

MANAGEMENT OF PERSONAL INCOME TAX IN NIGERIA:  
A STUDY OF BAUCHI STATE BOARD OF  
INTERNAL REVENUE

by

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DECLARATION

I hereby declare that this project has been written by me and that it is a record of my own research. It has not been previously presented in any application for a higher degree.

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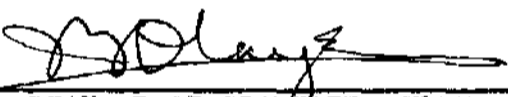
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CERTIFICATION

This project report entitled "MANAGEMENT OF PERSONAL INCOME TAX IN NIGERIA: A STUDY OF BAUCHI STATE BOARD OF INTERNAL REVENUE" by JIBRIN ABDULLAHI meets the regulations governing the award of the degree of Master 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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DEDICATION

This work is dedicated to the beloved memory of Late mother,  
MARYAM JIBRIN (Dada Mamu) for being

My greatest source of inspiration; - - - - -  
mother with every success;

I miss you.

ACKNOWLEDGEMENT

In the course of writing this project, I received great assistance from several individuals and the entire staff of the Bauchi state, Board of Internal Revenue for their immense assistance without which this work might not have seen the light of the day.

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Finally, I pay tribute to the entire members of my family, particularly Alhaji Umaru Jibrin whose financial and moral support saw me through the trying period of the study.

JIBRIN ABDULLAHI  
DECEMBER, 1992.

ABSTRACT

The increase in social services undertaken by government has made it imperative that one of the basic needs common to all governments the world over today is the requirement for increased revenue to meet the greatly - enlarged role played by them.

The greatest drawback to our development efforts has not only been the inadequacy of the revenue sources but lack of properly established and effective management of Personal Income Tax in Nigeria and Bauchi State in particular. Really, with the current economic situation. In the Country, the need to mapped out an effective and efficient management of Personal Income Tax could not be over emphasized.

The purpose of the study is to highlight and analyse the various obstacles associated in the operations, processing and management of Personal Income Tax in Nigeria and Bauchi State Tax administrators and the like, with a view of pinpointing some recommendations for an efficient and effective management of Personal Income Tax in the state.

The need to establish revenue courts, and total reorganisation of the Board to make it more autonomous could not be over emphasized. Other measures that needsf to be tackled includes staff training and development, efforts to provide more

suitable office accomodation and improved transport facilities.  
This will increase the morale of the board\* s staff and will no  
doubt facillitate an effectivi            rioient management of  
Personal Income Tax in Bauchi State.



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## CHAPTER 1

### 1.1 INTRODUCTION

The genesis of the prevailing economic problem of Nigeria can be traced back to the oil boom period in the 1970's. There were large and growing foreign exchange earnings by government principally from the export of crude petroleum on which the country over depended.

Thus, the sharp decline in the country's sales of crude petroleum necessitated an absolute fall in government revenue since the turn of the 1980 decade as a result of the continued glut in the world oil market.

The need to mobilise resources (including revenue) is as ancient as when human beings learnt to organise themselves into communities to achieve some communal goals—security, public works, welfare etc. In this process, every government (federal, states and local) attempts to mobilise adequate revenue for the purpose of governance and as such, begins to innovate various levies to generate much revenue.

It is in the light of the above, that Personal Income Taxation, which seems to be neglected, needs to be overhauled as it provides revenue to the state governments, and whose limited ability to generate revenue internally any sizeable contribution towards the budgetary needs is a cause for national concern.

It is against this background that the importance of this empirical study cannot be overemphasized.

#### 1.2 PURPOSE OF THE STUDY

Basically, this study is aimed at highlighting and analysing the obstacles encountered during the operations and processing of Personal Income Tax Management by tax officials and the like.

To highlight the organisational setup, Management and the conduct of the Bauchi State Board of Internal Revenue with the aim of highlighting the above obstacles.

To provide a concrete solutions and recommendations for an effective and efficient Management and Operations of Personal Income Tax in Bauchi State.

Finally, to recommend for a further research on the subject matter as it is a topical issue, and as a surest means of raising internal revenue to the government.

#### 1.3 DEFINITION OF MAJOR TERMS/CONCEPTS

Virtually, all the terms used in this study is used in our daily undertakings, but for more simplification, there is the need to explain some of the terms that are commonly used by taxpayers and tax officials. Inorder to avoid different interpretations of the terms and concepts, it should be noted that they are used in the same throughout this study.

1.3.1 Tax Management

This term is used to refer to the process of tax assessment, collection and accounting for the various types of taxes levied on individuals and corporate bodies at a particular period of time.<sup>1</sup>

1.3.2 Taxation

Means the system of imposing compulsory levies by the government on all adults (18 years and above) individuals, corporate bodies according to income or value of their purchases for the purpose of public use.

It could also be defined "as a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the tax-payers in return and not imposed as a penalty for any legal offence."<sup>2</sup>

1.3.3 Income Tax

This is define as tax on income and is chargeable on gains or profits from trade, business or vocation and also from employment.<sup>3</sup>

1.4 SIGNIFICANCE OF THE STUDY

To contribute to the existing literature on Personal Income Tax Management, processing and obstacles in Bauchi State.

The findings will go along way in assisting policy-makers in the Board and Tax Officials and administrators in general to

finding a lasting solutions to the obstacles of Personal Income Tax Management.

And finally, to recommend an appropriate penalties on cases of tax defaulters, tax evaders and tax avoidance and of course on how to keep proper account of the revenue collected from Personal Income Tax, as well as to deal with fraud and embezzlement by tax official if any.

#### 1.5 RESEARCH METHODOLOGY

Basically, this study is a Historical Research and encompasses some elements of Descriptive Research, since the data collected explains everything and thereby provides meaningful recommendations.

#### 1.6 SOURCES OF DATA

This study uses both secondary and Primary sources of Data.

##### 1.6.1 Secondary Data

Documentaries from the Library, Seminar papers on taxation, journals, some existing literature on Nigerian taxation and HandBooks (P.A.Y.E Guides For Employees, WithHolding Tax etc) issued By The Joint Tax Board were used as part of the basic background of the study.

##### 1.6.2 Primary Data

Simultaneously, Personal Interviews and questionnaire interview were held with my superiors inorder to arrive at a meaningful

recommendations. A copy of the designed and administered questionnaire is attached as an appendix.

The questionnaire is aimed at highlighting some of the obstacles for effective and efficient management and processing of Personal Income Tax in Nigeria and Bauchi State in particular.

Equally, the questionnaire covers areas such as assessment of tax-payers, obstacles to the processing, and collection of taxes (Personal Income Tax) and is given to sixty Respondents.

This number include those given to my superiors both at the Board's Head-quarters in Bauchi, the Four Area or Revenue Offices at Bauchi, Gomb<sup>e</sup>, Misau and Azare and to non tax specialist (administrators) within the Board.

The Personal Interview take note of the silent points of the Questionnaire. Thus, different techniques/methods are used in arousing interest to my respondents so that they responded positively on the major obstacles militating against the management, collection and processing of Personal Income Tax in Nigeria and Bauchi State in particular.

#### 1.7 ORDER OF PRESENTATION

This study is divided into Five chapters. Chapter one is Introduction, purpose of the study, define major terms and concepts, pinpoint the significance of the study, the Research Methodology,

order of Presentation and finally the scope and limitations of the study.

Chapter Two, is intended to review existing literature and of equal importance to the study.

Chapter Three, brings into focus the Bauchi State Board of Internal Revenue, historical background, objectives and functions, organisation and the Laws regulating the operations and processing of Personal Income Tax in the State.

Chapter Four, Postulat Data presentation and Analysis on the administered Questionnaire as well as observations and comment of the Research as a tax administrator in the making.

Chapter Five, Concludes the study by relating the purpose of the study with the findings thereof.

It further make out useful recommendations and provision for further research as taxation is a topical issue of our time.

#### 1.8 SCOPE AND LIMITATIONS OF THE STUDY

The scope of this study is narrowed by the sampled population on tax officials at the Boards Headquarters and the Four Area or Revenue offices as well as non tax officials (administrators) within the Board, whom were issued with the Questionnaire.

Basically, the study confined itself to only Direct Taxation



(Personal Income Tax) as an aspect of taxation thereby ignoring Indirect taxation which also constitute another important category of taxation.

It briefly highlight the operations, Processing and management of Personal Income Tax into detail but concentrate on the obstacles relating to the effective and efficient Management of Personal Income Tax in Bauchi State.

There was also the constraint of time and financial resources to give out the questionnaire to taxpayers and the general public as well.

The above limiting factors notwithstanding, alot of efforts has been put in order to realise the purpose of this study and indeed meaningful achievements have been recorded.

FOOT NOTES

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## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 MEANING OF TAXATION

Chambers Encyclopaedia define tax as "a compulsory levy to finance goods and services provided by a governing body for the collective satisfaction of wants".<sup>1</sup> This definition excludes payments such as water rates and postal charges, where however a socialised industry is conducted with the purpose of extracting a monopoly revenue from consumers. This definition includes contributions made to finance transfer payments by the government, even those made by beneficiaries (such as workers contributions to social insurance) but it must be recognised that a substantial voluntary element enters into such compulsory levies.

A tax can also be defined as "any non penal yet compulsory transfer of resources from the private to the public - sector, levied on the basis of predetermined criteria and without receipt of a specific benefit of equal value, in order to - accomplish some of a nation's economic and social objectives."<sup>2</sup>

#### 2.2 OBJECTIVES OF TAXATION

The process of economic development is invariably the responsibility of the modern state. The need to eradicate poverty, reduce inequality and deal with unemployment problems.

