POTENTIAL SOURCES OF REVENUE TO SOKOTO STATE: PROBLEMS AND PROSPECTS.

BY

UMARU SHEHU - USMAN AMBURSA
B.Sc. (ACCTG), A.B.U. ZARIA, 1978

A THESIS SUBMITTED TO THE POST GRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (M.B.A.)

DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF ADMINISTRATION,
AHMADU BELJO UNIVERSITY, ZARIA.

AUGUST, 1985

(All rights reserved; Apart from being used for academic exercise, no part of this Project may be reproduced, stored in any form or by any means, electronic, photo-copying, recording, or otherwise, without the prio permission of the copyright owner).

DEDICATION

This research has been dedicated to my late parents Alhaji Manun Sa'a and Madam Karimat who tremendously contributed to my up-bringing. Particularly my late father who developed enormous interest in seeing me educated, but could not live to benefit from the fruits of my labour. So also to my late and dearest first daughter, Hindatu. May their souls rest in perfect peace (Amin).

It is also dedicated to my beloved wife, Hafsat Baddo, for her so much being patient when I was most of the time away.

CERTIFICATION

This project report entitled "Potential Sources of Revenue to Sokoto State: Problems and Prospects" by Umaru Shehu-Usman Ambursa 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.

G.L. Sharma

Dr. G.L. Sharma
SIGNATURE OF SUPERVISOR Date: 4-9-1985

SIGNATURE OF EXTERNAL EXAMINER Date:.....

Dr. J.G. Donli
HEAD OF DEPARTMENT Date:.....

Professor G.E. Osuide
DEAN, POST GRADUATE SCHOOL
A.B.U. ZARIA Date:.....

DECLARATION

I solemnly declare that this research work for the award of Masters of Business Administration at Ahmadu Bello University, Zaria is entirely attributable to my own research findings. This work has not been submitted for the award of any degree anywhere before and is not presently being submitted for any other degree elsewhere. All the sources of information are fully acknowledged by means of footnotes and references and the author should be held responsible for all forms of errors.

U.S.U. AMBURSA
1985

ACKNOWLEDGEMENTS

So many men so many minds. Many hands make light work. Many a little makes a mickle. These three proverbs are well suited for this acknowledgement: So many opinions have been gathered. Many people helped to make the study easy and quick. Their contributions accumulated to make this volume of work.

This research project therefore cannot be complete without acknowledging the immense contributions and invaluable assistance given by a number of people.

First and foremost, I am heavily indebted to my Supervisor, Associate Professor, Dr. G.L. Sharma, who wholeheartedly accepted to take over the task of supervising my research project after my initial Supervisor, Dr. Bob Osaze has left the University. He has done such a marvelous job that words alone cannot express my appreciation. His good guidance resulted in the 'near perfect' articulation of the materials chosen for writing this project. His excellent, unflinching assistance has made this study possible and very enjoyable.

After some serious initial set back, Dr. G.L. Sharma generated so much courage in my mind by giving me alot of useful advice that put me once more on the path of success. The hospitality and generousity of this man both in his office and at home could never be forgotten. To him I express my thanks and gratitudes.

Secondly, I should thank Mr. V. Janakiraman for his various invaluable advice. He took the initiative to change my supervisor without my knowing it due to his commitment in seeing that I succeed in this venture. I am very grateful for all these gestures.

The most appreciable contributions of Safdar Ali, Accountant-General, Sokoto State, who despite his numerous responsibilities had found time to advise me and give me relevant materials and information. He was also instrumental to my sponsorship for this study.

I will not fail to acknowledge the immense help and cooperation given to me by Mr. Sangari and Mr. Surla, both of the Main Account Branch (MAB), Finance Secretariat, Sokoto. They have helped in giving me the tabulated required data. To them, I express my gratitudes.

Very important too, was the co-operation received from the Director, Internal Revenue Division, Ministry of Finance, Sokoto Mr. J.A. Kolawale who helped by releasing certain valuable documents and relevant, reliable and dependable information on the Interview Questionnaire. So also are Mal. Bello and Hassan A. Bungudu, for their contribution in giving me some data. To them all, I express my thanks and gratitudes.

I acknowledge with thanks the suggestions given by my colleages and course-mates in MBA class, namely; Alhaji Abdul-Kareem Adesokun, Alhaji Garba Bello, Alhaji Auwalu Darma and Alhaji Ahmed Wali Argungu. Their invaluable contributions I shall never forget. I feel I am strongly obliged to these colleages and friends.

I have received very many useful advices from many friends among whom are Malam Rabiu Mohammed Dauran, Usman Mohammed Usman, and Aliyu Magawata Ambursa. To all these, I am heartly grateful.

The moral and financial support given me by the Sokoto State Government for the pursuit of this study is very appreciable. A big "thank you" to the Government.

Members of my family have bravely borne the considerable share of the difficulties and problems that have been encountered in the pursuit of this study. The patience and co-operation of my wife and children in nursing the severe difficulties that they might have encountered during my absence has helped in obviating or alleviating most of the problems.

My thanks also go to Malam Muhammadu Haruna Aliero who untiringly did a wonderful job in typing the drafts of the research project. I am greatly indebted to this gentleman.

Finally, I express my thanks to all individuals or groups of individuals who might have helped in the course of this research project but the space of this section has not unfortunately contained their names.

Any mistakes and defects, however, are my responsibilities.

Department of Business Administration,
Ahmadu Bello University,
Zaria, Nigeria.

U.S.U. AMBURSA
August, 1985

LIST OF TABLES

TABLE	DESCRIPTION	PAGE
3.1	Projected and actual collection of Recurrent Revenue 1979-83	28
3.2	State Revenue and Federal Government Statutory Allocation 1979-83	30
3.3	Projected and actually received Statutory Allocation 1979-83	31
3.4	Federal Government Actual Statutory Allocation to Sokoto State 1979-83	32
3.5	Actual Recurrent Expenditure and Revenue of Sokoto State 1979-83	33
3.6	Relationship between actual recurrent expenditure and actual capital expenditure 1979-83	35
3.7	Major different sources of revenue Actual collections 1979-83	37
3.8	Ranking of Major sources of State Tax collections 1979-83	38

LIST OF FIGURES

FIGURE	DESCRIPTION	PAGE
1	Organisational chart Revenue Division, Ministry of Finance, Sokoto	25

ABSTRACT

Government derives its revenue for public expenditure from a number of sources of which taxation is one of the major ones. As a developing country with considerable endowment in human and natural resources, the greatest drawback to our development efforts has always been the inavailability of adequate, reliable, and stable sources of revenue. With the present economic predicament in **our** country, the need to diversify our sources of revenue has become inevitable.

The main objective of the study is to examine and analyse the existing main sources of revenue **of** the **state,** and the problems and prospects involved, with a view to propose some potential sources of revenue, so that the government can diversify its efforts in revenue generation.

Based on the past state taxes (revenue) collection policies and procedures, we should pin point the short-comings in the existing administrative set up; mode of collection and to suggest a list of proposed potential sources of revenue in the state in consonance with the Federal Government Policy *on* taxation.

Existing main sources of revenue have been analysed and found that state government has been heavily depending on statutory allocation and other purposeful grants.

Because of the problems of revenue collections and tax administration and the inadequacy of recurrent locally collected revenue, we suggest for the introduction of:-

i. Sales tax
ii. Property tax
iii. Development Levies
iv. Other sources.

Prospects of revenue collection and tax administration are very bright. Especially if one considers the recent established Decree No 4, 1985 Finance (Miscellaneous Taxation Provisions) which has tried to improve on the present legislation and has also introduced a few new ideas into our tax laws.

Furthermore, with the re-organisation of the Internal Revenue Department as recommended making it autonomous; providing the department with more trained personnel; providing more suitable office accommodation; and providing enough transportation, much revenue could be realised from the operation of revenue collection and tax administration system in Sokoto State.

There is therefore, a need for the state government to critically look into these peculiar problems facing the operation of revenue collection and tax administration system in the state. Immediate solutions to the problems posed must be provided.

TABLE OF CONTENTS

CONTENTS		PAGE
Title of the Project		i
Dedication		ii
Certification		iii
Declaration		iv
Acknowledgements.....		v
List of Tables		viii
List of Figures		ix
Abstract		x
Table of Contents		xii
CHAPTER ONE		
PRELIMINARY CONSIDERATIONS		
1.1	Introduction	1
1.2	Statement of the Problem	1
1.3	Purpose of the Study	3
1.4	Scope of the Study	4
1.5	Research Methodology	5
1.6	Review of Existing Literature	6
1.7	Limitations of the Study	7
1.8	Organisation of the Study	8
1.9	Conclusion	8
CHAPTER TWO		
RATIONALE OF TAXATION		
2.1	Introduction	10
2.2	Theoretical Aspect of Levying Tax	10
2.3	Different Objective and View points	13
2.4	Types of taxes in Sokoto State	14
2.5	Conclusion	21
CHAPTER THREE		
EXISTING SOURCES OF REVENUE AND EXPENDITURE		
3.1	Introduction	22
3.2	Brief History of Tax Collection in Sokoto State	22
3.3	Organisational (Tax) Administration in Sokoto State	23
3.4	Relationship between projected and actually Collected Revenue	28

CONTENTS PAGE

3.5 Locally Collected Recurrent Revenue and Federal Government Statutory Allocation Received 30
3.6 Actual Expenditure and Revenue Collections 33
3.7 Conclusion 40

CHAPTER FOUR

PROPOSED SOURCES OF REVENUE

4.1 Introduction 42
4.2 Sales Tax 42
4.3 Property Tax 48
4.4 Development Levies 51
4.5 Other Sources 52
4.6 Conclusion 55

CHAPTER FIVE

PROBLEMS AND PROSPECTS OF REVENUE COLLECTION & TAX ADMINISTRATION

5.1 Introduction 56
5.2 Problems 56
5.3 Prospects 67
5.4 Conclusion 70

CHAPTER SIX

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary and Conclusions 72
6.2 Recommendations 74

References 89

Appendix I 92
Appendix II 93
Appendix III 94
Appendix IV 95
Appendix V 96
Appendix VI 97

CHAPTER ONE

PRELIMINARY CONSIDERATIONS

1.1 INTRODUCTION

This chapter is in seven parts. The first part deals with the need for the study. The second part deals with the purpose of the study. And in the third part Scope of study is analysed. Research Methodology will be our fifth section of the chapter, and Review of Existing Literature is discussed in part six. The last section of the chapter covers Limitations; Organisation of the study, and finally Summary and Conclusions.

1.2 STATEMENT OF THE PROBLEM

Money needed by the government for public expenditure is derived from a number of sources of which the major ones are: (i) Taxes; (ii) Borrowing; (iii) Fees and Specific charges; (iv) Rents, Royalties, Profits; (v) Grants. Also the Federal Government makes statutory allocation to all the States in the Federation which is the state's statutory share of the Federal Government Revenue.

Of all these sources, taxation is the most important. It should be noted that, taxation is concerned with more than just personal income tax, and corporate income tax; import duties excise, purchase tax, petrol and tobocco taxes, oil and tin royalties, motor and other licences are all part of the whole structure of taxation in this country.

In Nigeria, internally generated revenue by state governments is derived almost entirely from taxes.

Moreover, as a developing country with considerable endowment in human and natural resources, the greatest draw back to our development efforts has always been the inavailability of adequate, reliable and stable sources of revenue for financing development. This apart, the global economic recessing being experienced worldwide has led to a decline in the nation's main sources of revenue - the oil which accounts for more than 90% of our total revenue to the various state governments in the Federation by the Federal Government has been reduced accordingly. This has led to tight financial condition in most of the states in the Federation and Sokoto State is not an exception.

The tight financial position in Sokoto State like most of the states in the Federation has manifested itself into abolishing and suspending of so many projects till the financial position improves.

It therefore, became necessary to diversity the revenue base of the state by exploiting other sources of revenue and the proposed potential sources of revenue discussed and enumerated. The sales tax for example, with its low rate, large yield and relatively painless collection, seems to be very attractive.

Besides the need to introduce sales tax on some selected goods and services in the country has been accepted by all the state in the Federation.

In fact, ineffective administration and large scale tax evasion and avoidance as engaged by some self-employed

persons and educated elites with the help of their lawyers and Accountants might have been seriously contributing to the collection of less revenue inspite of the increase in the number of new tax payers over a period of time.

1.3 PURPOSE OF THE STUDY

Some tax payers and in fact some taxable citizens who have dodged assessments for tax, have not seen any need for payment of tax. This is inspite of the fact that they enjoy the services offered by public utilities that are provided by the government.

Government builds hospitals, constructs roads, offers public transportation; improve ways of communications, maintains justice by establishing various grades of courts and moreover provides security for the people.

All these and many other functions of the government entail colossal expenditure. This justifies the need for contributions from the citizens to the effects for the provision of such facilities as listed above.

A fall in revenue of the government will bring about circular effects within the economy of the country: less revenue may result in less provision of infrastructures. This may result in less productivity of the population.

The specific purposes or objectives of the study, inter alia are:

i. To examine the rationale of taxation theoretically and on the different objective view points;

ii. To enumerate and discuss the major types of taxes in the state;

iii. To analyse the existing main sources of revenue; the relationship between revenues and expenditures;

iv. To examine the structure, administrative organisation and operations of the tax;

v. To enumerate and discuss the proposed sources of revenues by giving their definitions, historical background; tax rates and bases; economic effects etc.

vi. To provide an avenue for knowing and considering the problems and prospects of revenue collections and its administrative machinery, and why such problems induce some of the tax payers to engage, deliberately or otherwise in tax evasion and avoidance.

vii. Based on the past state taxes (revenues) collection policies and procedures, we should pin point the shortcomings in the existing administrative set up, mode of collection and to suggest a list of proposed potential sources of revenue in the state in consonance with the Federal Government Policy on taxation.

1.4 SCOPE OF THE STUDY

This is an imperical study. It is confined to the revenue sources of Sokoto State, with particular reference to the financial years of 1979 to 1983.

Thus, in any research work there is a direct relationship between the scope, the objectives and the amount of data available to the researcher.

The study is aimed at examining the existing major sources of revenue to Sokoto State and to suggest new areas of revenue.

The findings of the study will be specially useful to the Sokoto State Government. However, its findings can be usefully applied in other states also.

1.5 RESEARCH METHODOLOGY

In this research, both secondary and primary data have been used. The secondary data used include among others, the approved recurrent and capital estimates for various years. The primary data was derived essentially through questionnaire and personal interviews with some senior staff of Internal Revenue Division, Sokoto and the Director of Internal Revenue.

Interview questionnaires were designed and administered and most of the questions on the questionnaires are specific, definite and precise.

In the response format, during the research studies, all of the questions are open-ended where the respondents are free to reply the questions in their own words rather than limiting them to choose from a set of alternatives. This is because if they are restricted to only few alternative answer, the respondents will not be free to give detail information as required by the research studies. Moreover, open-ended questions are used to elicit additional information.

