A CRITICAL APPRAISAL OF THE STRATAGIES AND EFFECTIVENESS OF REVENUE COLLECTION AND ADMINISTRATION IN KATSINA STATE

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To my parents - Alhaji Abubakar Garba Tati and Late Hajiya Bara'atu, who brought me up to become what I am today.

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D E C L A R A T I O N

I do hereby declare that, this research work is original and a product of my Research findings. All materials used have been acknowledge accordingly in the footnotes and bibliography.

C E R T I F I C A T I O N

This project report titled "A critical Appraisal of the Strategies and Effectiveness of Revenue Collection and Administration in Katsina State" by Dalhatu Abba Garba meets the regulations governing the award of the degree of MASTER'S OF BUSINESS ADMINISTRATION (M.B.A.) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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A B S T R A C T

It is a duty of every good government to maintain law and order among its citizens. To provide the basic necessary facilities which includes:- Education; Health; Good drinking water; Electricity; Good drainage system, Sanitaries. How do government get money to meet all these requirements?

Generally Government derives its revenue for public expenditure from a number of sources of which taxation is one of the major ones. With regard to our situation, the greatest drawback to our development efforts has not only been the in-adequacy of the revenue sources but luck of properly established strategies for effective revenue collection and administration. Really, with the current economic situation in the country, the need to look for a more effective methods for revenue collection and administration need to be properly tacled.

The main objective of the study is to examine and analyse the existing strategies for revenue collection and administration in Katsina State with a view to proposing some new strategies that could help in the improvement of the general revenue collection and administration.

The existing revenue sources on which the collection and administration need to be improved are:-

(a) Taxation which includes

  (i) Direct Assessment tax

(ii) Pay As You Earn PAYE) tax

(iii) SaLes tax

(iv) Entainment tax

(v) Tax on company dividends

(vi) With holding taxes

(d) Development levies

Based 6n the past records of collection policies and procedures, we would pinpoint the short-comings in the existing administrative set-up, mode of collection and suggest a list of proposed potential strategies, so that; the government could use them to properly tape the above existing sources and even the potential now sources.

The existing strategies for revenue collection and administration has been analysed and found inadequate and insufficient to meet bhe present day government requirement for funds for the eve expanding public expenditure.

Because of the problems of revnue collection and tax administration which resulted in the inadequacy of the recurrent locally collected revenue, we suggest the following:-

(a) All States Internal Revenue Boards be directly under the Governnor's office (Military or Civilian) for effective control and supervision.

(b) Charity begin at Lome - Therefore the Governor and Members of his Council should be the first to meet their tax obligation at the begining of every year of tax assessments.

(c) All other top officials of the government should also be directed by the Governor to meet their tax obligations at the begining of every year of tax assessment.

(d) Internal Revenue Board must properly and effectively account for all revenue collected at the end of every financial year.

(e) All necessary facilities which will enhance the revenue collection and tax administration must be provided to the collection authorities in good time.

With the recent re-organisation of the Internal revenue Board making it more autonomous, the needed attention given to the staff development and training, current effort of providing more suitable office accommodation and the improved transportation facilities. All put together would no doubt heLp to facilitate the strategies and effectiveness of revenue collection and administration in Katsina State.

The study traces the history of revenue collection and administration in our study case area as well as the organisational and administrative set-up of the revenue

Board. A detailed analysis of the data collected is carried out and alot of findings regarding performance and problems of the various sources were made, Suggestions and recommendations for more effective and reliable strategies for revenue collection and administration were put forward for the government to implement.

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C H A P T E R O N E

PRELIMINARY CONSIDERATIONS

1.1 INTRODUCTION

This chapter consists of eight parts and the first chapter involves the identification of the problems (statement of the problem) under discussion. The second and the third parts of the chapter deal with the purpose and significance of the study respectively. While part four and five covers the scope and the research methodology used. The last three sections of the chapter deal with the limitations of the study; organization of the study and definitions of the terms.

1.2 STATEMENT OF THE PROBLEM

Government sources of revenue for public expenditure are many, some of which includes:-

(a) Taxes

(b) Loans granted by banks and other financial institutions.

(c) Statutory allocation from the Federation accounts.

(d) Fees and specific charges.

(e) Special grants by the Federal Government.

(f) Dividends, Rents and Royalities.

Of all the above sources, taxation would be our main topic for discussion. However, it should be noted that taxation do not only concern with personal income tax but also includes the company income tax, import duties, exercise; sales tax, petrol and tabacco taxes, tin and oil royalities, motor and other licences are all part of the structure of taxation in Nigeria. The internally generated revenue by various state governments is derived almost entirely from some of the above mentioned form of

taxes.

Nigeria as a developing country with considerable endowment in human and natural resources, the greatest drawback to our development efforts has always been the none-availability of adequate resources for financing development projects.

Until recently when the oil prices shoot up as a result of Gulf Crises, the global economic recesion being experienced worldwide led to a decline in the nation's main source of revenue (oil). Therefore, most state Governments have already began to experience a tight financ al policies and Katsina State is not an exception .

The question to be asked here is, how do we improve the collection of the internally generated revenue? Ho w do we improve the strategies of collection and administration of revenue in Katsina State? To answer all these questions, there is the need for the government to effectively revise the current methods of revenue collection and administration with the aim of coming out with a more effective and effecient strategies for revenue collection and administration in the State.

The government should therefore seriously check the large scale tax evasion and avoidance by self-employed individuals and corporate bodies which are sometimes aided by the unpartriotic charttered accounting firms.

1.3 PURPOSE OF THE STUDY

Inspite of the government effort to provide to its citizens some of the essential facilities like: schools, hospitals, improved infra-structures and alot of other essential services, still some citizens do not see any logic in paying their taxes.

These and many other government functionaries entails collosal expenditure and this justify the need for all citizens to effectively pay their tax. Any short fall in revenue collection will bring with it, a circular effects within the economy, hence-forth less provision of infra-structures which may also effect the productivity of the people.

The following are the objectives of the study:-

(a) To examine the rational of theoretical aspects of taxation.

(b) To enumerate and discuss the major sources of revenue by giving their definations, historical background, tax rates and tax bases, economic effects.

(c) To examine the structure, administration organization and the general operation of tax.

(d) To examine the existing strategies for collection and administration of taxes with a view to improve upon them.

(e) To analyse the existing main sources of revenue and the relationship between revenue and expenditure.

1.4 SIGNIFICANCE OF THE PROJECT

The project is significant for the following reasons:-

(a) If the project is successfully carriedout, it will fill the missing gap of none-availability of any litriture on revenue collection and administration in Katsina State.

(b) The findings from the project will go a long way in assisting policy makers to take prompt actions in order to hasten the process of revenue collection and administration.

(c) The project is the first of its kind to emphasize an evaluating the performance of the strategies of revenue collection and administration in Katsina State.

1.5 SCOPE OF THE STUDY

The problem of revenue collection and aiministration is not paculiar to any one particular state but could be a subject of discussion in the entire states of the Fede-

ration. However, this study is intended to review the strategies for revenue collection and administration in Katsina State with particular reference to the period of January, 1988 to December, 1990. Although, this research findings will be specially useful to Katsina State, objections will not be raised, should other states find it useful too.

1.6 RESEARCH METHODOLOGY

It is usual for a researcher to adopts certain methods while conducting his research work. The methodology used in this project is discussed under the following sub-headings:-

(A) Sources of Information

Of the many sources of data or information for the project, the following sources have been of concern to the researcher;-

(1) Documents from libraries of institutions of higher learning, especially A.B.U, Kaduna & Katsina Polytechnics.

(2) Some existing literature on Nigerian taxation plus other relevant materials obtainable from the Joint Tax Board of Nigeria.

(3) Opinions of interested members of the Public on the activities and performance of Katsina State internal revenue board.

(B) Methods of Collecting Data

Data for the project was acquired through the following methods:-

(1) Visit to the Headquarters of Internal Revenue Board Katsina, and other Zonal offices of the Board to collect important documents and some existing literature.

(2) We also had an interview with some officials both of the Headquarters and Zonal offices. Interview was also held with some other professionals in the field with a view of gathering of more useful suggestions on how to improve upon the current strategies of revenue collection and administration in Katsina State.

The data collected from the various sources was carefully studied and analysed in order to come out with meaningful recommendations that are aimed to assist policy makers take appropriate decisions for improving the performance of revenue collection and administration in Katsina State.

1.7 LIMITATION OF THE STUDY

Indeed, there is no research project free from all form of weaknesses. The fact that nobody had ever attempted to undertake any meaningful research work on strategies for revenue collection and administration in Katsina State since its creation in September, 1987 further compounded the problem of this project.

The government 'Secret Syndrome' which characterises dealing on such sensitive matter as revenue has been a major inhibiting factor, because some vital documents which are very relevant to the research work could not be easily reached even to an insider. Some could not be released at all to the researcher inspite of assurance that all secrets should be kept and treated as such.

However, some useful informations has been obtained from the relevant government departments precisely the internal revenue board. Also a sizeable and reliable information on related topic especially through Newspapers, Speeches, pamplets and periodic government reports has also been obtained.

The above limiting factors not withstanding, alot of efforts has been put in order to realise the objectives of this study and indeed meaningful achievements have been recovered with the regard to this projcet.

1.8 ORGANIZATION OF THE STUDY

Chapter one of this project deals with the preliminary consideration which includes the following:- Statement of the problem; purpose of the study; significance of the project; scope of the study; research methodology and limitations of the study. The second chapter is concern mainly with the rational taxation, theoretical

framework of taxation; definations of relevant concepts, objectives of taxation; principles of good taxation and tax classifications.

In chapter three and four, existing strategies for revenue collection and administration, historical developments of tax collection and the general tax operation were properly analysed and discussed.

Finally, the summary, conclusion and recommendation of the project were given in chapter five.

DEFINATION OF TERMS

Total Income:

Is the aggregate (summation of) assessable incomes from all sources for the year after deducting losses and capital allowances.

Assessable Income:

The amount of Income (after charging expenses and outings against gross income) from each source in the year immediately proceeding the year of assessment.

Chargeable Income:

Is the amount of an individual's total income less personal reliefs. It is applicable only in the case of an individual as personal reliefs are not granted to other categories of taxpayers.

Assessment Year:

Means a period of twelve months beginning from 1st January to 31st December of the year.

Income Tax:

Justice Rowlah had once defined Income Tax simply as tax on income and is chargeable on gains or profits from trade, business or vocation and also from employment.

Pay-As-You-Earn (PAYE):

This is a method by which an employee pays the income tax on his earnings from employment and other sources in twelve month instalments during the accounting year.

Direct Assessment:

This is the process of taxing self-employed individuals on the basis of a standardised income to be determined in each year of assessment by the relevant tax authority of each state.

WithHolding Tax (WHT):

It is a tax deducted from rents/contract payments and paid to the relevant tax authority. The deduction is normally made before the final payment reaches the payee.