It is in view of the above, that the significance of taxation will be examined in this section. That is, an attempt will be made to see how taxation affects and induces economic growth and improves the distribution of income in the society.

#### 2.2.1 Re-allocation of Resources

The distribution of resources is concerned 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 might for instance favour those with small earnings as against those with large ones, and it certainly favours those who abstain from liquor and tobacco against those who are heavy consumers of these economic goods e.g. through sales tax.

On the other hand, prices of liquor, tobacco, household appliances are made relatively high, because 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.

### 2.2.2 Regulating the Economy

Taxes should in the main be aimed at creating the proper atmosphere for economic growth. Thus, according to traditional keynessian philosophy, one of the most effective ways of doing this is to adopt taxes that affect consumption hence demand. The idea is to use taxation as deflationary device. For this purpose, taxes may be used, "to reduce private expenditure in order to allow government spend without causing inflation."<sup>3</sup> A decrease in income tax, this reasoning assumes leaves more spending money in the hands of the public.

Indeed the Kalackian analysis of the economic development of taxation advocates the restraint of consumption in order to release investments needed for non inflationary growth.<sup>4</sup>

### 2.2.3 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 15 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.

Thus, two inferences could be made with regard to use of taxation for income distribution. First, with respect to money income, a tax system is distributionally neutral. If it reduces each person's income in the same proportion.

Secondly, there is no agreement that taxation can be a good tool of wealth distribution. Also strong view exists that inflation is more effective in distributing - wealth than taxation. It is difficult to see why we should strain at the gnat of a wealth tax which will yield less than N500 million, when we have already swallowed the camel of inflationary policies which redistribute wealth at a rate which is more than six times as great. However, it is a truism that for progressive rate of taxation, the disparity in wealth between the rich and the poor would have been even greater.

#### 2.2.4 Redressing Social Imbalances

One way of redressing social imbalances could be through the medium of expenditure taxes, especially the sales tax if tilted heavily against luxuries consumer goods.<sup>5</sup> The admirable thing about

such tax, is that it is not only restrains the unnecessary consumption of luxuries but it is also assures government of increased revenue with increasing production of such goods. This can then be complemented with wealth and gift taxes, for example, the capital transfer tax as a more direct way of helping to bridge the wide gap between the rich and poor. These forms of taxes, serve to catch those earnings and receipts which other wise might have fallen through the income tax net.

Towards redressing the social imbalance, the distribution of incomes could also be made by some levy of tax to pay for social services and benefits enjoyed by them. In this way, the provision of social services by government can be reserved for those in need.<sup>6</sup>

#### 2.2.5 Promoting Desirable Economic Activities

Taxes may further be used, selectirely to induce and encourage nationally desirable economic activities. Tax incentives may be offered to promote the development of background areas of a country. In this way taxation can serve as a means of distributing income away from Urban to Rural Areas. Economic activities that are considered to be nationally desirable may also be promoted by granting them tax holidays initially, for their take-off periods and later the granting of genqrous tax reliefs and allowances when there profits fall to taxed. It may be mentioned in this context, that private savings and investments may be encouraged by refraining

from levying any appreciable rate of taxes on savings - from earned income especially when invested in a nationally desirable ventures.

These efforts must however be predicted on long term objectives. Enterpreneurs need to be assured of certainty in their projection. If government could withdraw these incentives without some assurance of a limited period during which they would subsist, these incentives would no longer be attractive or serve as the inducement they are intended to be. We cannot - afford in this part of the world to scare off owners of capital. However, these tax concessions must be framed so as to ensure the entrepreneurs actually carryout "the underlying intention of increased economic development" if only to avoid the criticism that tax concessions only offer "tax loopholes through which the Agile tax-payer can manoeuvre."<sup>7</sup>

### 2.3 OBSTACLES TO EFFECTIVE TAX MANAGEMENT

Basically, what is to be described under this section are by no means the only obstacles or problems, complications and the handicaps under which tax officials occasionally tackle, but what is regarded to be the major obstacles to the efficient tax management. These defects are not peculiar to any particular state or country of the world. These defects represent such frustrating impediments to effective tax Management that their elimination, It is believed would open the way to such effective enforcement and a much greater volume of public revenue.<sup>8</sup>



2.3.1 Lack of Basic records and absence of Books

This could be attributed to as one of the impediments to facilities that assist in identifying and tracing tax-payers e.g. register of businesses, lack of street numbers and names, migrant workers, register of tangible and intangible personal property and real estates (and their transfers up to ante birth and death register.

2.3.2 Tax Forms and Notices

It is pertinent that an annual or quarterly reminder of the approach of the date for reporting and paying tax should constitutes perhaps one of the most effective psychological stimulant for the promotion of voluntary compliance.

Unfortunately in some states, the declaration and payment of a tax is a laborious and time consuming task. In some states too, the declaration forms has to be purchased by the tax-payer.

2.3.3 Tax Avoidance and Evasion

This could also be termed as an impediment in that some state based companies (liable to pay to Federal Authorities but pay neither to Federal or State Authority). Contraction, etc; Indirectly through collusion with fraudulent tax officials who manipulate exemptions and reliefs.<sup>9</sup>

2.3.4 The multiplicity of Taxes

The competence of a tax department depends on operating personnel who are throughly familiar with the taxes they administer

and with the general body of tax-payers who are subject to those taxes. As all states impose a number and a variety of taxes, the administrators should have of course a general concept of the entire system and highly specialised knowledge of the specific tax or group of taxes with which each is individual concerned. In a large and prosperous country the number of tax administrators employed makes possible their segregation into specialised groups. But in a small country where the aggregate number of auditors and inspectors may be very small, specialisation is difficult or impossible except in the sense that a few taxes or tax group are singled out for attention to the neglect of the rest.

#### 2.3.5 The Need for comprehensive Regulations

After the enactment of a tax law of importance, a ministerial decree usually follows which explains the laws provisions and supplements those worded in general terms. The regulations are of course very useful, but the above criticisms can be made of their number and of common failure to assemble them into one coherent document. The decree is normally much shorter than the law and cannot be regarded as a comprehensive guide. The burden of research which thus cast upon the tax administration is obvious and the tax-payer is of course, left in a much less favourable position for Certaining his fiscal rights and obligations. With out, necessarily altering the existing pattern of regulatory decrees the provisions of the laws and the decrees precisely segregated under the topic of each created and regulated could be incorporated into an official guide, and in

this guide the legislation quoted could be explained to the extent required for providing the tax administrator and tax-paying public with comprehensive basic information for carrying out of official duties and discharging fiscal obligations.

#### 2.3.6 The Need of Instructions for Tax-payers

While the compilation of laws and regulations suggested above would be required by the tax-payer of substantial income and activities a small instructions pamphlet accompanying the declaration form would satisfy the needs of the tax-payer of modest means. While in some countries the declaration forms now indicate briefly what and how to report, there are supplemental primers. Such aid is of great advantage to the tax department in relieving it of the necessity of correcting errors and supplying omission which the tax-payer could and would have avoided if better informed.

#### 2.3.7 Poor Telephone Links

This could also be regarded as one of the impediments against effective tax management. Several demand notices are returned or stray into wrong addresses and are dumped. Thus, it leads to the accumulation of tax arrears which would have not aroused.

#### 2.3.8 Corruption and Fraud

Perhaps in no other government activity is the government employer exposed in-such number of and so constantly to the temptation of bribery, embezzlement and other forms of corruption as in the administration of taxes. To detect these irregularities and keep them

at a minimum for total suppression is impossible is a primary concern of every tax agency on earth.

2.3.9 Poor Quality of staff

The need for revenue staff to be trained and receive more formal training cannot be over emphasized. They need to be trained so that their morale could be boosted.

2.3.10 Poor tax requirement and difficulties of assessing Income

Poor knowledge of tax requirement, by tax payers could also said to be another impediment to effective tax management. Tax-payers dont usually care to keep stock of their daily business transaction particularly the income they derive from trade and other form of gainful employment.

Added to the above, is the difficulties encountered in assessing income (and profit) of traders and the like.

2.3.11 Lack of voluntary compliance

Generally, people do not show up to the tax offices voluntarily until perhaps events and circumstances forced them especially if they are despirately looking for tax clearance certificate (TCC) for one reason or the other.

2.4 MODALITIES TO ENHANCE TAX REVENUE

Virtually with the increase in the responsibilities the government is shouldering, the need to over hauled her revenue sources could not be over emphasized.

Thus, different modalities could be used to enhance tax revenue to the government. These sources could be analysed as follows:

#### 2.4.1 Creation of New Tax Offices and Libraries

We should not expect tax-payers to come to tax office to pay their taxes with a smile. The nearer the revenue offices to the tax-payers, the greater will be the revenue yield and the better because it makes for convenience for both the tax officials and the tax-payers.

Books, including "Income Tax Law for Corporate and unincorporated Bodies in Nigeria," "Nigerian Income Tax Law and Practice", Nigerian Taxation" "Case Law and Notes on Nigerian Taxation," Law journals etc ought to be in all the libraries of each tax office, not just necessarily at the Head-quarters of the Board for continuing education of tax officials.

#### 2.4.2 Books and other Personal Lauchings

Since raising money through lauchings has become part of our economy, such lauching should be properly tax with the exception of lauchings restricted to humanitarian, educational, religious or general development purposes.

All proceeds declared, should be tax properly on earnings after expenses, since the lauchers pay for halls hired. This confirms that it is business of sort.

