THE CONCEPT OF ACCELERATED REVENUE GENERATION PROGRAMME

A CASE STUDY OF THE PROGRAMME BY OGUN STATE GOVERNMENT OF NIGERIA

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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

DEPARTMENT OF BUSINESS ADMINISTRATION
AHMADU BELLO UNIVERSITY
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DECLARATION

I hereby declare that apart from the use of some published journals, which has been fully acknowledged, this project report entitled "THE CONCEPT OF ACCELERATED REVENUE GENERATION PROGRAMME: A CASE STUDY OF THE PROGRAMME BY OGUN STATE GOVERNMENT OF NIGERIA", is my original work. To the best of my knowledge, no part thereof has been submitted elsewhere for an award of a degree or diploma.

AZEEZ OLADEJO SALAWUDEEN

30-9-1995
DATE

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CERTIFICATION

This project report entitled "THE CONCEPT OF ACCELERATED REVENUE GENERATION PROGRAMME: A CASE STUDY OF THE PROGRAMME BY OGUN STATE GOVERNMENT OF NIGERIA", meets the regulations governing the award of the degree of Master of Business Administration (MBA) of the Ahmadu Bello University, Zaria, and is approved for it's contribution to knowledge and literacy presentation.

MAL. I.S. OKEJI. 3/9/05

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Date 19/8/04

DEAN, POSTGRADUATE SCHOOL 15/8/05 **DATE**

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DEDICATION

TO

THE ALMIGHTY ALLAH

For giving me the strength to stand the greatest test of my faith these last few

months of which the period of this exercise form a part.

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ACKNOWLEDGEMENT

The successful completion of this project report and indeed the programme probably would have been a mirage but for the concern and understanding of a friend and indeed a brother, Alhaji A. F. Buhari, who not only encouraged me to complete the programme which was already abandoned but gave me all the necessary support to see me through. I shall forever be grateful for his love, invaluable assistance on all fronts, as well as his untiring desire for my progress.

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Finally, to my dear wife, Dr. (Mrs.) S. B. Salawudeen, not only for her unalloyed love and affection, but also for her endurance as well as her willingness to

take up the challenges at the home front while the programme lasted and also to my little Abdul Quayyum Olalekan Salawudeen who at the early stage of his life had to get do with having his father around only at intervals. I own a lot of gratitude to them and forever shall I be indebted.

30/9/95

AZEEZ OLADEJO SALAWUDEEN
ZARIA,
SEPTEMBER 1995

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ABSTRACT

This project study is an empirical exercise conducted to review and assess the impact of a programme, Accelerated Revenue Generation Programme, on the internal revenue operation capacities of the participating State Governments.

The dwindling revenue profile of the various State Governments resulting into hopelessness and helplessness in the area of providing basic social services to their citizens necessitated the need for an inward looking strategies to address the crippling situation.

In most of the States, the entire revenue generation structures had been crumbled, some aspects of it through neglect and others by what amounted to subversion. The sum total of this was that there seemed to be no way forward, the system on ground could not help itself, internal medicine could not work, external surgery was urgently needed and this came in the form of a private sector initiative in Tax Administration otherwise known as Accelerated Revenue Generation Programme.

The overall result of the incursion of the private sector or private Consultants into an area of tax collection which hitherto had been exclusive preserve of Civil Servants has turned the attitude of the relevant Tax Authorities into a more positive and challenging pursuit. Tax Collection is now seen as a business. The fact that it falls into the lap of government to organize and administer does not make it less of a business just like any aspect of government business. The performance of various Boards and Authorities under the programme is enough reason for it's adoption.

The study is divided into five chapters. Chapter one introduces the study, setting out what it tends to achieve and the importance. Chapter two visualizes the concept, focusing on the major tools applied on the work-environment. Chapter three

examines the concept in broad perspective in relation to a specific and in this case, a study of the programme by a State Government. Chapter four reviews the revenue performance of the State under the programme, while Chapter five summarizes and concludes the study with recommendations.

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CHAPTER ONE

INTRODUCTION

1.1 Preamble

The precariousness of the Nigerian Economy has continued to create serious stress for the finances of all tiers of the government. The worst hits in this circumstance are the State Governments due to the substantial reduction in the real terms of their share of revenue from the Federation Account Allocation. Even with the improved percentage increase from Value Added Tax (VAT) Revenue, the position is still critical.

This prevailing situation of most State Governments created an atmosphere of deep reflections and imaginations in their attempts to boost and accelerate their internal revenue generation capabilities. The resultant effect of this deep reflections and imaginations is the realization of the need to inject private sector flavour into an entirely government affairs. The injection of this private sector initiative in Tax Administration is what has now come to be known as **ACCELERATED REVENUE GENERATION PROGRAMME**.

1.2 Statement of Problem

The State Government finances, which are already in critical position, are further worsening by some of the policies of the Federal Government. Federal Government Budget regularly introduces improved Personal Relieves and Allowances for Taxpayers and at the same time reduces Personal Income Tax rates. While these measures may be socially desirable, it has not help the State Government finances.

On the other hand, the inflationary effect on the general price index has further astronomically increased the cost of services and infrastructures provided by the State Governments against dwindling revenue.

The aggregate effect of all these developments has been the near–bankruptcy of most State Governments which leaves most of them living from hand to mouth every month after meeting salary payments marginally. Ministries and Departments hardly get any fund allocation for even their petty operational costs while Contractors are daily dragging the State Governments to court or threatening to do so over unpaid bills for jobs already executed. The question of initiating any meaningful capital projects or even keeping the existing infrastructures properly maintained has virtually become history as no sensible Contractor will take such obvious risk of financing State Government projects with borrowed fund, when such government hardly pay their staff salaries regularly.

The windfall of the boom years has unfortunately spoilt several State Governments as a result of which they practically abandoned the exploitation of the obvious internal revenue possibilities. The Accelerated Revenue Generation Programme is designed to address these inadequacies.