Sales Tax:

It is a tax chargeable and payable on goods and services listed in column 'A' of schedule 1 to this Decree (1986 sales tax Decree No. 7) at the rates specified in column 'B'.

Entertainment Tax:

It is a tax deducted from the sales of all form of entertainments (e.g. Cinema houses, Stadium etc) and paid to the relevant tax authority. The charge is normally based on percentage.

Stamp Duties:

It is a tax collected by the Commissioner of Stamp Duties whenever he/she stamped an instrument brought by a person or body of persons as stipulated by the Law.

Joint Tax Board:

It is a body responsible for the general administration of the Income Tax Management Act (ITMA). The Chairman of Federal Board of Inland Revenue is also the Chairman of J.T.B. Members are drawn from all the states revenue boards.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is divided into five parts. The first section deal with Theoretical Frame-work of Taxation. Definations of Relevant concepts are discussed in the second part while onjectives and principles of taxation are explained in section three and four respectively. Finally, chassification of taxes are given in section five of the chapter.

2.2 THEORETICAL FRAME-WORK

Given the Income distribution, the income tax revenue is a function of the tax base, the tax rates and the effectiveness and quality of tax administration. The tax base is established by the Legal Structure of exemptions and deductions from gross income used in arriving at the chargeable Income. The tax ability is then determine by applying the taxable rates to the taxable income brackets. In this context the amount of Tax paid by a person is the function of the efficacy of tax administration in properly enforcing the codified tax - all element of deductions, exemptions and the like are built into the analysis through this relationship. As rightly pointed out by Harold Graves (1959).

> . . . An income tax is like a stool with three legs . . . if anyone of them is defective the others would not save it

> from defective performance. The first and the simplest which gets most attention is the rate. The second is the base; it involves all issues of tax avoidance . . . The third is administration.[1]

The theory of tax structure development[2] postulates that at the early stages of economic development the basic features of taxation are the narrowness of the PIT base, the operation of poll tax, the scarcity height of Indirect taxation on foreign trade in the tax structure. In addition the tax revenue to GDP ratio is low. However, these basis features more in opposite directions as the positive measures by government propel the economy sooner or later, beyond the stagnation level.

Overtime, therefore, some taxes are likely to grow in importance while others are almost certain to decline. Personal Income Tax provides a good example of the former since personal income tax revenue is expected to increase as per capital income rises. Consequently, in the progressive tax system, personal income tax revenue has a high degree of elasticity in terms of income.

For the self-employed, his tax is based on the income declared at the end of the tax year and income under declaration is quite rampant in Nigeria. As a matter of fact the self-employed individuals in Nigeria so under-declared their income that 80 percent of them fall within the lowest income group either paying one percent of their total income as tax or completely exampt following the abolition of the flat income rate by almost all the State Governments. In a system with

ineffective tax administration, it is easy for the wealthy self-employed to evade tax completely.

Voluntary compliance is not only low, PIT enforcement is also poor. This largely explains why the PIT evasion is over 50 percent in Nigeria compared with about 14 percent in the United Kingdom. The fault is not our tax officials as such but is the tax system and the environment under which the tax system operates. Referring to the U.K, TOM Bingham in his book "Tax evasion" has this to say, and we agree, that the continued existance of tax evasion is none reflection on the in-effectual efforts of the Revenue Department which is:

> . . . faced with a virtually impossible task in an age when standards of honesty appear to have declined and tax dodging has become, if not respectable, at least acceptable in a society which now appears to regard the tax evader with good humoured envy. The unacceptable face of capitalism is unacceptable no more.[3]

Our earlier study[4] further reveals that the PIT effort in Nigeria is less than 2 percent, indicating the existance of excess taxable capacity expecially for the self-employed professionals and wealthy businessmen who only pay PIT on less than 20 percent of their total income. A PIT effort of under 2 percent in Nigeria does not compare favourable with the 14 and 15 percent in the U.K. and U.S.A; respectively. The unsatisfactory PIT effort in Nigeria is due not only to low per capital income but also to other factors which essentially reflect on the weakness in PIT administration.

Consequently, the emphirical evidence in Nigeria rejects the hypothesis that PIT revenue is income-elastic in an upward direction as the economy progresses. Hence there is a statistically significent difference between the progressivity of the statutory PIT rates and the realized progressivity. In other words, PIT is not, therefore, surprising that PIT has little or no effect on the re-distribution of income in Nigeria.

As pointed out earlier in this section, a low PIT effort of under 2 capacity is an indication that excess taxable capacity exists, but until the last few years of the military, the political will, to tax appeared weak in Nigeria while the means have not been adequate. The will to tax, as such does not necessarily mean that policy measures should be directed to further increases in PIT rates, but it largely involves the political will to enforce the tax law.

To further increase the PIT rates, will only imply a relatively greater burden on the conscientious tax payers who are mostly under the PAYE system. It is even necessary to reduce the maximum tax rate of 50 percent to about 40% so that PIT payers in the highest income brackets would have a maximum tax rate which is close to the companies income tax rate of 45 percent. The maximum tax rate in the U.K. was reduced from 83 percent in 1978/79 to 60% in 1979/80.

In 1979 the maximum PIT rate was 60% in France and 56% in Western Germany; it was 44% in Denmark (1978). The higher the marginal tax rate, the more profitable it is to avoid and/or avade tax.

The political will within the context of PIT revenue maximization in Nigeria has to be mainly exercised with respects to the self-employed taxable persons who evade tax, thereby reducing both the PIT effort and revenue.

DEFINATIONS OF RELEVANT CONCEPTS

Revenue:

It has not been possible to provide a single definition for the concept "Revenue" while Longman Dictionary simply defined it "as money received by government", Advance Leaners Dictionary defines it as "the total annual income of a state", or "money collected for public funds". It further defines 'Inland Revenue' as "income from taxation".

With regards to the general enterprises, the traditional defination of revenue . . . "represents an inflow of assests or net assests into the firm as a result of sales of goods or services by such firm.

For one, all the definations show one thing in common and tha t is the fact that 'revenue' literally represents 'inflow' or 'income' of assests (both in terms of monetary assests and physical assests). For our

purpose, we shall consider the monetary aspect of the concept.

'Revenue' is therefore defined as money or physical assests collected as income to and by the State, the government or the enterprise and which accrue from various sources. The sources could be taxation (all forms), tarriffs, customs duties etc, fines, proceeds from sales of properties or even subventions received from allocations. The sources available to a government or enterprise depends on the level of such a government or enterprise. Also, the revenue size accruing to a government or enterprise equally depends on the level of that government or enterprise.

For instance, the sources and the actual level of revenue accruing to Katsina State Government quite significantly differs from those of the Local - Government or those of the Federal Government. The concensus, however is that 'Revenue' represents inflow or income to the government or enterprise.

Taxation:

Taxation is one of the oldest institutions on earth today. About 3,500 years ago a citizen in Iraq wrote:-

> "you can have a lord, you can have a King, but the man to fear is the tax collector".

However, Lords, Kings and States have continued to levy taxes on persons and these persons have continued to live with tax collectors. Tax has been defined by various peoples and the following are few of such definations:-

(a) A compulsory contribution of the wealth of a person or body of person for the services of the public powers.

(b) A contribution from the citizens to the support of the state.

(c) A compulsory contribution from persons to the government to defray the expenses incurred in the common interest of all, with out reference to special benefit confered.

Taxation is therefore a process of levying and collection by a public authority, with proper jurisdiction of compulsory contribution from person or body of persons to defray costs incurred by the authority in common interest of all. In every country of the world, even in America with a strong belief in right of private property, government undertakes a lot of activities for common good, and government extracts in various properti**ons** some wealth of citizens for this purpose.

As a result of the colonization of the African continent a large number of existing tax systems operating in most sub-saharan African countries have their 'roots' in Western Europe. However, there has

existed what one might call indigenous forms of taxation in many of these countries. The imposition of coloniasm, if anything, has just help to re-structure and straighten the already existing form of taxation with the base of the taxes remaining largely unchanged.

As a result of process of taxation some taxpayers find themselves with less money to spend and the government finds itself with more money to spend. This transfer of property right from citizens to the government gives rise to obligation on the government to use the right in a way most beneficial to the citizens as a whole.

The above defination have made it clear that a tax in the modern content is a legal instrument which is used to extract money payments from citizens (or - residents) of a country or within a 'tax jurisdiction'. In a sense tax could be seen as an individual contribution to the cost of government or to the cost of providing collectively consumed goods and services like defence, immunization, pollution control, water supply etc.

Conceptually, a tax formula contains at least three basic elements including:-

(a) a defination of the tax base ie the object on which the tax is imposed;

(b) the rate structure ie how it is graduated to

conform to certain basic objectives of taxing authority;

(c) the identification of the person or corporates body who bears the legal liability of the tax, particularly when it is a direct tax.

Income Tax:

It is sometime difficult to define income tax, precisely as income tax appears to be self-descriptive - that is tax on income. Even the income tax management Act does not give any precise defination of income tax. Justice Rowlaft had once defined income tax simply as tax income. A political economist had once defined income tax as the levy by public authority with 'jurisdication of compulsory contributions by the citizens to defray part of the cost of government activities in providing the needs of society. I would like to ass to these definations that personal income tax is the best example of direct tax the impact and incidence of which falls on one and the same person.

In this attempt to define income tax, the question ask itself - what is income for tax purpose? To answer this question, one most bear in mind the foundamental legal principle of taxation that income tax is the creation of statute and as decided by Lord Atkinson in the case of "Ormond Investment Coy. V. Black (1881) " No tax can be levied on a citizen

ithout expressed words in the statute or taxing act clearly stating the intention to lay the burden upon him" It could be deduced from this that only income that are schedule by the tax law are taxable income.

Income tax is chargeable on gains or profits from trade, business or vocation. This excludes isolated transactions such as winning from football pool. But income from illegal earnings such as prostitution or smuggling are income for tax purposes. The taxing of illegal income however does not legalize the business.

Having attempted to define income, I should like to say something about concept of personal income tax. In recent times, personal income tax is considered not only in relation to the revenue needed to finance government expenditure but also as an instrument of political and economic policies as well as re-distribution of income, and manipulation of the rates of tax in such a way that will benefit long term growth of the economy.

2.4 OBJECTIVES OF TAXATION

The primary objective of taxation is to raise revenue to defray the cost of government. The ratio of government spending to private spending varies from country to

country, the greatest variation being between "developed" and "developing countries". The proportion of the national income taken in taxation varies similarly.

Economic and Social Functions of Taxation

Even though raising revenue for the government was the original and still remains a significent purpose of taxation, taxes are also useful as instruments of economic and social policies. In some cases the non-revenue purpose of taxation may be accounted of equal, if not greater importance with its ability to yield revenue

(a) Re-allocation of Resources

The distribution of resources is concern with the adjustment that society decides to make in order to correct for deficiencies in the distribution of resources and wealth. This adjustment is mainly, done through taxation and should involve horizontal and vertical re-distribution of income such re-distribution maight for instance favour rural against urban tax payers, it might favour these with small earnings as against those with large ones, and it certainly favour those who abstain from liquor and tobacco against those who are heavy consumers of these economic goods e.g. through sales tax.