Multichotomous and dichotomous questions and quota sampling are not used because they are more restrictive in nature and thus would prevent the researcher from getting more detailed information about aphenomenon.

Only few interview questions are designed and administered. Based on the above information, the research methodology used is as follows:-

(1) All the relevant information from the secondary sources was first sorted out; arranged and classified in such a way it would serve the purpose most appropriately. After classification, all the information was thoroughly analysed. The methods of analysis include year-wise and main revenue sources comparisons, percentages and general evaluation of performamce.

(2) The primary data was used as the basis for an intensive analysis of the problems and prospects as well as limitations of the research project.

After analysing all the relevant information, some important recommendations and conclusions have been made.

1.6 REVIEW OF EXISTING LITERATURE

This study is the "first work" on the subject in Sokoto state. At least the researcher has not been able to find in an extensive search of the literature, any other study on potential sources of revenue, particularly on the sales tax and property tax in the state.

Therefore, in the course of the literature for this study, we have found that enough ground has not been covered in the field. The researcher very much hope, however, this will not be the "last work!"

1.7 LIMITATIONS OF THE STUDY

Every research project has some weaknesses which need to be communicated to the reader in a clear and concise manner. Thus, the purpose of this section is to enable the reader to judge the validity of the study results.

The difficulties in obtaining data and information from Internal Revenue Division, Ministry of Finance, Sokoto, have posed the major problems in the writing of this research work, because there was never a research project conducted on the subject matter.

Moreover, some of the Internal Revenue's documents have been classified as 'secret' and therefore, could not be released to the researcher.

To the best of the researcher's knowledge, he is the first to write a project on the potential sources of revenue, therefore, has got no previous works to refer to and as a consequence, it has not been possible to write any literature review. However, alot of efforts have been put in collecting as much information as possible from newspapers, speeches, pamphlets, reports, and whatever, information the Internal Revenue and Budget Section could offer.

The above have indeed presented tremendous limiting factors. However, they have not in any way hindered the achievement of the objectives of this research work. The author has tried to present the potential sources of revenue as clearly and objectively as possible.

1.8 ORGANISATION OF THE STUDY

The first chapter of this study deals with the preliminary consideration, highlighting the problem of the study; purpose of the study; scope and limitations; research methodology and review of existing literature. The second chapter is concerned mainly with the rationale of taxation, theoretically and different objectives and view points. The types of taxes mainly, are enumerated and discussed.

In chapters three and four we analysed the existing main sources of revenue and gave proposed sources of revenue in detail.

The fifth chapter is basically concerned with the problems and prospects as regard revenue collection and tax administration and the last chapter deals with conclusions, summary and recommendations.

1.9 CONCLUSIONS

Government derives its money from a number of sources for public expenditure of which taxation is the major source. In the Nigerian context, the Federal Government makes statutory allocation to all the State Governments in the Federation. This statutory allocation forms the major sources of revenue to the State Governments.

The major problem which motivated our interest in this study is the present economic predicament being experienced by the country. Nigeria has been

overdependent on oil. The global economic recession being experienced world-wide led to a decline in the demand for oil. Faced with the situation, the Organisation of Petroleum Experting Countries (OPEC) was constrained to reduce the price of oil from thirty-five dollar to twenty-nine dollar per barrel. Thus, aid in the nations main sources of revenue.

Consequent upon this, revenue allocation to the State Government in the Federation by the Federal Government has been reduced accordingly. It is in this context that the present economic predicament is badly felt in the various states of the Federation. This study aim at giving rationale of taxation, analyses of existing main sources of revenue; and enumerate and discuss some proposed potential sources of revenue with their significance and economic effects.

The research methodology used includes studying all existing records, personal interview with the Director of Revenue and some staff.

The scope and limitations of the study are unique in that this is the first time a research in this area is being carried out in Sokoto state.

Sokoto state has a fair number of companies. With the nature of the selected goods and services to be covered by the sales tax Law, if enacted, properly administered and executed, enough revenue would be generated to supplement the existing sources of revenue.

In the next chapter, we shall look at the rationale of taxation theoretically and on different objectives and view points, then enumerate and discuss the major types of taxes in Sokoto state.

CHAPTER TWO

RATIONALE OF TAXATION

2.1 INTRODUCTION

This chapter is divided into four parts. The first section deals with why tax is levied theoretically, while the second part tries to explain main objectives of levying tax.

The third part is about different view points of why government should levy tax and the fourth section tries to deal with the types of taxes in Sokoto state.

And finally the conclusion section on the rationale of taxation generally.

2.2 THEORETICAL ASPECT OF LEVYING TAX

Different opinions, different judgements on a particular issue. So also levying of a tax irrespective of the type.

According to Sohai (1982), the object of levying tax (sales) by state government is to earn revenue and sales tax is a state subject i.e. each state is empowered to collect tax on sale of goods in its territory according to the rules framed by it.

Thus, the primary purpose of taxation is to raise revenue to defray the cost of government.[1] In addition to its function of revenue raising, taxation is used in many countries for social and economic purposes.

---

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

Protection of home industries by the imposition of customs duties on imports; stimulating activity in a sector of the economy by removing or reducing taxes on particular commodities; giving special tax allowance for capital investment in building, plant, machinery or even research; these are all examples of the use of taxation for economic purposes. Special allowance; the imposition of taxes on tobocco and alcoholic drinks; variable rates of purchase tax on "luxury" goods as opposed to 'essential' commodities; these are a few of the deviced commonly used by fiscal authorities for producing social effects.

General principles of taxation are difficult to discuss and when found, are frequently contradictory in their effect. Economists and social philosophers, from Adam Smith on, have propounded what such requirements should be. Among, then, the following are of major ones although they are not meant to be all inclusive.[2]

(1) The distribution of the tax burden be equitable. Every one should be made to pay his or her "fair share".

(2) Taxes should be chosen so as to minimise interference with economic decisions in otherwise efficient markets such interference impose "excess burdens" which should be minimised.

(3) Where tax policy is used to achieve other objectives such as to grant investment incentives, this should be done so as to minimise interference with the equity of the system.

---

[2]Musgrave, R.A. and Musgrave, P.B., Public Finance in Theory and Practice. Mc Grawittill International Book Company, 1973 P.235.

(4) The tax structure should facilitate the use of fiscal policy for stabilization and growth objectives.

(5) The tax system should permit fair and non-arbitrary administration and it should be understable to the tax payers.

(6) Administration and compliance cost should be as is compatible with the other objectives. These and other requirements may be used as criteria to appraise the quality of a tax structure.

Maxwell and Aronson (1977) maintained that taxes may reasonably be imposed in an amount that will roughly equate benefits and payments for each user. This is an example of indirect pricing. The government should not collect less in annual revenues than the cost of the services it provides, because it would have to meet the deficiency by general taxes, levied according to ability or sacrifice. The government should not collect and use more because this would finance collective benefits through taxes raised from particular groups of tax payers.

Moreover, Mr. Akpata is of the view that[3] the development of any nation is a function of the willingness and readiness with which its citizens respond to the payment of taxes and rates and since there is no development without taxation.

---

[3] Nigerian Observer, Monday, December 31, 1984. "Effective Revenue Collections in Bendel State" P.5

2.3 DIFFERENT OBJECTIVES AND VIEW POINTS

Each tax payer has his own reasons why he is paying tax, from the individual to groups of individuals and limited liabilities companies - various reasons are given for paying taxes to the state and Federal Governments.

Director, Internal Revenue, Sokoto state was of the opinion that tax is levied to raise revenue for government; to distribute income; to improve on ecchomy during inflation; to enable get funds from the public so that government can provide social services; to establish capital projects; when people pay their taxes, they can count themselves as part of the society, since paying taxes properly and promptly is a civic responsibility.

[4]"In all countries of the world, goods and services are provided for a fee. This is anulterable law of economics; no one can get anything free. To consume entails within it the necessity to pay or to be in debt, and there is a limit to which one may be indebted even to oneself. So in the final analysis, since no one can live perpectually in debt, everything must be paid for.

Furthermore, the Director, Federal Inland Revenue Department maintains that "taxation is the process or machinery by which communities or groups of persons are made to contribute part of their income in some agreed quantum and method, for the purposes of the administration and development of the society.

---

[4]New Nigerian. Editorial, Saturday, June 1, 1985. "Salvaging Public Utilities" P.1.

This is why it is often referred to as a civic obligation. This concept is confirmed in the Bible, in Romas chapter 13 V.7 and St. Luke's chapter 20 V.25 among other"[5]

The Governor of Kwara state Group Captain Latinwo maintains that "people must play their civic duties by paying taxes. All that the government has to do is to ensure the masses are not over-taxed because of the apparent poor condition of the people of the state ..... to make sure that the services for which people have paid are rendered effectively to justify the taxes collected. Payment of taxes will give a sense of belonging and I do not think it will create any hardship provided it is moderate"[6]

2.4 TYPES OF TAXES IN SOKOTO STATE

In the state, there are so many taxes both minor and major ones. Therefore, the major taxes as sources of revenue to the state government are:

1. Pay as You Earn.
2. Direct Assessment.
3. Entertainment Tax.
4. Community and Jangali Taxes.
5. Capital Gains Tax.

---

[5] Business Times "Taxation in Nigeria: Prospects for Reform" Monday, May 20, 1985. PP.12 and 13.

[6] New Nigerian Wednesday, April 18, 1984, "The place of Tax in raising revenue" PP. 3 & 7.

(1) Pay As You Earn Tax (P.A.Y.E.):

This type of tax is levied on individuals who derive their income from employment. It is for employees whose taxes are deducted before payment of salaries. It is usually assessed directly and is a Personal Income Tax.

However, taxation can be divided into two main profiles, Viz, Direct Taxation and Indirect Taxation. Direct Taxation is based on ascertainment of income and the assessment of such income either on individual or a group of individuals, corporate bodies and institutions, while Indirect Taxation is levied on consumption of goods or services and each person pays according to the level and rate of consumption e.g. Sale's Tax, purchase tax etc.

Under the Direct Assessment, we have two main divisions, the Personal Income Tax and the Companies Income Tax. The Personal Income Tax which is for the individuals, is assessed and collected by the states on those individuals resident in a state, while the Companies Income Tax which is charged on corporate bodies is the responsibility of the Federal Government through the Federal Board of Inland Revenue (FBIR).

Employers are directed by the relevant tax authority, Sokoto state Internal Revenue Division, Ministry of Finance and Economic Planning to deduct taxes from the employment income on weekly or monthly basis as and when the employment income is paid and remit such deductions immediately to the relevant tax authorities.

Employment income is taxed on current year basis, that is, income is charged to tax in the assessment year in which the income is received.

(2) Direct Assessment Tax. It is for self-employed persons. This is where other individuals who derive other incomes other than employment income or who are not in employment are assessed, on previous year basis, that is, the income received in the previous year of assessments.

The reason for the difference between Employment Income (P.A.Y.E.) and Direct Assessment Tax is that, while the employment income is easily ascertainable, other incomes need some time before they are established. In both cases, reliefs are calculated on the basis of the personal circumstances of the individuals prevailing in the previous year.

For example, marriages contracted in April this year, should be available for relief against the next following assessment year.

Income chargeable to tax is ascertained by using the tests in the Income Tax Management Act, 1961 and a new Decree No.4 of 1985, titled "Finance Miscellaneous (Taxation Provisions) Decree. Income chargeable to tax includes income accruing in, derived from, bought into or received in Nigeria, in respect of:-

Gains or profits from any trade, business, profession or vocation may have been carried on or exercised.

Any salary, wages, fees, allowances or other gains or profits from an employment including gratuities,

compensation, bonuses, premiums, benefits or other perquisites allowed, given or granted by any person to an employee except so much of any such sums as may be admitted by the relevant tax authority as reimbursement of expenses incurred by the employee.

For the purposes of ascertaining the Income or loss of any individual for any period from any source there shall be deducted all out-goings and expenses or any part thereof, wholly, exclusively, necessarily and reasonably, incurred during that period and ultimately borne by that individual in the production of the income.

In some cases it is possible to have an individual receiving income from employment as well as income from other trades or business. In such cases, the whole income would be aggregated and taxed at the appropriate rate.

After allowing for expenses against income and allowing for income excempted from tax, allowances are given for personal reliefs as follows:-

(i) Personal Allowance is now ₦1,200 + 12½ percent of Earned Income in excess of ₦6,000. Earned income from employment, trade, vocation or profession, but does not include investment income such as rent or dividends.

Before, the allowance was ₦600 + 10 percent of the earned income.

(ii) Married person's allowance is ₦300 in respect of a wife have an individuals receiving husband.

(iii) Children's allowance is a maximum of ₦250 per child maintained by the tax payer subject to a maximum of four children.

(iv) A widow who re-marries shall be allowed a deduction of ₦250 for every child (up to a maximum of four) in respect of the children born by her to her deceased husband.

(v) A deduction of ₦400 in respect of dependents maintained by an individual who has an income in his own right.

(vi) A deduction of the annual account of any premium paid by an individual in the preceding year in respect of the Insurance on his life or the life of his spouse or any contract for deferred annuity on his life or the life of his spouse. Such deductions are limited to ₦2,000 or $\frac{1}{5}$ of the total income.

The balance of income after allowing for these deductions are charged to tax at the current rates of tax which ranges from 10% to 70%.

Assessments are then raised on each individual and tax payers are given 60 days maximum after which payment becomes due, in accordance with the notice of assessment.

If there are any objections, these are to be resolved in accordance with the provisions of the law. In ascertaining the income of an individual for tax purposes, the tax payer is given the opportunity to declare his income in the statutory form provided for this purpose and then made the claims enumerated above on the same form.

Where this declaration is not forth-coming, or if there is declaration and it appears that the declaration is not accurate, the tax authority has the right to use its best of judgement to assess the income of the tax

payer using all information at its disposal. Such assessments are also subject to the provisions of the Act regarding objections and appeals.

(3) Entertainment Tax

This is an indirect taxation system levied on consumption of goods or services paid by an individual or group of persons.

The tax on entertainment is increased to 20% from 10% which is currently being charged.

Cinema Halls; registered and recognised clubs, like Sokoto Club, Polo Club, Football Club, Unions; Social-Welfare Club, like Daraja Social Club; etc.

All these pay entertainment tax on whatever they realise after entertaining the spectates and audiance.

For example, Sokoto Cinema pays 20% Entertainment tax whenever it displays or shows any film on the total receipts sold. e.g. if a receipt is ₦3.00, the Sokoto Cinema is to pay 20% of ₦3.00 to the State Government which is 60K. The person entering cinema Hall for the film show will pay ₦3.00, out of it, the Sokoto Cinema will retain ₦2.40 and pay 60 kobo as entertainment tax.