1.3 Objective of the Study

The researcher believes the Accelerated Revenue Generation Programme has it's own merit notwithstanding the chain of criticisms. The objective of this study therefore, is to justify the engagement of the Private Consultants pioneering the programme in the various States of the Federation by:

- Examining the impact of the programme on Board of Internal Revenue of the various States.
- Examining the impact of the programme on the Revenue Profile of the participating States.
- Examining the legal implication of the adoption of the programme and the engagement of the Consultants.
- Examining the impact of the programme on Manpower Development and Tax Awareness.

1.4 Scope of the Study

The Accelerated Revenue Generation Programme has been implemented at various times by at least twenty-eight (28) States of the Federation, in addition to the Federal Capital Territory. If justice is to be done to this academic exercise, all the States should be visited to examine the impacts, methods, problems etc. of the programme.

The logistic requirement for such exercise would be enormous and the economic implication on the Researcher may not be bearable. The Researcher shall therefore focus on the programme as a concept while Ogun State Government experience shall be a case study.

1.5 Significance of the Study

It will be difficult, if not impossible for any meaningful discussion to be held on recent developments in Taxation, Tax Collection or Administration in Nigeria without due reference to the Accelerated Revenue Generation Programme.

This study intends to present an inside view of the operations of the programme while the outside views would be examined, analyzed and

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presented in a manner that the findings of the project report shall be a reference point for:

- The Federal and State Governments
- Federal Inland Revenue Service
- Board of Internal Revenue Services.
- Manufacturing Association of Nigeria
- The General Public.

1.6 Method of Data Collection

The methods adopted in the collection of relevant information and data for this research exercise were from Primary and Secondary sources. The two approaches were exhaustingly used to enable a detailed, comprehensive and current information to be used in the project work.

The Primary Data

Discussions and interviews were conducted with senior officials of the consulting firm, staff members of the Board of Internal Revenue Service, members of Manufacturing Association of Nigeria. The interviews were unstructured and unwritten in nature. Experience and knowledge of the programme were brought into bear by the Researcher for the purpose of gathering salient points.

The Secondary Data

Relevant information and data were also gathered through secondary sources, such as:

- Accelerated Revenue Generation Programme bulletins.
- Seminar papers and Paper presentations
- Joint Tax Board publications and pronouncements
- Newspapers and Magazines interviews.

1.7 Problems and Limitations

In the course of carrying out this project work, a number of constraints were encountered. Some of these constraints are:

- The Civil Service bureaucracy tended to limit the level of co-operation that could be obtained from the Civil Servants in terms of the necessary information that could be obtained for this exercise. Apart from the Chairman of the Board of Internal Revenue Service, other senior personnels like the Directors, Zonal Co-ordinators etc., who are the main antagonist at the Board level were unwilling to speak or be quoted.

- The same bureaucratic procedure limited the level of co-operation that could be obtained at the Federal Inland Revenue Service and Manufacturing Association of Nigeria both of whom represent the external antagonist of the programme.

- There is a limit to the level of information that could be delved into by the consulting firm in order not to embarrass their employer, i.e. the Government.

All these put together affected the completeness of this exercise against the desire of the Researcher who intended to examine and analyze all necessary information and data about the Accelerated Revenue Generation Programme. Nevertheless, experience and personal knowledge of the programme assisted to a very large extent.

CHAPTER TWO

CONCEPTUAL FRAMEWORK

2.1 The Concept of Accelerated Revenue Generation Programme

Accelerated Revenue Generation Programme is the summation of series of activities aimed at boosting the immediate internal revenue generation capacities of a State Government, while at the same time expanding the future revenue base of the State.

The past few years have witnessed greater emphasis than ever before on the need to improve or accelerate the internally generated revenue by both the Federal and State Governments. In the recent past, many State Governments have taken practical steps towards the acceleration of their internal revenue generation which have yielded some commendable results.

It is the general belief that, there is no effort without a cause and the cause of the Government actions in the revenue acceleration might have been prompted by any or a combination of the following reasons.

- The increasing cost of financing Government programmes as reflected in the yearly budget.
- The increasing demand for social infrastructural facilities and amenities coupled with calls for assistance from some International Communities.
- The irregularities in the level of funds and actual amount coming from the Federation. Allocation Accounts to the State Governments.

The concept of Accelerated Revenue Generation Programme is synonymous with the involvement of Consultants from the private sector in

generating and collecting internal revenue on behalf of the State Governments. Revenue generation and collection for a State Government are part of the functions of the State Board of Internal Revenue.

The involvement of Consultants from the private sector in carrying out various governmental functions is not a new phenomenon in Nigeria. Particularly, Consultants such as Estate Surveyors and Accountants have been involved in designing and collection of tenament rates for Local Governments from time immemorial. It is therefore not unusual to find Private Consultants being involved in a function seemingly cut out for the Civil Servants. What is unusual is the phenomenal success re-corded by Accelerated Revenue Generation Programme, pioneered by **OLUSOLA ADEKANOLA & CO.**, a firm of Chartered Accountants and Tax Practitioners.

The enthusiasm expressed for the programme by many States of the Federation is not altogether a voluntary one. The near – collapse of the national economy created serious financial stress for all tiers of Government. The increasing cost of running government operations coupled with the dwindling revenue left the State Governments with three options:

- To do nothing
- To direct the State Board of Internal Revenue to accelerate the internally generated revenue.
- To engage Private Consultants to accelerate the internally generated revenue

To do nothing

If this first option is chosen, then the status quo would be maintained. In effect, the State Governments would merely be operating from hand to mouth,

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barely getting g enough from the Federation Account to pay salaries and allowances of Civil Servants.

Given this situation, the question of initiating or even paying for already executed Capital Projects would have been an illusion for the State Governments. This scenario is therefore not viable given the ever-increasing demands on the limited resources of the State Governments by their citizens.

To accelerate internally generated revenue by the State Board of Internal Revenue

This option, as attractive as it looks, is bedeviled by the problems, which have been preventing the State Board from being effective revenue generators and collectors. The major problem facing the Boards can be summarized thus:

- Absence of an effective Management Information System within the Boards.
- Incompleteness of Information and Data on taxable entities and activities.
- Ineffective Internal Control Machinery with regards to accountability.
- Fraudulent activities of some revenue collectors and other officials.
- Absence of appropriate training schemes and facilities for the staff of the Board Inaccurate or fraudulent information sometimes furnished by some taxpayers, which often result into outright tax evasion by some of them.
- Inadequate funding of the Board leading to inadequate incentives and absence of basic tools for their staff.