In a free economy for instance, a tax system can influence the pattern of allocation of resources

for production. In the U.S.A for example rates of tax on such necessities as milk, meat and similar food items are low, hence the citizens are encouraged by the accompaying relative law prices to consume a large quantity of these items.

On the other hand, prices of liquor, tobacco, household appliemies are made relatively high, becuase of high rates of tax on them. As a result, the citizens are discouraged from consuming much of these items. The resulting pattern of demand dictates the pattern of production which in turn directs the allocation of resources in the economy.

In Nigeria, the government attempted to do the same by introducing sales tax in 1986 on such items like liquor, Tobacco and hotel services. However, this may hardly become as effective as that of U.S.A. because of the government in-ability to keep the prices of such necessities like milk, suger, meat and other similar items low.

However, the government of Nigeria had from time to time given tax concessions to encourage businessmen and Investors to undertake or intensify activities in certain sectors of the economy. For example, to encourage agricultural activities and establishment of agro-allied industries, import duties on agricultural machinery and equipment were

abolished by the 1980 fiscal measures while exercise duties were imposed for the first time on umbrellas and metal Grown Cork. Also as a means of encouraging manufacturing for export, the Federal government in 1980 Budget, introduced additional grant of 5 percent annual allowance on the plants and buildings of any company engaged in the manufacturing of goods for export.

(b) Taxation and Economy Policy:

It is generally made sense for every government Budget to have a main theme related to the current needs of the economy. In early 80s many State Military Administrators in Nigeria introudced their budgets with different insinuating descriptions as belt-tightening budget or austerity budget designed to continue the drive against over spending tendencies. To effect such drive, taxation was used as a means of transfering money from the spending potential of the private sector to the spending potantial of the public sector. Similarly, taxation has been used at different times as instument to avoid inflation or deflation throuh its controlling influence on consumers expenditures.

To encourage the growth of local manufacturing industries custom duties has over the years been imposed on certain imported items considered luxury. The general idea of the infant industry

arguement is that the industries of the developing countries often suffers from economies of scale, Juvenile weakness and other growing pains, such industries may be viable, in the early stages of their development, to withstand the aggressive competition of the established industries of the developed nations. To overcome these initial dis-advantages, these young industries are often accorded tariff protection against imports from the better endowed foreign competitors.

(c) Income Re-distribution:

The burden of taxation should be spread as fairly as possible, having regard to ability to pay. For along time taxation has served as a tool for income re-distribution particularly in developed economies of the Western World. One leading management consultant once claimed that before world War II, the top men in industries earned fifteen times then the pay of the ordinary floor worker. However, today, the highest paid people in industries earn only six times the ordinary worker wage after tax. The probable base for the claim of taxation as a means of income re-distribution are the maximum of ability to pay and the concept of progressive tax rate. As people with high incomes pay high taxes, and vice versa, the enhanced spending ability of the government is to the good for both poor and rich.

Two conclosions deserve to be made in connection with the use of taxation for income re-distribution. First, with respect to money income, a tax system is distributionally neutral if it reduces each person's income in the some proportion. Sedondly, there is no agreement that taxation can be a good tool of wealth distribution. Also strong view exists that inflation is more effective in redistributing wealth than taxation. It is difficult to see why we should strain at the giant of a wealth tax which will gield less than ₦500 million, when we have already swallowed the carmel of inflationary policies which redistribute wealth at a rate which is more than six times as great. However, it is a truism that but for progressive rate of taxation the disparity in wealth between the rich and the poor would have been even greater.

(d) Social and Medical factor:

Considering the fact that heavy taxes are imposed on tobacco and alcoholic, drinks exemplifies the use of taxation for social and medical purposes. Similarly, purchase tax was introduced for the first time in British empire with considerable importance attached to its use as a means of limiting civilian consumption and thus freeing certain resources for the war effort. Further more, Tax allowance, Tax Holiday or Investment Allowance has been used by the

government to encourage the provision of scientific research facilities and re-equipment of industry, while profit tax has been used discriminatingly in favour of undistributed profit with the object of encouraging companies to plough back profits in their business.

2.5 PRINCIPLES OF GOOD TAXATION

Generally principle of taxation are difficult to discern, and when found, are frequently contradictory in their effect. There are four accepted principle which govern most tax systems. They are set out below and it would be a rewarding exercise for you to consider them in relation to taxation as it affects the citizens of your State. You should also bear in mind that taxation is concerned with more than Just personal Income tax, it includes - Community tax, Import and Tobacco taxes, oil and tin royalties, motor and tother licences are all part of the whole structure of taxation in this country.

(a) Equality:

The burden of taxation should be spread as fairly as possible, having regard to ability to pay. Equity demand that there should be no distinction between citizens similarly , placed all users of petrol must expect to pay the petrol tax, but the principle is not violated by the fact that cyclists do not pay the tax, taxes of this nature do, of course, figure in the prices of all commodities which have to be transported by road of

any stage, and petrol tax is therefore indirectly borne by non-motorists in the community. You should consider how personal income tax measures up to this principle.

(b) Certainty:

The supposedly tax to be paid by a person or body of persons ought to be certain, and not arbitrary. The form of payment, the manner of payment, the quantity to be paid ought all to be clear and plain to the contributor and every other person. History is replete with examples of disastrous consequences of attempts to violate this principle. Notably, it was a tax system under which dishonest and cruel collectors extorted any amount from the peasent farmers which contributed to the French Revolution of 1789. The imposition of a tax system called ship-money, contributed to the English Civil War and eventual execution of King Charles I in the 17th Centry. In Nigeria, it is alleged that various taxes imposed by the chiefs and rulers before the advent of the Colonisers were unwieldy, complicated and consequently lending themselves to abuses and perversion of Justice. But history does not record any violent upheavel as a result of imposition of such arbitrary taxes.

(c) Convenience of Payment:

Every tax ought to be levied at the time, or in the manner, most likely to be convenient for the contributors to pay it, convenience of payment requires, among other things, that object and time of collection of the tax be related to the habit of the people.

(d) Economy in collection:

Taxes cease to be profitable source of revenue when administrative costs are too high, they should therfore be in-expensive to administer. "Easy" here also con notes "Convenient", - fitting in well with the habits and costoms of the community. This aspect should be considered when, as often happens, possible new taxes are suggested to take the place of existing ones, would strange new taxes be prohibitively difficult, therefore expensive, to administer becuase they do not fit in with the habits of the communites in Nigeria? To what extent are those hanits likely to change in the foreseable future so as to make the suggested new tax more acceptable?

Finally, the "form of payment, the manner of payment and the amount to be paid ought to be chear and plain". The possibility of conflict between the first principle and this one has already been noted. The effort to spread the

the burden fairly, so that no hardship of any sort would be possible, would require legislation so intricate and so full of exceptions and provisions that it would be un-intelligeble to the ordinary tax payer. Many claim that the tax legislation in the "Developed" Countries has already reached this state and that the fourth principle is being ingnored.

2.6 CLASSIFICATION OF TAXES

Taxes are often classified, according to method of payment into:-

(a) Direct Taxes:

Where the person so taxed makes his payment direct to the revenue authority. Examples are personal income tax, company tax, licence fees.

(b) Indirect Taxes:

They are normaly taxes on goods or services collected from the importer, manufacturer e.g. the operation of sales tax in Nigeria, although ultimately borne as part of the price of the goods or services by the consumer. Petrol tax, tobacco and import duty are examples of Indirect taxes.

In general, direct taxes are on income (and some times on capital) and indirect taxes are on outlay, although the classification is sometimes difficult to apply and some levies, which appear to be on

outlay (e.g. licence duty on a private motor car) are paid direct to the taxing authority. Classification of taxes into direct and indirect categories is easier applied than defended. By popular usage, many authorities can easily identify the different types of tax that will fall in either the direct class or the indirect class.

But some problems arise when one has to justify why a particular item is put into one tax class and not the other. This difficulty arises because the determination of the ultimate incidence of a tax is not easy. An imposition of reactions in the economy which no economic analysis can adequentely explain. For example, when a car importer pays custom duties on his merchandise, the duty will effect the selling price of the cars. First simple micro-economic analysis predicts that in the short-run the unit tax or custom duty on each car will r raise the price per car but by less than the amount of the tax so that the burden will be shared by the consumer and the importer. But the proportions of sharing is not easy to fix.

Secondly, because of the custom duty (and other taxes) paid by the car buyer/transporter, the commodities transported will attract higher fares. The car importer will be among those paying higher prices for his food stuff or other requirements

becuase of the increased cost of transportation. So one can not really say that the custom duty paid on the car was absolutely indirect tax on the arguement that the incidence was passed on, neither. Can one unequivocally state the ultimate location of the incidence of the custom duty.

Similarly, it may be difficult to convince a layman that a tax on salary of an employee under 'PAYE' system is a diredt tax. The employee may never have gone to the revenue office or government treasury to pay his tax, rather he pays his tax through his employer. Yet taxes on salaries and wages are generally classified as direct tax.

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C H A P T E R T H R E E

3.1 I N T R O D U C T I O N:

In this chapter, attempt was made to present a brief history of revenue collection and administration in Katsina State. An analysis of organisational set-up and varous strategies for revenue collection and administration were also discussed.

3.2 History of Revenue Collection and Administration in Katsina State:

The present Katsina State Internal revenue Board has its root from the former defunt Kaduna State Internal Revenue Board. However, the issue of revenue collection and administration in Katsina State like every other State curved out from the former defunt Northern Nigeria could be traced as far back as 1962 when the operation of tax was based on the income Tax management Act of 1961 (I.T.M.A.) as amended and Personal Tax Law (P.T.L.) of 1962 (as amended).

In 1962, the Northern Nigeria personal tax law was enacted, and a new formula of sharing tax revenue between the former Northern Nigerian government and the then Native Authorities was also introduced. The regional government allowed the native authorities to retain twenty percent of P.A.Y.E. and Direct assessment proceeds which they collected in accordence with the commissioner of Revenue Division of the then Ministry of Finance. The remaining eighty percent then goes to the than Northern Nigerian

government Treasury.

According to section 3 (1) of the personal Tax Law of 1962, it was stated that "the authorities responsible for the administration of this law shall be the Director of the State Board of Internal Revenue, who shall be a public officer, and such other persons as may be necessary, the Director of the State Board of Internal Revenue, may however authorise any person to perform or assist or advise in the performance of the functions under the law other than some specified function".[10]

In 1967, the then Federal Military Government created twelve autonomous States with a view to remove the inbalance in political structure of the country. As soon as the twelve States governments got settled with their new Military governors, Decree No. 15 was promulgated which gave financial provision for all States and each of the six states curved out from the former north was to receive from the Federation acount 7/42 of the amount going to the former Northern regional government[11]. With the above new position former Kat ina province still remain part of the former North Central State which later renamed Kaduna State.

