. Gerald's Catholic Hospital Kaduna	19/2/97	725,963.94	-	725,963.94	-	-	725,963.94
0163	TAU/97/0163	Union Bank Plc Kaduna South Branch	20/2/97	15,472,100.64	-	15,472,100.64	-	-	15,472,100.64
0164	TAU/97/0164	AG Ferrero Company Nigeria Limited	19/3/97	15,034,331.28	8,419,205.85	8,404,296.65	21,580.40	17/6/97	8,382,716.25
0165	TAU/97/0165	Rims Merchant Bank Nigeria Limited	19/3/97	864,508.54	-	864,508.54	25,000.00	23/5/97	839,508.54
0166	TAU/97/0166	Tabson Nigeria Limited	19/3/97	337,405.93	159,666.65	159,866.65	129,110.18	14/8/97	30,756.47
0167	TAU/97/0167	Fehid Engineering Limited	25/3/97	2,677,073.58	-	2,677,073.58	-	-	2,677,073.58
0168	TAU/97/0168	Nigeria Brewenes Plc, Kaduna	3/4/97	7,268,828.92	-	7,268,828.92	-	-	7,268,828.92
0169	TAU/97/0169	Unipetrol Divisional Office , Kaduna so	3/4/97	560,640.25	-	560,640.25	421,219.32	16/5.4/6	139,420.93
0170	TAU/97/0170	Unisteel Works Limited, Kaduna	3/4/97	3,309,922.86	-	3,309,922.86	-	-	3,309,922.86
0171	TAU/97/0171	Archcon Nigeria Limited	31/3/97	950,929.61	197,336.00	197,336.00	150,000.00	-	47,336.00
0172	TAU/97/0172	Belmont Hospital	3/4/97	866,482.70	-	866,482.70	-	-	866,482.70
0173	TAU/97/0173	Societe Generale Bank of Nigeria (No	3/4/97	54,898.39	-	54,898.39	-	-	54,898.39
0175	TAU/97/0175	Kobag Ventures Ltd	4/4/97	93,477.93	-	93,477.93	-	-	93,477.93
0176	TAU/97/0176	Pfizer Livestock Feeds Plc	4/4/97	924,490.13	744,285.00	744,285.90	100,000.00	5/8/97	644,285.90
0177	TAU/97/0177	Baron House Hotel	4/4/97	40,049.68	-	40,049.68	-	8/5/97	40,049.68
0178	TAU/97/0178	OSD Nigeria Limited	4/4/97	4,938,647.11	-	4,938,647.11	396,539.62	17/10/97	4,542,107.49
0180	TAU/97/0180	Federal Superphosphate Fertilizer Company L	3/4/97	3,949,096.71	-	3,949,096.71	-	-	3,949,096.71
0181	TAU/97/0181	Bank of the North, Main Branch	8/4/97	4,848,855.99	-	4,848,855.99	-	-	4,848,855.99
0184	TAU/97/0184	Thomas Wyatt Nigeria Limited Provost Fats	4/4/97	248,699.41	-	248,699.41	160,014.00	13/6.29/11	88,685.41
0185	TAU/97/0185	Lodigiani Nigeria Ltd	10/4/97	149,777.56	-	149,777.56	-	-	149,777.56
0187	TAU/97/0187	Inland Container (Nigeria) Limited	15/4/97	1,566,960.15	-	1,566,960.15	-	-	1,566,960.15
0189	TAU/97/0189	Alba Clinics and Medical Center	8/4/97	1,181,983.37	754,972.47	754,973.47	-	-	754,973.47
0190	TAU/97/0190	Arewa Textiles Plc	10/4/97	73,359,760.68	-	73,359,760.68	-	-	73,359,760.68
0191	TAU/97/0191	Betty Queen International School	11/4/97	539,775.76	131,706.20	131,706.20	-	-	131,706.20
0193	TAU/97/0193	Northern Nigerian Development Company, Ka	11/4/97	7,788,594.64	-	7,788,594.64	-	-	7,788,594.64
0194	TAU/97/0194	Bank of the North, Kaduna South Bran	16/4/97	4,134,923.89	-	4,134,923.89	-	-	4,134,923.89