#### 2.4.3 Effective Use of Form "A"

The main idea when the form was designed was to let any tax-payer filling the form commit himself to as many sources of his income as

possible. The secret being that if the information contained the rein is properly used, the revenue board will be able to extract from there, names of many other tax-payers. The residential section of the form is an example to tax every landlord in nook and corner of the state.

#### 2.4.4 Sale of Government Publications

Little or no opportunity is taken of this source of revenue. More education means more readership. Annual budgets, important government statements, master plans, statistical statements, maps, laws and regulations etc are in short supply. If government printer cannot cope, if Ministry of information lacks the time to plan sales, the answer is not to hoard but to farm out sales and distribution and publicise the fact.

#### 2.4.5 Establishment of Revenue Courts

For the speedy dispensation of revenue cases and quick recovery of tax arrears thought should be given to the establishment of state revenue courts within the High Court to deal with revenue matters. The implementation of this suggestion lies with the judiciary. This will also - reduce tax evasion and disgrace tax dodgers.<sup>10</sup>

#### 2.4.6 Revenue Drive

A drastic Revenue Task Force should be inaugurated with the power and staff to make on - the - spot collection. With this, those tax-payers that should have already fall into the tax officials

net could be effectively trapped.

2.4.7 Up dating the Table of Rates Payable

The effect of non-up dating is loss of revenue in addition to sending negative - signals to the citizens that the Government is somewhat not serious.

2.4.8 Trained Staff

There is urgent need for more trained staff in Revenue offices. There ought to be a system of compensating the revenue collectors for meeting predetermined targets and surpassing them. In this way, we will combine motivation with less fraudulent practices of collusion (between the tax-payer and the officials) and out right stealing and falsification of records.

Employment of additional qualified staff for revenue offices and the establishment of training facilities for them could also enhance more tax revenue.<sup>11</sup>

2.4.9 Poll or General Development Tax

"There is no Civilised state in the world where direct taxation has not been found to be a necessity and african communities which aspire to be regarded as civilised must share the common burden of civilisation". Community tax was abolished nationwide during the second Republic for reasons of its abuse by the authorities who used it as weapon of victimisation, oppression and persecution.

## 2.5 P.A.Y.E SCHEME OPERATION

Pay - As - You - Earn is a method by which an employee pay, the Income Tax on his earnings from employment and other sources in twelve monthly instalments over the year. It is not a tax separate or different from Income tax.

P.A.Y.E. applies to weekly wages, monthly salaries, annual salaries, bonuses, commissions, directors fees, pensions and any other Income from office or employment.<sup>12</sup>

### 2.5.1 How Pay-As-You-Earn work

Under P.A.Y.E, the amount of tax which the employer has to deduct on any pay day depends on:-

- a) employees total pay since the beginning of the Income Tax Year which start on 1st January.
- b) the employe's Income tax allowances and any Income from outside sources, for the same period; and
- c) the total tax deducted on previous pay days.

On each pay day, the employer first works out the pay due to the employee and then adds to that pay the total of all previous payment made to the employee from 1st January up to date. He deducts any Income Tax allowance or adds any outside Income, if he has been so instructed by the Relevant Tax Authority, to arrive at the tax able pay to date.



He looks up the resulting figure in a special ready-reckoner, called, "Tax Table" which shows the total tax due to date. From the figure of total tax shown in the Tax Tables, the employer - subtracts the figure of total tax already deducted; the remainder is the amount to be deducted from the employee's pay on the day in question.

#### 2.5.2 Employers Within the P.A.Y.E. Scheme

Only those Employers who have been specifically directed by the Relevant Tax Authority to do so may deduct Income Tax from the remuneration of their employees under the P.A.Y.E. deduction scheme. Such employers amongst them are governments, local governments, and many commercial, industrial and other concerns.

#### 2.6 P.A.Y.E. TAX DEFAULTERS

It is not always true to say that only salaried employees pay the right tax. Some salaried employees are also landlords and businessmen, the Incomes of which they do not declare.

Again, not every employer of labour in the state is deducting P.A.Y.E. even from salaries and wages and the internal revenue board wants to be updating list of employers.

Many employers are using the taxes deducted from their employees' emoluments either their personal acquisitions or expansion of their businesses and this could be as a result of understaff of the revenue staff or due to the corrupt and fraudulent practices of tax-officials.

It is in view of the above remedy that revenue officials need to put in more effort into collection and trace more employers who are yet to register their staff for P.A.Y.E. scheme.

The need therefore for revenue staff or officials to advert in the TV, radio, newspapers etc to educate employers as to their criminal liabilities for non deduction or withholding P.A.Y.E. tax deductions can not be over emphasized.

#### 2.7 RIGHTS AND DUTIES OF EMPLOYEE UNDER P.A.Y.E. SCHEME

An employee who is ordinarily resident in Nigeria would normally be entitled to the following Personal Reliefs: Personal Allowance (ranges on the Income of the tax-payer), wife Allowance (this is presently been abrogated due to constant complains mounted by the women folks and instead personal Allowance was Increased), Children Allowance up to the minimum of 4 children under 16 years of age maintained by the tax-payer or above 16 years but attending school or under apprenticeship, Dependent Relatives and finally Insurance premium paid on tax-payer's life or that of his wife.

Details of all these allowances will be discuss extensively in details later in the write up.

It should be noted that apart from Personal Allowance which is automatic, others are based on circumstances of tax-payer during the previous year. The tax payer has also the following rights.

- a) - right to be given a tax receipt at the end of the year by his employer;
- b) - right of objection to the relevant Tax Authority for any over deduction
- c) - right of objection to the relevant Tax Authority for reliefs not properly granted.
- d) - right of refund from the relevant Tax Authority for excess tax paid; and
- e) - right to be given Tax clearance certificate by his relevant Tax Authority if he so requests, after tax has been fully paid.

#### 2.7.1 Duties

For an employee to get all reliefs due to him, he has a duty to ask for Return of Income Form at the beginning of the year to complete and return to the relevant Tax Authority.

Whenever an employee is on transfer or changes employment he has to obtain from his present employer, leaving/transfer certificate for his new employer.

#### 2.8 LIABILITY OF PAYING TAX

Any individual that is resident or deemed to be resident within a particular state on the 1st January of the year of assessment

is liable to pay Tax. This is in keeping with section 3(2) of Income Tax management Act.

According to section 21 of the Income Tax Management Act, the term "residence" or "Home" means a place available for the individual domestic use in Nigeria. This definition does not include any Hotel or rest house where there is no permanent place available for his use. If an individual has more than one Home in different territories, at the same time, the home to be taken for residential purposes; if a pensioner with no Income from employment, trade, business, profession or vocation, the place where he usually resides and for an employee the place nearest to his place of work.<sup>13</sup>

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## CHAPTER THREE

### BAUCHI STATE, BOARD OF INTERNAL REVENUE

This chapter is entirely aimed at introducing the Bauchi state Board of Internal Revenue. In accordance with the stated objectives of the study, an examination of the board as a revenue collection Unit will be made in this chapter. For this purpose, this chapter is aimed at discussing the historical background of the board, objectives and functions, organisation, operation and processing of Personal Income Tax within the Board, as well as Laws regulating the conduct of Tax management in the state.

#### 3.1 HISTORICAL BACKGROUND

Bauchi State is one of the Thirty States of the federal Republic of Nigeria. With a population of 4,294,413 (by 1991 population census) consist of 2,202,962 males and 2,091,451 females spread over three zones (Bauchi, Gombe and Katagum).

Administratively, the state is divided into Twenty Three local Government areas, it has many large urban and scores of small villages dotted all over the state.

Bauchi state, Board of Internal Revenue was set up in 1985 by Edict No. 18 Vol. 10 19th December 1985 by the then state military Governor, Lt.Col. Chris Abutu Garuba. This was in realisation of the vital function of revenue generation and collection of every given economy.

Government was also aware of the great task of resuscitating

the existing - revenue sources and further diversify revenue bases can only be efficiently carried out by a well equipped independent organisation which will to a certain degree eradicate the administrative bureaucracies and bottleneck.

The productivity of this board can be said to have justified its creation and existence. For instance, in 1984 when it was a division under the ministry of Finance, ₦13,716,608 was collected as revenue. When it became a board on 19th December, 1985, collection rose to a height of ₦20,188,082. Since then, there have been a continued rise in revenue collected by this board. In 1990, close to ₦40 million was collected. (See Appendix B for the revenue collected since inception of the board).

In terms of independent tax revenue effort (one of the many criteria used in revenue sharing in the federation and incidently a topic of interest to this study) Bauchi - state inspite of its agricultural base is surpassed by Lagos, Kano and Sokoto States.

Last year, locally generated revenue is ₦72,996,776 of the federal collected revenue, ₦833,087,820 of the total recurrent revenue can finance only 25% of the states recurrent and capital budget of ₦1,325,087,910.

The responsibility for the generation of a greater percentage of the states revenue rest squarely on the internal revenue Bauchi. With it headquarters in the state capital, Bauchi, the board has



a network of area offices virtually covering the whole state.

The department responsible for generating and collecting revenues was then known as Revenue Division established by the Northern Nigeria Personal Tax Law of 1962, the division was made a part of the state ministry of Finance. This arrangement was maintained even after the creation of the state in 1976 and up to 1985 when the Division was later made and converted into an autonomous body known as "Board of Internal Revenue".

### 3.2 OBJECTIVES AND FUNCTIONS OF THE BOARD

The law establishing the board (Bauchi State of Nigeria Gazette No. 18 Vol. 10, 19th December, 1985 - supplement part A) has explicitly stated the objectives and or functions of the board.