If the State Boards were to be directed to accelerate internally generated revenue, the foregoing problems would have to be solved in one way or the other. However, the need to accelerate internal revenue to create prompt and

immediate impact would not allow for any further experimentation and it follows therefore that the most feasible option for the State is to engage Private Consultants to accelerate their internally generated revenue.

Engagement of Private Consultants

This option, apart from being capable of injecting the well tested private sector flavour into an entirely government affairs, is mostly free from the problems that made fresh initiatives by Board unattractive. The modest success of Privatization exercise is also a reference point for the private sector.

It was this scenario that made the adoption of the Accelerated Revenue Generation Programme a necessity for most of the State Governments.

2.2 The Origin and Coverage of the Programme

By the early nineties, the share of the Federation Account due to the various tiers of Government was not only declining steadily in real terms but it was no longer adequate to pay workers' salaries and wages talkless of providing essential services. The adoption of the last scenario (engagement of Private Consultants) therefore became inevitable.

The Accelerated Revenue Generation Programme was first experimented in Niger State of Nigeria and it's success story led to it's acceptance by other States of the Federation.

The Niger State Government at a time came up with the idea of addressing the issue of budget deficits by experimenting with a lot of ideas. One of such ideas was the proposal on Accelerated Revenue Generation Programme.

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Prior to the implementation of the Accelerated Revenue Generations Programme in Niger State, the State was collecting only ₦2. Million as internally generated revenue per month. At the end of the first year, the Government was collecting an average of ₦20 Million per month.

The success story of Niger State led to the adoption of the programme in Rivers State. The then Military Administrator of Niger State hailed from Rivers State and in acknowledging the success of the programme recommended it to the then Military Administrator of his home State (Rivers). The assignment in River State was a great success. The average monthly collection of internally generated revenue rose from ₦50 Million to an unprecedented ₦250 Million.

The money was put into good use based on the advise of the Private Consultants and in line with the agreement within the two parties. When the then Military Head of State visited Rivers State to commission series of new projects embarked upon by the State Government courtesy of Accelerated Revenue Generation Programme, recommended the programme to other State Administrators. This was how the programme spread over twenty-eight (28) States and the Federal Capital Territory. At various times, the Accelerated Revenue Generation Programme has been implemented by the following State Governments:

- ABIA
- AKWA IBOM
- ANAMBRA
- BAUCHI
- BAYELSA
- KEBBI
- KATSINA
- KOGI
- KWARA
- LAGOS

- BORNO
- CROSS RIVER
- DELTA
- EBONYI
- EDO
- ENUGU
- IMO
- JIGAWA
- KADUNA
- FEDERAL CAPITAL TERRITORY
- NASARAWA
- NIGER
- OGUN
- ONDO
- OSUN
- OYO
- RIVERS
- ZAMFARA
- KANO

Accelerated Revenue Generation Programme should be seen as a modest contribution and the transformation of Management Finances of the three tiers of Government. The programme has equally been implemented by a number of Local Governments, especially within the Federal Capital Territory, Niger, Rivers and Lagos States. The programme has further been adopted to handle a number of assignments on behalf of the Federal Government of Nigeria. Some of these are:

- The Temporary Import Permit assignment at the Ports.
- The Revenue Monitoring assignment at Federal Ministry of Solid Minerals.
- The Debt Recovery exercise at Nigerian Telecommunication Limited.

The programme enables the various tiers of Government to stabilize their finances and energize their Revenue Collection Machineries. It has also assisted the Governments to block the various leakages and loopholes within the collection machineries.

2.3 The Workplans and Operational Strategies

In executing the Accelerated Revenue Generation Programme, the Revenue Consultants brings to bear their enviable qualities of integrity,

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confidentiality, objectivity, independence of mind and high technical skills amongst others. The following Workplans are often applied.

Identifying Revenue Generating Sources

One of the major steps in the implementation of Accelerated Revenue Generation Programme is the identification of various revenue generating sources within the states or agencies adopting the programme. The essence of this, is to enable the Consultants examine and appraise all the sources of internally generated revenue with a view of boosting the existing arrangement and at the same time identifying inadequacies for special attention.

In almost all the States of the Federation, the activities for the internally generated revenue centres around the State Board of Internal Revenue. However, other revenue generating units within the state e.g. Ministries, Parastatals, Agencies etc. are equally examined and appraised for the purpose of the programme implementation.

Plugging the Loopholes

The system of internal revenue generation is thoroughly overhauled with a view of plugging existing loopholes. This is often done by:

- Advising Government to open special revenue account with designated banks into which Government revenue shall be paid. This system discourages pilfering of cash or lading.
- Enumeration of all revenue sources which enables defaulter to be detected and appropriate action taken against them.

Training of Government Staff

Various training programmes are organized for Government personnels in revenue generation units. These take various forms, such as seminars, workshop etc and in most cases incorporating them into the scheme for practical on-the-field training.

Review of Collectible Revenue Items

Proposals are often submitted to the Government for a review of collectible revenue items and applicable rates. Experience has shown that most States operates with rates that are highly unrealistic in the face of the present realities. Most applicable rates have been in operation for years without any review. In all such cases, a review is often done after due consideration of the burden on taxpayers and their ability to pay. These are often perfected into a review of the State edict.

Back-duty Investigation

In view of the general lack of interest in the payment of legitimate taxes in the country, relevant provision of enabling laws are often invoked to ensure that cases of tax avoidance or evasion are minimized. Section 54 (1) of the Personal Income Tax Decree (PITD) No. 104 of 1993 specifically state inter alia that:

> *"The relevant tax authority many within the year of assessment or within six years after the expiration thereof and as often as may be necessary assess the taxable person at such amounts or additional amount as ought to have been charged".*

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In line with this provision, back–duty investigations are often conducted in respect of Pay As You Earn (PAYE) and withholding Taxes (WHT) to cover a period of six years in order to determine the accuracies and adequacies of various remittances to the Government coffers.