S/N	NOTICE NO.	COMPANY NAME	SERVICE DATE	INITIAL TOTAL LIABILITY N	REVISED LIABILITY N	CURRENT LIABILITY N	FINAL/PART PAYMENT	PAYMENT DATE	OUTSTANDING LIABILITY
0195	TAU/9700195	Fenix Construction Limited, Kaduna	23/6/97	2,290,685.13	2,295,510.65	2,295,510.65	59,695.00		2,245,815.65
0198	TAU/9700198	Phojo Palace Limited Kaduna	23/6/97	162,444.00	109,841.92	109,841.92	63,515.03	26/10/97	46,326.89
0200	TAU/9700200	National Teachers' Institute	15/5/97	585,282.46	239,404.94	299,404.94	-		285,877.52
0206	TAU/9700206	Ibrahim Sani Abacha Memorial Children Hosp	23/6/97	1,268,485.73	-	1,268,485.73	-		1,268,485.73
0207	TAU/9700207	Saifa Specialist Hospital, Kaduna	23/6/97	160,436.49	-	160,436.19	48,910.33	25/9/97	111,525.86
0208	TAU/9700208	NNDC, Kaduna	30/5/97	7,935,770.48	-	7,935,770.48	20,974.18	24/10/97	7,914,796.30
0217	TAU/9700217	United Wire Products Ltd. 96	1/7/97	416,240.13	203,782.25	200,782.25	-		200,782.25
0220	TAU/9700220	G. Cappa PLC, Kaduna 96	23/6/97	1,508,319.27	1,096,541.36	1,096,541.36	923,347.75	28/7/97	173,193.61
0222	TAU/9700222	ASD Motors Nigeria	23/6/97	358,515.53	-	388,515.53	102,303.17	26/3,6/6/97	286,312
0223	TAU/9700223	City International Limited, Kaduna	23/6/97	115,431.01	-	115,431.01	69,380.02	3/10/97	46,050
0224	TAU/9700224	Poly Gate Hotels Nigeria, Kaduna	28/5/97	61,826.89	-	61,826.89	30,000.00	6/6/97	31,826.89
0226	TAU/9700226	Pau - Load Furnishing Company, Kadu	26/5/97	124,161.47	80,001.42	80,001.42	80,001.00	2/7/97	0.42
0227	TAU/9700227	Al-Rissal Printing & Publication Compa	28/5/97	3,177,333.35	1,147,665.11	1,147,665.11	-		1,147,665.11
0228	TAU/9700228	Durbar Hotel Kaduna	30/5/97	2,317,209.71	-	2,317,209.71	-		2,317,209.71
0229	TAU/9700229	Chartered Bank Limited Kaduna	30/5/97	1,341,457.47	487,059.33	487,059.33	404,259.24	27/6/97	82,800.09
0230	TAU/9700230	Hydro Construction & Engineering Co. Zaria	6/6/97	1,460,714.72	-	1,460,714.72	-		1,460,714.72
0232	TAU/9700232	John Holt Ventures Ltd. 96	9/6/97	17,729.31	11,968.26	11,968.26	-		11,968.26
0233	TAU/9700233	Delatre Bezons Nigeria Limited 96	9/6/97	34,725.71	-	34,725.71	-		34,725.71
0235	TAU/9700235	National Agency of Foods, Drugs	9/6/97	531,907.49	-	531,907.49	-		531,907.49
0236	TAU/9700236	Speedwash Dry Cleaners	9/6/97	161,258.04	-	161,258.04	-		161,258.04
0238	TAU/9700238	Costal Construction Limited	7/5/97	992,128.21	300,000.00	300,000.00	-		300,000.00
0242	TAU/9700242	Ideal Flour Mills Limited 96	17/6/97	4,846,535.63	-	4,846,535.63	-		4,846,535.63
0243	TAU/9700243	Gora Nigeria Limited, Kaduna	17/6/97	299,949.50	314,094.98	314,094.98	-		314,094.98
0245	TAU/9700245	Central Support System Limited	17/6/97	78,541.98	-	78,541.98	-		78,541.98