In 1970, the personal Tax Law (amended) Edit confered the power of distraint on the Director of the State Board of Internal Revenue. However, the local authorities were releived of the responsibility for the collection of Direct assessment tax, therefore deprived of the twenty percent share of revenue. This particular act, made the

various states Internal Revenue Boards more functional.

The 1973 Decree No. 7 repealed the personal Tax Law Edit of 1970 and transfered the powers to the Director of the State Board of Internal Revenue and such other persons as may be necessary (section 3 (1)) have, therefore, been given the legal backing to levy tax on taxable person defined by the law as "any Individual having any income which is chargeable with tax under the provisions of part III.).

In 1976, the then Murtala/Obasunjo government created seven additional states which changed the Federal structure from twelve to 19 states in the Federation. However, Katsina State was still part of former Kaduna State until September 27th 1987. When it was curved out of the former Kaduna State of Nigeria. Up-to the time these seven new states were created, the state authority responsible for Internal revenue generation and collection remained the Revenue Division of Ministry of Finance. However, in 1980 the P.R.P. government of Kaduna State transfered the department to the Governnor's office for effective supervision. It was later transfered back to the Minitry of Finance as a department by the N.P.N. government of Kaduna State in 1983.

Katsina Revenue office itself was only commissioned in 1973 to suplement the activities of Kaduna and Zaria revenue office s which have already been in operation for a quite a long time. However, in 1982, four

additional offices were opened in Daura, Funtua, Dutsin-ma and Kafanchan in an effort by the then civilian government to genetate more revenue for its current and capital expenditure.

In 1985, the Revenue department which has been in operations under the Ministry of Finance was up-graded to a full pledge autonomous Board by the government Edit No. 12 of 1985, and became know as the Kaduna State Board of Internal Revenue.[12]

It may be interesting to note that upto this moment, I am carrying this research work, the Katsina State Internal Revenue Board althouth a full pledge Board itself is still operating under the Edit No.12 of 1985 of the former Kaduha State.

However, since the inception of Katsina State in September 1987, the Revenue Board has become more functional with a lot of improvements and modifications particularly in the organisational structure of the Board.

COMPOSITION OF THE BOARD :

Section 5 of the then Kaduna State Edit No.12 1985 as amended and adopted by Katsina State Internal Revenue Board, stated the number and composition of the Board as follows:-

"The Board shall consists of the following members:-

1. The Chief Executive of the State Internal Revenue Board who is also the chairmena of the Board to be appointed by the Governor;

2. The Secretary of Internal Revenue Baord sho is also the secretary of the Board.

3. One representative of each of the following Ministries:
   Finance
   Local Government
   Justice
   Commerce and Industry

4. Chief Vehicle Inspedtion Officer, Ministry of Works and Housing.

5. Director of Lands, Military Governor's Office.

6. Two representatives private sector who shall be a businessman and a chartered Accountant/Banker to be appointed by the Governor.[13]

FUNCTIONS AND POWERS OF THE BOARD

Section 7 of the same Edit States the functions and powers of the Board as follows:- " The Board shall have the power to:-

(a) Administer the provisions of the personal Tax Law in the State.

(b) Assess, collect and account for all taxes in the State and may do all such things as may be deemed necessary or expedient for the assessment and the collection of such taxes;

(c) Supervise the collection of all revenue to the state which other ministry or Department collects;

(d) Revise all absolete rates collected by the Board; and

(e) Liase on tax and revenue matters with the Federal and all other state governments through the Joint Tax Board".

The former Kaduna State Revenue Division of the ministry of Finance was abolished by section 26 of the same Edit No.12 of 1985, which states that "the Revenue Division of the Ministry of Finance is hereby abolished, resulting into the emergence of the former Kaduna State Board of Internal Revenue.

3.3 ORGANISATIONAL STRUCTURE OF REVENUE BOARD IN KATSINA STATE:

At the top of the affairs of the Board is the chairman/chief Executive ofthe Board and eleven othe members, six of which are based on ministerial representation while two are political appointees by the Governor, among the rest, one is the secretary of the Board and the other representing Traditional rulers.

The chairman of the Board of governing council is also the chief Executive of the Internal Revenue Board. In-respect

to his function, section 3 (1 and 2) and 39(1) of the personal Tax Law, Northern States of Nigeria of 1962 (as amended) confered to him the responsibility for the administration of revenue (tax) Laws.

The Chairman/Chief Executive is assisted by two Directors:-

(1) Director Administration and Finance:-

Who is responsible for the finance and accounts personnel, establishment matters and management services of the Board. He or she also co-ordinates the activities of all the finance and administrative matters of all the technical staffs. Under this office, these are two sections.

(a) Adminstration Section:-

Headed by an Assistant Director and deal with all staff matters.

(b) Finance Section:-

Headed by an Assistant Director Finance and deal with all finance matters including staff salaries and other expenses.

(2) Director Tax Operation:-

Who is incharge of all technicla operation of taxation and he is directly responsible to the chariman/chief Executive of the Board.

To improve upon the strategies of revenue collection and administration, the management has recently re-organized the Board into four Zones: A. B. C. and D

and all Zones become functional in January 1991. Each of the four zones is headed by assistant Director who is responsible for the day to day operation of the zone. He is to be held responsible for what ever happens in his zone. This is an intentional decision of the Board to enable it improve on the collection and administration of Revenue.

However, all the Assistant Zonal Directors are directly responsible to the Director Tax Operations. They will have to report all happenings in their zones to him. The practice, in the general tax operation is based on line organization management system. The line of management ranges from the Diredtor Tax operation to Assistant Zonal Director and up-to the tax assistants. All work is generally done for and on behalf of chairman/chief Executive.

The current organizational set-up which zoned the tax authority into four and give responsibilities to the more senior officers in themore organised unit will definately faster both the administration and collection of revenue in the state as against the former arregement where centralization of activities was given more emphasis.

As far the current structure, the Revenue Board now operetes under four zones which constitute the following:-

1. ZONE 'A'

   Under an Assistant Director constitute the following local government areas:-

Katsina

Rimi

Bindawa

Kaita

Jibia

2. ZONE 'B'

Under an Assistant Director also constitute the following local Government areas:-

Daura

Zango

Mashi

Mani

Ingawa

3. ZONE 'C'

Under an Assistant Dirscotr also constitute the following local Government areas:-

Funtua

Malunfashi

Bakori

Faskari

Kankara

4. ZONE 'D'

Under an Assistant Director also constitute the following local Government areas:-

Dutsin-Ma

Kankia

Safana

Batsari

Musawa

Presently, this current arrangement is proving to be very effective as th general collection is growing steadly and I would like to recommend it to other states Internal Revenue Boars who may be willing to adopt something similar.

Under Zone 'A' there are six Operational Sections and are as follows:-

1. Pay-As-You-Earn Section:

All tax matters of all workers of both public and private institutions are being administered in this section, in so far as their taxes are being deducted from their salaries and wages by their employers, However, it should be noted that these employers must have been directed to operate the Pay-As-You-Earn System.

This section is usually headed by a Chief or an assistant Chief Inspector of Taxes, who is also being assisted by either a Principle Inspector of taxes or a Senior Inspector of taxes.

2. Direct Assessment Section:

This Section is responsible for indentification, asse

and collection of taxes from self-employed persons, like sole proprietors, business persons, professionals and all other self employed artisans.

The Section is headed by a Chief Inspector of Taxes who is being assisted by a principal Inspector of Taxes.

3. Collection and Accounting Section

This section is subdivided into two sub-units namely:-

(a) Collection and Accounting (P.A.Y.E.)

(b) Collection and Accounting (Direct Assessment)

The Section is responsible for Collection and Accounting for all taxes of the Board. It is also responsible for the collection of all accounting records from all the four Zonal offices.

All follow ups on tax arrears or defaults are being administered here also. It is in this section that the monthly and end of year collection reports are being prepared.

This section is the central privot of all the other sections including other Zonal offices. All information regarding the accounting, collection and or recording of withholding tax on contracts, dividends and any other levy that the government of the state may decide upon are being administered here.

This section is headed by an Assistant Chief Inpector of Taxes and is being assisted by two principal Inspectors

of Taxes, who are in turn incharge of the collection direct assessment and collection payee. The other sub-units are being manned by Inspectors of Taxes.

4. Indirect Tax Section:

This is a new section entirely, it evolved as a result of the recent re-organisation introuduced by the Management to further enhance the revenue collection and administration.

The Section is responsible for assessment and collection of all indirect taxes which includes:-

(a) Entertainment tax

(b) Sale Tax

(c) Stamp duties.

5. Information and Intellegence Section

This section has as its responsibility the gathering of all information concerning tax matters of individuals and corporate bodies (both receivable and distributable information) from the other sections of the Board, including other Zonal Offices. It liaises with the other states Revenue Boards as well as the Federal Inland Revenue Offices for the exchanges of information concerning tax matters.

Most of the work of this section involves going out for the indentification and or ascertaining of information received, more especially those involving the self employed artisans.

The section is headed by an Assistant Chief Inspector of Taxes and is being assisted by some Inspectors of Taxes.

6. Vehicle Liecences Section:

This section is headed by a Principal Inspector of Taxes. It is responsible for the administering and monitoring of all the vehicle liecences offices in the state. It liaises with the office of the Chief Vehicle Inspectorate Officer (V.I.O.) of the Ministry of Works and Housing of the State.

For organisational chart of the Board, see Appendix I

3.4 Personal Income Tax Processes:

Personal Income Tax is one of the main sources of internal revenue to all States in the Federation. Thus the determination of assessable income is one of the major tasks of revenue authorities.

According to the provision of section 20 (1) of income tax management act of 1961 (as amended upto 1979) states that "the income of any individual for each year of assessment from each sources of his income (here-in after referred to as "assessable income") shall be the amount of the income of the year immediately preceding the year of

assessment from each such source, notwithstanding that he may have ceased to possess any such source or that any such source may have ceased to produce income.[14] This provision is made to enable both the tax authorities and tax payers determine whether there is a profit or loss in business. The assessment is done whether or not the source of income has ceased to exist or has ceased to produce income.

A tax payer, however, has the right to object to an assessment and appeal against same. But section 28 of personal income tax law of Northern States have empowers the tax authorities to refuse to amend an assessment as well. Section 15 of I.T.M.A. states that any appeal with respect to assessment of income arising from and decision or direction of the Joint Tax Board under sub-section (2) of section 14, shall lie only to the federal supreme court at the instance of the person in whose hands that income is assessed to tax, and no shareholder shall have any right of appeal with respect to any amount deemed to be his income under the provisions of sub-section (2) of section 9,[15] of this Act.

1. Liability to Pay Tax:

A person that is resident or to be resident within the state on the 1st January of the year of

assessment is liable to pay tax. According to section 3 (2) of the First Schedule of I.T.M.A. which states that for any year of assessment tax may be imposed only the state in which the individual is deemed to be resident for that year.

Section 1 of the first schedule sub-section 3 (2) states that "place of residence" in relation to an individual means a place available for his domestic use in Nigeria on a relevant day, and does not include any Hotel, Rest-house or other place at which he is temporarily lodging unless no more permanent place is available for his use on that day.