At the end of the month, all those who are to pay entertainment tax submit their monthly returns of sales realised to the Internal Revenue Division, Sokoto for vouching and verification, for effective and proper payment of entertainment tax.

(4) Community and Jangali Taxes.

Community tax is a personal income tax usually paid annually by all taxable adult in the state who are not among employment tax category.

The amount is fixed irrespective of one's income. It mostly affects the majority of people who are living in the rural areas. The rate for 1984/85 was ₦12.00.

The taxable adults are registered right from village and hamlet levels and informed of the amount of rate and period of payment. Such taxes are paid at village and local government levels. Later, the total amount collected by each Local Government is remitted to the Ministry for Local Government, Sokoto or to the nearest Government Sub-Treasury.

Jangali tax, otherwise known as cattle tax is levied on each cow or ox, payable mostly by the Fulanin Daji. Substantial amount is paid by individual cattle owner based on the number of cattle he has.

The rate of tax for 1984/85 was ₦2.00 per cow or ox. It is paid through the same process like that of community tax.

(5) Capital Gains Tax.

From the capital Gains Tax Decree, 1967, this type of tax is imposed on the profits derived from the sale of capital items, property, shares in companies. The rate of tax is 20% of the net gain after deduction the original cost of asset, less the expenses of sale.

2.5 CONCLUSIONS

We have identified and examined theoretically, the rationale of levying taxes from different authors. We have also found out and discussed the objectives and different view points of rationale of taxation.

We then enumerated and discussed some major types of taxes in Sokoto state; their rates, period of payment; and some deductions allowed.

In the next chapter, we shall consider the analysis of existing main sources of revenue to Sokoto state.

CHAPTER THREE

EXISTING SOURCES OF REVENUE AND EXPENDITURE

3.1 INTRODUCTION

The first section of this chapter deals with a brief history of tax collection (revenue) in Sokoto state. The second section deals with the organisational (tax) administration in Sokoto state.

In the third section, we have analysed the relationship between Projected and Actually collected Revenue 1979-83.

The fourth section explains the locally collected Recurrent Revenue and Federal Government statutory Allocations Received.

The fifth part deals with Actual Expenditure and Revenue collections and finally, and the last section is devoted to summary of findings and conclusions.

3.2 BRIEF HISTORY OF TAX/REVENUE COLLECTION IN SOKOTO STATE.

Sokoto state came into existence in 1975-76 financial year. It was and/or an off-shoot of former North-Western State. The population of the state (Sokoto) was about 4.5 million people with an annual growth rate of about 2.5 percent (1963 census).

Since the inception of the state, tax or revenue collection has been dwindling and erratic not static. This year it may rise up, and next yeat it may fall. This phenomenum of inconsistancy in revenue collection

is evidence by the total actually collected recurrent revenue in table 3.1.

Moreover, pay as you Earn (P.A.Y.E.) tax and Direct Assessment have been the main sources and contributing tremendously in total revenue collected as indicated in table 3.8.

Due to inadequacy of main sources and potential revenue, the state government has greatly been overdepending on Federal statutory allocation as depicted in table 3.2.

3.3 ORGANISATIONAL (TAX) ADMINISTRATION IN SOKOTO STATE

State agencies for tax administration may be headed by a single head or by a commission either appointed or elected. In Sokoto state, the Organisational structure for Tax and Revenue administration is that of a revenue department headed by a Director. The Director is a civil service appointee, and thus a career person who usually has risen through the ranks. As a civil servant, he is directly responsible to the Permanent Secretary, Ministry of Finance, Sokoto State.

According to Due (1971), a strong case can be made for a system with a single official responsible for all tax administration. The commission system divides responsibility and is generally unsatisfactory for any administrative activity.

As with the question of type of revenue department organisation, the actual structure is likely to be less important than other elements in determining effective

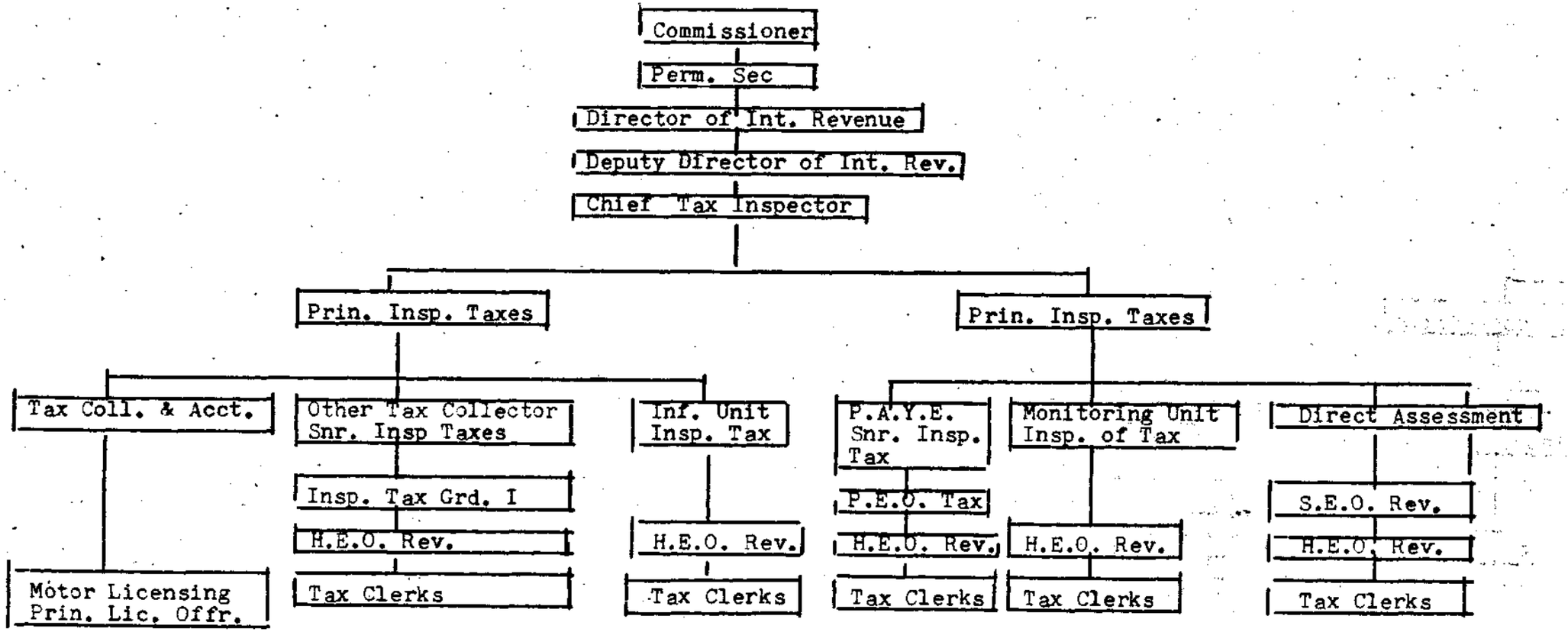
operation. The success of any structure depends to some extent upon the personal relations of the various officers in the Revenue Department. With a good personal relations and a satisfactory division of responsibility and a high degree of co-operation among the officials of revenue department any structure will be successful.

Centralisation Vs. Regional Control.

The control of taxes and Revenue administration in Sokoto state is centralised. As Due (1971) has rightly pointed out, that decentralisation makes attainment of uniform policies more difficult, and in smaller states it may result in ineffective use of personnel. It may invite local favouritism if not outright dishonesty. The use of our station officers for investigation purposes will be adequate. Notices of delinquncy and other collection problems should be sent to the out station officers to pursue. The out station officers must be competent and kept informed about changes in interpretation or operation of the tax to be able to answer questions from inquisitive tax payers.

ORGANISATIONAL CHART

FIGURE 3.1: INTERNAL REVENUE DIVISION, MINISTRY OF FINANCE, SOKOTO STATE



HEADQUARTERS AND OUT STATION PERSONNEL: REVENUE DIRECTOR.

As stated earlier, the control of Revenue and tax administration in Sokoto state is centralised. The Director is charged with the overall administration of the Department. He is accountable to the Permanent Secretary, Ministry of Finance, Sokoto. He prepares and sends monthly, quarterly and annually statements of taxes (revenues) collected to the Permanent Secretary.

Moreover, it is the responsibility of the Internal Revenue Director from time to time to advice the Permanent Secretary on the best ways, methods, procedures of effectively collecting revenue to the state government.

The Internal Revenue Department is mainly sub-divided into four sections:-

1. Pay As You Earn Section
2. Direct Assessment "
3. Collections "
4. Other taxes "

Deputy Director of Internal Revenue.

He is accountable directly to the Revenue Director on day today activities of the Department. In the absence of Revenue Director, he acts as Revenue Director. He is also responsible for P.A.Y.E. That is for the payment of tax by employed staff. These staff pay tax directly from their Income (salary) and such taxes are remitted to the Revenue Department from the Employers, monthly.

Deputy Director of Revenue is also responsible for Motor Licence Authority. We have Motor Licence Offices at Sokoto, Gusau, Argungu, Birnin-Kebbi, Yauri and Zuru.

The officers responsible for revenue collection are accountable to the Deputy Director of Revenue on all revenue collected.

Supervision, Assessing and Collection Units are all responsible to the Deputy Director of Revenue.

Chief Inspector of Taxes.

He is a head of all the Inspectors of taxes. He is only responsible to Deputy Director of Revenue. However, in certain cases, he may refer to Director of Revenue.

Chief Inspector of Taxes, is responsible for Direct Assessment. This Direct Assessment is paid by the self-employed people. He is to see that Principal Inspectors of Taxes perform their duties efficiently and effectively.

Centre cashier and six Tax liaison officers are accountable for all their responsibilities to the Senior Inspector of Taxes.

Centre cashier is at the Headquarters collecting all types of taxes and revenue in cash paid by the customers. And the six Liaison officers who are representatives of the Department in the Local Government areas liaise with all the sections at the Headquarters in all matters connected with tax and revenue collection.

Inspectors of taxes section is the fourth section under Internal Revenue Division. This section is directly accountable to the Chief Inspector of Taxes. It is otherwise known as "other taxes" section. Under this section, we have many Inspectors of taxes, each one of them responsible for one tax collection or the other.

Inspectors of taxes are responsible for the following main taxes:-

(i) Entertainment Tax
(ii) Capital Gains Tax
(iii) Purchase Tax etc.

Inspectors of taxes are charged also with the following responsibilities:-

(a) The day today administration of the section and co-ordination of the work of others in the section.

(b) They liaise with other section in the department on other taxes matters.

(c) They sign all correspondences on tax matters for the Director.

(d) They deal personally with cases of some specified accountable persons.

(e) They handle other duties assigned by the Director from time to time.

3.4 RELATIONSHIP BETWEEN PROJECTED AND ACTUALLY COLLECTED REVENUE 1979-83

TABLE 3.1: PROJECTED AND ACTUAL COLLECTIONS OF RECURRENT REVENUE 1979-83

YEAR	PROJECTED RECURRENT LOCAL REVENUE (₦ Million)	ACTUAL RECURRENT REVENUE (₦ Million)	ACTUAL AS % OF PROJECTED REVENUE
1979-80	50.60	44.11	87.17
1980	66.35	8.12	12.23
1981	73.66	10.21	13.86
1982	27.51	9.98	36.27
1983	24.58	11.80	48.00

Sources: 1. Main Account Section, (MAB) Finance, Sokoto.
2. Approved Recurrent and Capital Estimates Sokoto state, 1979-83.

Table 3.1 above depicts that 1979-80 financial year was a year when the highest revenue collection of ₦44.11 million was recorded at 87.17%. The reason for the high figure was partly due to an increase in the state's own share of statutory allocation and also as a result of improved local revenue collections.

Moreover, it was during the year when Federal Government appointed a Task Force on Tax Administration to examine the then sources of tax revenue and suggest the administration of the tax system more effective and efficient. Based on the interim report of the committee which was also accepted by the Federal Government, certain measures were introduced throughout the state with effect from April 1, 1979.

It was the same year when U.P.E. grants were remitted as purposely statutory allocation in block.

1983 financial year, was another remarkable period when ₦11.80 million was collected out of projected figure of ₦24.58 million, showing 48% actual to projected figures. The reasons for the remarkable collection were:-

i. Registration Fee of Hackneys was raised from ₦80.00 to ₦100.00 p.a. The same rate was charged for the registration of pick-up vans.

ii. Tax on entertainment was increased to 20% from 10%.

iii. A sum of ₦5.00 per 1,000 gallons was charged as water rate on commercial and Industrial premises.

iv. The rate of Rural Electricity charge was raised from ₦4.00 to ₦5.00 per 100 units.

v. Purchase tax rate of sales was raised from 5 to 10%.

But in 1980, the least total revenue collection was realised by ₦8.12 million out of projected revenue of ₦66.35 million at 12.23% of Actual to projected figures. However, it was the period when the financial year was only for nine months from April to December 31, 1980.

Therefore, looking at Table 3.1, comparing the projected revenue and the actual collection, the state government needs to introduce new potential sources of revenue so that its highly required local revenue base and fat collections are increased.

3.5 LOCALLY COLLECTED RECURRENT REVENUE AND FEDERAL GOVT. STATUTORY ALLOCATION RECEIVED.

Table 3.2 below shows the relationship between total local revenue collected and Federal Government statutory allocations received between 1979 and 1983 with the % of local revenue to statutory allocation.

Table 3.2: STATE REVENUE AND FEDERAL GOVERNMENT STATUTORY ALLOCATION 1979-83

YEAR	ACTUAL STATE REVENUE (₦ Million)	ACTUAL STATUTORY ALLOCATION RECEIVED (₦ Million)	LOCAL REVENUE AS % OF STATE ALLOCATION
1979-80	44.11	135.19	32.62
1980	8.12	137.36	5.91
1981	10.21	146.39	6.97
1982	9.98	179.07	5.57
1983	11.80	190.00	6.21

SOURCE: Main Account Section (MAB) Finance, Sokoto.

From 1979-83, as indicated from table 3.2, state government has been receiving statutory allocation progressively. From ₦135.19 million in 1979-80 financial year to 190.00 million in 1983.

However, it was observed that in 1979-80, the least figure of ₦135.19 million actual statutory allocation was received while the highest figure of ₦44.11 million local revenue was collected, with 32.62% local revenue to statutory allocation.

Therefore, table 3.2, generally shows that state govt. has been depending greatly on statutory allocation. State government should exploit more avenues for local revenue; it should intensify its efforts and improve effectively on the existing main sources of revenue and the proposed potential sources of revenue.

Table 3.3: PROJECTED AND ACTUALLY RECEIVED STATUTORY ALLOCATIONS 1979-83

YEAR	PROJECTED STATUTORY ALLOCATION (₦ Million)	ACTUALLY RECEIVED STATUTORY ALLOCATION (₦ Million)	ACTUAL AS % OF PROJECTED ALLOCATION
1979-80	129.91	135.19	104.06
1980	149.52	137.36	91.86
1981	320.60	146.39	45.66
1982	265.00	179.07	67.57
1983	240.00	190.00	79.16

SOURCE: Figures collected from Ministry of Finance, Sokoto.