Computerisation of the System

The Consultants, who are also well-trained in computer applications and processing, computerize all important processes in the internal revenue generation machinery. This ensures speedy processing of data and information retrieval. During computerization, redundant activities are of necessity eliminated while an appropriate Management Information System is put in place.

Consulting Persuasion

Consulting persuasion is often adopted as a means of encouraging tax payers to honour their civic obligations. This is done either by placing advertisement in the electronic or print media. In addition, Finance and Account personnels and other taxable individuals are approached to educate them on the need for prompt payment of all legitimate taxes and rates.

It is noteworthy that where a taxpayer fails to pay or obstruct a Tax Collector from performing his duties, the Tax Collector is empowered by law to apply the use of force (Section 95 and 96 of PITD of 1993).

The Operational Strategies

Accelerated Revenue Generation Programme emphasizes professionalism in the conduct of Revenue and Tax matters. In attempt to achieve the programme's workplans, a number of tools and strategies have

been developed over the years and which have proved to be result oriented. Prominent among these tools and strategies are the following procedures:

Revenue Monitoring Procedures

This is a system of "policing" revenue collection right at the source. All it entails is for the watchful eyes of the monitoring staff to be kept on strategic revenue collection points during which the entire system of collection, issuing of receipts, other documentation processes like banking, accounting and reporting are kept under close surveillance.

Without this on the spot monitoring, only a trickle of what is generated eventually reaches the coffers of the Government. The Revenue Monitoring Activities are therefore designed, as an effective way of plugging the loopholes in revenue generation and collection activities of the States and their agencies.

The Revenue Monitoring Procedure is extended to cover all revenue generating units for maximum benefit of the procedure to be achieved. Thus, the procedure covers beyond Boards of Internal Revenue to Ministries, Parastatals and Government Agencies.

Enumeration Procedure

This is a process by which the tax officials have all the names and particulars of the existing and potential taxpayers recorded in a given area. Enumeration of taxpayers serve as a guide to the execution of tax collection and the policy as a whole. The exercise supplies the following:

- Names and addresses of the taxpayers
- The number of taxpayers in a given location.

- The categories of taxpayers and the scale of the various businesses.
- The nature of business or undertakings

The provision of the above information and the consideration of the same shall make practice of tax – evasion much more difficult. Enumeration Procedure makes the application of Direct Assessment Procedure simple. There are ready–made information upon which the assessment are applied. It also makes it convenient to apply Business Premises Registration and Renewal rates.

Direct Assessment Procedure

Pay As You Earn (PAYE) scheme captures the personal income tax of those engaged in the organized public and private sectors. While Withholding Taxes (WHT) captures those who does business with the organized public and private sectors. A reasonable percentage of the public are still left out of the expected tax paying public. The procedure adopted by the Accelerated Revenue Generation Programme to bring those left out of the Personal Income Tax Scheme under the tax net is the Direct Assessment Procedure.

The Direct Assessment Procedure tends to enlist the tax paying public not engaged in the organized private and public sectors of the economy. Notable among those in this category are Saw Millers, operators of Petrol Stations, Transporters, Operators of Shops and Kiosks, School Proprietors/Proprietresses, Proprietors of Hospital/Clinics etc.

The Direct Assessment Procedures groups the various businesses and enterprises into categories based on scales (i.e. small, medium and large scales

operations) and assign a deemed income upon which tax is assessed. The assessed tax is thereafter applied on all possible tax-paying publics outside the organized sectors.

Tax Drive Procedure

This is one of the most important tools and strategies of the Accelerated Revenue Generation Programme. The procedure ensures that whatever that is deducted from either the employees or suppliers as income taxes on behalf of the Government are promptly remitted to the Government coffers.

The Personal Income Tax Decree (PITD) 104 of 1993 appoints every employer of labour as agent of the Government in the collection of income tax. Whatever that is deducted under this provision must be remitted to the Government coffers within a defined period.

The accuracies or adequacies of tax deduction are not brought to focus under this procedure but whatever that is deducted should be remitted promptly to the Government coffers. Affected mostly by this procedure are Pay As You Earn and Withholding taxes, Development levies deducted by organizations on behalf of the State Governments.

Tax Audit Procedure

To boost internally generated revenue of various State Governments, the programme applies Tax Audit Procedure particularly in areas of PAYE and WHT. The procedure tends to examine and determine the accuracies and adequacies of past deductions of the taxes by the collection agents as well as the extent to which the deduction has been remitted to the State Government.

The result of Tax Audit exercise is enforced by holding the employers responsible for tax liabilities arising from the audit exercise in line with the provision of the tax law. Section 81 of the PITD States inter alia that:

> *"To make the deductions or properly to account therefore, the amount thereof together with a penalty of 10% per annum of the amount plus interest at the prevailing commercial rate shall be recoverable as debt due by the employer to the relevant authority."*

The Tax Audit Procedure is supported by Section 46 (4) of the PITD, which stipulates that:

> *"Nothing in the foregoing provisions of this section or in any other provisions of this Decree shall be construed as precluding the relevant tax authority from verifying by tax audit any matter relating to the income or gain of a person or any matter relating to entries in any book, document, account or returns as the relevant tax authority may from time to time specify in any guideline by the relevant tax authority"*

Thus, a duly appointed collection agent or employer is fully responsible for what it had deducted or ought to have deducted on behalf of the relevant tax authority.

Control Post Procedure

This procedure is adopted by the programme to check and monitor the revenue activities in the agricultural sector because of it's peculiar nature. Under this procedure, the movement and sales of agricultural products such as timber logs, cattles, goats and agricultural produce like tomatoes, yams, vegetables etc. are monitored, assessed and taxed accordingly and appropriately.

The falling of timber logs requires the stamping by the appropriate authorities. The movement of cattle and goats between States attracts what is regarded as Cattle Tax and movement of agricultural produce like yams, tomatoes etc also attracts appropriate tax. The Control Post Procedure ensures that all the appropriate taxes and levies are paid.