0249	TAU/9700249	R. F. P. Stores Kaduna	18/6/97	3,036,844.47	1,472,497.15	1,472,497.15	-		1,472,497.15
0248	TAU/9700248	Mubreo Petroleum Company Ltd	18/6/97	2,885,349.41	1,626,750.17	1,626,750.17	400,000.00	10/10/97	326,750
0250	TAU/9700250	Hamdala Hotel Limited 96	19/6/97	572,040.92	-	572,040.92	384,000.50	12/8/97	188,040
0252	TAU/9700252	Owena Bank Kaduna	13/6/97	440,662.44	115,458.20	115,458.20	-	16/9/97	115,458
0254	TAU/9700254	Guinness Nigeria Limited, Kaduna	25/6/97	10,700,680.95	-	10,700,680.95	-		10,700,680.95
0255	TAU/9700255	C. G. C. Nigeria Limited, Kaduna	25/6/97	25,114,983.79	5,859,675.00	5,859,675.00	-		5,859,675.00
0256	TAU/9700256	United Bank for Africa, 1/Wada, Kad	25/6/97	2,277,515.44	-	2,277,515.44	-		2,277,515.44
0258	TAU/9700258	Hinma Marchant Nigeria Ltd	30/6/97	161,242.30	-	161,242.30	-		101,242.30
0263	TAU/9700263	New Africa Holdings Ltd. Kaduna	27/6/97	1,163,077.19	-	1,163,077.19	-		1,163,077.19
0264	TAU/9700264	Dorier Aviation Nigeria A/C/P Ltd	9/7/97	8,205,645.56	-	8,205,645.56	-		8,205,645.56
0265	TAU/9700265	Sanbath Nigeria Limited, Kaduna	9/7/97	1,614,655.54	596,427.77	596,427.77	400,000.00	24/9/97	196,427.77
0266	TAU/9700266	Chanchangi Motors, Kaduna	10/7/97	6,011,647.95	-	6,011,647.95	-		6,011,647.95
0267	TAU/9700267	United Bank for Africa, Kaduna South	14/7/97	5,720,857.63	-	5,720,857.63	-		5,720,857.63
0268	TAU/9700268	NEPA Ahmadu Bello Way Kaduna	15/7/97	17,178,361.41	-	17,178,361.41	-		17,178,361.41
0270	TAU/9700270	Thermoe School Zaria	21/7/97	144,302.33	-	144,302.33	-		144,302.33
0271	TAU/9700271	Delecto Hotel Kaduna	21/7/97	68,107.76	-	68,107.76	-		68,107.76
0272	TAU/9700272	First Bank Nigeria Plc, Kaduna South	22/7/97	1,534,791.14	1,002,640.34	1,002,640.34	592,474.71		410,165.63
0273	TAU/9700273	Yaresco & Partners	22/7/97	1,441,265.54	-	1,441,265.54	-		1,441,265.54
0274	TAU/9700274	Eltec Nigeria Limited, PO	22/7/97	2,057,675.10	1,446,993.19	1,446,993.19	696,500.00		750,493.19
0276	TAU/9700276	Shah Aluminium Limited, Kaduna	22/7/97	226,243.76	146,866.57	146,866.57	-		146,866.57
0277	TAU/9700277	First Bank Nigeria Plc, Kano	22/7/97	682,649.34	439,316.41	439,316.41	395,384.76		43,931.65
0279	TAU/9700279	Savannah Bank Plc, Area Office	30/7/97	1,741,173.03	-	1,741,173.03	555,274.15	24/10/97	1,185,898.88
0280	TAU/9700280	United Bank for Africa, Kaduna North	30/7/97	6,048,374.85	-	6,048,374.85	-		6,048,374.85
0281	TAU/9700281	Federal Radio Corporation of Nigeria, K	29/7/97	7,172,255.41	-	7,172,255.41	-		7,172,255.41
0282	TAU/9700282	Fina White House Hotels, Danny Rd 96	6/8/97	83,557.69	50,363.19	50,363.19	50,000.00	8/9/97	363.19