As depicted from table 3.3 above, from 1979-83, the state government has never actually received what it has projected in terms of statutory allocation except in 1979-80 when it projected ₦129.91 million and actually received ₦135.19 million at 104.06% of actual to projected allocation.

It was the period when second Republic was born. The time when Civilian administration took off. Thus, the time when new administration, required statutory allocation for a start.

Moreover, in 1981 the highest figure of ₦320.60 million was projected, but only ₦146.39 million was actually received from Federal government as statutory allocation, giving us the least 45.66% of actual to projected allocation.

Table 3.4: FEDERAL GOVERNMENT ACTUAL STATUTORY ALLOCATIONS TO SOKOTO STATE 1979-83

YEAR	ACTUAL STATUTORY ALLOCATION RECEIVED (₦ Million)	% INCREASE/DECREASE OVER LAST YEARS
1979-80	135.19	-
1980	137.36	1.61
1981	146.39	6.57
1982	179.07	22.32
1983	190.00	6.10

SOURCE: Figures collected from Ministry of Finance, Sokoto.

Even though, the actual statutory allocation received was progressive from 1979-83, the % increase over last years (previous years) was not consistant. For example, the % increase between 1981 and 1982 was 22.32%, being the highest, while that of 1979-80 and 1980 was the least, by 1.61%.

3.6 ACTUAL EXPENDITURE AND REVENUE COLLECTIONS OF SOKOTO STATE

Actual expenditure, including both recurrent and capital was inconsistant in the state. It all depends on the type of projects, social services, infrastructural facilities and the strength of the Civil Service personnel.

The highest expenditure totally, was incurred in 1981 by ₦330.38 million. The period of high politic king; the period of contract awards; the period of high rate of inflation and period before the current austerity measures were introduced.

Actual recurrent expenditure was highest in 1982, by ₦196.24 million, while that of capital expenditure actually incurred was in 1981 by ₦155.63 million.

The 1981 highest expenditure was incurred because, the then state government was highly concerned with the priorities of total commitment to the development of rural areas by the provision of adequate water supply, electricity, basic health facilities, agricultural imputs to farmers, motorable roads throughout the state, qualitative education and decent housing.

Table 3.5: ACTUAL RECURRENT EXPENDITURE AND REVENUE OF SOKOTO STATE 1979-83

YEAR	TOTAL RECURRENT EXPENDITURE (₦ Million)	TOTAL RECURRENT REVENUE (₦ Million)	RECURRENT REVENUE AS % OF RECUR. EXPENDITURE
1979-80	143.67	44.11	30.70
1980	152.08	8.12	5.33
1981	174.74	10.21	5.84
1982	196.24	9.98	5.08
1983	186.01	11.80	6.34

SOURCE: 1. Internal Revenue Department, Sokoto.
2. Main Account Section, Ministry of Finance, Sokoto.

Table 3.5 above shows that in 1979-80 financial year, was the year when the state government collected the highest recurrent revenue of ₦44.11 million. While in 1982, it greatly incurred the largest figure of ₦196.24 million for recurrent expenditure.

The reasons for the huge expenditure incurred were due to the construction of the Rehabilitation Centre for the disabled at Sokoto and History Bureau Complex; the construction of the phase two of the Sports Centres and the stadium Complex at Sokoto; gigantic water supply schemes, like Sokoto Water Supply Extension; up-grading of eighteen semi-Urban Water Schemes to Urban Water Supply Schemes; Construction of 2,000 housing units all over the state; Construction of Sokoto Storm Water Drainage; roads construction from Army Barracks - along Gusau road to B/Kebbi road, roundabout; Ali Akilu road to Lamido Adamawa road; the establishment of state Investment Company etc. et•.

Since the pattern of recurrent expenditure exceeds that of local revenue collection, state government should as a matter of urgency and priority endevour to launch state Development Fund so that some reasonable funds could be realised for at least some important projects; so also to reduce its great dependence on Federal Government purposeful grants and loans.

Table 3.6: RELATIONSHIP BETWEEN ACTUAL RECURRENT EXPENDITURE AND ACTUAL CAPITAL EXPENDITURE, 1979-83

YEAR	TOTAL RECURRENT EXPEND. ₦Million	TOTAL ACTUAL CAPITAL EXPEND. ₦Million	TOTAL EXPENDITURE (₦ Million)	CAPITAL AS % OF RECURRENT EXPENDITURE
1979-80	143.67	96.81	240.47	67.37
1980	152.08	125.58	277.66	82.57
1981	174.75	155.63	330.38	89.05
1982	196.24	92.68	288.92	47.22
1983	186.02	81.75	267.77	43.94

SOURCE: Ministry of Finance, Sokoto.

Generally, table 3.6 shows that the state government incurred more on recurrent expenditure than on capital expenditure. This was more evidence in 1982 financial year when ₦196.24 million was spent as recurrent expenditure, compared with ₦92.68 million incurred on capital expenditure. And the percentage of capital expenditure to recurrent expenditure was 47.22%.

It was the period when more employees were employed, thus an additional cost on personnel emoluments - more rent supplement; acting allowance; entertainment allowance for Commissioners and transport allowances. Most of these allowances are not taxable.

It was the same financial year when more subventions in terms of monetary aspect were paid to the state-owned parastatals and high institutions.

Moreover, it was the period when the Implementation of 1980-82 Income Policy Guidelines in the Civil Service came into effect. Thus an additional cost on personnel emoluments and personnel allowances both taxable and non-taxable.

For example, the old salary scale of a Civil Servant on Grade Level Ten (GL.10) was ₦5760.00 per annum, step one; while the same officer, on the same scale, the same step after the implementation of 1980-82 Income Policy Guidelines in the Civil Service received ₦6282.00 per annum; with a differente of ₦622.00 per annum.

What more of the number of employees on the same scale, above or below that scale?

However, in 1981 financial year, the state government spent ₦155.63 million on capital expenditure, being the greatest expenditure between 1979 to 1983. The main reason for this by then was that the government was totally committed to the development of rural areas of the state by providing adequate water supply, electricity, basic health facilities, agricultural imputs to farmers, motorable roads throughout the state, qualitative education and decent housing.

Moreover, it was in 1981 when the state government spent ₦330.38 million as total expenditure; being the highest expenditure incurred between 1979 to 1983; 89.05 as capital percentage of recurrent expenditure.

The total expenditure of ₦330.38 million incurred in 1981 probably was of significance for two reasons. Firstly, it was the first year of the Fourth National Development Plan Period and Secondly, it was the first time that financial year was commencing in January. Because before 1981, the financial year used to start from April 1, to March 31.

The present austerity measures to revamp the economy, were not then introduced. It was furthermore, the highest period of contract awards to mostly the party loyalists, active participants and dedicated.

TABLE 3.7: MAJOR DIFFERENT SOURCES OF REVENUE: ACTUAL COLLECTION 1979-1983

YEAR	P.A.Y.E.		DIRECT ASSESSMENT		MOTOR VEH. LICENCES		RENTS JNR. & SNR. STAFF		COURTS FEES & FINES		TOTAL COLLECTIONS	%
	AMOUNT ₦Million	% OF TOTAL	AMOUNT ₦Million	% OF TOTAL	AMOUNT ₦Million	% OF TOTAL	AMOUNT ₦Million	% OF TOTAL	AMOUNT ₦Million	% OF TOTAL	₦Million	% TOTAL
1979-80	4.04	47.14	2.28	26.60	1.20	14.00	0.26	3.03	0.79	9.23	8.57	100
1980	2.92	39.14	2.55	34.18	0.95	12.73	0.58	7.77	0.46	6.18	7.46	100
1981	4.39	43.55	3.34	33.13	1.26	12.50	0.43	4.27	0.66	6.55	10.08	100
1982	2.85	37.30	2.06	26.96	1.31	17.15	0.61	7.98	0.81	10.61	7.64	100
1983	2.94	44.75	1.83	27.85	0.0001	0.0015	1.70	25.88	0.10	1.52	6.57	100

SOURCE: Main Account Section (MAB), Ministry of Finance, Sokoto.

Table 3.7 shows that from the selected five main sources of local revenue (taxes), the 1981 was the year when the largest figure of ₦10.08 million was collected. And 1983 was the year when the least figure of ₦6.57 million was collected locally between 1979-83.

The reasons for the largest collection in 1981 was due partly to the fact that previous year, 1980 financial year was only for nine months and partly due to the state government's increased local revenue collection efforts and also as a result of the new revenue allocation arrangement at Federal level.

Moreover, of the five selected major sources of revenue, P.A.Y.E. was the highest contributing source to the state govt. total local revenue. For example, in 1979-80 financial year, the sum of ₦4.04 million was collected out of ₦8.57 million, showing 47.17% of total collection. That was the highest percentage collection of all other selected major sources of revenue.

P.A.Y.E. was followed by Direct Assessment as evidence in 1980 when ₦2.55 million was collected out of ₦7.46 million indicating 34.18% of total collections.

Table 3.8: RANKING OF MAJOR SOURCES OF STATE TAX COLLECTIONS 1979-83 (IN PERCENTAGE) (%)

TYPE OF TAX	1979-80	1980	1981	1982	1983
	PERCENTAGE OF TOTAL STATE TAX REV.				
Pay As You Earn	47.14	39.14	43.55	37.30	44.75
Direct Assessment	26.60	34.18	33.13	26.96	27.85
Motor V. Licences	14.00	12.73	12.50	17.15	00.0015
Rents Jun. & Snr.	3.03	7.77	4.27	7.98	25.88
Court Fees & Fines	9.23	6.18	6.55	10.61	1.52

RANK IN IMPORTANCE AS SOURCE OF STATE (TAX) REVENUE

	1979-80	1980	1981	1982	1983
Pay As You Earn	1	1	1	1	1
Direct Assessment	2	2	2	2	2
Motor V. Licences	3	3	3	3	5
Court Fees & Fines	4	5	4	4	4
Rents Jnr. & Snr. Staff	5	4	5	5	3

SOURCES: Figures derived from the Research Studies.

As depicted from table 3.8, P.A.Y.E. from 1979-1983 was the first rank in importance as a source of state local revenue. This was followed by Direct Assessment Tax with the highest percentage of total tax revenue collection of 34.18 in 1980.

The least rank of importance out of the five main selected sources of revenue was rent deductions from junior and senior staff quarters, only with a better ranking of being third in 1983. Because, it was in the same year when Establishment Circular maintained that all senior officers occupying govt. quarters should pay the rent payment of ₦33.33 and Not ₦25.00 as it used to be. This resulted in an increase in collection of rents over and above all years between 1979-82.

From the foregoing conclusions, it appeared that the state government has been collecting less than the budgeted figures. Furthermore, it has been depending on the Federal statutory allocation.

Moreover, with the present austerity measures of revamping the economy, we hope that the government will intensify more efforts in locally generating of more revenue.

3.7 CONCLUSIONS:

In this chapter, we have tried to analyse the existing main sources of revenue and budgeted, and actual expenditures incurred by the state government for social and economic sectors.

A brief history of the tax/revenue collection has been explained. Moreover, comparative analyses were done between projected and actually collected revenues; between locally collected recurrent revenue and the Federal Government statutory allocation received; between projected and actually received statutory allocation between 1979-83; actual collections from the five selected major sources of revenue and their rank in importance as sources of state (tax) revenue..

The tax administration of the state was also discussed. Therefore, from the far reaching conclusions, the state government have been depending on the Federal Government statutory allocation. There should be more emphasis on the methods, and techniques of imposing revenue collections.

State government should re-structure and re-organise the state Internal Revenue Division, of the Ministry of Finance, so that new administration and effective management could be realised. Sincere, honest, dedicated, qualified and experienced tax and revenue officers should be recruited to man the revenue collection operations.

In order to realise more locally generated revenue, the state government is suggested to it, to establish

Internal Revenue Board with full responsibilities and autonomy without the bureaucratic way of doing things like in the Ministry. This Board if established should be directly under the office of the Governor and the Director should be directly accountable to the Governor and nobody else.

Therefore, in view of the inadequacy of tax collections, and the over-dependency of the state Government on Federal statutory allocation, the next chapter will discuss on the proposed sources of revenue, so that more revenue could be realised for further social and economic developments in the state.

CHAPTER FOUR

PROPOSED SOURCES OF REVENUE

4.1 INTRODUCTION

This chapter is in four parts. The first part deals with sales tax as a potential source of revenue to the Sokoto state government if introduced. The second part deals with the Property tax.

In the third part, it is aimed at Development levies as another important source of revenue locally.

The fourth and the last part deals with other sources and conclusions.

4.2 Sales Tax

Definition:

Sales Tax is a tax payable by seller on the sale of specified goods, which no doubt the seller shifts it on to the buyer. Thus at last it is the buyer who is to bear the burden.

Objective and Historical Background:

The main reason of levying sales tax by state government(s) is to earn revenue. Thus, sales tax is a subject in which the Joint Tax Board at its meeting held at Calabar on 25 and 26 January, 1978 received and discussed the Commissioners of Finance recommendations and accepted in Principle the introduction of Sales Tax in the country. Consequently, in its meeting held in Benin City on the 26 May, 1978 the Joint Tax Board set up a Committee to work out the necessary guidelines.

The committee comprised the following members:-

1. Kano State - Chairman
2. Anambra " - Member
3. Kwara " - "
4. Lagos " - "
5. River " - "
6. Legal Adviser - "
7. Secretary - Ex-Officio - "

The committee was empowered to look into the ways and means of implementing the sales tax so as to ensure uniformity throughout the Federation.

From the foregoing background, few states in particular, Cross River State; Ogun State, Bendel state and Lagos state introduced sales tax in their respective states in 1982 amidst alot of controversy as regards whether the Federal Government is the authority to legislate on it or the states.

Moreover, it is pertinent to note that the position of the law has changed dramatically with the coming into force of Decree No.1 of 1984, that is the Constitution (suspension and modification) Decree. Section 2 of Decree No.1 deals with the powers of the Federal Military Government and Military Governors of states to make laws. Even though section 2, sub-section (2) (a) provides that the Military Governor of a state shall not have power to make law with respect to any matter included in the Executive Legislative list. Section 2, Sub-section (5) limits the operation of the injunction against Military Governors above by providing categorically that "Nothing in sub-section (2) of this section shall (a) preclude the Military Governor of a state from making provision for grants on loans from or the imposition of charges

upon and of the public funds of that state or the imposition of charges upon the revenues and assets of that state for any purpose, notwithstanding that it relates to a matter included in the Executive Legislative List." It is clear from the above quoted section of Decree No.1 that the state Military Governor can enact an edict to enforce sales tax notwithstanding the judgement of the Federal Court of Appeal on 13th September, 1983 in the case between Alhaji Aberuagba and others Versus Attorney General of Ogun state in which the judgement affirmed that the House of Assembly of a state has no power to enact a Sales Tax Law. Only the National Assembly is empowered to enact a Sales Tax Law.