The procedure is applied by stationing tax officials at strategic locations to verify payments and monitor the payments into appropriate Government coffers.

Banking Procedure

As a primary check against leakages and to enhance the confidence of the tax-paying public, a well fine-tuned Direct Bank Lodgement Scheme (DBLS) is introduced by Accelerated Revenue Generation Programme to address the greater part of leakage malpractices. It is most effective when combined with Direct Monitoring of tax collection operations right down to the banking floor. Closely connected to this bank monitoring is also an effective system of "policing" revenue collection right at the source.

The Direct Bank Lodgement Scheme (DBLS) procedure makes all revenue collecting points an assessment unit. When DBLS is properly implemented, seventy five percent of the problems associated with leakages would have been solved. Tax collection and Bank monitoring would erase the remaining twenty five percent.

Enforcement and Recovery Procedure

It is entirely a useless exercise to raise assessments, send demand notices, if the taxpayers are simply going to treat them with contempt and with

no serious repercussions. The Nigerian environment is not the kind in which a taxpayer on receiving an assessment notice comes up promptly to discuss and arrange payments without some measure of coercion.

The laws for enforcement are there but without a will to implement them. They are fanciful laws which appears applicable and suitable only for the European and American environments.

The Enforcement and Recovery Procedure is the teeth of the Accelerated Revenue Generation Programme. It is the means of compelling tax defaulters to meet their obligations to the Government. Section 96 of the Personal Income Tax Decree of 1993 states:

> *"... tax authority may, in the prescribed form, for the purpose of enforcing payment of the tax due ... distrain upon any land premises, or place in respect of which the taxpayer is the owner".*

The Enforcement and Recovery Procedure consist of several laid down steps and varies from one State to the other. Generally, the steps are as follows:

- Compilation of defaulters list
- Submission of the list to the office of the Solicitor General.
- Notifying the defaulters and reminders thereafter
- Obtaining a Court Judgement with the order to seal up the premises.
- Executing the court order (seal–up)

Managerial Procedure

Sometimes, poor performance of Parastatals, Agencies, Projects etc. could be traced to managerial inadequacies. In such cases, Accelerated Revenue Generation Programme applies the Managerial Procedure to remedy the situation. It is a procedure where the management of the affected organization is completely overhauled and sometimes replaced with the staff members of the consulting firm.

This procedure also allows the use of the private fund from the office of the consulting firm for Government businesses. Such is the case in a number of States for the administration and sales of Vehicle Number Plates. This arrangement is often perfected under an agreement between the two parties.

Application of Deemed Income

The concept of Deemed Income is a subset of the principle of Best of Judgement, which is usually applied when adequate information or records are not made available on a taxpayer.

The taxable income as stipulated by section 3(1) of the Personal Income Tax Decree is the income "from a source inside or outside Nigeria". The taxable incomes of expatriate employees more often than not are grossly understated. This emanates from the fact that the expatriates are paid off–shore in addition to what is paid locally. Pay As You Earn (PAYE) tax in this case always calculated on a paltry sum which only covers their daily expenses. Expatriates are expected to pay on their global income irrespective of how and where the income is received provided the work is performed here in Nigeria.

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In order to ensure that the State Governments are not short changed by the employers of the expatriates, who excludes their off-shore income or use fictitious or artificial taxable income for the expatriates. The Tax Audit Procedure is designed to invoke the provision of Section 17(1) of the Personal Income Tax Decree of 1993, which states:

> *"Where a tax authority is of the opinion that any transaction which reduces or would reduce the amount of any tax payable, is artificial or fictitious,, the tax authority may disregard the disposition or direct that such adjustments shall be made as in respects of the income of an individual... so as to counteract the reduction of liability of tax affected..."*

The above provision is applied in the course of Tax Audit exercise by substituting the declared taxable income of the expatriates with the reasonable "Deemed Income". The deemed income is computed by assigning to the expatriate concerned the naira equivalent of the minimum wage or the average unemployment benefit in his home country. This is based on the assumption that no rational expatriate (who might have come from a country more developed than Nigeria) will accept a job that will fetch him less than the minimum wage (or unemployment benefit) in his home country.

The concept of deemed income is not restricted to the expatriates. A number of off-payroll benefits for the local staff which in the like manners, are often excluded from the chargeable income. Example of such benefits includes furniture grants, dress allowances, housing grant etc. The Tax Audit Procedure thus applies the concept of deemed income to the local staff if reasons to that effect exist.

The efficiency of the application of each of these tools and strategies depends to a large extent on:

- The general political environment
- The sophistication in the existing arrangement
- The caliber of the revenue officials.
- The extent and appreciation of computerization.
- Apathy situation and the extent of militarization of the recovery efforts.
- The spread of revenue administration functions across the state.
- The banking environment.
- The political will of the appointing authority.

2.4 The Enabling Environment

The Provision of the Law

The National Assembly provides that the collection of taxes or the administration of the law imposing it shall be carried out by the Government of a State or other authority, which has the power to appoint persons capable of performing the tax functions.

The constitution and the various income tax laws are not the only sources of laws governing tax collection. Case laws, circulars and practice of internal revenue officials are also sources of Income Tax Law. Under part X, section 85 of the Personal Income Tax Decree 104 of 1993, the Board or the Joint Tax Board was established under "Administrative and Transitional Provisions". The powers of the Joint Tax Board include exercise of power

conferred on it by express provisions of the Decree. Under section 94 of Decree 104 of 1993, a tax collector is stated to be inter alia, one who is authorized to exercise the function of a tax collector.

The Relevant Tax Authority

Section 85 (A) of Personal Income Tax Decree 104 of 1993 vested the administration of a State's Internal Revenue Generation in the hands of a properly constituted State Tax Board referred to as the relevant tax authority. Section 100 of PITD defines:

> *"Relevant Tax Authority as ... the tax authority of a territory in which the individual is deemed to be resident..."*

Tax Authority as:

> *"the person or body of persons responsible under the law of a territory, imposing tax on the income of individuals, for the administration of laws"*

and Territory as

> *a State of the Federation.*

Thus, whoever or whichever agency a State Government appoints to administer tax laws in the State is qualified to be referred to as the relevant tax authority. The appointment of Consultants for revenue generation therefore does not seem to violate any existing law.