S/N	NOTICE NO.	COMPANY NAME	SERVICE DATE	INITIAL TOTAL LIABILITY ₦	REVISED LIABILITY ₦	CURRENT LIABILITY ₦	FINAL/PART PAYMENT ₦	PAYMENT DATE	OUTSTANDING LIABILITY ₦
0283	TAU970283	Muftinchi Community Bank Ltd. Kaduna	1998	450,526.66		450,526.66			
0284	TAU970284	Federal Government College	13/09/	2,473,640.21		2,473,640.21			
0285	TAU970285	International Civil Engineering Council	18/08/	107,928.13		107,928.13			
0286	TAU970286	Green Fingers Nigeria Ltd	30/09/	2,903,864.52		2,903,864.52	150,000.00	22/08/97	
0287	TAU970288	First Bank Samaru Branch Zaria	26/09/	3,378,864.34	1,577,378.72	1,577,378.72	314,537.00		
0288	TAU970289	First Bank Sabon Gari Branch Zaria	26/09/	3,612,289.38	1,605,633.17	1,605,633.17			
0289	TAU970290	First Bank Plc Yakubu Gowon Way	26/09/	3,605,574.43	1,268,136.67	1,268,136.67	1,141,322.00		
0290	TAU970291	First Bank Nig. Plc. Regional Office	26/09/	13,754,730.12	4,974,554.12	4,974,554.12	3,761,000.00		
0291	TAU970293	Fehd Engineering Limited	16/09/	77,341.91		77,311.91			
0293	TAU970294	Fertilizer & Chemical Limited Kaduna	26/09/	7,354,215.47	5,578,845.00	5,578,845.00			
0294	TAU970295	International Merchant Bank Limited	30/09/	1,354,661.95		1,354,661.95			
0295	TAU970296	John Holt Agric. Engineering Zaria	30/09/	2,439,039.41		2,439,039.41			
0296	TAU970297	Premier Seeds Zaria	30/09/	2,151,389.84		2,151,389.84			
0297	TAU970298	African International Bank Zaria	30/09/	1,381,159.24		1,381,159.24			
0298	TAU970299	African International Bank Area Office	30/09/	2,689,951.16	1,232,965.27	1,232,965.27	641,542.00		
0299	TAU970300	Nigerian Tobacco Company Zaria	30/09/	25,657,921.62		25,657,921.62			
0300	TAU970302	ABU Press Limited	20/10/97	415,877.06		415,877.06			
0302	TAU970303	Giwa Local Government Area Council	13/10/	2,068,197.76		2,068,197.76			
0303	TAU970305	Makarfi Local Government	27/10/	2,078,662.19		2,078,662.19			
0305	TAU970306	Sabon Gari Local Government	27/10/	2,520,644.96		2,520,644.96			
0306	TAU970307	Kachia Local Government	27/10/97	3,553,998.17		3,553,998.17			
0307	TAU970308	Zango Kartal Local Council	27/10/	2,193,169.94		2,893,169.94			
0308	TAU970309	Kauru Local Government	27/10/	2,626,552.50		2,626,552.50			
0309	TAU970310	Jema'a Local Government	27/10/	3,302,081.35		3,302,081.35			
0310	TAU970311	Jaba Local Government	27/10/	2,999,032.33		2,999,032.33			
0311	TAU970312	Soba Local Government	27/10/	3,553,998.17		3,553,998.17			
0312	TAU970313	Ikara Local Government	27/10/	4,453,844.56		4,453,844.56			
0313	TAU970314	Kaduna North Local Government	27/10/	6,699,312.80		6,699,312.80			
0314	TAU970315	Igabi Local Government	27/10/	3,105,771.10		3,105,771.10			
0315	TAU970316	Birnin Gwari Local Government	27/10/	7,420,177.15		7,420,177.15			
0316	TAU970317	Lere Local Government	27/10/	3,528,002.47		3,528,002.47			
0317	TAU970318	Chikun Local Government	27/10/	3,851,490.02		3,851,490.02			
0318	TAU970320	ABI Hospital & Clinic	27/10/	589,783.55		589,783.55			
0319	TAU970321	Sunglass Limited Kaduna	27/10/	6,469,163.70		6,469,163.70			
0320	TAU970322	Seven Up PLC 96	27/10/	2,825,958.55		2,825,958.55			
0321	TAU970323	IBBI 96	27/10/	6,936,850.76		6,936,850.76			
0322	TAU970325	Parday Foods Ltd	10/11/	51,553.85		51,553.85			
0323	TAU970326	Jafco Industries Limited	10/11/	4,118,953.85		4,118,953.85			
0324	TAU970327	Nigeria Television Authority, Kaduna	14/11/	2,691,270.05		2,691,270.05			
0325	TAU970329	Vicas Specialist Hospital	17/11/	355,092.84		355,092.84			
0326	TAU970330	M.I.A. Suites & Hotels	17/11/	177,738.97		177,738.97			
0327	TAU970331	Hibtat & Associates 96	17/11/	209,915.63		209,915.63			
0328	TAU970332	M.A.I & Associates	17/11/	135,501.11		135,501.11			
0329	TAU970333	Kenpal Frank, Kaduna	17/11/	79,475.91		79,475.91			
0330	TAU970334	Kaduna Motors Limited	17/11/	93,357.29		93,357.29			
0331	TAU970335	Cremotade Co. Ltd. 96	17/11/	915,604.12	481,355.53	481,355.53	107,000.00		
0332	TAU970336	Unitex Limited 96	17/11/	8,672,452.18		8,672,452.18			
0333	TAU970337	Agromachinex Nigeria Limited 96	18/11/	9,591.19		9,591.19			
0334	TAU970338	[illegible]	18/11/	233,907.70		233,907.70			