All notwithstanding under Section (5) of Decree No.1 "No question as to the validity of this or any other Decree or any edict shall be entertained by any court of law in Nigeria."

If the Sales Tax is to be introduced in the state an edict should be enacted like that of Kaduna state Sales Tax Edict, 1984 which came into effect on the 10th day of August, 1984.

The nature, composition and structure of the Edict should reflect the composition and status of the people living in Sokoto state, and the economic predicament of the nation as a whole.

In the process of enacting Sokoto state Sales Tax, we suggest the followings:-

(a) Definitions.
(b) Dealers registration/Business registration.
(c) Items of commodities to be taxed.
(d) Rates of tax.
(e) Tax Base.
(f) Point of Collection.
(g) Penalties and prosecution.

(a) Definitions:

Some definitions should be considered like:-

- Chargeable commodities
- Department
- Gazette
- Person
- State
- Seller
- Supplier

(b) Dealers/Business Registration:

Every dealer/business organisation has to get his/its name registered with the Internal Revenue Department of Ministry of Finance and Economic Planning, Sokoto. Not every dealer is authorised to claim sales tax from buyers on the sales effected by him, unless he gets himself registered then he can issue cash memos charging sales tax from customers.

Every business must be registered compulsorily by submitting an application to the Internal Revenue Department showing the following particulars:-

1. Name, style and address of the business;
2. Nature of the business (whether manufacturing, reselling, import, wholesale, retail, name of trade) etc.;
3. Names and addresses of persons having interest in the business and the extent of their interest;
4. Name and particulars of other businesses in which the proprieter or any partner, etc. has interest;
5. If the dealer is a company, name of the state where it is registered with the register of companies (if it is registered with any other authority in Nigeria, name of the authority and the state of registration is also given;

6. Script in which the accounts are kept;

7. Gross turnover of the business for the year or for the period during which turnover first exceeded the taxable amount;

8. Classes of goods ordinarily purchased by the business for manufacture or for resale or for packing (other than required for manufacture of tax free goods);

9. Goods manufacture by business for sale;

10. Does the business directly import goods from places outside Sokoto (i.e. from other states) or from other countries?

11. Particulars of warehouses of the business.

Registration Fees should be considerate base on the size, nature and Gross turnover of the business concerned.

(c) Items of Commodities to be taxed:

We suggest the following commodities for the Sales Tax in Sokoto state:-

(i) Hotel & Catering Services.
(ii) Soft drinks.
(iii) Cigarettes, Tobacco, Beer, Liquor & Spirits.
(iv) Selected electronic equipments, viz: Air-conditioners, fans, refridgerators, and Deep freezers.
(v) Perfumes & Cosmetics.

(d) Rate of Tax:

1. Sales tax at different rate should be charged on the sale of different kinds of goods in Sokoto state. Generally, the rates for luxury goods should be higher and lower for the goods used by the common man. Not all goods/commodities are subject to sales tax. Certain classes of goods should be excempted from sales tax altogether.

2. An initial general rate of 5% of the price of each commodity is suggested so that later it can be raised to 10% when the experiment might have been analysed and appraised.

3. Charging sales tax at rates in excess of those to be prescribed by an Edict should be an offence. Therefore, it should be noted that only registered dealers can charge sales tax from customers and such dealers are liable to prosecution and penalty if they should charge sales tax at rates in excess of those to be prescribed under an Edict.

(e) Tax Base.

We propose that tax base should be the approved manufacturers and importers selling prices at which distributors are directed to sell to the public.

(f) Point of Collection:

(i) For goods manufactured within the state, the point of collection should be the point of distribution by the manufacturers;

(ii) For goods brought into the state:

(a) The point of collection shall be the manufacturers point of distribution outside the state;

(b) The point of distribution or agency in the state. State revenue authorities should co-operate and get manufacturers resident in their states to pay tax on point of distribution to other states.

(g) Penalties & Prosecution:

The writer suggests that it shall be an offence for any person who contravenes or fails to comply with the provisions of the Edict to be enacted by the Sokoto state Government, on Sales Tax and should be liable on conviction at least to pay a fine of ₦500.00 as a first offender, and a fine of ₦1,000.00 for any subsequent offences.

Moreover, it should be an offence too, for any person not authorised by the Internal Revenue Department, Ministry of Finance & Economic Planning Sokoto, to collect Sales Tax from a purchaser or consumer of chargeable commodities.

Therefore, we suggest that any person who shall commit the offence under the said proposed sales tax should be liable on conviction to a fine of ₦1000.00 or to imprisonment for a term of not less than twelve months calendar year or both such fine and imprisonment.

4.3 PROPERTY TAX

This is otherwise known as Tenement Rate. This type of tax is imposed on buildings mainly. The classification of buildings is according to the following factors:-

a. Uses
b. Location
c. Size - depends on the bills of quantity, materials used in building. classification by user takes the following forms:-
   i. Residential
   ii. Commercial
   iii. Industrial
   iv. Government

That of location can be in two forms:-

1. Urban centres
2. Rural areas.

Urban centres include Sokoto, Argungu, Birnin-Kebbi, Yauri, Zuru and Gusau, and some other big Local Government Headquarters.

Rural areas may include other small towns by name Local Government Headquarters, e.g. Gidan-Madi-Silame Local Govt. and other Districts Headquarters.

We suggest that State Government can realise alot of revenues by levying property tax, particularly on commercial and Industrial buildings based on the uses, location and size of the building.

However, before such an exercise is embarked upon, there should be the census/numbering of all categories of buildings accordingly for assessment purposes.

(i) Residential Buildings:

Even though some buildings are not situated on the main roads and streets of the towns, they can be named and numbered. Town Planning Authority can take the trouble to find the following information on each residential buildings:-

1. Name of the landlord
2. Address
3. House No. & Street's name
4. Size of the residential buildings
   i.e. number of buildings.
5. Purposes of the building i.e. self occupied or rented/leased.

The state Government, based on the above information can levy certain amount reasonably not too much ranging from ₦10 - ₦30 depending on the quality of the house; i.e. material used to build it.

(ii) Commercial Buildings:

Census on the number of commercial buildings should be done too, so that the state government can know the number of commercial buildings it has in the state for property tax purposes e.g. Cinema houses.

We suggest that each commercial building should attract a property tax of ranging from ₦50 - ₦100 per annum, all other factors like uses, location, size taken into consideration.

(iii) Industrial Buildings:

Industrial buildings can also fetch the state govt. substantial revenue if property is tax levied. Industrial buildings like Sokoto Cement Company, Sokoto Soft Drinks, Banks; Sokoto Investment Company; etc.

On the Industrial buildings, a property tax of ranging from ₦200 - ₦500 per annum is suggested.

(iv) Government Buildings:

This has categories. Viz: Residential, offices, commercial and Industrial. In each category, we suggest that there should be property tax except that of residential government quarters where Civil Servants, at least have been paying regularly and promptly from their salaries or cash wise. Here, a maximum of ₦50 is paid by some top Civil Servants per months.

But in the categories of offices, commercial and Industrial, particularly commercial and Industrial in which State Government has either whole shares in the business or some shares, there should be a levy on the

property (buildings) so that government can raise more revenue locally and internally for maintenance and provision of other infrastructural facilities. Not necessarily always depending on statutory allocations or grants from Federal Government.

Therefore, we suggest that a levy ranging from ₦500 - ₦1000 per annum.

Efficient use of the property tax will help rather than hinder the process. Besides supplying localities with a substantial portion of the revenue that they need, it will establish a fair base from which additional financial needs can be measured.

4.4 DEVELOPMENT LEVIES:

This is otherwise known as capitation rate. It is imposed for special development, special services and for the welfare and betterment of the entire members of the state. Such provision of electricity, water to rural areas and education in general.

The rate does not form part of any taxes - P.A.Y.E., Direct Assessment, Community Tax, Cattle Tax; it does not form any part of the ordinary revenue to the state or local government; but earmarked for specific purposes. Thus, accordingly, the proceeds from an education rate cannot be spent on the errection of market stalls.

These development levies are usually flat rate taxes which do not vary with the sizes of the individual's income. Thus, no assessment of the tax payer's incomes is involved and hence the problem of partial evasion which

arises from under assessment or under declaration of income does not exist here as in the case of community or income tax.

Therefore, we suggest that there should be a launching of Development Fund for the provision of essential services to the rural areas e.g. Health facilities, water supply, motorable roads and repairs of the deplated primary schools to supplement the untiring efforts of the state government.

When this Development Fund is launched in the state capital, it should also be staged in various local governments of the state and other states capitals in the Federation.

We further suggest like any other state/other states that every indigene of Sokoto State should pay a taken figure of ₦1.00, provided he has reached the age of maturity (taxable adult).

We believe that people should play their civic duties by paying their taxes and/or development levies, since payment of such taxes/levies will give a sense of belonging and we do believe that it will not create any hardship, provided it is moderate.

Therefore, all that the government has to do is to ensure that the masses are not over-taxed because of the apparent poor economic condition of the state and the nation in general.

4.5 OTHER SOURCES

Other sources of revenue may include taxes on erection of Sign Boards, Hair Dressing Salon, Kiosks, Roadside mechanics; Carpenters etc. These too are sources of local revenue if effectively administered.

These may include imposition of the following new taxes:

(i) Technological & Science Development Tax, imposing additional levies on companies which have been established in Sokoto state for more than, say, seven years but still depend on imported imputs for her operations.

(ii) Super-Profits Tax payable by companies which make more profits than reasonable returns on their invested capital. The commercial Banks in Nigeria are presently paying an extra levy of 10% on such super profits. This practice should be extended to other sectors as insurance and distributive trade.

(iii) Environmental Control Tax on economic activities with pollutive operation; this will include road tax on our highways.

(iv) Anti-Materialism Tax ranging from taxes on extravagant entertainments and parties to television and wireless tax, to parking tax, etc. with the purpose of raising revenue for the government and controlling materialism.

State Government should not assess and collect property tax through its state officers. Instead it should apportion to its local governments yearly sum that the local governments should be instructed to secure and return over to the state Treasury.

This could be effectively carried through its qualified experienced and competent estate Management officers and Land and Survey officers.

Economic Effects

Since it is levied on ownership of property (especially real property) rather than on current economic effort, it does not adversely affect labour incentives. But the tax

must discourage private spending for housing and thus reduces the housing supply by some uncertainable amount. Heavy taxes on property in big cities induce business and people move to the suburbs and the migration of relatively wealthy individuals and on going businesses from the core city increases the pressure on cities to raise taxes further.

The Base of Property Taxation

The main component in the tax base should be real property, land and its improvements. But personal property - tangible and intangible - should be another component. Tangible personal property may include machinery, inventory, livestock, motor vehicles, furniture, jewelry and so on; here the significant split in between business property (including farms) and household effects. Intangible personal property consists of legal rights to valuable things - stocks, bonds, mortgages, bank deposits, and the like.

Therefore, state interest in establishing and maintaining reasonable standards of property tax administration should be as vital as its interest in public education. Moreover, efficient local use of the property tax will simplify for state government the problems of financial transfers to localities.

(v) Social Insurance Contribution made by all self-employed taxpayer at a flat rate to be determined by the state government and collected by relevant Revenue Authority etc.

4.6 CONCLUSION

In this chapter, we have proposed some important sources of revenue, like Sales Tax; Property Tax; Development Levies. etc.

In each of them, we have tried to give definition; and historical background; significance; types; rates; economic effects; point of collection, etc.

We strongly suggest to the state government to at least introduce Sales Tax and Property Tax because their potentiality in raising local revenue to the government and the fact that every citizen should pay his tax as a civic obligation. And by so doing, the tax payer may feel sense of belonging to the society.

In the next chapter; we are going to enumerate, and discuss the problems and prospects of revenue collection in Sokoto state with a view to finding additional suggestions and recommendations for better and effective tax administration.

CHAPTER FIVE

PROBLEMS AND PROSPECTS OF REVENUE COLLECTION & TAX ADMINISTRATION

5.1 INTRODUCTION

Section one of the chapter deals with the problems of revenue collection and tax administration system in the state. Section two deals with the prospects of revenue generation and tax administration even though there are so many problems associated with the tax administration system in general.

The last section of the chapter explains the summary and conclusion of the whole chapter.

5.2 PROBLEMS OF REVENUE COLLECTION AND TAX ADMINISTRATION

There are numerous problems some of which are associated with the procedures and processes of tax administration in the state.

However, the major problems can be categorised into Viz:-

1. Shortage of manpower and facilities;
2. Societal problems peculiar and similar to problems of development;
3. The tax payers themselves constitute problems;
4. Economic problems.

Othe problems may be classified as subsidiary problems.

(1) Revenue Department as a Division in the Ministry of Finance

The present administrative set-up in which the department finds itself constitutes a very big obstacle

to the smooth running of the machinery for the assessment and collection of all taxes. All plans and requests of the Revenue Department, some of which require urgent decisions have to follow a long winding process that produce unnecessary delays.

(2) Shortage of Manpower and Facilities

This is the problem of staffing. The staffing position of the Department is very poor. Apart from the personnels in the Department being grossly inadequate, the few that are available are not properly trained. Most of them have no requisite qualification. They are those who started work in the Department as Clerical Assistants and have risen to Executive Officers cadre. Most University graduates employed in the Department do not stay more than one year before leaving. This is due to poor remuneration and promotion prospects, and inadequacy of training facilities and opportunities both internally and externally.

Since tax officials have to interact and deal with experienced influential, knowledgeable and brilliant managing directors and businessmen, taxmen, therefore have to be equally knowledgeable and brilliant to be able to withstand the wits of the tax payers. Moreover, the job of a tax official is not a second-rate job.

In order to enable the taxman to succeed, the state government he works for, must provide him with necessary laws, backing and facilities with which to work.

Manpower shortage has led to the tax administration centralised because there is no qualified staff that could

handle area offices if the main office or Division is decentralised.

Some of the staff/officers perhaps cannot even read and understand instructions pertaining to tax collection and it will be demanding the impossible to expect that they will be efficient in the discharge of their duties.

While the number of tax payers is rapidly increasing, the number of revenue staff is not increasing at the same rate. The amount of work becomes too much to handle by the small number of staff that may be working in the tax office.

Thus, one is inclined to believe that those who should have placed the tax authorities on proper footing did not really know what was required and what they needed and how difficult it is to collect tax.