The inclusion of Section 85 (A) to 85 (E) in the new version of the Decree in the codified tax laws recently published is ignorable. No amendment to Section 85 of the Decree has ever been published or gazetted. To that extent, any back door attempt to find a statutory role for the State

Boards in the absence of appropriately gazetted amendments to the authentic version of the Decree is not only inappropriate but fraudulent.

Though Section 33 of Income Tax Management Act (ITMA) 1961 as amended vested the administrations of a State's Internal Revenue Generation in the hands of a properly constituted State Board which was then defined as relevant tax authority. But Section 99 of the Personal Income Tax Decree 104 of.1993 effectively repealed this act (ITMA of 1961).

Even under ITMA of 1961, where there is no properly constituted Board as the case in almost all the States where the programme is being implemented, nothing preclude the State Government from putting necessary legal machinery in motion to ensure that the internal revenue generating activities are carried out pending the constitution of the Board.

The appointment of Sole Administrators or Acting Chairmen for some State Boards where there are no constituted Board as defined by ITMA of 1961 and the engagement of Accountants by the Federal Government for revenue collection at the ports and the payment of Value Added Tax at the banks has only prove that the engagement of Consultants by a State Government is legitimate, feasible and viable. Indeed no section of the ITMA of 1961 prohibits the engagement of Consultants to carry out any of the functions of the State Board.

The Enforcement of the Tax Laws

The Tax Consultants engaged by various State Government have not come up with any set of new laws, rather they only assisted the State Governments to enforce the existing laws as stipulated by various legislations

and decrees. For example, while Section 3 of the PITD of 1993 stipulates that the taxable income is that from a source inside and outside Nigeria, the internal revenue officials hitherto assess the expatriate on their local earnings. Again, tax payable by a Nigerian or an expatriate on the off-shore income is payable in the currency in which the income is denominated.

Powers of the Tax collector includes power to enter and require information (Section 95), power to distrain for non-payment of tax (Section 96) and for the purpose of levying a distress, the relevant tax authority may execute a warrant of distress, break open any building and for this purpose he may call the assistance of any Police Officer. Under Section 98, the tax collector shall not be liable in any action or proceeding whether civil or criminal, for anything done or said by him in the lawful exercise of his powers conferred by Section 94.

The use of the Armed Forces or the Police personnel to collect taxes and recourse to the closure and the sealing off of business premises without the approval of the courts is not welcomed but until Section 96 of the Decree 104 of 1993 is abrogated, the action of the Tax collectors and the Tax Consultants is legal under Section 98 provided there is no breach of Section 96(6) which does not authorize the sale of an immovable property without an order of a High Court. The use of force in collecting taxes should therefore not be blamed on the Consultants rather it is the law that should be criticized.

2.5 The Contractual Agreement

An execution of a contractual agreement between the Government and the consulting firm is a necessary condition for the implementation of

Accelerated Revenue Generation Programme. A proposal on the ideals of the programme is often submitted by the consulting firm to the State Governments for their perusal.

The proposal often enlist among other things, their desire to launch a special task force for:

- The enumeration of Taxpayers.
- Designing, introducing and implementing a sound system of Revenue Accounting and Internal control.
- Installing and supervising a computer based revenue generation.
- Reporting system and Training of staff of the Board of Internal Revenue in the course of the project.

A contractual agreement comes into being only when the State Government considers and approves the proposal submitted by the consulting firm. The State Government thereof appoints the Consultants to execute the projects upon certain terms and conditions and the Consultants accepts to provide all the services aforementioned in their proposal for the satisfactory execution of the project.

The contractual agreement in almost all cases are designed and prepared to include among others, the following:

- Scope of Service
- Duration of the Project
- Determination of the Agreement
- Remuneration/Consideration
- Obligation of the Consultants
- Obligation of the Government
- Disputes

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Scope of Service

The scope of service under the contractual agreement is where the consulting firm states in details what the firm undertakes to do under the Accelerated Revenue Generation Programme. This often includes the following:

- Enumeration exercise of taxpayers in the State including the establishment of Master Register and actual revenue collection operations.
- Preparation and installation of Revenue Accounting and Internal Control System.
- Computerization of the Revenue Accounting and Reporting Operations.
- Carry out regular Tax Audit of all companies and organizations operating within the State and supervise the collection of all revenue liabilities established.
- Monitor and supervise the collection of revenue accruing to the State from others States and strategic locations within the country.
- Monitor other revenue generating areas where the impact of the Board of Internal Revenue or other revenue generating agencies is minimal, as may be identified and approved by the State Government from time to time.
- Conducts on-the-job training of the staff of the Board of Internal Revenue and other revenue generating agencies in order to achieve the core objectives of the project and ensure a smooth handover to the Board and such other relevant agencies at the end of the contract period.
- Any other duties which if done shall enhance the achievement of the ideals and objectives of the programme under the agreement.

Duration of the Project

The duration of the programme is often defined and this varies from State to State. It ranges between one calendar year to two calendar years in the first instance and may be subject to renewal upon the terms and conditions agreed between the parties thereafter.

At the expiration of the contract in the first instance, some States are known to have renewed the contract for a new tenure while other tries the State Board of Internal Revenue on the ideals of the programme. The situation report is such that some States have had to recall the Revenue Consultants after their disengagement to maintain and improve on the revenue profile of the State. Indeed, some State Governments have maintained and continue to renew their contract for years to enhance the revenue profile of the State.

Determination of Agreement

The Contract Agreement makes provision for termination of the agreement by either party before the expiration of the contract period. The clause often reads as thus:

- This agreement may be terminated by either party giving ninety days written notice to the other party.
- In the event of non-performance by the Consultants or if the employer is not satisfied with the quality of work of the Consultants, the State Government reserves the right to repudiate the agreement and terminate all its obligations to the Consultant by a written notice to the Consultant to that effect.
- In the event of the termination by either party due to the breach of conditions and terms of this agreement, the party in default shall be liable to damages and cost/claims from the execution of the project.