S/N	NOTICE NO.	COMPANY NAME	SERVICE DATE	INITIAL TOTAL LIABILITY ₦	REVISED LIABILITY ₦	CURRENT LIABILITY ₦	FINAL/PART-PAYMENT ₦	PAYMENT DATE	OUTSTANDING LIABILITY ₦
0339	TAU9700339	Associated Cost Consultants Ltd.	17/11/97	512,675.14	-	512,675.14	-		512,675.14
0340	TAU9700340	National Steel Raw Mat Exploration Ag	19/11/97	1,170,500.75	-	1,170,500.75	-		1,683,175.89
0341	TAU9700341	Fototex Industries Ltd Zaria	19/11/97	1,235,150.23	-	1,235,150.23	-		2,918,326.12
0342	TAU9700342	Kongo Conference Hotel Zaria	19/11/97	14,165,910.41	-	14,165,910.41	-		17,084,236.53
0343	TAU9700343	Union Bank Plc main Zaria	19/11/97	7,148,301.62	-	7,143,301.62	-		24,227,538.15
0346	TAU9700346	Chase Hospital, Kaduna	17/11/97	937,215.90	-	937,215.90	-		25,164,754.05
0347	TAU9700347	Samaila Consultant Limited, Kaduna	19/11/97	474,026.53	-	474,026.53	230,000.00		25,408,780.58
0349	TAU9700349	Gebasawa Community Bank, Kaduna	21/11/97	51,080.43	-	51,080.43	-		25,459,861.01
0350	TAU9700350	National Water Resources Institute	24/11/97	1,469,518.60	-	1,469,518.86	-		26,929,379.87
0351	TAU9700351	Kaduna Furniture & Carpet Coy 96	25/11/97	3,213,964.22	-	3,213,964.22	-		30,143,344.09
0352	TAU9700352	Supertex Nigeria Limited 96	26/11/97	14,257,846.23	-	14,257,846.23	-		44,401,190.32
0353	TAU9700353	Central Bank of Nigeria	26/11/97	6,721,738.99	-	6,721,738.99	-		51,122,929.31
0354	TAU9700354	Kaduna Textiles Limited 95	27/11/97	13,911,414.27	-	13,911,414.27	-		65,034,343.58
0355	TAU9700355	Turaki International School 96	27/11/97	563,400.32	-	563,400.32	-		65,597,743.90
0356	TAU9700356	Finetex Nigeria Limited 96	27/11/97	13,147,074.33	-	13,147,074.33	-		78,744,818.23
0357	TAU9700357	NITEL Plc Territorial Office Kaduna	28/11/97	4,308,913.17	-	4,308,913.17	-		83,053,731.40
0358	TAU9700358	ARMECO 96	28/11/97	1,327,590.42	-	1,327,590.42	-		84,381,321.82
0359	TAU9700359	NORTEX Limited 96	28/11/97	11,174,768.21	-	11,174,768.21	-		95,556,090.03
0360	TAU9700360	Clean Cleaners Ltd 96	28/11/97	67,520.63	34,622.64	34,622.64	26,012.50		95,564,700.17
0361	TAU9700361	Godab Nigeria Limited 96	28/11/97	427,521.63	196,389.70	196,389.70	11,760.97		95,749,328.90
0362	TAU9700362	Ansa Paper Conversion 96	28/11/97	57,316.18	35,694.34	35,694.34	18,604.84		95,766,418.40
0363	TAU9700363	AG Ferrero Company Nigeria Limited 96	28/11/97	4,020,957.18	-	4,020,957.18	-		99,787,375.58
0364	TAU9700364	Union Bank Plc Samaru	28/11/97	4,433,042.59	-	4,433,042.59	-		104,220,418.17
0365	TAU9700365	Argwa Chinese Restaurant	28/11/97	4,506,010.13	-	4,506,010.13	-		108,726,428.30
0367	TAU9700366	Unic Insurance Plc, Kaduna	28/11/97	349,956.04	-	349,956.04	-		109,076,384.34
0367	TAU9700367	Archiplan International Ltd. Kaduna	28/11/97	412,143.35	-	412,143.35	-		109,488,527.69
0368	TAU9700368	Royal Exchange Assurance Plc, Kaduna	28/11/97	203,200.20	-	203,200.20	-		109,691,727.89
0369	TAU9700369	Essence International School Nasarawa	28/11/97	7,447,859.27	-	7,447,859.27	-		117,139,587.16
		TOTAL		796,222,999.64	87,392,417.31	37,392,417.31	32,431,688.00		630,105,312.25