(3) Tax Evasion and Avoidance

Tax evasion occurs when a person deliberately escapes from the payment of tax due from him in any fiscal year. The difference between this and tax avoidance is that in the case of avoidance, the business has been so arranged as to deceive the Revenue Authority into under-assessing, or exempting the owner from taxation on income accruing therefrom. In the case of tax evasion, even though, the business is not organised to attract less or no tax; the owner accepts liability under the existing tax structures he neverthe less, under-declares his income or even after being properly assessed, ignores the payment of tax due from him.

Nigerians take delight in indulging in tax evasion of varying degrees. Those who are self-employed, namely, the business class, traders, artisans and the professionals are the most adept in this national malaise. When this group pays tax at all, the assessments are irritatingly below what they should pay. More often than not this group makes false declarations about their incomes and assets. Engineers become Technicians, Lawyers become Lawyers' Clerks; Architects become draughtsmen, while importers and exporters who are the exploiters of the masses and ruiners of the national economy become petty traders. Even Landlords would claim to be tenants. Thus, tax evasion is one of the most difficult problems facing the administration of taxes in the state and the great country in general. The prevalence of this social vice could be attributed partly to the defective organisation of tax administration and partly to the attitudes of tax payers.

Some tax officials are equally guilty of aiding and abetting. They are in the habit of lowly assessing the incomes of certain individuals who are ready to tip-off some money to them. Others do it to gratify a friend, a relative or even a boss.

Tax avoidance is a device whereby a man arranges his business in such a way that as to attract less tax under the existing tax rates, e.g. a man may convert his one-man business into a Partnership in which those of his children who are minors (and, therefore, not taxable) are made partners. Single young men and women suddenly become married with no fewer than four children even if they married only six months ago. The names

of grand-parents are resurrected and claims made on their behalf as dependant relatives.

Similarly, even the most wretched of officers claim to have two or three house-boys who earn at least 80 Naira a month. Some astute avoiders in attempt to conceal the size and identity of their business, take to enterprises which need no payment premises. e.g. of such enterprises include the running of commercial vehicles. In big towns like Sokoto where taxi fly daily far away from their owners' premises, tax avoidance on income realised from their commercial operations is on a scandalous scale.

(4) Dichotomy in Taxes

The present dichotomy between the Federal and state Governments in tax administration encourages tax evasion. As earlier stated, it has now become fashionable for business tycoons to convert their personal firms to limited liability companies, not with the intention of gaining the benefits of corporate personality but with a view of evading payment of taxes. This situation has been aggravated by the fact that the Federal machinery for collecting Company Taxes is very inefficient. The staff are too few to cope with the volume of work.

(5) Population Mobility

As a result of rapid development in Urban areas to the detriment of rural areas, urban cities are now becoming centres of a attraction for people from rural areas. This type of exodus constitutes a great obstacle to assessment and collection of taxes.

(6) Inadequacy of Officer Accommodation

There is acute shortage of office accommodation. Many tax authorities have no befitting office accommodation of their own, yet they collect most of the money spent.

One finds three to four officers charged with assessment of taxes in a single office. It should be noted that tax matters are supposed to be private and confidential. Besides, there is no strong room for storing security documents.

Because of these poor facilities and restricted prospects, the job becomes unattractive and therefore it becomes difficult to attract people to stay long in the department.

(7) Societal Problems

The society in which we leave, has its known problems militating against tax collections. Sometimes, it is difficult to locate tax payers because streets are not properly named or numbered. Often times, a tax official's mission may be misunderstood and some tax officials had lost their lives while on duty.

Business transactions are made off-records, and many cannot read or write, so they do not bother to put their business activities in writing. People tend to see govt. as one enterprise with colosaal resources and so government should not bother about their little contributions by way of tax, which are negligible.

Some expect government to do everything for them and they are not prepared to do much for the government.

The Taxpayers themselves, Constitute problems. Many taxpayers take pleasure in tax evasion. Some believe they are clever if they have successfully dodged the tax officials. Taxpayers constitute problems by refusing to declare their income or if they declare, they make false declarations.

Some refuse to claim letters from tax offices or refuse to reply such letters. Some give wrong addresses. There are those who just refuse to pay what they have been assessed.

The taxpayers hardly co-operate with the tax officials, consequently, ascertaining their income is as difficult as getting them to pay the tax.

(8) Intricate Legal Structure

The income tax law that is the basis of the tax system in Nigeria is made so complex for ordinary taxpayers to understand.

Income tax law is the tool of tax officials. Without such a tool the tax system cannot function in the way it should. Moreover, a good tax structure is that which is understandable to both tax officials and taxpayers. Some of the taxpayers unknowingly violate the dictates of the tax laws.

(9) Problems of Enforcing the Law

The problems of enforcing the tax laws emanate from the lack of adequate concern on the proper functioning of the tax systems. If the government shows serious

concern of the collection of revenue, then the tax administration will be more effectively and efficiently enforce. Tax officials are not given arresting powers to detain tax defaulters. Therefore, tax collectors, it is suggested greatly need the assistance of law enforcement agencies.

(10) Taxpayers' Bias Against the Government

It is possible that a taxpayer will develop some bias against the government. The reasons for his bias against the administration may be many. His attempts to evade or avoid payment of appropriate taxes may be motivated by a desire to spite the government. This may be the only way for him to show his grievances and dissatisfaction with the administration of the government concerned.

(11) Ignorance of the Tax Law

Even though, Income Tax and other types of taxes have been introduced in Nigeria for quite a long time, there are still some taxpayers who are not aware of the existence of any law on tax.

Some of the taxpayers who are aware of the existence of the law are not literate enough to read and understand what the law says. Both those taxpayers who are not aware of the existence of the law and those who cannot read and understand it may engage in evading and avoiding taxes.

(12) Mismanagement of Tax Revenue

People suspect that the money demanded will not be wisely spent or that it may be fraudulently misappropriated.

Some expressed the view that they do not see how the tax revenues are being used. This is because the provision of public utilities and other infrastructures is too poor. It is alleged that the tax revenues may not be used for the purposes for which they are collected.

The realisation that tax revenues are not properly and appropriately used is one of the main problems of tax collection and causes for evasion.

13. Problems of Identifying the Tax base

There are many taxpayers who may have different sources of income but a good number of the sources will not be disclosed to the tax authorities.

In cases where a taxpayer has different sources of income spreading over many states, the relevant tax authority will find it extremely difficult, if not impossible, to know such sources of income of the taxpayers.

14. Non-Derivation of Direct Benefits

Problems of tax collection and/or tax evasion and avoidance in the state have been going on because tax payers do not derive benefits from the taxes they paid. This is also because there is no manifest justification for payment of their taxes.

Other contributing factors to the problem include: Unfair distribution of benefits; unfair distribution of tax burden; unfair distribution of income and misuse of tax money.

Unfair distribution of benefits; Essential services, like medical attention and services; water supply, to mention a few are not provided regularly and even if provided, they are not free and not evenly distributed. That taxes do not benefits the common man and do not solve villages problems. This is because, it is only the urban areas that are being developed at the expense of the rural masses who as well pay their community and income taxes.

Unfair distribution of tax burden and unfair distribution of income. That income structure is not balance and salaries are poor and un-attractive. The employment is off-and-on and that sometimes tax clerks neglect their duty and most importantly, they lack the financial managerial ability.

Experiences in internal revenue showed that most of the directly assessed tax payers usually fail to declare their full sources of income.[1] Therefore, to get accurate assessment, the state Government has to rely on the information collected by the Information Unit of the Revenue Division. Even after assessment has been made and tax payers notified, people come forward to raise objections.

Apart from this, some employers of labour do not apply the P.A.Y.E. Scheme accurately. In most cases, they under deduct and fail to pay their deduction to the Revenue Department.

---

[1] New Nigerian, Wednesday, April 18, 1984; pp.3 & 7, "The Place of Tax in raising of Revenue"

15. Other Subsidiary Problems.

(i) Lack of transportation.

(ii) Non-availability of various forms and returns in local language.

(iii) Inadequacy of printed forms and other materials.

(iv) Lack of liaison between the government functionaries.

(v) Inadequacy of accurate information on incomes and assets of individuals.

(vi) Problem of method and timing of payment.

(16) Economic Problems.

Large part of our population are poor people without any visible income. Only a small part of the society really have income in their own rights for tax purposes.

There are some who have income, but because of their family responsibilities and commitments, they really have no income of their own, they therefore feel they should not pay tax.

As of now, economic activities are low, some businesses are closing down, some are experiencing low income and many individuals have lost their jobs without any hope of any sources of income or business activity in sight.

Revenue generation in a fairly depressed economy is an uphill task. Tax collection is bound to be unpopular. Infact, tax payers now wish they are presperous to be able to pay more tax.

5.3 PROSPECTS OF REVENUE COLLECTION AND TAX ADMINISTRATION

In spite of the numerous problems and difficulties enumerated above, the Nigerian tax administration and that of Sokoto state in particular, has made commendable progress over the years, in terms of yield and coverage. If the type of attention now being given to tax authorities continues, then there is hope for an improved and effective tax administration, very soon not only in the state, but in the country as a whole. Now we have a fair idea of what is wrong, or what is required. as soon as these things are met, our tax system will improve.

A tax administration is, therefore, the whole organisational set-up established for the managementof a tax system. But while the broad objectives of a tax system is aimed at guaranteeing along-term fiscal soundness of the policies and programme of the state government, the purpose of tax administration is to fully implement the tax system by ensuring that tax payers comply with the provisions of tax laws and that the funds derived from the taxation are paid into the government's Treasury.

Since taxation is a political issue, its weaknesses of effectiveness will depend on the type of government, its structure, composition, policies, guidelines and laws on taxation.

Indirect taxation is preferable so that people can pay tax without even knowing or worrying about it.

There have not been major changes in tax administration system since the tax policies and laws have not been changed.

However, with the introduction of a new decree recently, published, Decree No.4 of 1985, entitled "Finance Miscellaneous (Taxation Provisions) Decree", there should be betterment in tax administration system in Nigeria and much more prospects are expected. Moreover, the Decree has tried to improve on the present legislation and has also introduced a few new ideas into our tax laws.

The introduction of operation show your Tax Clearance Certificate in almost all our businesses, is another landmark of tax administration in the country.

The major highlights of the Decree No.4 of 1985 are as follows:-

(i) The Personal Allowance has been slightly improved. The new allowance is now ₦1,200 + 12½% percent Earned. Income in excess of ₦6,000.

Before, the allowance was ₦6,000 + 10 percent of the earned income.

(ii) Capital Allowance which is meant to be an incentive to companies and businessmen has been reviewed and the new structure now allows for asserts to be written off against profits in less number of years.

However, government feels that such accelerated write-off should be justified by improved profitability and therefore, there is a provision whereby the amount to be written off in any year is limited to 75 percent of the profits in the case of manufacturing businesses, and 66% per cent in the case of others. Agriculture has no such limitations and carries the highest rate of allowance.

(iii) Turnover Tax as was called in the old law has been removed. However, a new system of taxing certain items of income at source, other than investment income, is to be introduced by a new section 59C in C.I.T.A.

Under this system, such income as contract payments, management fees, consultancy fees, commissions and other similar income may now be subjected to a Withholding Tax at specified rates to be prescribed by the Minister of Finance.

(iv) A list of transactions for which tax clearance Certificate may be demanded has been formally committed into law.

(v) Companies now have to pay their taxes before they pay their dividends to their share-holders. They may pay both at the same time, but tax should not be kept outstanding.

(vi) In order to avoid double taxation, where dividends are paid from one company to the other and such dividends then get redistributed to other chains of companies, such dividends will now be distinguished as "franked investment income" as soon as it has suffered tax once.

(vii) Withholding Tax has been increased from 12½% percent to 15 per cent in respect of rents, interests and and royalties and has been extended to payments in the private sector.

(viii) Two new levies were also introduced.

A number of people have criticised the Decree as too much in favour of Revenue, while this is the time to increase incentives to industries.

Tax laws are usually received with bias, however, this is also the time government needs more money. Incentives will come if and when it is convenient for government to grant more.

The tax laws will continue to be amended on this basis as and when it is considered necessary to plug loopholes and introduce measures aimed at improving revenue.

5.4 CONCLUSIONS

We have examined and discussed the main problems of tax administration and revenue collection, and the sub-sidiary problems as well.

We found that three major reasons contribute largely to the ineffectiveness of our present tax system and revenue collection, Viz:

(i) Lack of adequate, relevant reliable and accurate information on incomes and assets of individuals;

(ii) The problem of identification of such income and the tax payers themselves;

(iii) And the general Unwillingness of many tax payers to co-operate with tax administrators and collectors which perhaps originates from ignorance.

The problems have been compounded further by the followings:-

a. Shortage of manpower and facilities;

b. Societal problems peculiar and similar to problems of development;

c. Economic problems.

As we have examined in this chapter, apart from the general problems of revenue collection and tax administration system in Sokoto state, there are peculiar problems facing the Internal Revenue Department, Ministry of Finance, Sokoto. The glaring ones being the present administrative set-up in which the Internal Revenue Department in Sokoto state finds itself; shortage of trained qualified and experienced staff; acute shortage of office accommodations; and lack of transportation.

There is therefore, a need for the state government to critically look at these peculiar problems facing the operations of revenue collections and tax administration system in the state. Immediate solutions to the problems posed must be provided.

Prospects of revenue collection and tax administration are very bright. Especially if one considers the recent established Decree No.4 1985 (Finance Miscellaneous Taxation Provisions) Decree, 1985 which has tried to improve on the present legislation and has also introduced a few new ideas into out tax laws.

Furthermore, with the re-organisation of the Internal Revenue Department, as recommended earlier, making it autonomous; providing the department with more trained personnel; providing more suitable office accommodation; and providing enough transportation, much revenue could be realised from the operations of revenue collection and tax administration system in Sokoto state.

The conclusion, summary and recommendations are examined in the next and final chapter.

CHAPTER SIX

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

6.1 SUMMARY OF CONCLUSIONS

As alluded, as a developing country with considerable endowment in human and natural resources, the greatest drawback to our development efforts has always been the inavailability of adequate, reliable, and stable sources of revenue for financing development. The need to explore all the available sources of revenue open to us cannot be over-emphasized.

The most basic aim of this research is to analyse the existing major sources of revenue and suggest potential sources of revenue to the government in order to increase the present level of revenue generation.

Thus, the specific purposes or objectives of the study, inter alia, are:-

(i) To examine the rationale of taxation, theoretically, and on the different objective view points.

(ii) To enumerate and discuss the major types of taxes in the state.

(iii) To analyse the existing major sources of revenue; the relationship between revenues and expenditures; between Federal statutory allocation and the local revenue generated by the state Government;

(iv) To examine the structure, administrative organisation; and operations of the tax;

(v) To enumerate and discuss the proposed sources of revenue by giving their definitions, historical background; tax rates and bases; economic effects; etc.

(vi) To provide an avenue for knowing and considering the problems and prospects of revenue collections and its administrative machinery and why such problems induce some of the tax payers to engage deliberately or otherwise, in tax evasion and avoidance.