"Principal place of residence" in relation to an individual with two or more places of residence on a relevant day, not being within any one temporary, means:

(a) In the case of an individual with no source of earned income other than a pension in Nigeria that place of those in which he usually resides

(b) In the case of an individual who has a source of earned income other than a pension in Nigeria, that place of those which on a relevant day is nearest to his usual place of work;

(c) In the case of an individual who has a source of earned income in Nigeria, that place of those in which he usually reside".

2. Income Exempted from tax:

Not all incomes are taxable, however, some incomes are exempted from tax and they are as follows:-

(1) The official emoluments of the Head of State and the State Governor's; and of any person(s) performing their functions received by such person(s) in that capacity.

(2) The establishment allowance of a chief.

(3) Income of persons engaged by various overseas aid agencies such as U.S.A.I.D; U.N.E.S.C.O; I.C.R.C. etc.

(4) Income of ecclesiactical, charitable or educational institution or public character, as far as such income is not derived from trade or business.

(5) Income of any local government or government institution.

(6) Interest paid or credited to any person by the Nigerian Post Office Saving Bank.

(7) Income of any Trade Union registered under the trade unions ordinance in so far as such unions income is not derived from trade or business.

(8) Gratuity payable to government officers subject to a maximum in cases of services not

amounting to five years or ,000 per year of service, any axcess is taxable.

(9) Income of any statutory or registered friendly society in so far as such income is not derived from a trade or business, carried on by such a society.

(10) Investment income of bodies running approved pension, provident retirement benefit scheme.

(11) The renumeration of any consumer office of employee of a foreign country except where the employee is engaged on domestic duties or he ordinarily resides in Nigeria.

(12) Income of any registered co-operative society.

(13) The emoluments payable from United Kingdom funds to an individual in the permanent service of the United Kingdom's government in Nigeria except where employee is a citizen of Nigeria and he ordinarily resides in Nigeria.

(14) Wound and Disability pensions granted to members of the Armed Forces or any recognised national defence organisation or to persons injured as a result of enemy action and

(15) Death gratuities

3.5 Personal Income Tax Operations:

Personal income tax operations in Katsina State zonal revenue offices centred mainly in the following sections:-

(1) The Direct Assessment section, and

(2) The Pay-As-You-Earn (PAYE) section

1. Direct Assessment tax operation:

The tax assessment of traders, self-employed persons and partnerships are all under the jurisdiction of this section. At the begining of each year of assessment, these group of tax payers are issued Rev. 49 and are required to submit returns of income latest at the end of three months in the relevant year of assessment. The practice in Katsina Revenue Board are as follows:-

Before the commencement of the year of assessment usually in december, this category of tax payers are normally served with relief forms (Rev. 49) in which they are advised to declare their incomes and return the forms within a period of three months beginning from the first month of the year of assessment.

When completed and returned, notice of assessments are then sent to the tax payers which serves as the first "demand notes" for the tax due. The notice will indicate a tax payer's assessable income, the tax payable and the place of which payment are to be made. Tax payer's right to object to the assessment, if he does not agree with the assessment is also indicated.

Income earns during each year of assessment, which is the year commencing on 1st January and ending 31st december, will be subject to tax deductions under the systems, and earnings including salaries, wages, fees, bonuses, commissions and allowances payable in money except amounts which represent re-imbursements of expenses incurred by the employee or office in the performance of his duties.

Under this cheme, the estimated amount of personal income tax due for any year is collected through the employer who deducts the tax from payments or renumerations made to the employer.

According to section 3(2) of the personal tax laws of Northern States of 1062 (as amended) only those employers who have been directed to operate the scheme of P.A.Y.E. have the right to deduct the income of the employees. Any employer that has not received a notice of direction has no authority to operate the pay-as-you-earn scheme.

In the P.A.Y.E. of the Board, there are some forms that are usually supplied to the employers free of charge such forms include:-

(a) Tax Relief Forms (Rev. 49)
(b) Tax Deduction Cards (Rev. 4m)
(c) Tax tables
(d) Annual Return Forms (Rev. 9 and 9c)

lative basis and covers only the tax calculated at the scheduled rates. It should be notified that the tax due on any taxable pay to date for a taxpayer in a certain month is different from the amount payable by that same person on the same figure of taxable pay in another month. Consequently, the user of such tables should be extra careful to ascertain the appropriate month applicable to the case inview in order to obtain the correct tax figure applicable to that taxpayer for the month dealt with.

d. Annual Return Forms (Rev. 9 and 9c)

The employer of labour sends the list of his employees in this form during the year of assessment, showing total salaries and wages, total tax paid by each employee less any refund. There is also columns to indicate the employer's monthly remittances, which when added up should reconcile with the total tax deducted and paid less any refund(s) during the year. All directed employers are supposed to obtain and submit this form on or before 31st of January preceding the year of deductions. [18]

[8577+]

e. Leaving Certificate

This is used when an employee is leaving an employment for another within the country or is leaving Nigeria completely. It is made in triplicate.

misfortunes.

(b) The problem of lack of voluntary compliance people do not show up voluntarily until perhaps events and circumstances forced them.

(c) Many tax offices often run short of return of income forms, tax deduction cards, income tax receipts and income rate receipts.[19]

3.7 Meaning of Strategy:

The term strategy is derived from the Greek 'strategos' meaning general. In a military sense, it involves the planning and directing of battles or campaigns. In the business sense however, the term refers to actions by management to off-set actual or potential action of competitors.

Kenneth A. Runyon expressed that the term is used to describe how objectives are to be accomplished. Thus strategy statements communicate the principles used in selecting and or/utilising ways to achieve a set of objectives.[20]

According to W.F. Gluek (1980 page 8), strategy is a unified comprehensive and intergrated plan relating the strategic advantages of the firm to the challanges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved.[21]

Richard Vancil of Harved University defines the concept of strategy as follows:- The strategy of an organization is a conceptualization expressed or implied by the organization's leader of (i) the longterm objectives or purposes of the organization (ii) the broad constraints and policies, either self imposed by the leader or accepted by him from his superior, that currently restrict the scope of the organisation's activities and (iii) the current set of plans and near term goals that have been adopted in expectation of contributing to the achievement of the organization's objective.[22]

3.8 Existing strategies for revenue collection and administration:

For any organization to succeed there must be some established strategies in pursuance to achieve its goals and objectives. Below are therefore some of the strategies used in revenue collection and administration in Katsina State:

(a) The issue of Tax Clearance Certificate (TCC) in order to make people pay adequate tax on earnings, tax clearance certificate was introduced mainly to improve tax collection. Therefore tac clearance is demanded in respect

of the following transactions in Katsina State:-

- Tender for award of government contracts.
- Approval of all building plans.
- Candidates for election.
- Issue and renewal of a market stalls.
- Issue and renewal of liquor licences.
- Application for registration of vehicles.
- Application for government quarters.
- Bank Loans.
- Application for foreign exchange.
- Application for certificates of occupancy.

Because this particular strategy has become very effective, in some states of the federation, it is now been used as punitive measures, that they dont recognise T.C.C. from their or other states of the federation. However, this is contrary to the law and of course the spirit of unity. The problem of double taxation should be checked and people be made to pay tax only in their right places of residence.

The delay often encounted in obtaining tax clearance certificate definately calls for a review. Some states have used it to collect tax in advance while in some cases the innocent employee has been made to suffer for the delay or failure of his

employer to remit PAYE tax to the tax authorities. The result of course has been everybody for himself and God for us all. It is indeed unfortunately that political flavour has been thrown into what is basic to the progress and development of the nation.

(b) The issue of raising additional assessement particularly as it effect PAYE cases before issuing T.C.C. - although, this particularly strategy has helped to improve collection over the years, it has however, had some breakdown, because it has made innocent employees to suffer as a result of either none remittances or under-deductions by their employers, the tax authorities should do something with dispatch to correct these anomalies.

(c) Advertisement in local T.V. and Radio stations: This is another strategy recently employed by Katsina State Internal Revenue Board, whether it is going to be successful or not, only f future would be able to tell. However, with the current development of which more and more people are becoming concious of the use of televisions and radios, we hope very soon, this strategy will yield a positive result.

(d) Collection visits and tours:- As the economy is biting hard both in the public and private sectors,, the real issue is now whether the tax authorities will wait in their offices for the tax payers to come and pay or go out to collect payments as they are due. In recent time, the Board has intensified its effort for collection visits and tours, this has indeed helped to improve collection drastically. Vehicles are provided to all zones to enable them speed the tax collection and administration.

(e) Cashier's control: This is an important strategy and was given alot of attention in recent time. All officers incharge of collection and accounting should give an extra attention to this important function of checking their cashiers in order to minimise froud and increase revenue collection. There is no need saying that he is an honest chap and I trust him. You should remember the saying that "man is a complex animal and very hard to predict" check your cashier, and by doing so, you help yourself and help him or her too.

(f) Operating saperate bank accounts: The recent decision to direct every revenue office to operate a saperate bank account is indeed a wise decision in a right direction. This, will no doubt check froud and encourage accountability.

(g) Periodic checking of ledgers, pay record cards and various books of accounts of the tax - paying organisations to acertain and ensure that correct tax is deducted and paid at a right time.

(h) Periodic checking of vehicles particulars by Vehicle Inspection Officers: The idea of licencing officers going with V.I.Os to check and sell vehicle licences as practice by the Revenue Board is a very important strategy for increasing revenue collection.

C H A P T E R F O U R

DATA ANALYSIS

4.1 INTRODUCTION:

This chapter intend to eaxmine the trends of revenue collection with regard to the following sources:-

- Pay-As-You-Earn (PAYE)
- Direct assessement
- Dividends
- Entertainment tax
- Salses Tax
- Motor licencing fees

For the period of three years (1988 - 1990) as per data collected from the Revenue Board with a view to findings ways and means of improvement.

The researcher, also intend to examine the internal control system of collection and accounting section of the Board with a view to exposing any lapses so that solutions could be provided.

Again, in this chapter the effects of income tax evasion and avoidance will be examined so as to find out all the possible problems relating to the tax collection and administration.

Finally, based on the above discussions our findings will be stated at the end of this chapter.

(a) Pay-As-You-Earn (PAYE):

4.2 TRENDS OF REVENUE COLLECTION (FROM 1988 - 1990)

(a) Pay-As-You-Earn (PAYE):

The actual collection of PAYE tax in 1988 was ₦2,184,814 as against the estimated amount of ₦3,000,000 expected to be collected during the same year. Therefore the actual PAYE tax collected in that year represent 73% of the estimated amount i.e. $\frac{₦2,184,814}{3,000,000} \times 100 = 73\%$

When this PAYE tax collection of 1989 is compared with the actual collection of some tax in 1989 of ₦3,120,278, this show an increased of ₦3,120,278 - ₦2,184,814 = ₦935,464 which has indeed shown a tremendeous improvement upon the 1988 PAYE tax collection.