Consideration/Remuneration

An establishment cost which varies from one State to other is often paid to the consulting firm at the commencement of the programme. This is to enable the firm acquire the project materials such as vehicles, computers etc. and which are surrendered to the State Government at the end of the project.

The pattern of payment of establishment cost varies from one State to the other. While in some cases, it is linked to performance, in others it may be linked with availability of fund. In addition to this consideration, a monthly commission, which also varies from State to State, is paid to the consulting firm as remuneration. The monthly commission varies from ten percent to twenty percent depending on whether the commission is based on total revenue collected for the period or the incremental revenue for the period.

The total revenue collection represent the total internally generated revenue by the State Government in a particular month, while the incremental revenue represent the difference between the total internally generated revenue in a particular month and an average monthly figure which is often pre-determined by the Government based on the past performances.

Obligations of the Consultants/Government

Under the Contractual Agreement and in execution and implementation of the Accelerated Revenue Generation Programme, certain obligations are due from the two parties. The obligation includes:

The Consultants

The Consultants undertakes to carry out the project in a highly professional, skillful and diligent manner and by so doing shall procure the

services, facilities, equipment and qualified personnel for the execution of the project.

- Covenant to submit monthly progress report to the government and discuss with the government from time to time issues raised on such reports and to reflect all such observations and amendments as may be agreed upon in the execution of the project.

- Undertake not to, under any circumstances reveal, disclose or discuss any subject or matter that many become known to it in the course of the project without the consent of the Government.

- Shall undertake to provide on – the – job training for the staff of the Board of Internal Revenue at the expense of the Consultants, who shall at the expiration of this agreement take over the execution of this project on behalf of the Government.

- Shall ensure confidentiality, secrecy, security of all the documents and data of the Government.

- Shall surrender to the Government at the end of the project all project materials including vehicles, computer etc.

- Shall not assign or sublet, in whole or part it's obligation to perform under this agreement or to vary any aspect of the project without the prior written consent of the Government.
- To submit a final Report of the project to the Government within twelve months after the completion of the project.

The Government

The Government shall undertake and direct the Board of Internal Revenue to promptly deliver on demand all such information, data and or documents that may be necessary for the effective execution of the project by the Consultants.

- Agrees to pay all fees as prescribed under the agreement as at when due to the Consultant.

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- Covenants to allow the agents of the Consultant access to the offices of the Board of Internal Revenue during normal working hours and on reasonable notice for the purpose of collection of data and any other document necessary for the purpose of carrying out the project.

- Undertakes to submit to the Consultants in writing the necessary format to be used in carrying out the project which normally shall be in accordance with the requirement of the Financial Memoranda.

- To put in place all necessary enforcement machinery and to enact necessary laws to ensure the smooth take-off and implementation of the objectives of the project.

- To open special bank account at selected strategic locations in the State into which all taxes, rates, dues from the project shall be paid and such accounts to be monitored by the Consultants.

- To provide the Consultants with basic infrastructural facilities, viz accommodation, vehicles, computer etc. needed in the effective discharge of its obligations under this agreement. All such facilities to revert to the Government at the end of the project.

Dispute

Because dispute may not be completely ruled out in this kind of assignment or programme, a clause is provided for possible dispute.

All disputes or differences arising in connection with this agreement and which cannot be amicably settled shall be referred to an arbitrator agreed upon by the parties in accordance with the provision of the Arbitration and Conciliation Act, Cap 19, Law of Federation of Nigeria, 1990.

CHAPTER THREE

ACCELERATED REVENUE GENERATION PROGRAMME IN OGUN STATE

3.1 The Origin of the Programme in Ogun State

Accelerated Revenue Generation Programme was first experimented in the early nineties by Niger State Government. The success story of the programme led to its recommendation by the then Military Head of State to the other States of the Federation. Ogun State Government was the fourth in line to adopt the programme after Rivers and Delta States.

The Government appointed the private Consultants effective from 3rd July, 1992 to assist in the rejuvenation of its revenue collection machineries. The scope of activities of the Consultants were to cover all revenue activities within the State and this included:

- Enumeration exercise of taxpayers in the State including an establishment of a Master Register and actual revenue collection operations.
- Preparation and installation of Revenue Accounting and Internal Control System.
- Computerization of the Revenue Accounting and Reporting Operations.
- Carrying out regular Tax Audit of all companies and organizations operating in Ogun State and supervise the collection of all revenue liabilities established.
- Implementing Capital Gain Tax Act fully.

- Monitoring and supervising the collection of revenue accruing to Ogun State in Lagos and other strategic locations in the Country.

- Monitoring other revenue generating areas where the impact of the Board of Internal Revenue or other revenue generating agencies is minimal, as may from time to time be identified and approved by the Government.

- Conduct on – the – job training for staff of the Board of Internal Revenue and other revenue generating agencies in order to achieve the core objectives of the project and ensure a smooth handover to Board and such other relevant agencies at the end of the contract period.

The pace of work was considerably slowed down initially as a result of the following factors among others.

- Owing to the volatility of the State, the programme had to be cautiously implemented, ensuring that all taxes, levies rates were properly backed up by law. This took some considerable time to put in place in form of amendments to the necessary State edicts.

- The Enforcement/Security team, which is the teeth of the programme, was not in place and this severely limited the scope. The biggest revenue yielding areas could not be embarked on without adequate security back – up.

- The opposition and other activities of the Manufacturing Association of Nigeria (MAN) like court cases, slowed down the activities of the Revenue Consultants.

However, full implementation of the programme commenced in earnest after all the identified factors were satisfactorily addressed. Within a short while of the programme implementation, the State revenue profile recorded an unprecedented boost. The State Government accorded the Consultants with all necessary support and the taxpaying public became more alive to their responsibilities towards the Government.

As a result of some misunderstanding between the Government and the evenue Consultants over issues of prompt payment of commission, the Revenue Consultants withdrew their services in December, 1993. The internally generated revenue of the State declined sharply within two months of their departure, so much so that the State Government had to recall the Revenue Consultants back to the State by 17th March, 1994.