APPENDIX 3

KADUNA STATE LOCAL GOVERNMENTS' STATUTORY TAX AUDIT REPORTS

Following the mandate given to us by the Revenue Sharing Committee and in accordance with ***the relevant provisions of the Personal Income Tax Decree No. 104, 1993***, we examined the records of the local governments in the state with the objective of determining the adequacy of deductions and the regularity of remittances to the state government of Pay As You Earn (PAYE), Withholding Taxes (WHT) on individuals and Development Levies.

The following is the summary of our findings:

1. LOCAL GOVERNMENTS WITH DETAILED AUDIT

We had access to the relevant records of the following local governments and detailed examinations were carried out. However, the following observations were found to be common to all:

(a) Improper records keeping especially the payment vouchers;

(b) Gross under deductions from most of the staff's salaries for the years under our audit;

(c) None deduction of withholding taxes from most of their relevant financial transactions;

(d) None regular remittances of taxes deducted.

S/No.	Local Government	Tax Liabilities	Tax Liabilities Less Penalty and Interest	Period Covered
		₦	₦	
1.	Igabi	3,106,771.10	2,334,163.11	1990 - 1996
2.	Kaduna North	6,699,312.80	5,033,292.86	1990 - 1996
3.	Chikun	3,896,726.29	2,927,668.21	1991 - 1996
4.	Lere	3,528,002.47	2,650,640.48	1991 - 1996
5.	Birni-Gbari	4,647,610.26	3,491,818.38	1991 - 1996
		N21,878,422.92	₦16,437,583.04	

The detailed reports on the individual local governments had been sent to them.

2. LOCAL GOVERNMENTS WITHOUT DETAILED AUDIT

Improper records keeping impaired our full access to the relevant documents to carry out more detailed audit of PAYE on the under listed local governments to determine the actual under deductions of the taxes. Therefore, we could only carry out remittance audit on PAYE actually deducted. However, we have used best of judgement assessments on the deemed under deductions based on the ratio of the computed tax payable and the actual deductions of the local governments mentioned in (1) above where more detailed information were made available.

In addition to the above, withholding taxes were not always deducted from most of the relevant financial transactions.

APPENDIX 4

S/No.	Local Government	Total Tax Liabilities	Tax Liabilities Less Penalty and Interest	Period Covered
		₦	₦	
1	Zaria	2,910325.79	2,910,325.79	1989 - 1996
2	Jema'a	3,302,081.35	2,480,902.59	1991 - 1996
3	Jeba	2,900,032.33	2,178,837.21	1991 - 1996
4	Ikara	4,453,844.56	3,346,239.34	1991 - 1996
5	Kaura	2,626,562.50	1,973,375.28	1991 - 1996
6	Zango-Kataf	2,893,169.94	2,173,681.40	1991 - 1996
7	Soba	3,853,368.17	2,895,092.54	1991 - 1996
8	Kachia	3,553,998.17	2,670,171.43	1991 - 1996
9	Makarfi	2,078,662.19	1,561,729.67	1991 - 1996
10	Giwa	2,068,197.76	1,553,867.59	1991 - 1996
11	Sabon-Gari	2,520,644.96	1,893,797.87	1991 - 1996
		₦33,160,887.72	₦25,638,020.71	

3. LOCAL GOVERNMENT AUDIT CARRIED OUT BY OTHER CONSULTANTS

Mahtari Dangana & Co. (Chartered Accountants) carried out the tax audit on one of the local government with the following report which we have adopted.