However, taking the percentage factor of 1989 paye collection i.e. $\frac{₦3,120,278}{4,000,000} \times 100 = 78\%$

Still, the 1989 PAYE of 78% has shown an increased of 5% over that of 1988 which stood at only 73% of the total estimated amount to be collected in that year.

The positive trends continued up to 1990 where the percentage of PAYE tax collection increased from 78% in 1989 to 83% in 1990 i.e. $\frac{₦4,957,616}{6,000,000} \times 100 = 82.$

$= 83\%$

Although, the growth of taxpayers operating PAYE system in the state might not be unexpected due to the rapid growth of economic activities taking place in the capital of the young state, as alot of people are trooi trooping to establish one kind of business or the other. Hence the number of taxpayers kept on increasing. Alot of other factors like the changed of leadership of the Revenue Board, the change in the organisational - structure of the Board, improved transportation and staff desciplined might have also contributed alot to the improvement of the revenue collection.

(b) Direct Assessment:

In 1988 ₦3,798,325 was collected as against the estimated amount of ₦700,000 and in 1989 ₦4,840,649 was collected as against the estimated amount of ₦3,000,000 and in 1990 ₦7,280,012 was collected as against ₦4,000,000. When we consider the percentage increases in all the three years:-

$$1988 = \frac{₦3,798,325}{700,000} \times 100 = 543\%$$

$$1989 = \frac{₦4,840,469}{3,000,000} \times 100 = 161\%$$

$$1990 = \frac{₦7,280,012}{4,000,000} \times 100 = 182\%$$

From the above percentages of the D/A collection as against the actual amount estimated, one could indeed see some form of deceptions of whatever criteria used to make the proposals. Take for instance, in 1988 only 700,00 was estimated, however, over 54% of the estimated amount was collected. This may due to the inclusion of 2½% witholding tax which has always been considered to be part of the Direct Assessment. This situation always create a strong kind of deception since not even 1/10th of the 2½% contract tax is used for taxpayers assessment in each year of assessment. To remove this deception, I should therefore suggest that another accounting head be created for the 2½% contract tax, so that at the end of every accounting year, only the amount used could be included in Direct Assessment while the balance be accounted under a different head all together.

Please refer to appendix III statement of account 1989 of Direct Assessment:

Actual assessment raised	=	₦726,795.35
Actual tax paid	=	₦494,880.57 - 231,914.78
Less tax discharge	=	28,016.40
Tax outstanding	=	₦203,898.38

Therefore, when one consider the actual tax assessment of ₦726,795.35 and the actual tax collected under Direct Assessment of ₦494,880.57 with the total tax said to be collected under the same head of ₦1,840,649 in 1989, the deception could be said to be too much. The 2½% contract tax should therefore be considered th final tax on such income of the taxpayers affected just like the same way 15% rent is considered in the tax amendment Act as amended in 1989.

(c) Dividends:

₦308,124 was collected as against the proposed ₦100,000 in 1988, this showed an increased of ₦98,893 when compared to the budgeted amount of ₦100,000.

However, in 1989 only ₦28,171 was collected as against the bulgeted amount of ₦150,000 which shown a decreased of ₦121,829 against the budgeted amount for the year.

In 1990 ₦269,832 was collected against the budget amount of ₦150,000. Going by this trend, the revenue collected under this source has not been encouraging during the period under review.

Therefore, the Revenue Board, should seek

direction and you are within the tax boundry and tax is exigible. Take a step in another direction and you step outside the boundry and no tax is exigible - this is legal tax avoidance.

In illegal tax evation, the position is different, liability exists but dishonest avoidance is being sought. This can take the form of deliberate understatement of income, or dishonest ommission of income. In this connection, any self-respecting practising accountant or tax consultant should have nothing more to do with a client who seeks his help for such a purpose.

Although in recent years, the introduction of T.C.C, the Decree No. 61 of 1977 which provides for 2½% on turn-over and 1% minimum tax on total income where personal reliefs and allowances exceed chargeable income and the Decree No. 98 of 1979 which provides for 2½% (now15%) witholding tax on rent are commendable tax legislations to combat tax evasion. A battle is said to be won or lost through leadership style. The same thing applies to personal income tax, which thrives well when there is a high degree of voluntary compliance. Leaders in our society should lay good example in this direction by promptly and correctly declaring their income and pay their taxes as and when due.

In Katsina State, tax evasion and tax avoidance particularly with regard to private businessmen, including

by means of book Tellers and duplicate receipts.

- TNR receipts inrespects of all payments done by the Revenue Cashier to the sub-treasurer must be collected and posted to the Revenue Cash Book.

- All payments must also posted and recorded in the Daily Allocation Register by the officer in-charge of collection and accounting.

- Information stored are all used for end of the account balancing.

However, with all the above system of control, only an intelligent, courageous and interested officer could check the revenue collection and administration effectively. For collection and accounting control, refer Appendix IV, V and VI for the data used.

4.5 CONSTRAINTS TO REVENUE COLLECTION AND ADMINISTRATION IN NIGERIA

Revenue collection and administration is not easy as sought it to be. It must be pursued with alot of caution specially in Nigeria where voluntary compliance is not forthcoming. Members of the society are usually touchy about forms, notices and letters from the tax authorities. In effect, collection and administration problems constitute a real bane to achievement of targets.

Our emphirical analysis of the constraints to effective Revenue Collection and administration begins with their

identification. These constraints are generated by endemic factors such as:-

(a) Poor legal structure,

(b) Shortage of trained personnel,

(c) Low voluntary compliance reflected in;-

i) assessment problems &

ii) enforcement difficulties.

Each of these constraints is discussed below:-

1. Poor Legal Structure:

The laws which PIT is administered are not only out of date, they have so undergone a series of piecemeal amendments that is difficult to recognise the principal law. Consequently, the PIT laws are not easily accessible, especially as these has been no codification over the years. Between 1957 and August, 1963 when Bendel State was created, the western region income tax law (ITL) was amended 17 times. From the latter date to April, 1974, the Bendel and western state governments effected 9 and 6 amendments to the PIT law, respectively.

Another defect in the legal basis of PIT is the problem of subjecting PIT to both the state tax law and the Federal Tax Law (income tax management Act, 1961 (ITMA) as amended) in determining the structure of PIT. All that the Uniform Tax Decree[25] No. 7 of 1975 and Decree No. 61 of 1977 did was to standardize the PIT rates and reliefs throughout the Federation.

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From all indications, it appears that the legal basis of PIT so far is a complete departure from the ideal system in terms of clarity, accessibility, simplicity and codification. The implication is that the state tax law and ITMA as amended, are difficult for even the PIT officials to understand and effectively interpret.

Much administrative effort is, therefore, wasted in evading through both the state tax law and the Federal ITMA and the series of piecemeal amendments (some of which are not legalised until after two or more years) before determining the tax base for assessment purposes. This is certain not in keeping with the objective of revenue maximization especially where there is an accute shortage of trained tax administrators as in Nigeria.

A poor legal structure is a constraint to the objective of maximizing PIT and other revenues. The last lap in the uniformity race is the unification of the principal PIT laws of the Federal and the thirty state governments in accordance with the current constitution of the Federation of Nigeria. The earlier this is done the better for effective PIT administration.

2. Shortage of trained staff:

The issue of personnel is important in the general revenue administration and collection. Shortage of staff is capable of impairing the objective of maximizing revenue collection. Upto this moment several trained staff are

still leaving the Katsina State Revenue Board for a better paid job elsewhere in the country. The implication of this kind of situation is that in the bid to cover much ground, the available trained staff is so over-stretched and thinly spread that effectiveness is impaired.

Available evidence indicates that the existing PIT officials collect on the coverage over twenty times their annual salaries and they have not reached a point of diminishing returns whereby an extra hand will bring in less than the average revenue collected. Additional assessment and collections with or will - morethan justify the extra cost. For effective PIT administration hose objectives is to minimise revenue, it is therefore, recommended that vacancies should not only be quickly filled, every effort should also be made to train and retain the already recruited staff. It is our considered opinion that management functions should be added to the technical functions of the Internal Revenue Board to enhence the effectiveness of PIT administration.

3. Low voluntary compliance:

Low voluntary compliance reduces PIT coverage and revenue in attempting to increase enforcement on the self-employed, the problems involved include the identification of the tax evaders, the determination of their true income and the enforcement of tax payment. Available evidence indicates that the differences between the

income of, as well as the PIT paid by, the PAYE individuals and self-employed individuals in like economic circumstance, are highly significant.

The implication is that the conspicuous display of wealth by some self-employed individuals in Nigeria, is not reflected in their PIT base and the amount of tax they paid. Moreover, the income data obtained from our field survey[10] shed light on the degree of income under-declaration by some wealthy self-employed professionals in Nigeria.

The PIT coverage is not only poor, the self-employed persons who pay tax at all, grossly under-state their income. The existance of large PIT arrears gives the impression that some of the self-employed persons assessed to tax, are defaulters.

Weak PIT administration, therefore, tends to accentuate the problems of imbalance in the relative PIT burden borne by the PAYE persons and the self-employed in similar economic circumstances. As the PIT on persons under the PAYE system is deducted at source, administrative efforts to maximize PIT revenue should basically aim at increasing the compliance of those whose incomes is not withheld at source. We will now discuss in detail the low voluntary compliance as reflected in the problems of assessment and enforcement.

a. Problems of assessment:

Tax assessment problems centre around the location of the PIT payer and the determination of his assessable income. effectiveness within the context of PIT administration may be measured interms of the ratio of actual to potential coverage. The aim is to bring all the eligible taxable adults into the PIT set and ensure that they are not only currently taxed but also that the tax is collected.

b. PIT coverage:

The first step in PIT administration is to locate the tax-payer. The wider the effective coverage the tax revenue and the smaller the extent of PIT evasion.

PIT coverage could be expressed interms of the number of tax payers or interms of total revenue on the basis of the ratio of the "actual" to the "potential". Using the ratio of actual coverage to potential coverage, the degree of effectiveness of PIT administration is under 50 percent in Nigeria.

The policy recommendation to increase the performance of the PIT authority in each of the 30 states is to increase the quality and quantity of PIT personnel and physical facilities with a view to not only bring the taxable population into the tax net but also to correctly assessing them and effectively enforcing PIT collection.

c. Incorrect returns and income under-reporting

The taxable self-employed persons who are normally expected to submit returns, rarely maintain accounts of their business. As the former western state commissioner for internal revenue put it:-

> "What one discovers is that the educated taxpayers prepare two sets of accounts, one true and fair to the the other cooked up for the internal revenue. There is the problem of their reluctance to submit their bank statements".

The other problem of assessment starts from the u under-reporting of income which also narrows the tax base and reduces the taxpayable. In income tax terminology, this is referred to as 'tax evasion'. This term is often used erroneously as a synonym for 'tax avoidance'.