Thus, Bauchi State Board of Internal Revenue performs a number of functions, among which includes the followings:-

- a) The board shall assess, collect and account for all taxes in the state and may do all such things as may be necessary or expedient for the assessment and, of such taxes.
- b) The board shall indue administration of the Personal Tax Law and the Performance of functions and powers of the commissioner under the Law.
- c) The board shall pay all moneys and securities for money collected or received for or on account of taxes and other

revenue legislations into the consolidated Revenue Fund of the state.

- d) The board shall initiate and formulate proposals for the expansion of the base and increase in revenue of the state from time to time and execute tax policies of the state.
- e) The board shall monitor and supervise all collection of other revenue due to the state by whosoever collected and ensure to obtain monthly revenue returns from all revenue earning state and Federal ministries, departments, parastatals, public and private organisations.
- f) The board shall computerise records whenever feasible; and
- g) The board shall do all other things as may be necessary and expedient for the due discharge of its functions.

In addition to the above, the board shall have power to acquire, hold, dispose off movable and immovable property for the purpose of the discharge of its functions under this Edict.

Moreover, it shall set up a Revenue Research unit which shall review avenues and means of generating revenue from time to time.<sup>1</sup>

In the pursuance of this objectives, the Board is backed by an array of Laws, Rules, Regulations, Edicts and orders which seek to enforce and regulate the conduct of tax management in the state.

3.3 LAWS REGULATING THE CONDUCT OF TAX MANAGEMENT IN BAUCHI STATE

- a) Income Tax management Act (ITMA) 1961 (With Amendments up To 1979)
- b) Personal Tax Law, 1962, (As Amended Up To Date).
- c) Entertainment Tax Law as Amended.
- d) Personal Income Tax (Employment) Regulations 1964.
- e) Sales Tax Edict No. 6 of 1985
- f) Sales Tax Edict No. 7 of 1986
- g) Stamp Duties Law as Amended
- h) Capital Gains Tax Decree as Amended.
- i) The Road Traffic (motor Licence and Driving Licence Fees charges) Regulation as amended.
- j) Native Courts (Jurisdiction in Personal Tax Laws cases) amended Orders, 1963 Northern Nigeria Law No. 130 of 1963.
- k) Community and cattle Tax (repealed by Bauchi State Edict No. 1 of 1978.
- l) Bauchi State Edict No. 18 of 1985, Establishing the Board.
- m) Finance (Miscellaneous Taxation Provision Decree No. 12 of 1987).

### 3.4 ORGANISATION OF THE BOARD

The Director-General is the Chief Executive of the Board. In this respect, sections 3(1), 3(2) and 39(1) of the Personal Tax Law (Northern States) rest in the Director-General responsibility for the administration of Revenue Laws. This includes the power to assess, collect and account for all taxes. Besides the power to exempt people from paying taxes, he has the final decision making power in the tax management.<sup>2</sup>

The Director-General is assisted by the Director and Deputy Directors respectively The Director Deputiese in the absence of the Director-General and Co-ordinate the activities of all the departments in addition to the routine administrative functions.

#### 3.4.1 Administrative Set up

In order to enhance smooth implementation of the policies of the Board, it is divided into five sections namely:-

##### 1. Administrative Section

This section is headed by the Deputy Director and is responsible for finance and personnel, establishment matters and management services of the Board. He also Co-ordinate activities of all other sections, apart from its main function in the area of day to day administration of the Board.

He also takes care of recruitment, promotion, discipline and staff development and training.

Added to the above functions also includes the preparation and maintenance of the Board's records of accounts, payment vouchers, procurement of stationary and office equipments.

ii - Direct Assessment and major cases Section

This section is headed by Assistant Director and deals with the taxation of self employed people. The staff in this section identify tax-payers, examine their returns of income and compute their tax liabilities to government. It also handles objections and appeals against assessments.

In addition to the headquarters branch which handles major cases, there are branch offices at Gombe, Bauchi, Azare and Misau that deals with tax-payers who pay below ₦500.00 per annum. This section also coordinates the activities of the four area offices mentioned above.

iii - Pay-As-You-Earn(P.A.Y.E) Section

This section deals with taxes emanating from Income of all individuals who are under the employment of the public and private sectors, parastatals, Companies and local Governments. These employers of labour are directed by this section to deduct a specified amount of tax from employees salaries at payment times and the money remitted to the Board there after.

To ensure this, every employee is expected to fill the income tax form "A". It is the responsibility of this section to examine those forms and compute the Income and Liabilities of individuals and then advises employers on the amount of tax to deduct. This section is under the jurisdiction of Assistant Director.

iv - Collection Section

As the name implies, this section is responsible for accounting and collection of all taxes, licences, and fees collected by the board. In addition, this section is also responsible for the management and monitoring of the performances of the motor Licence Authority and all the motor Licence Authorities - attached to the area offices.

It also performs the accounting function of reconciliation and the collection of information on revenue collected by offices at the course of inspection tours by staff of the section. The section is also headed by an Assistant Director.

Sales Tax and Development Levy also falls under the auspices of this section.

v - Information, Research, Audit and Training Section

As the name implies, this section - deals with the gathering and coordination of all information received. It also audit and provide on the job training to the Board's

staff. It organises seminars for staff and members of the general public as well. It is headed by an Assistant Director

AREA OFFICES/REVENUE OFFICES

The Headquarters of the Board is situated at Ahmadu Bello way, Bauchi City. The Revenue offices were vested with the authority to collect all forms of taxes such as Personal Income Tax, Property Tax, Entertainment Tax, sale Tax, Development Levy and motor Licence fees as well. However, Pay-As-You-Earn (P A Y E) were reserved and administered at the Headquarters, Bauchi.

To ensure that tax evasion and avoidance is minimised at the grass root level, Four Revenue offices, were established at Bauchi, Gombe, Misau and Azare. With the Opening of the Revenue offices, the motor Licence Authorities (MLA's) were merged with the Revenue offices and placed under the jurisdiction of the area officer concerned.

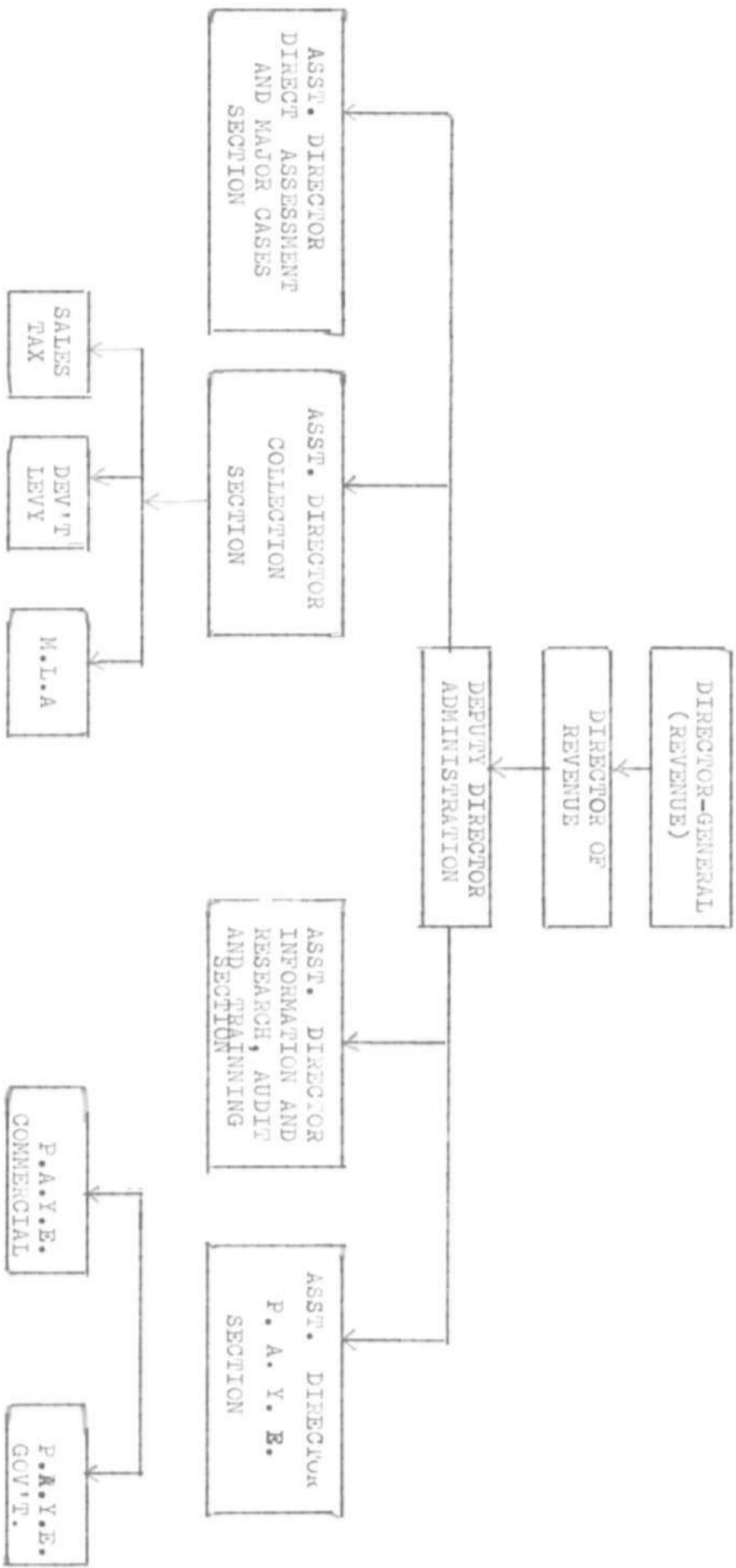
These Revenue offices and their area of jurisdictions are as listed below;\*

a) Bauchi Revenue Office

This area or Revenue office by virtue of its closeness to the headquarters of the board, no motor Licencing office is attached to it. It is just located near the headquarters of the board.