Local Government	Total Tax Liabilities	Tax Liability Less Penalty and Interest	Period Covered
	₦	₦	
Kaduna South	2,011,100.08	1,662,140.58	1991 - 1994

The detailed report had been forwarded to the local government.

4. NEW LOCAL GOVERNMENTS

We have not carried out tax audit on the new local governments listed below because of their low level of activities and volume of financial transactions some of which are under one year. However, we shall visit the local governments to check the regularity of their deductions remittances and educate them on adequate assessments and deductions as provided by the personal income tax laws.

1. Kudan Local Government;
2. Kuban " "
3. Sanga " "
4. Kajuru " "
5. Kagarko " "
6. Kakau " "

5. SUMMARY OF TOTAL LIABILITIES

The total tax liabilities of the 17 local governments audited is **₦57,050,410.32**. The details showing the individual liabilities and period covered is attached with this report. However, as we sometime do to some companies when the need arises, the penalty and interest on late payments may be waived. This may reduce the total liabilities to **₦43,737,744.33**.

APPENDIX 4 (CONTD)

6. PAYMENTS OF VERIFIED LIABILITIES

Some of the local governments have shown willingness to pay the liabilities but because of some protocols, the payments are being delayed. We therefore implore offices concerned to expedite actions to facilitate immediate settlement of the liabilities in the spirit of general development of Kaduna State.

7. RECOMMENDATIONS

1. The Board of Internal Revenue needs to regularly educate the local governments staff on the computation of PAYE in line with provisions of the relevant tax laws;

2. The local governments staff should also be educated on computation of withholding taxes and their deductions at source;

3. The Board should regularly monitor the remittances of all the taxes to ensure prompt payment into the Board's accounts.

8. Conclusion

We express our appreciation to the Director General, Ministry of Finance, Board Chairman, all Directors and the entire staff of the board for the confidence repose on our firm as the Consultants for the state.

We equally express our appreciation to the local governments chairmen, council members and the entire members of staff for their cooperation in the course of our assignment.

APPENDIX 4 (CONTD)

RESEARCH QUESTIONAIRE
(Tax Officers Copy)

Instructions

Please, kindly answer the following questions as honestly as possible. Every information supplied will strictly be treated confidentially.

PART A

1. Name _____
2. Age _____
3. Address _____
4. Marital Status _____
5. Number of children _____
6. Religion _____
7. Tribe _____
8. LocalGovernment _____

PART B

1. When did you join the service of the Board _____
2. What are your present qualifications _____
3. What is your rank? _____
4. What position do you hold in the Revenue Board _____
5. What is the nature of your responsibility? _____

_____

PART C

1. As an Area Tax Officer what is your staff strength? _____
2. What is the ratio of junior to senior staff? _____

APPENDIX 5·1

3. State whether your office is adequately staffed or otherwise _____

4. How many taxpayers files (PAYE/Direct Assessment) does your office have

_____

5. How many do you process daily (PAYE/Direct Assessment) _____

6. How many of them honour their tax obligations _____

7. How much revenue does your office generate annually _____

8. What are the problems encountered by taxpayers who need the services of your office?

_____

_____

APPENDIX 5:1 (CONTD)

RESEARCH QUESTIONAIRE
(Tax Payers Only)

Instructions

Please kindly answer the following questions as honestly as possible. Every information supplied will strictly be treated confidentially.

PART A

1. Name_____
2. Age_____
3. Address_____
4. Marital Status_____
5. Number of children_____
6. Religion_____
7. Tribe_____
8. LocaGovernment_____

PART B

1. What is your occupation? _____
2. How much income do you derive from it?_____
3. Do you have other occupations (Name them)_____

_____

4. How much income do you derive from each?_____

_____

5. How much expenses do you incur annually _____

PART C

1. To which office do you pay tax and how much _____

2. What are the forms of tax you pay? _____

3. State the estimated amount per annum ₦_____

4. How frequent do you obtain Tax Clearance and why _____

_____

5. What is your file number _____

6. What problems do you encounter before getting your Tax Clearance Certificate?

_____

_____