The levying of PIT is purely a statutory exercise. The PIT laws, however contain loopholes which some smart taxpayers have not hesitated to exploit with aview to reducing their tax liability. A person may, for example, take an additional life assurance policy or decide to marry in order to increase his tax reliefs thereby reducing his tax liability. This action is legal because the tax law makes provision for such

reliefs subject to a defined maximum. An individual who takes advantage of such legal provisions is marely "avoiding" tax. All he does is to schedule his transactions in such a way that his PIT liability is smaller than what could have paid.

Tax evasion is a term which covers not only cheating and froud of various kind, but also those failures to comply with tax law due to ignorance, under-declaration of incomes, overstatement of expenses and reliefs, this understanding of tax regulations or negligence is safeguarding records. Tax evasion is a criminal act aimed at reducing tax liability. This aim is only achieved by breaking the tax law.

PIT administration cannot be blamed for tax avoidance since the law provides loopholes for successful tax avoidance. Ineffective tax administration amd collection, however, is the main factor responsible for large-scale tax evasion in Nigeria. The preventiion of tax evasion thus becomes a major area to which tax administration should direct its eiforts. In the words of Phillips:

> "One of the ultimate tests of administrative effectiveness . . . is the extent to which tax administration can prevent tax evasion", [28]

In the 1965 - 66 budget speech, the western state minister of finance pointed out that

> " . . . if all men of affluence and influence in one society . . . will honesty play their part as honest citizens of the region we should collect ten times as much as we do at present from self-employed person . . ." [29]

I could say, without any apology that the above statement still hold in Nigeria content.

4. Enforcement problems:

There are clear indications that inspite of the provisions in the ITL the use of PIT clearance certificate and the various methods for the recovery of PIT charged plus penalty after the due date of payment, a sizeable proportion of areas remain uncollected in Nigeria. More importantly, no effective sections - civil or criminal - appear to have been imposed against the PIT defaulters. This is certainly a poor reflection on the effectiveness of PIT administration.

However, recently in the verbal discussion with the current chairman/chief executive of Katsina internal revenue board, he assured the senior officers of the board that arrangements are on the way to start prosecuting the tax defaulters in the state and that they are only waiting for a legal advise from the state

Ministry of Justice.

The production of a PIT clearance is an effective weapon to enforce PIT. Unfortunately, this costless device of combatting PIT default did not receive the political backing it deserved until very recently. Government Departments and their agencies should know that it is their bounded duty to insist on the production of PIT clearance certificate before providing certain official services to self-employed individuals.

It is unfortunate that to date, some government officials particularly at the local government level award contracts to individuals without demand for T.C.C. There is abundant evidence the world over, that, given a choice between paying and not paying, individuals will elect not to pay PIT. In a system with ineffective PIT administration as in Nigeria, it has been easy for some wealthy self-employed individuals to evade tax completely. Incidently, such tax evaders and defaulters are engaged in act vities which compel them to be in contact with the public sector. It is in this process of such transaction from which the individual usually and directly benefits the requirement to produce a tax clearance certificate becomes important.

In using the tax clearance the objective is not only to minimize tax evasion by ensuring that all eligible taxable adults are brought into the tax net and correctly assessed, but also to ensure that the tax due is promptly paid. This painless method of tax enforcement is certainly generating greater voluntary compliance, which

is very low in Nigeria.

How willing citizens pay their tax on time, Any person who evades and or avoid tax is not discharging his civic responsibility. With a low PIT effort of under 2 percent and tax evasion of over 30 percent, any policy measure that will help to bring the tax evaders into the tax net is certainly in the interest of revenue board, especially at a time when the major source of revenue (petroleum) is showing a declining trend.

The other problem of PIT enforcement centres around in adequate personnel particularly interms of quality. The shortage of qualified and committed PIT personnel is partly responsible for the pooe enforcement.

It must be emphasized that any sharp practices by tax officials will not enhence the public image of the tax authority, rather they may be capable of having demoralizing effects on the willingness of honest citizens to pay PIT thereby reducing PIT revenue. Hence, the problem of tax evasion, default and enforcement have become more intractable for the PIT authority. It is, therefore, suggested that cases involving froud and printing of fake tax receipts should be expeditiously handled and appropriate sanctions imposed.

5. Cost of Administration:

In discussing the problems of revenue administration and collection, the question of cost is generally neglected.

It is, however, important to stress that the revenue that really matters is the revenue net of the cost of administration. Where the cost of tax administration and collection is high, the net revenue would be relatively low.

Efficiency of PIT administration may be measured by the ratio of cost to revenue. An attempt to compute the cost of administering PIT faces conceptual and practical problems. Cost, in this context, is more than the expenditure provision (direct cost) in the budget for PIT administration. Conceptually, the cost of PIT administration includes the direct budget cost, indirect cost, opportunity cost and compliance cost.

The cost of the services provided by the various Government Departments and their agencies, and other 'overhead' provided by the government for PIT administration comprise the indirect cost. Included in indirect cost is the cost of the PIT services provided by employer operating the PAYE scheme. The resources which government devotes to the administration of PIT are scarce and they, therefore, have alternative uses other than PIT administration. It is the excess of the benefits accruing from the alternative resource use over the benefits of its present utilization for PIT administration, that constitutes the opportunity cost of PIT administration.

In paying tax, the payer incurs some extra expenditure.

such expenditure may arise from the fees paid to the accountant to prepare the income return or payment for professional advice on PIT. The expenditure may even take the form of transport fares to and from the PIT office in connection with tax issue, or the loss of earning while visiting the PIT office for an interview. The taxpayers may also have to foot the bill of stationary, buy stamps, pay poundage on postal orders or commission on cheques and bankdrafts. These extra expenses which the taxpayers has to meet are the compliance cost of PIT administration and collection.

Owing to time and data constraints, we are unable to employ the four types of costs discussed above to produce a comprehensive evaluation of the cost of PIT administration and collection in Nigeria. We have, therefore, adopted a partial approach by focussing attention on the direct budget cost of PIT administration which is about 4 to 6 percent in Nigeria.

It may be contented that the above cost figures are on the high side compared with the 0.6 percent direct financial cost of administering PIT in the United States of America or the 1 to 1.5 percent in Britain and Canada. [31]

Coming nearer home, the 4 percent direct financial cost of PIT administration and collection in the former Bendel-State (now Delta and Edo States respectively) of Nigeria compares favourable with those obtaining in the adminstration of PIT on the Nigerian Armed Forces Personnel.

The 10 percent of PIT collected as the direct financial cost of administering the PIT of the Armed Forces according to Decree No. 51 of 1972.

The policy implicating is that it is still rewarding to allocate more money to the PIT authority by employing more qualified personnel and providing more materials and equipment with a view to effectively increasing PIT coverage which is still under 50 percent in Nigeria. Such an expenasion may even enhence efficiency by reducing the unit cost of obtaining a naira of PIT since the Head-quarters 'overhead' would be spread over a relatively larger revenue from PIT.

4.5 SUMMARY OF FINDINGS:

From our analysis we have been able to among other things, highlight certain points which are imperative to our discussions on the effectiveness of strategies of revenue collection and administration in Katsina State.

We have been able to understand that the degree at which the existing strategies of revenue collection and administration contributed to the effectiveness of revenue collection varies from one source to another. For instance the periodic visits and tours for revenue collection work more effectively for PAYE tax collection than Direct Assessment which suffers alot from the constraint of self-employed tax evaders.

Again, it has been revealed by our analysis that the trends of revenue collection under the period of review (1988 - 90) have been very progressive except in the arears of dividends and stamp duties whose performance have been very discouraging.

The real course of the poor performance of these classes of taxes may be the absence of any meaningful industries and reputal financial institutions in the State.

In our analysis, we were also able to establish that, although there is a fairly strong internal control system in the collection and accounting section of the revenue board, there are still some lapses that could make froud possible. Therefore, there is a need to provide more avenues of checking and controlling the revenue cashiers to minimize frouds.

It has also been established that there are alot of problems regarding the effective administration of the personal income tax.

One of the problem of PIT, we observe is the absence of reliable income returns or complete absence of income returns and financial records, therefore the method employed to assess income is that of "Best of Judgement" - (BOJA) The law recommended this method, though it is subjective. Another method which is objective to some extent is the standardization of income. We observe that

this method has not been effectively used to the extent that members of the professions and trades whose income have been standardized continue to be taxed on income for below the standardized minimum.

24. Mr. Owoeye J. P. Director of Internal Revenue, Oyo State - National Symposium on taxation, 13th October, 1981.

25. National Symposium on taxation: The Nigerian tax System: A critical review, October, 1981.

26. See P. Ada Omorogiuwa, Personal Income Taxation and supply of effort in his "An evaluation of personal income taxation in the Mid-Western and Western States of Nigeria. Chapter 7.

27. Ola C. S. Assessement and collection of Personal Income Tax. A paper presented at the National Conference on Income Tax Enforcement in Nigeria Zaria, Ahmadu Bello University, Institute of Administration, May 1973. P. 10

28. Phillips, A. O. A. Note on determination of income tax evasion. Nigerian Journal of Public Affairs (Zaria) 4 (1): 18 - 24, October, 1973

29. Nigeria, Western State of Approve Estimates, 1965 - 66 (Ibadan, Government printer) 1965, Pp 18 - 19.

30. J. F. Due Government Finance: Economic of the Public Sector. 4th edition. Homewood, Illinois, Richard D. Irwin Inc. 1968 P 154

31. H. M. Groves Income tax administration, National Tax Journal (Washington D.C.) 12 (1): 43, March 1959

C H A P T E R F I V E

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of all that have been discussed in the last four chapters and they includes the main objectives set to achieve the main analysis and the findings from such analysis. Conclusions on these findings vis-sa-vis the objectives set are also drawn. Finally, recommendations are made with regards to the policy measures that should be formulated and adopted to enhence the efficiency and effectiveness of strategies of revenue collection and administration in Katsina State in particular and other states of the Federation which might have faced similar problem. In effect, the chapter is divided into three sections.

Section one deals with the summary of the major highlights of the discussions made. Conclusions based on the findings from the analysis are made in the second section while the third section presents suggestions and recommendations on measures to adopt to rectify all the anomalies highlighted in our findings in order to ensure more effective, efficient and reliable strategies for revenue collection and administration in Katsina State.

Conclusions

It is evident from our analysis and the resulting findings of this research work that contrary to expectations the performances of the various strategies for revenue collec-

tion and administration in Katsina State leave much to be desired. As shown by our findings the in-effectiveness of some of the strategies employed are largely responsible for this state of afiairs.

The low economic activities, particularly the absence of meaningful viable industries and the problem of gathering information about the taxpayers contributed to the poor performance of some classes of taxes like stamp duties, dividends and even to a certain extent direct assessment collection.

From our analysis, we also found t at the problem of tax evasion and avoidance contributed to the low revenue collection particularly in the area of personal income tax.

This research work also identifies and avaluates the barriers to effective and efficient strategies for PIT administration whose task is to minimize PIT revenue. A major feature of PIT administration in Nigeria is that a state internal tax law and the Federal ITMA have been so subjected to a series of piecemeal amendments that it is difficult even for the PIT officials to understand the structure of PIT.