It co-ordinates and control the activities of revenue offices and officers under the following local Government

FUNCTIONAL ORGANISATIONAL CHART OF THE BAUCHI  
STATE BOARD OF INTERNAL REVENUE





areas. Bauchi, Dass, Ningi, T/Balewa, Toro, Darazog, Alkaleri and some part of Ganjuwa local Government area.

b) Gombe Revenue office

With a motor Licencing office attached to it, this area/Revenue office covers Gombe, Akko, Billiri, Kaltungo, Y/Deba, Balanga-Taltese, Dukku and Nafada- Bajoga Local Government areas.

c) Misau Revenue office

Also a motor Licencing office is attached to it and covers only one Local Government ie Misau Local Government area.

It should be noted however that the viability of this area/revenue office is not yet fully felt. Infact, politics has been used towards astablishing this area office as the former Director General comes from this area.

d) Katagum Revenue office

This Revenue office cater for the following Local Governments. Katagum, Zaki, Gamawa, Jamaare, It as-Gadau, and Shira.

Also, a motor Licencing office is attached to it.

3.5 PROCESSING OF PERSONAL INCOME TAX

As stated earlier on, Personal Income Tax is one of the major sources of revenue to all the states of the federation.

In accordance with section 20(1) of the Income Tax management Act (ITMA), an Income liable to tax is that of the year of assessment irrespective as to whether there is a profit or loss in the business or not.

An assessment is made whether or not the source of Income has ceased to exist or has stopped to yield an Income. However, a tax-payer can object to an assessment so long as his reasons for such objections are genuine, else his objection can be rejected by the tax authority.

The Income from pensions, rents paid in advance, the Income of itinerant workers, bonuses, and commissions are liable to tax in the same year that they are earned.

### 3.6 OPERATIONS OF PERSONAL INCOME TAX

Basically, the operations of personal Income Tax in the state is centred on two assessing sections namely the Pay-As-You-Earn (P.A.Y.E) and the Direct Assessment Section

The other sections as have already mentioned could be regarded as giving supportive services to the two sections mentioned above. Hence a detail analysis will be given to these two sections.

#### 3.6.1 Pay-As-You-Earn (P.A.Y.E)

Pay-As-You-Earn is a method by which an employee pays the Income Tax on his earnings from employment and

other sources in twelve monthly instalments over the year. It is not a tax separate or different from Income Tax.

This method of deducting Income tax applies to all employees resident in all states of the federation and to all Income from employment exercised in Nigeria by such residents, even if the employee is temporarily outside Nigeria (on leave or other wise) or receives his pay outside Nigeria.<sup>3</sup>

All earnings during each year of assessment, which is a year commencing on 1st January and ending 31st December, will be subject to tax deductions and under the system, earnings include salaries, wages, fees, bonuses, commissions and allowances paid or payable in money, except:-

- i - amounts which represent reimbursement of expenses incurred by the employee or officer in the performance of his duties, in respect of which it is not intended that he should make any profit or gain e.g. car basic allowance to employee and a refund of travelling expenses;
- ii - payments by an employer in respect of an employees medical and dental expenses;
- iii - payment to an employee in respect of passage expenses to or from Nigeria<sup>4</sup>

It should be noted that it is the responsibility of the employer to deduct the tax from payments or remuneration made to the employee for the amount of Personal Income due for any year, especially those employers that are specifically been directed by the tax authority, as in accordance with section 3(2) of the Personal Income Tax Laws Northern States.

Any employer that has not received such direction from the tax authority, has no authority to operate (P.A.Y.E) scheme.

It is the responsibility of every - employer to collect official Tax Tables and Tax deduction cards (Rev.9) from the tax authority and make an annual returns to the same.

Thus, the employer prepares a complete list of his regular workers, stating their actual gross pay of each employee for the year and the tax deducted. This enables the(PAYE) section to reconcile the figures of the total tax deducted with the total remittances made to the revenue board.

#### 3.6.2 Tax-Payers Rights and Previlidges

As already mentioned, a tax-payer or an employer who submit their completed relief form (Rev. 49) to the

tax office is given the following allowances.

i - Personal Allowance

An allowance of ₦ 3,000 plus 15% of earned Income is granted to every individual whose Income is subject to tax assessment.

ii - The Dependent Relative Allowance

A sum of ₦600 for a maximum of two persons is allowed as relief for a tax-payer who maintains a close relative. However, that person must be incapacitated either by old age or infirmity.

iii - Children Allowance

The children allowance is ₦500 per child who is below the age of 16 years and up to a maximum of 4 children maintained by the tax-payer.

It should be noted that where a joint maintenance is claimed by a husband and wife the tax authority may apportion the ₦500 in any manner deemed equitable, and where there is reliable evidence to prove that the wife is the sole breadwinner of the family, she can claim in full the children's relief.

iv - Wife Allowance

Government considered the issue of discrimination against women which has generated so much press coverage, and noted that the only item which is being constantly

referred to as discriminatory in the tax laws is the wife allowance of ₦500 which is claimable - only by a person maintaining a wife. Even though this cannot be considered discriminatory as such, in order to remove the apparent misconception it has generated, the allowance is abolished and the enhanced personal allowance in (1) above takes care of the loss.

Government rejected the agitation that the wife allowance should be 'spouse Allowance' because it would not resolve the problem. In fact the claim for such allowance could also give rise to conflicts between couples as to who is entitled to claim 'spouse Allowance'.

v - Life Assurance

A relief is also allowed to a tax payer for an amount paid by him for life assurance of himself and/or his wife. It must be for policies security capital sum in death only. The amount of relief must not exceed 10% of the tax-payers total Income nor must it exceed ₦2,000 for any tax-payer per annum.

vi - Capital Project

The Law grant an allowance of 10% of the capital sum of any project which the tax-payer undertakes and yield assessible Income. The relief granted is to cover the expenditure of the proceeding year.<sup>5</sup>

3.6.3 Direct Assessment

This is a process of levying taxes on self employed or people engaged in private business.

Normally, an assessment is made and sent to the tax-payers which serve as first demand notes for the tax due. An assessment notice depicts a tax-payers assessable Income the tax payable by him/her, and the place at which payment should be made.

In addition to the above, the tax-payer has the right to object to the assessment if he/she does not agree with it.

It is expected that every tax-payer will declare his Income at the beginning of each year and where he has failed to do so, the tax authority will resort to the "Best of judgement Assessment" (BOJA). i.e the tax authority assess the tax-payer's Income arbitrary.

And where it was found out that the tax-payer has give inaccurate information regarding his actual Income, the law - allows the tax authority to reassess the tax payer and a penalty equal to the amount of tax in default is chargeable and payable.

The law also stipulates that where the tax-payer failed to pay up his tax due, a penalty equal to tax in defaults plus the cost of the action taken to recover the

tax will be paid by the tax payer.

Finally, the law empowers the tax authority to levy claim to the tax-payers' property which could be disposed as in accordance with section 5 (a) of the Bauchi state Edict No. 18 of 19th December, 1985.

#### 3.6.4 Obstacles to Personal Income Operations

The problems associated with assessment of personal Income tax of self employed persons and partnership could be summarised as follows:-

First, is the gross understatement of Income and the refusal of tax-payers to render returns are on a large scale and with this, the associated problems of "best of judgement assessment" culminating in the tax-payers complaints of losses in business, other stories of woes and misfortunes.

Secondly, is the problem of lack of voluntary compliance. People do not show up voluntarily until perhaps events and circumstances forced them ie when they are desperately looking for Tax clearance certificate (T.C.C.)

Thirdly and finally, many tax offices often run short of return of Income forms, tax deduction cards, income tax receipts and Income rate receipts.



3.7 EXEMPTED INCOME FROM TAX

Basically, certain Income, from employments and pensions which would other wise be chargeable to Income Tax is exempted by the taxing acts. They are as follows:-

- a) The official emoluments of the Head of state and the state Governor, and of any person performing the functions received by such person (s) in that capacity.
- b) The establishment allowance of a chief.
- c) Allowances paid to any member of the Executive council or the Legislative Houses of a state or of the Council of minister or Parliament for attendance at meetings of any such body or of any committee thereof.
- d) The remuneration of any consular officer or employee of a foreign state except where the employee is engaged on domestic duties or ordinarily resides in Nigeria and is not also a national of that foreign - State.
- e) The emoluments payable from united Kingdom Funds to an individual in the permanent service of the United Kingdom Government in Nigeria in respect of his office under the United Kingdom Government except where the employee is a Citizen of Nigeria, or the employee ordinarily resides in Nigeria.

- f) The remuneration of any employee, other than a citizen of Nigeria, of any Government, organisation or agency between which and the Government of the Federation or of a state there exist an arrangement for Technical Assistance, in so far as and to the extent only that the employment is solely in pursuit of such technical assistance arrangement.
- g) The Income of any national of the United States of America from employment by the Internal Co-operation Administration, being an Administration or Agency formed and directed by the Government of that country.
- h) The Income of any national of the United States of America from employment by the international Development Services as agents for the International Co-operation Administration.
- i) The Income of any individual from employment by the Ohio University of Athens, Ohio, as agent for the international co-operation Administration, in connection with any scheme for the training of teachers in Nigeria.
- j) Wound and disability pensions granted to members of the armed forces or of any recognised national defence

organisation or to persons injured as a result of enemy action.