(vii) Based on the past state taxes (revenues) collection policies and procedures, we should pin point the short-comings in the existing administrative set-up, mode of collection and to suggest a list of proposed potential sources of revenue in the state in consonance with the Federal Government Policy on taxation.

The research methodology used includes studying all existing records in the Revenue Division and Main Accounts Branch (MAB), Finance Headquarters, Personal Interview with the Director of Revenue and some staff. The scope and limitations of the study are unique in that this is the first time a research in this area is being carried out in the state.

We have identified the major taxes (types) in the state and discussed them to some extent. An analysis of major sources of revenue was done in relation to the local revenue collected, Federal Government statutory allocation and the Actual expenditure incurred in both Recurrent and Capital.

We have examined and discussed the structure, administrative organisation, and system, and the appropriate recommendations made.

Having discussed and analysed the existing main sources of revenue of the state, we found that we still have some potential sources of revenue

generation which we proposed and recommended to the state Government. Such sources included Sales Tax; Property Tax; Development Levies, etc.

If introduced effectively and efficiently administered, these potential sources of revenue will provide the much needed revenue to the state Government.

In the course of our study, discussions and deliberations, we have identified some major and sub-sidiary problems of revenue collection and tax administration system in the state, some of which are: shortage of manpower and facilities, societal problems; the taxpayers themselves; economic problems; and most of all the bureaucratic nature of tax administration of Internal Revenue.

And finally, all the short-comings in the existing administrative set up of revenue collection and tax administration have been pin pointed and appropriate recommendations made.

6.2 RECOMMENDATIONS

This research seeks to recommend that:-

1. The Internal Revenue Department should be made into a State Board of Internal Revenue. This is in line with the practice in a number of states of the Federation. The Board should be completely autonomous and out of the administrative set up of the Ministry of Finance, and should be self accounting with a Director as Chief Executive. Alternatively, the department should simply be

made autonomous and should be self accounting. The Director should be directly answerable to the Military Governor of the state.

2. Improvement in administration of revenue department requires appointment of an energetic and competent revenue Director.

3. The state Government needs to raise salaries of tax personnel to obtain and retain adequate number of qualified personnel. Remuneration of the tax personnel should compare favourable with other parastatals.

4. There should be a legal department or section whose responsibilities should be to deal with the legal problems of the board.

5. The Board if established should embark on a serious recruitment of staff, and a training programme should be set up.

6. Effort should be made by the state Government to provide enough office accommodation with enough strong-rooms to store security documents.

7. Other arms of government should be sufficiently educated on the need for their co-operation to the revenue office so that information relevant to tax assessments and collection are easily passed to revenue office. They should also maintain proper records.

8. The state Government should provide adequate financial support to the revenue department to enable it purchase enough vehicles and other materials needed for the operation of all taxes.

9. Government should adopt more strict measures in dealing with tax evasion and default through the enforcement of tax laws irrespective of who is involved. Punishment should be emphasized as the prime factor in controlling tax evasion.

10. A good personal relations with a satisfactory division of responsibility and high degree of co-operation is needed in the revenue department for the success of the tax.

11. The out station officers must be competent and kept informed about changes in interpretation or operation of the tax to be able to answer questions from inquisitive tax payers.

12. In the light of the experience gained, tax laws, rules and procedures should continuously be reviewed and hardship faced by the honest tax payers removed.

13. Taxes may reasonably be imposed in an amount that will roughly equate benefits and payments for each user. The government should not collect less in annual revenues than the cost of these services because, in such case, it would have to meet the deficiency by general taxes, levied according to ability or sacrifice. The government should not collect and use more because this would finance collective benefits through taxes raised from particular group of tax payers.

14. The state government should as much as possible present, annually balanced budget. This does not mean that current expenditures and revenues must equate, but

merely that any excess of expenditures is covered by borrowing. Authorised receipts from loans serve to balance the budget. The balance is often tricky. Estimates of revenues are frequently higher and those of expenditure lower than a candid appraisal would provide.

15. The writer is of the opinion that people must play their civic duties by paying taxes. All that the government has to do is to ensure that the masses are not over-taxed because of the apparent poor condition of the people of the state economically. The government should make sure that the services for which people have paid are rendered effectively to justify the taxes collected. Payment of taxes will give a sense of belonging and the writer does not think it will create any hardship provided it is moderate.

If people pay token fees for instance, to get good services in the government hospitals, this cost less compared with that which is obtained in private hospitals where exhorbitant prices are charged.

In addition to the above recommended ways of improving effectively and efficiently, the revenue collection and tax administration, we strongly suggest the following potential sources of revenue and other methods/or techniques for the improvement of the much needed revenue:-

i. Sales Tax

ii. Property Tax

iii. Development Levies

iv. Avoidance of Double Taxation.

v. Withholding Subventions.

vi. Winding up of Unprofitable ventures.

vii. Establishment of Task Force on Revenue Collection.

viii. Periodic Auditing and Assessment.

ix. Improving of Public awareness on Tax laws.

x. Information Extract Techniques.

(i) Sales Tax where it has been introduced e.g. in Kano and Plateau States has sometimes been favoured because part of it can be shifted out of state - to tourists, visitors, and out-of-state buyers of the products of a state.

The point of levy should be at the wholesale level to facilitate enforcement of compliance and avoid double taxation of the goods involved. And infact, if properly introduced and administered, it would be second to personal income tax, if not first. Rate of tax can be between 5% to 10%.

(ii) Property Tax - This is otherwise known as Tenement rate, which means the rate at which an accommodation has been assessed and payable by the owner.

It is assessed on the value of property as a general tax, without consideration of the value of the benefits accruing from state and local governments expenditures. Most of these benefits

accrue collectively to all residents of the community, regardless of how much or how little property they own or use.

Besides supplying localities with a substantial portion of the revenue that they need, it will establish a fair base from which additional financial needs can be measured.

Rates of taxation should vary according to the location, uses and types of property. For residential buildings in the urban areas, the rate should be ₦30 and that of the rural area, it should be ₦10.00 and for the commercial buildings, irrespective of the location; the tax rate should be between ₦50.00 to ₦100 per annum, depending on the square metres covered in building such commercial buildings, like shops, garages and other permanent tenements used for maintenance, repairs and servicing, mechanically propelled vehicles.

Industrial buildings should attract the tax rate of ranging from ₦200 - ₦500 per annum.

(iii) Development Levies. This is known as capitation rate. It is imposed for special developments; special services and for the welfare and betterment of the entire members of the state.

The rate does not form part of any taxes - P.A.Y.E.; Direct Assessment; Community tax; Cattle tax; It does not form any part of the ordinary revenue to the state or local government, but earmarked for specific purposes. Thus, accordingly the proceeds

from an education rate cannot be spent on the errection of market stalls.

We therefore suggest, like any other state or other states that every indigene of Sokoto state should pay a token figure of ₦1.00, provided he has reached the age of taxable adulthood. And moreover, there should be a launching of Development Fund in the state Headquarters and then later to all the 19 local Government Headquarters. Later, that could be launched in other states.

Collections to be realised from levies and fund raising ceremonies should be effectively and efficiently utilised in prosecuting our numerous abandoned and/or suspended; but very essential projects. Therefore, it is recommended/ proposed as a survival strategy since it tends to bring out of some philanthropic aspect of some of our rich men.

Moreover, for one, a levy can hardly be differentiated from tax, and since it might have moral issues involved, the Government should make it known to the populace categorically, the rationale for the development levies.

Therefore, we feel the government should in future restrict itself to providing a supporting cost to the communities that seek to lauch some development fund, or others; like that of Zuru Community Development Fund or participating together with the communities in executing some of the projects. Where projects are to be executed jointly between the community and government, the government can stipulate a munimum community contributions of say 10 per cent of the project's total value.

Thus, if this proposal is adopted, we shall be assured to witness more of partnerships between the community and government in ventures funded by the two. Moreover, these benefits would in addition to ensuring firm accountability, as community financed projects are jealously guarded against waste, pilferage or embezzlement.

(iv) Avoidance of Double Taxation.

For example, tax on pension will be unfair and double system of taxation, because the tax authorities should know that the retiring workers have been paying their monthly taxes under the P.A.Y.E. system during their active service.

Therefore, the misunderstanding which might have prompted the double taxation should be carefully considered in view of the fact that the retiring workers whose benefits are taxed could not enjoy monthly pension like civil servants whose benefits are always free from double taxation.

Hence, there should be a general system of taxation in the state to reflect equity.

(v) Withholding Subventions.

Since the substantial amount, annually has to be estimated for the subventions payable to state-owned higher Institutions, companies and parastatals, and the said subventions are payable quarterly, the state government should make a categorical policy by withholding subventions from its parastatals and higher Institutions which do not hand in their audited

accounts at least three months from the close of their financial year.

It was further noticed that most public enterprises have not been audited for many years and expect the new policy to bring them alive to their responsibilities. Most of these state-owned parastatals have been failing and collapsing, could not even pay the salary of their staff nor could they break-even, partly because their projects are sometimes too sophisficated for Nigeria's level of development; especially where they are over designed heavily capital intensive and therefore lead to more borrowing and over-dependence on state Government subventions.

Moreover, some of the parastatals are lacking proper appraisal of their finances and thus unable to assess over all financial profitability or work out a sound financial plan for project.

Therefore, the state government, being the owner or partly have shares in the parastatals should pay more attention to proper financial appraisal of investment projects, especially at this period of world-wide economic recession when there is acute shortage of investable funds.

(iv) Winding up of Unprofitable Ventures.

It is further recommended that any unviable and unprofitable parastatals or state-owned corporation should be closed down; its shares be sold or merged with other related business concern based on the

categorically laid down legal principles, as in the case of Rima Transport Corporation, which has been closed down and its haulage (petroleum business transactions) merged with Sokoto State Supply Company Limited (SOSSCO).

Moreover, most of these parastatals and institutions financed by the government, operate outside the civil service proper, are established by law and others incorporated as wholly owned by government. They are not capable of managing profitably or at least break-even because of the bureaucratic control, lack of flexibility, mismanagement of funds and lack of managerial know-how.

Some corporations and state-owned companies should be made to operate purely on commercial basis financing their operations entirely through their earnings, while others could be financed by government revenue, through internally generated by them, by way of charges in respect of goods and services provided to the public and partly out of government revenue and derived from services rendered to the public; e.g. Water Board, Rural Electricity Board, Health Services Management Board; Hotels Management Board; Rima Radio; etc. The recent announcement by state Government to sell its share in Sokotan Ltd, Sokoto Furniture Factory Ltd and Gusau Oil Mill Ltd. was in the right direction and the right time.

(vii) Establishment of Task Force On Revenue Collection.

If established the terms of reference of the Task Force should include: to co-ordinate and mount revenue

derives in the state to ensure optimum collection of revenue due both the state and local governments.

In other words, the function of the Task Force should include: mornitoring revenue collection; enforcing inspecting and evaluating all existing machineries of revenue collection with a view to recommending performance improvement in order to enhance the internal revenue base of the state and the local governments.

Looking at the present economic phenomenum, the people should be made to understand and believe that the state government could not provide everything free. This Task Force, if established should start on a serious campaign to remind the citizens of the state of their civic responsibilities to pay their personal taxes, rates and licences promptly as and when due.

Since the development of any nation is a function of the willingness and readiness with which its citizens respond to the payment of taxes and rates, and since there is no development without taxation, this Task Force on Revenue should advocate discipline in the payment of taxes in the various local government areas through our respected traditional rulers.

(viii) Improvement of Public Awareness on the Existing Tax Laws

Due to the ignorance of the tax law by most of the tax payers, the tax authorities should

increase or improve the public awareness of tax laws especially the existing penalties. The public awareness of the existence of severe penalties against tax evasion and avoidance will really decrease the incidence of tax fraud and consequently increase total tax revenues. Apart from the role of taxation in a modern society, newly introduced taxes like Capital Gains Tax, Capital Transfer Tax, and Purchase Tax have not been given adequate publicity.

People expect to know their contributions, the purpose for which their contributions, are utilised and how their obligations are to be discharged, otherwise much money will be lost through sheer ignorance. Tax payers should not be kept, ignorant or in the dark. Ignorance and lack of information breed suspicion. Therefore, public enlightenment programmes, should be embarked upon to educate citizens on the evils of tax evasion and tax avoidance to the society. People should be made to realise that tax officials are not public enemies but public servants meant to cater for their interests. Such publicity could be made through radio, Television, lectures, newspapers and magazines. Co-operation should also be sought from organisation like Trade Unions, Co-operative Societies and Market Women Associations.

(ix) Application of the Technique of Management By Objective (MBO)

MBO is a process of identifying goals and objectives, defining managerials responsibility in terms of expected results, performance and achievements.

The concept of MBO has been utilised in commerce and industry and has yielded the desired results. It is opined here that the technique of MBO be employed by the state Revenue Department; Through the application of MBO the target for revenue collection would be based on the estimated tax population against which actual performance could be measured at the beginging and at the end of every financial year. This would enable every tax official to put in his best while at the same time facilitating the Revenue Authorities to apportion responsibility or blame on individual tax officials.

(x) Industrial Policy.

Where poll or flat rate tax operates, tax payers evade due to inability to pay. This is because such tax bears little or no relation to income. An industrial policy would therefore create job opportunities and once employed the burdem of tax payment would be alleviated.

(xi) Tax Drive. Tax drive particularly in rural areas should be mounted in all states of the Federation since experience has shown that is an effective way of enforcing tax compliance. In pursuit of this drive tax gatherers must be given adequate protection by the government(s).

(xii) Instalmental Payments.

Lump sum tax payment imposes heavy burden thereby inhibiting propensity to save. An ideal tax system would emphasise on collecting small sums instalmentally rather than lump sum. It is a general principle of taxation that tax payments should meet the convenience of the tax payer.

(xiii) Information Extracts Techniques.

The tax authorities should improve their techniques of Information Extracts. This method will enable them to know the sources of income of some tax payers by getting information from government offices and places of business of tax payers.

In so far as the tax payers themselves may not willingly disclose sources of their income, then the tax authorities would have to get such information from other places by Information Extracts. All efforts should be made to allay the fears of the tax payer(s) as regards over-assessment so that they could disclose their sources of income.

(xiv) Periodic Auditing and Assessment.

Diversification of revenue sources could be made when there is adequate skilled tax administrators. Addition of more tax officials for auditing and assessment may greatly increase the collection of revenue from taxation.

There is much to be done in the area of income tax compliance and enforcement. Tax payers should be made to understand the great need for them to comply with the tax rules and regulations so that the tax system could function properly.

The Revenue Department should try to improve their periodic auditing techniques on tax payers' returns on income so that the high degree of tax evasion and avoidance resulting from lack of auditing could be reduced.