As the result of some lapses in the internal control of the collection and accounting section of the revenue board, we found that a substantial amount of revenue collected usually found its way to the pockets of some unpatriotic revenue officials.

Suggestions/recommendations

With the analysis carried out, findings made and conclusions reached, it can be said that the issue of effective strategies for revenue collection and administration with particular reference to the period covered by the research project has almost been diagnosed and its attendant problems highlighted and examined.

It is therefore imperative at this juncture that in winding up the research project, certain suggestions be put forward so as to improve upon the performance of the existing strategies for effective revenue collection and administration.

The following are my suggestions and recommendations for effective strategies for revenue collection and administration:-

(1) The solutions to the problems of income assessment include keeping of accurate records of financial transactions and the rendition of property audited accounts. The standardization of income earned by members of certain trades and proffessions should be undertaken with the co-operation of such organizations. It is necessary also to have a better co-ordination and more exchange of information among the statutory bodies directly or indirectly connected with PIT. In addition, the staffing of the revenue board should be strengthened by increasing the number of qualitative personnel.

It is also important to add management functions to the technical functions of the tax authority.

(2) To maximize the revenue from PIT, it is necessary to enhance enforcement and we recommend the establishment of Revenue Court in the state.

(3) It is also recommended that political backing on a continues basis should be given to the modern and painless method of producing PIT clearance certificate before undertaking certain activities with the Government and its agencies.

(4) Dishonest practices and the forging of PIT receipts involving PIT officials should be promptly handled and appropriate sanctions imposed to serve as a deterrent to others.

(5) It is also recommended that tax committee be establish in all the four Revenue Zones to enhence revenue collection.

(6) The Government should make effort to educate the public about the importance of taxation. The extent to which the Government makes effort to create a cordial atmosphere by positively changing the attitude of the Nation towards the PIT system

will determine the degree of voluntary compliance. For instance, Government attitude to towards development and the needs of the governed affect people's attitude towards the PIT system, increasing or decreasing voluntary compliance. Again where the PIT system has brought stability and honesty into its operation, people tend to feel that the tax paid will reach the treasury and voluntary compliance will tend to improve thereby enhancing the achivement of the revenue maximization objective of PIT.

(7) It is also recommended that the Revenue Board be given the responsibility to collect and accounts for the state development levies for effective accountability.

(8) The Revenue Board should also be given the right to co-ordinate and inspect all other revenues collected by other government agencies for proper accountability.

(9) The Revenue Board should also be transfered to the Governor's office for effective control and supervision by the Governor himself. The Chief Executive of the Revenue Board should be directly answerable to the Governor, therefore all revenue

collected should be in the account opened in the name of Katsina State Internal Revenue Board and transfer of money to A.G. Account should only be done with the authority of the Governor himself.

In conclusion, it is recognized that the conversion of the whole tax system into an effective and efficient mass tax in a low income country like Nigeria is not an easy process. However, we submit that unless and until the government provides the necessary political will and the taxable inhabitants realize that it is their important civic responsibility to pay tax, the revenue maximization objective Katsina in Particular and Nigeria in general may not be easy to achieve.

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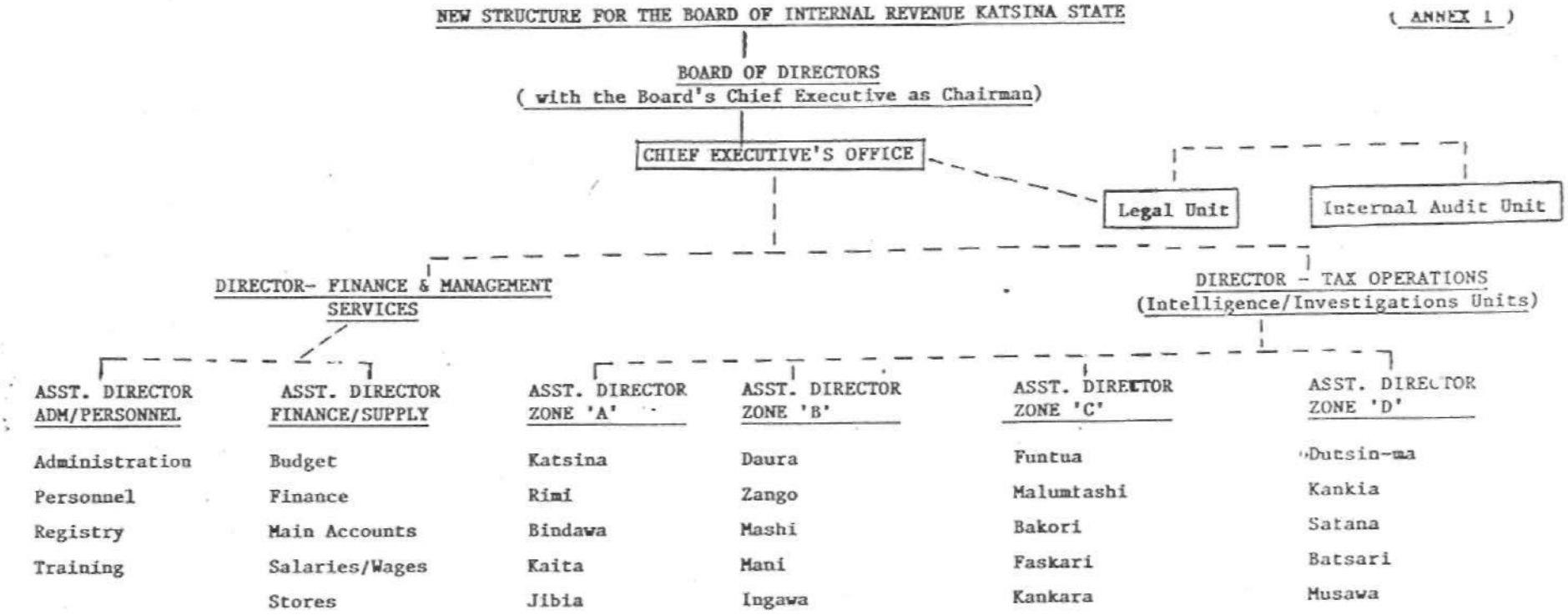
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NEW STRUCTURE FOR THE BOARD OF INTERNAL REVENUE KATSINA STATE

(ANNEX I)



N.B.

Each of the Zonal Offices is fully responsible for the area's Tax Assessment, Collection, Licencing etc, and the Zonal Officer is answerable to whatever happens in the zone.

KATSINA STATE BOARD OF INTERNAL REVENUE

REVENUE COLLECTION STATISTICS 1988 TO 1990

	1988		1989		1990	
	ESTIMATE	ACTUAL COLLECTION	ESTIMATE	ACTUAL COLLECTION	ESTIMATE	ACTUAL COLLECTION
1. PAY AS YOU EARN	3,000,000	2,184,814	4,000,000	3,120,278	6,000,000	4,957,616
2. DIRECT ASSESSMENT	700,000	3,798,325	3,000,000	4,840,640	4,000,000	7,280,013
3. DIVIDENDS	100,000	198,893	150,000	28,171	150,000	269,832
4. ENTERTAINMENT TAX	100,000	308,124	300,000	458,824	750,000	531,148
5. SALES TAX	150,000	1,266,351	2,000,000	205,284	3,000,000	2,985,236
6. DEVELOPMENT LEVEY	-	-	-	12,780	-	8,355
7. MOTOR VEH. REG. FEES	300,000	94,133	10,000	21,415	25,000	84,047
8. CERTIFICATE OF RD.. WORTHNESS	50,000	44,908	50,000	53,850	65,000	77,733
9. OTHER TRAFFIC REG. FEES	35,000	40,536	40,000	39,512	50,000	84,310
10. STAMP DUTIES	200,000	1,098	200,000	1,256	10,000	90
11. DRIVING LICENCES	200,000	141,399	200,000	126,563	200,000	199,537
12. MOTOR VEH. LICENCE	1,000,000	872,302	1,000,000	897,366	1,500,000	1,306,250
13. MOTOR VEH. REG. BOOK SALES	10,000	14,862	15,000	21,145	50,000	40796
14. DRIVING BOOKLET SALES	15,000	14,240	15,000	37,1256	75,000	32,942
15. WITHHOLDING TAX(RENT)	-	-	-	-	1,000,000	391,414
16. WITHHOLDING TAX(BANK INTEREST)	-	-	-	-	150,000	786,857
TOTAL	5,860,000	8,979,985	10,980,000	11,711,218	17,025,000	19,036,575

DIRECT ASSESSMEN
STATEMENT O

T CURRENT HEADQUARTERS
F ACCOUNT A/C 1989

	VOL. NO.	TAX CHARGED		TAX PAID		TAX DISCHARGED		TAX OUTSTANDING		TOTAL CREDITS	
		N	K	N	K	N	K	N	K	N	K
11/1/87/89	11/100/89	94,418	85	88,088	35	3540	55	1069	95	94,418	85
11/101/89	11/200/89	78,796	20	76,127	71	1365	15	1303	34	78,796	20
11/201/89	11/300/89	69,567	45	52,631	40	6807	25	10,118	80	69,567	45
11/301/89	11/400/86/89	34,354	19	8,187	24	312	40	25,854	55	34,354	19
11/401/87/89	11/500/88/89	42,881	25	21,455	97	1152	05	20,275	23	42,881	25
11/501/89	11/600/88/89	22,983	29	8533	39	6370	55	8079	35	22,983	29
11/6001/89	11/700/87/89	44,570	68	35,484	83	3303	50	3782	35	44,750	68
11/701/88/89	11/800/89	142,560	36	126,512	79	1015	35	15,037	22	142560	36
11/801/89	11/900/85/89	23,875	27	4913	85	805	95	18,155	42	23,875	27
11/901/89	11/1000/89	33,124	94	16,771	79	108	75	16,244	40	33,124	94
11/1001/89	11/1100/87/89	41,285	02	31,459	17	131	20	9604	65	41,285	02
11/1101/88/89	11/1199/89	81,820	75	9,306	65	1303	70	71,410	40	81,820	75
11/1200/89	11/1243/89	16,557	10	15,679	43	-	-	877	67	16,557	10
GRAND TOTAL		726,795	35	494,880	57	28,016	40	205,898	38	726,795	35

MANI

55/1/89	55/50/89	21,525	56	18,655	90	627	35	2,242	30	21,525	35

OFFICE.

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VOL. NO.	TAX CHERGED		TAX PAID		TAX DISCHARGED	TAX OUTSTANDING		TOTAL CREDITS	
PKC	160,740	65	28,315	41	NIL	132,425	24	160,740	65
PKG	34,468	86	4311	99	NIL	30,156	87	34,468	86
PKL	437	47	68	34	NIL	371	13	439	47
GRAND TOATL	195,646	98	32,695	74	NIL	162,953	24	195,648	98

ORGANISATIONAL CHART OF COLLECTION AND ACCOUNTING DIVISION