- k) Income of persons engaged by various overseas aid agencies such as USAID, UNESCO, ICRS etc.
- l) Income of ecclesiastical, charitable or educational institution or public character in so far as such income is not derived from trade or business.
- m) Income of any local Government or Government Institution.
- n) Interest paid or Credited to any person by the Nigerian Post Office Savings Bank.
- o) 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.
- p) Investment income of bodies running approved person, provident or retirement benefit scheme.
- q) Gratuity payable to government officers subject to a maximum in cases of services not amounting to 5 years or N1000 per year of service, any excess is taxable.
- r) Death gratuities:

This exemptions is inaccordance with the provisions of section 16(1) of the Income Tax management Act of 1961<sup>6</sup> .

**3.8 TAX CLEARANCE AND TAX EXEMPTION CERTIFICATE**

As the name implies, Tax Clearance Certificate is issued to tax-payers who completed the payment of their tax within a schedule period of time, normally for the last 3 years.

It was introduced in 1978 by the then Federal Military Government Inorder to check tax evaders and generate more revenue to the Government (both state and Federal Government).

It is one of the most important factors that lead to a degree of "voluntary" Compliance on the part of taxpayers all over the Country. It has been made mandatory by the government that for any business transaction with the government and deserving transactions with the private sector, Tax Clearance Certificate must be presented.

It is in the above connection, that the followings are some of the various Circumstances and transactions for which such Tax Clearance Certificate will be demanded;-

- i - From non-government applicant (e.g. loans for small business, etc) for government loan, Or banks.
- ii - From persons registering and licensing vehicles (only on first registration).

- iii - From persons applying for gun licence.
- iv - From applicants requiring exchange control permission to remit funds.
- v - From persons applying for Certificate of occupancy.
- vi - From tenders for government contracts.
- vii - From traders requiring traders requiring trade licence.
- viii - From applicants for approval of building plans.
- ix - From applicants for property transfer documents.
- x - From electoral candidates.
- xi - From applicants for import/export licences.
- xii - From applicants for buying plots.
- xiii - From applicants for buying Agents licences.
- xiv - From applicants for pools or gaming licences (as and when applicable).
- xv - From applicant for registration as contracts by government or medicine sellers.
- xvi - Application for distributorship.
- xvii - Application for Approved Users Certificate.
- xviii - Applicant for surplus, farming, and a host of others.

It should be noted that the tax office should issue Tax Clearance Certificate after application within 2 weeks or reasons given for denial in writing. Defaulting agents of deduction shall pay commercial rate of interest and are prosecuted accordingly.

3.8.1 Tax Exemption Certificate

A Tax Exemption Certificate is issued to those categories of people who are unemployed like students, house wives, as well as a limited liability Companies who have fully paid up their tax with the Federal Inland Revenue. They too, (Public Liability Companies) must be operating P.A.Y.E scheme in which they remit their PAYE monthly deductions to the relevant tax authority.

Tax Exemption Certificate emanates during the advent of Tax Clearance Certificate.

CONCLUSION

This chapter has fully introduced the Bauchi State Board of Internal Revenue, right from Historical background, objectives, and functions of the board, structure, and nature of operations, the next chapter proceeds to analyse the respondents views and that of tax officials on the management, operations of Personal Income Tax in the State.

FOOT NOTES

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4. Employer's Guide To P.A.Y.E (1981) Issued By The Joint Tax Board.
5. Excerpt from the "Press Briefing of the Hon. Minister of Finance on the 1992 Budget Speech of Mr. President.
6. Income Tax Management Act (1961) (As amended up to 1979) section 16(1).
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## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

This chapter depicts the results obtained from the Questionnaire. Specifically, it analyses the responses to the questions on operations and management of the Board, Tax Assessment, collection and Pay-As-You-Earn (P A Y E) - Remittance and Gathering of Information and the overall Tax management in the state.

Statistical aids and tables are used in this regard. As indicated in my Research methodology, Sixty Questionnaires were administered, But however due to time constraint, only Thirty Eight (38 were recovered, hence the number of my respondents - is Thirty Eight (N = 38).

#### 4.1 OBJECTIVES OF THE BOARD

More than 60% of the respondents are of the opinion that it was the state military Governor that set the objectives of the Board. This is in view of the fact that the Board came into being during the then state military Governor Lt. Col. Chris Abutu Garuba.

While the remaining 40% of the respondents feel that it is the Director General (Revenue) that set the objectives of the Board.

On whether the objectives are in hand to hand with the policies of the Board, the response is depicted in below.



Table 4.1 Relationship Between Objectives and Policies of the Board

Relationship between	Yes	No	I don't know	None of the above
Objectives	15%	60%	20%	5%
Policies	15%	65%	15%	5%

4.2 VIEWS OF RESPONDENTS, ON OBJECTIVES

About 11% of our respondents believe that they are not conversant with the objectives while 43% of them have indicated that it is even difficult to accomplish the objectives of the board.

This is summarised in Table 4.2 below.

Table 4.2 Percentage on Views of Respondent on the objectives

Views on Objectives	Percentage	Number
a) Easy to accomplish	26.32%	10
b) Difficult to accomplish	42.11%	16
c) Impossible to accomplish	21.05%	8
d) I don't know	10.53%	4
Total	100%	38

4.3 TAX ASSESSMENT

30 respondents have indicated that most of the objections/ Complaints received from tax-payers is principally due to the

present prevailing economic hardship in the country. To them, today's business is not paying tax but is on how to keep body and soul together.

While 7 of the respondents claimed that objections emanates as a result of over assessment. 1 respondent fell that it is as a means of evading tax.

He went on to assert that for that taxpayers, even their sources of Income is no more fetching, they will just ignore their Civic responsibilities, of paying their tax, thus, intentionally evade it.

These responses is tabulated below in Table 4.3

Objections Received from Taxpayers

Sources of objection	Number	Percentage
a) Over assessment	7	18.42%
b) Economic Hardships	30	78.95%
c) Means of Evading tax	1	2.63%
d) None of the above	-	-
Total	38	100%

4.4 TREATMENT OF TAXPAYERS COMPLAINTS/OBJECTIVE

Over 78% of our respondents claimed that objections of tax payers is normally treated by superiors who have the finally say regarding all kinds of objections.

While only 6 respondents feels that it is the subordinates that treats taxpayers objection.

Moreover, only 2 of our respondents that treated the taxpayers objection.

This analysis reveals that there is proper co-ordination of activities within the Board and that taxpayers complaints and objections received adequate attention from superiors right from the rank and file.

The result of this analysis via the respondents response is depicted below.

Table 4.4 Respondents Response on the Treatment of Taxpayers objections

Sources of Complaints	Percentage	Number
a) Through superiors	78.95%	30
b) Through Subordinates	15.79%	6
c) Directly by myself	5.26%	2
Total	100%	38

4.5 OBSTACLES TO COLLECTION OF TAXES IN THE STATE

More than half of our respondents indicated that tax collection in the state is far below what is expected. They

asserts that more revenue would have accrued if more avenues have been tapped.

This responses is tabulated - below.

Table 4.5 Channels of Ranking Tax Collection

Channels of Ranking	Percentage	Number
a) Fairly Good and above 80%	2.63%	1
b) Above 50 - 79%	10.53%	4
c) Just average 50%	21.05%	8
d) Below average 50%		25
Total	100%	38

4.6 P.A.Y.E INSPECTION VISITS

Virtually, majority of our respondents indicated that PAYE staff undertake such visits for the simple reason that no individual or corporate bodies pays his/their tax with a smile.

Most of our respondents claimed that over 80% of such inspection visits yield a possitive result, while the remaining 20% yielded negative result or has aless impact on the trend of collection.

4.7 NON REMITTANCES OF THE COLLECTED PAYE DEDUCTIONS/TAXES

Basically, the respondents reponse is apporioned into three major factors.

First, is that is based on the fraudulent nature of most organisations particularly the accountants and the cashiers of such organisations. They went to the extent of putting such deductions in their private savings account for interest to be accrued to them.

The second category of our respondent are of the opinion that non remittance of taxes is due to lack of stiff penalties to the defaulting individuals and corporate bodies.

The third category are of the opinion that it was due to lack of legal barking to enforce remittances.

This divergent opinions of our respondents is tabulated below.

Table 4.7 Responses on the causes of Non Remittance of PAYE deductions and Taxes

Causes of Non Remittance	Number	Percentage
a) Fraudulent nature of organs.	20	52.63%
b) Non Existence of Legal Enforcement	15	39.47%
c) Lack of Commitment of PAYE staff	1	2.63%
d) Penalty Enforcement	2	5.26%
Total	38	100%

It is of interest to note that only 2.63% of our respondents have indicated lack of commitment of PAYE staff to make up a

follow up, while it is only 5.26% is solely due to none enforcement of stiff penalties for - defaulters.

4.8 RATE OF PAYE INSPECTION VISITS

Over 90% of our respondents indicated that such visits undertaken by PAYE staff is inadequate.

The need to redouble our efforts on this line of action can not be over emphasized. Commitment of PAYE staff and legal backing plus enforcement will certainly achieved the desired results. The state executives should be informed from time to time by the Director - General (Revenue) especially during their meetings. This will entail compliance especially by defaulting individuals and corporate bodies.

4.9 GATHERING OF INFORMATION ON TAXPAYERS

A sizeable number of the respondents believed that gathering of information on taxpayers income and the subsequent fall into our net, is inadequate.

While the remaining are of the view that all the means could equally be used to track taxpayers into our net and their sources of income.