In both the Direct Assessment and P.A.Y.E. Systems of taxation, tax payers make some irregular claims on reliefs and allowances and without auditing the returns on incomes from the tax payers, it would be impossible to detect the attempts by them to evade or avoid taxes.

Finally, the researcher very much hopes that this short research would be of tremendous benefit to the state Government, tax and revenue policy makers, and all the indigenes of the state. It is further hoped that this study will pave way for further research on the potential sources of revenues; problems and prospects in Sokoto state and in Nigeria at large.

Should this write-up constitute one of the factors that will be instrumental in improving the effectiveness and efficienty in the revenue collection and tax administration in the state, in whatever form, this writer would have fulfilled his mission in undertaking to do the research work.

REFERENCE

The arrangement of the selected references has been divided into three sections: (1) Books (2) Articles (3) Government Publications.

I. Books

1. Adedeji, A & Rowland, L; Local Government Finance in Nigeria: Problems and Prospects, U.I.P. Edited by Adedeji & Rowland.

2. Akingbade, J.K. Problems of Local Tax Administration; PP. 112-120.

3. Blakely Roy G. & Blakely G.C. Sales Tax and Other Exercises Public Administration Services, Chicago, 1945.

4. Buchler, Alfred G. General Sales Taxation, The Business Bourse, New York, 1931.

5. Due, J.F. Sales Taxation, London Routledge & Kegan Paul, 1957.

6. Sales Taxation, the University of Illinous Press, Urbana, 111, 1957.

7. Indirect Taxation In Developing Economies. The Johns Hokins Press, Baltimore, 1970.

8. State and Local Sales Taxation Structure and Administration, Public Administration Services, U.S.A. 1971; P.105.

9. Maxwell, J.A. & Aronson, J.R. Financing State and Local Governments. Third Edition, Studies of Government Finance, the Brooking Institution, Washington, D.C. 1977.

10. Musgrave, R.A. & Musgrave, P.B. Public Finance in Theory and Practice, Mc Graw-Hill International Book Company, 1973; P.235.

11. Netzer, D. Economics of the Property Tax, Washington: Brooking Institution, 1966.

12. Okigbo, P.C.N. Nigerian Public Finance, London, Longman-Green and Company Ltd. 1965.

13. Orewa, G.O. Taxation In Western Nigeria: The Problems of an Emergent State. London, Oxford University Press, 1962, PP. 169-200.

14. Pechman, J.A. & Benjamin, A.O. Who Bears the Tax Burden? Washington: Brookings Institution, 1974.

15. Penniman, Cand Walter, W.H. State Income Tax Administration. Chicago: Public Administration Services, 1959.

16. Sahai, I.M. Sales Tax Law (Bases on the Delhi Sales Tax Act, 1975 and the Central Sales Tax Act, 1956 and Rules made thereunder); Sultan Chanel & Sons, Sixth Edition, 1982.

17. Whittan, R.H. Taxation of Urban Land and Buildings; PP. 95-111

II. ARTICLES

18. Business Times, "Taxation in Nigeria: Prospects for Reform", Monday May 20, 1985, PP.12 & 13.

19. Business Times, "Taxation in Nigeria: Prospects for Reform", Monday, May 27, 1985, PP.12 & 13.

20. Daily Sketch, "Problem of Taxation In Nigeria", February/March, 1979, P.12.

21. Daily Times, February 17, 1979, P.17.

22. Daily Times, "New Ideas on Tax Collection", Monday, March 12, 1979.

23. Daily Times, "Tax on Pension Unfair", Saturday, June 1, 1985, P.1.

24. The Guardian "Soleye Warns Government", Friday, May 31, 1985 P.1.

25. New Nigerian, "The place of Tax in raising Revenue", Wednesday, April 18, 1984, PP. 3 & 7.

26. New Nigerian, "Sokoto Business men given Deadline to Register Premises", Thursday, July 5, 1984.

27. New Nigerian, Editorial, "Levies and Fund Raising Ceremonies", Wednesday, May 29, 1985, P.1.

28. New Nigerian, Editorial, "Salvaging Public Utilities", Saturday, June 1, 1985, P.1.

29. Nigerian Observer, "Effective Revenue Collection in Bendel State", Monday, December 31, 1984, P.5.

30. Hiangya, J.S. "Sales Tax System In Plateau State", An Un-published M.B.A. Project, A.B.U. Zaria, Nigeria, 1984.

31. John Mikesell L. The Structure of State Revenue Administration", National Tax Journal, (June, 1981), Vol.34, PP. 212-235.

32. Lawrence Woodworlh N. "General Policy Considerations Affecting the Choice of a particular tax", National Tax Journal, (Sept. 1977), Vol.30, PP.231-236.

33. Mohammed M. "A study on the causes of Tax evasion and Avoidance", An Un-published M.Sc. Thesis, University of Ibadan, Ibadan, Nigeria, 1982.

III. GOVERNMENT PUBLICATIONS

34. Northern States of Nigeria, Study Notes for Revenue Inspectors, Government Printers, Kaduna, P.1.

35. Decree No.4 1985, Finance Miscellaneous (Taxation Provisions) Decree.

36. Minutes of the Joint Tax Board Meetings, Federal Inland Revenue Department.

37. The Sokoto State Approved Estimates, Recurrent and Capital Expenditure 1979-1984.

38. The Personal Tax Law, 1982, Printed by Sidi Umaru Printing Press, Sokoto.

39. The Student Accountant 1984/85; Journal of Accountancy Students Association, A.B.U. Zaria.

APPENDICES

APPENDIX I

AN INTRODUCTORY LETTER BY MR. V. JANAKIRAMAN, MBA PROGRAMME CO-ORDINATOR.

RESEARCH PROJECT

TO WHOM IT MAY CONCERN:

The bearer (UMARU SHEHU-USMAN AMBURSA) is a student in the Institute of Administration, Department of Business Administration, A.B.U. Zaria and is writing his project on THE POTENTIAL SOURCES OF REVENUE TO SOKOTO STATE: PROBLEMS AND PROSPECTS in partial fulfilment of his studies for the Award of Masters in Business Administration (M.B.A.)

We request you to help him with all relevant and necessary information needed to enable him do the job. All information will be kept in absolute confidence.

Your cooperation is highly anticipated and appreciated, please.

Yours Sincerely,

Signed
(V. Janakiraman)
Coordinator, MBA Programme.

APPENDIX II

LETTER TO THE DIRECTOR OF INTERNAL REVENUE, SOKOTO

A RESEARCH ON POTENTIAL SOURCES OF REVENUE TO SOKOTO STATE: PROBLEMS AND PROSPECTS.

Sir,

The problems of revenue collection and tax administration have been causing the state Government great losses in tax revenue. And such problems have brought or evolve concern to business and economic researchers.

I am a registered Post-Graduate student at Ahmadu Bello University, Zaria, reading Master of Business Administration (M.B.A.) with Specialisation in Financial Management.

It is because of such problems that I have been motivated to carry out an M.B.A. Research work into the Potential Sources of Revenue: Problems and Prospects. This may help tax experts to try to find lasting solution to such a wildly growing phenomenon by using the would-be diagnosed causes and effects.

Sir, attached is a copy of the Interview Questionnaires. I do hope that maximum co-operation will be given in order to achieve the main purpose of the research project.

All information will be kept in absolute confidence.

Thanks for co-operation.

Yours faithfully

Signed
U.S.U. AMBURSA

APPENDIX III

INTERVIEW QUESTIONNAIRE

1. When was Revenue Division created and what were the main objectives of the establishment?
2. Initially when the Division was established, what was the manpower strength in terms of personnel?
3. As a revenue generating Division, what have been the main sources of revenue to Sokoto State Government?
4. As a Director of Revenue, what do you think is the rationale of Taxation?
5. What are the main types of Taxes in Sokoto State?
6. Looking at the past and present tax administration system in Sokoto State, What comments can you give on its effectiveness and weaknesses?
7. From 1979 - 1983, Please may we know the projected and actually collected revenue annually? (Please, attache copies of previous approved Estimates).
8. May we know the annual grants/subvention from the Federal Government from 1979 - 1983?
9. What have been the main problems of revenue collection in the State?
10. Being a Revenue Director of the State, what other sources of revenue proposals can you give for the betterment of economic recovery?
11. What other useful suggestion can you offer for more dynamic effective and realistic tax administration system in the State?

Thanks for co-operation.

APPENDIX IV

LETTER TO ACCOUNTANT-GENERAL, SOKOTO STATE.

A RESEARCH ON POTENTIAL SOURCES OF REVENUE TO SOKOTO STATE: PROBLEMS AND PROSPECTS.

Sir,

I am a registered Post-Graduate student at Ahmadu Bello University, Zaria, reading Masters of Business Administration (M.B.A.), with specialisation in Finance Management.

I am presently taking a research on the Potential Sources of Revenue and an analysis of the existing main sources of revenue to Sokoto State.

I write to request you to please give me the following information and some research materials:-

(1) Any possible recorded data on the Federal statutory allocation received from 1979/80 to 1983.

(2) The actual expenditure incurred both Recurrent and Capital Expenditure from 1979/80 to 1983.

(3) A copy of recently established Decree No.4 1985, Finance Miscellaneous (Taxation Provisions) Decree.

(4) All approved Estimates for Sokoto State 1979/80 to 1983.

I would be very grateful if you could please effect prompt action on the request.

Thanks for co-operation.

Yours faithfully,

Signed
U.S.U. AMBURSA

APPENDIX V

LETTER OF APPRECIATION

.....

.....

.....

.....

Dear Sir,

I wish to convey my hearty appreciation for the tremendous and invaluable contribution you have given towards the successful completion of my Thesis (Research Project).

The importance of your help cannot be over-emphasised for I have found every bit of it extremely useful and your co-operation has really made a difference in the whole exercise. I really feel obliged for everything you have done and hope that it would be my turn one day to give some assistance in whatever form.

Thank you.

Yours faithfully,

Signed
U.S.U. Ambursa,
Ministry of Finance,
Treasury Division,
Sokoto.

APPENDIX VI

A LAW TO REGULATE THE ADMINISTRATION OF SALES TAX UPON SEPECIFIED GOODS AND SERVICES IN THE FEDERAL REPUBLIC OF NIGERIA

Date of Commencement

Enactment — BE IT ENACTED BY the National Assembly of the Federal Republic of Nigeria as follows:-

Short Title

1. This LAW may be cited as the FEDERAL REPUBLIC OF NIGERIA Sales Tax Law 1983.

SALES TAX

2. As from the commencement of this law, the Administration of Sales Tax in the Federal Republic of Nigeria shall be in accordance with the provisions, of this Law on all chargeable goods and services listed in the first column of the schedule to this Law at the rates specified in the second column of the Schedule.

REGULATION OF SALES TAX

3. There shall be a Sales Tax Committee whose composition shall be made up as follows:-

(20) One representative from each State of the Federation. The Chairman of the Productivity, Prices and Incomes Board of his representative; and who shall be the Chairman of the Committee.

(3) One representative of the Federal Board of Inland Revenue, Ministry of Finance.

(4) Legal Adviser to the Federal Board of

Unctions (1) Inland Revenue.

Unctions (1) of the Committee The committee shall from time to time revise the rates of sales tax imposed on such goods.

(2) Any proposed changes in rates and list of chargeable goods and services shall be submitted to the National Economic Council for ratification and thereafter, published in the Federal Republic Gazette.

COLLECTION AND REMISSION OF TAX

5. The Manufacturer, Importer, or Supplier of any chargeable goods and services under this Law shall on behalf of the State Government. Collect from the accredited distributors or agents, account for and remit the Sales Tax to the designated State Authorities.

MODE OF COLLECTION

6. On or before the 30th day of the month next following the month on which tax is due, a registrable persons shall deliver to the designated state authority, the amount of tax collected during the relevant month, accompanied by a return in prescribed form showing a summary of total sales of every taxable goods and services during the relevant month or taxable services during that month.

ADMINISTRATIVE EXPENSES

7. The Manufacturer, importer or supplier of any chargeable goods and services shall retain 0.02 per cent of the total tax revenue due to each state to cover his administrative expenses. The balance of 99.08 per cent shall be remitted to the designated State Authority.

ACCESS TO INFORMATION

8. The manufacturer, importer or supplier of any chargeable goods or services shall if required to do so in writing by any State tax authority, give all necessary assistance to any person authorised in that behalf to inspect, audit, or take copies of records, books and accounts in.

OFFENCES AND PENALTIES

9. Any registrable person who contravenes or fails to comply with any of the provisions of this Law shall be guilty of an offence and shall be liable on conviction to a fine of One thousand Naira or imprisonment for three months for a first offence and a fine of Two thousand Naira or imprisonment for six months or to both such fine and imprisonment for any second or subsequent offence.

PROHIBITION OF UNLAWFUL COLLECTION

10. (1) It shall be an offence for any person not authorised by the State Authority to collect sales tax on its behalf from a manufacturer, importer or supplier of chargeable goods and services.

(2) Any person who contravenes the provisions of sub-section I of this Section shall be guilty of an offence and liable on conviction to a fine of Five thousand Naira or to imprisonment for a period of twelve months or to both such fine and imprisonment.

INTERPRETATION

11. In this Law, unless, the context otherwise requires:-

In this chargeable goods and services" include goods and services as specified in the schedule to this Law.

"Registrable Person" included a manufacturer, an importer, or a supplier, corporate or in-corporate of chargeable goods and services.

PENALTIES FOR SALE PAYMENT

12. (1) Subject to the provisions of sub-section 2 of this section, if any tax due is not paid within the period prescribed in section 6 -

(a) a sum equal to 5 per cent of the amount of tax collected shall be added thereto;

(b) the designated State authority shall serve a demand note upon the manufacturer, importer, or supplier; and if payment is not made within two months from the date of service of such demand note, the manufacturers, importer or supplier shall be guilty of an offence under section 9 of this Law.

(2) The designated State authority may for good cause shown remit the whole or any part of the addition due under this section.

11. The institution of procedings for, or the imposition of a penalty, fine or imprisonment under this law shall not relieve any manufacturer, importer or supplier from liability to payment of any tax which is or may become liable.

SCHEDULE

	Chargeable Goods and Services	Rate of Sales Tax
(a)	Sales and Services in registered Hotels, Motels, Catering Establishments, Restaurants and other personal service establishments (excluding drinks)	5%
(b)	Beer	24k Per Carton
(c)	Wine Liquor and Spirits	10% " "
(d)	Soft Drinks	14 " "
(e)	Cigarettes and Tobacco	5%
(f)	Jewels and Jewelleries	5%
(g)	Perfumes and Cosmetics (excluding toiletories)	5%
(h)	Electrical & Electronics e.g. Video Recorders, Stereo Sets, Radio and Television Sets, Video Casettes, Cameras, Air-conditioners.	2%
(i)	Deep Prizers, Fans, Carpets & Rugs	2%