It is of interest to note that all the respondents feels that the tracking of taxpayers into the net of tax officials is a

collective responsibility of all tax officials, and still the information received on their sources of income is inadequate.

These responses on the methods used in gathering such information is tabulated below:-

Table 4.8 Methods of Gathering Information on Taxpayers

<u>Sources/Methods</u>	<u>Percentage</u>	<u>Number</u>
a) Past Records	7.89%	3
b) Investigation by staff	52.63%	20
c) Liason with Govt agencies	-	-
d) Through M.L.A	39.47%	15
e) All of the above	-	-
Total	100%	38

4.10 CAUSES OF INSUFFICIENCY OF INFORMATION

A large number of the respondents indicated the unwillingness of the outsiders to assist the board in gathering information on tax payers.

Equally, other factors too contribute to the issue. This response is shown below in Table 4.9

Table 4.9 Course of Insufficiency of Information

<u>Factor</u>	<u>Percentage</u>	<u>Number</u>
a) Lack of co-operation from outside	34.21%	13
b) Insufficient Trained Staff	18.42%	7
c) Inadequate transport	23.68%	9
d) Insufficient working materials	13.16%	5
e) Others	10.53%	4
Total	100%	38

Other impediments to the flow of information includes the unwillingness of taxpayers to furnish the board with more information on their fellow taxpayers.

Names of streets and numbers plus proper addresses of taxpayer should not be left alone.

4.11 OBSTACLES TO TAX MANAGEMENT IN THE STATE

Divergent views of respondents is put forward as to some of the major obstacles of tax management in the state with specific reference to the low collection. Majority of the respondent are centred on transport facilities available to the Board.

This development could be attributed to the number of serveable vehicles at the disposal of the Board.

Others attributed the causes to the bad strategy adopted by the board especially the timings. There is lots of distortions and collusion from here and there.

Quite a large number of the respondents blamed the state government as to the politics involve and luck worn attitude towards revenue staff like on the issue of paying their claims.

These responses is clearly shown in the Table below.



Table 4.10 Causes of Low Collection/Obstacles of Tax Collection and Management in the State

Causes	Number	Percentage
a) Inadequate Transport	17	44.74%
b) Bad collection strategy	12	31.58%
c) Lack of committed staff	1	2.32%
d) Prompt of payment of staff claims	6	15.79%
e) Other factors	2	5.26%
Total	38	100%

On the person(s) capable of solving the obstacles of the board, over 95% of respondents feels that it's the Director-General and other top ranking officers that could be able to tackle the issue amicably. This belief cannot be far fetched from the fact that it is only the Director-General (Revenue) who has the resources at his disposal to solve the issue or obstacle once and for all.

It is he which also has the opportunity of presenting these obstacles to the state executive council for prompt and speedy action(s).

While, the remaining 5% felt that it is a collective responsibility of revenue staff. This has also been explained in the following words of the former Director General. "Where there is no taxes, an existence of tax official(s) is

unjustifiable and where there is a problem/obstacles, a solution has to be provided".

4.12 OBSTACLES THAT REQUIRES URGENT ATTENTION WITHIN THE BOARD

Respondents have indicated that majority of them identified transport to be the major impediment, remuneration or prompt payment of staff claims, lack of recognition and appreciation of staff achievements.

Others include inadequate information, staff training and development and lastly but not the least office accommodation.

These responses is depicted in Table 4.11 below.

Table 4.11 Ranking of obstacles Requiring urgent Attention

Obstacles/Areas	Number	Percentage
1 - Transportation	20	53%
2 - Prompt payment of staff claims	7	18%
3 - Lack of recognition and appreciating staff achievement	5	13%
4 - Inadequate information	3	8%
5 - Staff training and Development	2	5%
6 - Office accommodation	1	3%
Total	38	100%

It should be noted that majority of the respondents indicated that most of them except few share an office with their colleague.

Thus the need for more office accomodation by the Board could not be over-stated. This will also boost the morale of the staff of the Board.

#### 4.13 RESPONDENTS RECOMMENDATIONS

After the collection of the responses of the respondents a number of useful recommendations were offered so that tax assessment and collection in the State could not only be improved but achieve the desired end result.

These recommendations are analysed as follows: First, is the issue of transport facilities. The Board cannot exist efficiently and effectively without an adequate transport facilities.

Secondly, is for the Board to review the salary structure and fringe benefits of tax officials. This will not only tend to reduce fraud and corruption in the Board but will also increase the morale of tax officials. A hungry man is always angry.

Thirdly, is the issue of staff training and development. As taxation is not static, its staff needs to be constantly trained.

The co-operation and assistance of other government agencies and the private sector in this regard could also be sought.

The establishment of revenue courts to deal with tax defaulters will in no small measure assist in remedying the situation.

Finally, the over restructuring and reorganising the board should also be looked into. This will inculcate fresh blood into today's affairs of the board.

#### 4.14 CONCLUSION

In conclusion, this chapter has succeeded in presenting the views and opinions of the respondents.

The next chapter is intended to highlight the views and opinions of the research as a tax official.

## CHAPTER FIVE

### OBSERVATIONS, RECOMMENDATIONS AND CONCLUSIONS

This chapter portraces the findings of the study, provide viable recommendations and conclude the study. It should be noted that the findings are regarded as observations.

#### 5.1 OBSERVATIONS

Both the personal Interviews and the questionnaires applied to our various respondents have indicated that there is a great obstacles to the present machinery of tax collection, assessment and management. However, much emphasises is on the followings:-

First is the familiar problem of identification of taxable persons - poor voluntary compliance, poor volunteering of information on taxpayers, especially those in the informal sector of the economy i.e that pays their tax through direct assessment.

Secondly, is the issue of shortage of manpower in quality and quantity including inadequate staff training facilities, especially in the relevant disciplines such as law, economics, accounting, business and computer education and a host of others

Thirdly, the non existence of a Revenue Law Enforcement Unit within the Board which will have quasi-police functions of arrest, detention and prosecution before Revenue collection

Tribunals. To say the least, the situation can be described as "helpless". Apart from the numerous legal loop-holes in the existing tax system which enables shred individuals and corporate bodies to evade and default in the payment of taxes and the complexities of even the basic relevant provisions of the tax laws which seems to be beyond the interpretation of an average taxpayer.

This to a very large extent restrict the board to only tax assessment while the enforcement and collection of tax has to come from other government agencies.

Fourthly, is the Nigerian factor (low level of voluntary compliance, false declarations, and non-compliance). Several individuals and corporate bodies either ignore the notice of assessment sent to them or refuse to declare their source of income correctly or the, income derived from each of the sources.

Fiftly, is the issue of transportation. The existing transport facilities is inadequate and no revenue office can exist without adequate transport facilities. One can imagine a state with twenty three local governments to cater for but has only five serviceable vehicles.

Another factor observed to be constituting a major impediment in the operations of the board is the issue of poor

motivation of Revenue officials in terms of remuneration, fringe benefits and inadequate facilities like funding of Revenue and the payment of staff - claims promptly. You can imagine a situation where a revenue staff touring all the local governments in the state for 4 months without being paid by the Board.

Both the feeding of his family, his feeding and of course his driver plus hotel accommodation all coming from his pocket. It is indeed unrealistic.

Lack of co-operation among other government arms like the state - ministry of health, works just to mention a few of them, can also be regarded as an impediment to the problems of Revenue office.

Added to the above problems is lack of clear demarcation between functions i.e between the revenue board and other agencies within the state ministry of Finance such as Treasury and Finance headquarters. Whereas, effective and efficient assessment, collection and management of taxes require exactly the opposite.

Finally, there is the need for the Board to computerise its activities so as to be able to cope with the complexities of a modern tax management.

## 5.2 RECOMMENDATIONS

It becomes much easier to recommend a possible solution when a problem have been analysed and identified and these can be listed as follows:-

### 5.2.1 Palitical Education

Generally when the public are informed about the importance of paying their taxes promptly and when due, they will come to realise that it is their Civic responsibility to pay their taxes as long as they are citizens of this country. Thus, an intensive and substained public enlightenment campaign to the populace should be mounted.

### 5.2.2 Employment of Additional Staff and more Incentives

More trained and qualified Revenue staff should be employed and be provided with a reasonable amount of fringe benefits like food allowances for working late, training allowances, housing and transport allowances reasonable enough to take them to work through out the month. This will in the long run increase their morale and frequent embezzlement of funds and frauds will be minimised if not eliminated.

### 5.2.3 Establishment of Revenue Courts

The establishment of a Revenue Law Enforcement unit/court within the Board with quasi-police functions of arrest,



detention and prosecution. It is believed that the Court/Tribunal will handle cases of the Revenue/Tax defaulters with dispatch.

5.2.4 Record keeping and computerisation

For prompt assessment, appropriate records of statistical data of tax payers files, duplicate of their receipts of payment should be kept safely. Thus, the maintenance of a reliable data bank could be improved by the computerisation of the records of the Board.

5.2.5 Transportation

As a matter of seriousness, adequate transport facilities should be provided more vehicles should be procured in addition to the provision of more basic infrastructural such as good roads and repairing the damaged ones, with pot-holes leading to different corners of the state.

5.2.6 Provision of working materials and Equipment

Adequate working materials and Equipment such <sup>as</sup> revenue forms, table, chairs, office accommodation, assessing - machines and etc enough for the year should be made.

5.2.7 Review of Existing Tax Laws

All existing Tax Laws should be reviewed to plug all loop-holes and to impose stiffer fines and penalties to taxpayers

who submit fraudulent returns and equally on the Revenue Staff who collude with taxpayers to defraud the board.

Thus, the above will go a long way in dealing with tax invaders, defaulters, and avoidance.

#### 5.2.8 Improved channel of communication

The need for revenue office to seek and improved the co-operation of other government agencies in minimizing the incidence of malpractices cannot be over emphasized.

It is in this regard that all government ministries, parastatals, and departments as well as the local governments should be compelled to furnish the board with all necessary information such as on contracts, and their P.A.Y.E. deduction and remitted to the Board.

#### 5.2.9 Re-organisation of the Board

The existing structure of the board and the machinery of revenue collection should be over hauled and remodified with the present realities. Decision making should be short and much more logical than on individual personal process. The functions and roles of the Legal Department of the Board should be clearly spelt out, and manned by a qualified and competent

Lawyer specialised in tax matters, rather than referring all our cases (tax) to the state Attorney General. This causes delays and lost of much revenue in view of the time constraint.

The Research and Intelligence section should also shoulder additional responsibilities apart from their primary responsibilities. They should enlighten the public, manage the data bank, together with the computerisation of our tax data and more so, liaise with other government agencies and above all provide information on taxpayers and their various sources of Income.

Finally, the existing structure of the Board and the machinery of Revenue Collection should be modified along the current New Civil-Service Reforms.

### 5.3 CONCLUSION

From the various studies and analysis of data, one could say that the study has justified its existence in that it identifies the obstacles militating against an effective and efficient management of Personal Income Tax in the state.

The analysis further confirms - that ineffective management of Personal Income Tax causes fluctuations in the amount of revenue government realised from taxation, and as such Revenue Staff should be motivated fully in terms of remuneration, fringe benefits etc.

Government on its part has to create the political will and enlighten all taxable adults to realize that it is their important Civic responsibility to pay tax, so that the government can under take General Public Expenditure.

5.4 FURTHER RESEARCH

Further research on Personal Income Tax Management is very much desirable in the light of the foregoing analysis. I wish to submit that researchers and managers of tax interested and committed in this field of study could go on further to provide avenues for gradual expansion of the scope of tax -at-source to various sources of income.

This is a development in the right direction and that efforts should continue to be made to extend the tax-at-source system to more sources of income.

Further research could be made on the means of creating further new avenues for taxes. Thus a research of this nature is most desirable in Nigeria and Bauchi State in particular, as more additional responsibilities for the Government to cater for.

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APPENDIX A.

Department of Business Administration  
Institute of Administration  
Ahmadu Bello University  
Zaria, Kongo Campus

10th December, 1992.

Dear Respondent,

MANAGEMENT OF PERSONAL INCOME TAX IN NIGERIA:  
A STUDY OF BAUCHI STATE BOARD OF INTERNAL REVENUE

I will be most grateful if you will spare your precious time to attempt to answer the attached Questionnaire on the above subject matter. The Research is aimed at highlighting the obstacles to effective and efficient management of Personal Income Tax in Bauchi State.

The Research is being conducted in partial fulfillment of the requirements for the award of a Master of Business Administration (M.B.A.) degree of Ahmadu Bello University, Zaria.

To ensure anonymity of respondents, no personal data is required. Therefore, all information herein will be treated in strict confidence and use purely for academic exercise.

Thanks for your co-operation.

Yours sincerely,

JIBRIN ABDULLAHI.

SECTION A: OPERATIONS AND MANAGEMENT OF THE BOARD

1. Who set the objectives of the Board?
  - (a) The Governor of the State
  - (b) The Chairman of the Board
  - (c) Director-General of Revenue
  - (d) I don't know
  
2. Are these objectives hand in hand with the policies of this Board?
  - (a) Yes  (b) No
  - (c) I don't know  (d) None of the above
  
3. If your answer to the above is No, please briefly state your reason(s).

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4. How do you evaluate the objectives of this Board?
  - (a) Easy to accomplish
  - (b) Difficult to accomplish
  - (c) Impossible to accomplish
  - (d) I don't know
  
5. Are you used to the objectives as a staff of this Board?
  - (a) Yes  (b) No



SECTION B: TAX ASSESSMENT, OBSTACLES TO COLLECTION  
AND PAYE REMITTANCE AND INSPECTION VISITS.

6. As a tax man, how do you assess your taxpayers?  
(a) Indirectly (PAYE)   
(b) Directly (B.O.J.A.)   
(c) None of the above   
(d) Both A and B above
7. Do you receive any objections from your taxpayers?  
(a) Yes  (b) No
8. Which of the following reason(s) of such objectives do you receive from your taxpayers?  
(a) Over assessment   
(b) Prevailing Economic hardship in the country   
(c) As a means of evading tax   
(d) All of the above
9. How do you treat taxpayers objections?  
(a) Through the Superiors   
(b) Through my Subordinates   
(c) I make it directly
10. What problems do you encounter during PAYE inspection visits?  
(a) Lack of proper record keeping   
(b) Lack of co-operation from the affected companies or organisations   
(c) Lack of skilled staff to do the job   
(d) Others (specify).
11. Do such visits increase your collection drive?  
(a) Yes  (b) No

12. Is there any attempt/action to solve such problem(s) by this Board?

(a) Yes  (b) No

13. As a tax man, which of the followings do you think is (are) the cause(s) of non remittance of PAYE deductions.

- (a) Fraudulent nature of most of the organisations
- (b) Non existence of legal backing for enforcement
- (c) Lack of commitment on the part of PAYE staff.
- (d) None enforcement of penalty for defaulters
- (e) All of the above

14. Briefly recommend steps to deal with the situation.

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15. Do you think the periodic checking of records of individuals and corporate bodies will reduce cases of non remittance of tax?

(a) Yes  (b) No

16. Do you often go out for PAYE inspection visits?

(a) Yes  (b) No

17. If your answer to the above (16) is No, please indicate why?

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18. How often do you go out for such inspection visits?

- (a) Monthly
- (b) Quarterly
- (c) Semi-annually
- (d) Annually
- (e) None at all

19. Who do you think is capable of solving this problem in this Board?

- (a) Director-General
- (b) Assistant Director (PAYE) Section
- (c) Other Sectional Heads
- (d) Collective Responsibility
- (e) The State Governor

SECTION C: GATHERING OF INFORMATION AND OBSTACLES OF TAX MANAGEMENT IN THE STATE.

20. How do you track taxpayer(s) into your net?

- (a) Through past records and informers
- (b) Through personal investigation by the staff of Information and Research Unit
- (c) Liason with other government ministries and department
- (d) Through the Motor Licence Authority
- (e) All of the above

21. In your own opinion, which of the following could be attributed to insufficiency of information?

- (a) Lack of co-operation outside this Board
- (b) Insufficient trained staff.

- (c) Lack of adequate transport facilities
- (d) Insufficient working materials
- (e) Others

22. In spite of the obstacles to the overall collection of taxes, how do you describe the whole exercise?

- (a) Fairly good and above 80%
- (b) Above 50 - 79%
- (c) Just average ie. 50%
- (d) Below average ie. 50%

23. Is there any need for improvement?

- (a) Yes  (b) No

24. Which of the followings do you think is mainly the obstacles of Tax Management in the State.

- (a) Inadequate transport facilities
- (b) Bad collection strategy
- (c) Lack of committed collection staff
- (d) Lack of prompt payment of staff claims
- (e) Other factors

25. Recommend some measures to improve tax assessment, collection and management in the State.

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26. The followings seems to be some of the obstacles that require urgent attention and be rectified as soon as possible. Rank them in ascending order.

- (a) Lack of prompt payment of staff claims

- (b) Office accomodation
- (c) Staff training and Development
- (d) Transportation
- (e) Lack of recognition and appreciation of staff achievement
- (f) Inadequate information on taxpayers Income

27. Any further comment(s)?

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APPENDIX B.

COLLECTIONS MADE BY THE BOARD FROM 1986 TO APRIL 1992

MONTH	YEARS						
	1986	1987	1988	1989	1990	1991	1992
JANUARY	2,146,910	1,492,091	1,331,965	1,609,661	1,602,745	3,231,979	3,327,752
FEBRUARY	1,159,549	1,642,569	1,382,388	1,622,602	1,963,566	2,646,062	3,542,019
MARCH	1,084,484	1,081,065	1,321,790	1,336,940	1,636,010	2,294,542	2,739,388
APRIL	1,240,486	1,129,898	1,042,026	1,460,173	1,805,476	1,600,291	2,278,492
MAY	1,085,085	1,004,210	1,119,502	1,783,239	3,109,357	2,631,888	3,893,490
JUNE	885,913	1,143,595	1,231,593	1,991,922	3,927,601	2,211,105	2,610,748
JULY	1,075,493	1,315,065	1,509,769	1,429,223	4,019,633	2,807,083	2,946,969
AUGUST	962,885	2,003,992	1,741,694	4,050,418	5,115,691	2,412,791	2,923,212
SEPTEMBER	3,522,071	3,551,699	2,064,482	4,027,242	3,324,792	3,784,179	3,385,602
OCTOBER	7,288,477	3,587,861	4,321,884	3,368,372	3,767,916	5,584,630	2,789,643
NOVEMBER	1,816,135	2,722,013	4,394,989	2,730,073	4,155,715	4,011,021	3,675,910
DECEMBER	2,055,687	3,279,692	2,665,639	2,676,365	2,935,969	3,802,397	6,647,617
TOTAL	24,320,176	23,953,750	24,269,064	28,051,227	34,278,160	33,210,109	40,761,833

SOURCE: MONTHLY COLLECTION REPORTS.