The activities of the Consultants were redefined and narrowed down to areas where their services were mostly needed and these were specifically as follows:

- Carrying out regular Tax Audit of all companies and organizations operating within the State and supervise the collection of all revenue liabilities established.
- Monitoring and supervising revenue accruing to Ogun State from Lagos State.
- Commence implementation of the Capital Gain Tax and monitor its operations.
- Embark on training programmes for the staff members of Board of Internal Revenue.

The scope of activities of the Revenue Consultants was widened in September same year, by the inclusion of the following in their scope:

- Monitoring of the collection of Education Support Levy.
- Monitoring the operations and collection of revenue in respect of Stamp Duties.
- Monitoring the remittances of Pay As You Earn (PAYE) and withholding taxes.
- Monitoring the operations and collections of all land related levies, rates, fees etc.

By September 1995, the scopes of activities of the Consultants were further widened to include all as designed by the Accelerated Revenue Generation Programme. The new inclusions were:

- Monitoring all activities in the Bureau of Lands, Survey and Town Planning.
- Monitoring all activities in respect of Business Premises Registration and Renewals (BPRR).
- Monitoring the operations of Direct Assessment of all self employed people within the State.
- Monitoring all activities of the State Water Corporation and Bureau of Rural Infrastructures.
- Monitoring of revenue collection and accounting in all Government Ministries.

Thus, by September, 1995, all revenue activities of the State Government were again placed under the supervision of the State Revenue Consultants.

3.2 The Structure of Tax Administration in Ogun State

The agency of Government saddled with the responsibilities of administering the tax system in Ogun State is the Board of Internal Revenue. The major source of internally generated revenue emanates from the activities of this Board in form of taxes. Apart from taxes, there are other sources of internally generated revenue, which comes in forms of levies, rates, fees etc.

Generally, the source of internally generated revenue can be summarized from revenue activities of the following bodies:

- Board of Internal Revenue
- Government Ministries

- Government Parastatals
- Government Agencies

To focus on the structure of Tax Administration in Ogun State, the structure of each of the bodies need to be examined. For the purpose of revenue generating activities, each of the bodies is independent and for the purpose of the programme (Accelerated Revenue Generation Programme) implementation, the programme Workplan and Strategies are applied and monitored directly and independently.

The Board of Internal Revenue

The State Board of Internal Revenue is a non – independent agency under the State Ministry of Finance. It is saddled with the responsibilities of administering the State Tax System particularly the Personal Income Taxes and the Road Taxes.

The Board is presided over by an appointed Chairman from within the Board or from outside the Board and answerable to the State Commissioner of Finance. The edict establishing the Board initially restricted the appointment of the Board Chairman from within the Board, but was later amended to allow the appointment from either within or from outside the Board. The State Commissioner of Finance is answerable to the State Governor on all revenue matters.

For the purpose of efficient and effective tax administration, as well as for administrative convenience, the State Board of Internal Revenue structured the State into the headquarters and five zones. These are:

- The Headquarters
- Abeokuta Zone
- Remo Zone
- Ota Zone
- Ijebu Zone
- Yewa Zone

The Headquarters

The administration of the Headquarters lies with the Board Chairman who is assisted by a number of Directors who presides over their respective Directorates. They are:

- Director of Personal Income Tax
- Director of Other Taxes
- Director of Inspection, Investigation and Compliance
- Director of Finance and Administration

The Directors co-ordinates all activities of their respective Directorates and reports to the Board Chairman.

The Zones

The Zonal Offices are presided over by Zonal Co-ordinators who are assisted by:

- Chief Inspector of Taxes
- Inspector of Taxes

For administrative convenience, efficiency and effectiveness the Zones are further divided into Districts presided over by District Officers and who reports to the Headquarters through their respective Zonal Co-ordinators. The number of Districts in each zone depends on the size of the zone and they are as follows:

Abeokuta Zone

- Abeokuta Zonal Office
- Lagos Road District
- Imala District
- Akomoje District
- Ilugun District
- Owode – Egba District
- Obafemi District
- Oba District

- Odeda District
- Adigbe District
- Ibafo District

Ota Zone

- Ota Zonal Office
- Ado – Odo District
- Agbara District
- Ojodu Abiodun District
- Ifo District
- Agbado District
- Itori District

Remo Zone

- Sagamu Zonal Office
- Ikenne District
- Iperu District
- Isara District
- Ogijo District

Yewa

- Ilaro Zonal Office
- Oke – Odan District
- Ipokia District
- Ayetoro District
- Tata District
- Imeko District
- Owode–Yewa District

Ijebu Zone

- Ijebu Ode Zonal Office
- Isoyin District
- Odogbolu District
- Ala District
- Ijebu – Igbo District
- Ago-Iwoye District
- Ogbere District
- Ojowo District
- Abigi District
- Atan District

The administration of the Board of Internal Revenue is typical of any other agencies of Government. The bureaucracy and administrative bottleneck has made it difficult, if not impossible for the Board to operate efficiently and effectively. It has been the contention of the Revenue Consultants that the Board be removed from the Civil Service structure and made autonomous from the inception of the programme. (Accelerated Revenue Generation

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Programme), but the political will appear to be lacking. Until this is done, the performance of the Board shall continue to be unsatisfactory.

The Government Ministries

Aside the Board of Internal Revenue, a number of Government Ministries within the State generates internal revenue from their activities. The revenue activities vary from one Ministries to the other and depend on the nature of activities of the Ministry. The Ministries are independent of the Board of Internal Revenue on revenue generating activities and independent from one another.

The structures of the Ministries are similar for the fact that they operate under the same Civil Service structure. The political heads of the Ministries are the State Commissioner. The Commissioners are assisted by Permanent Secretaries and Directors/Head of Departments. Who are Civil Servants.

The revenue activities of the Ministries are carried out by various departments. The number of Directors or Head of Department depends on the nature of the Ministries. However, the sources of internally generated revenue are from rates, levies, fees etc.

The main Ministries within the State where internal revenue are generated are:

- Ministry of Health and Social Welfare
- Ministry of Works and Transport
- Ministry of Commerce, Industries and Co-operatives
- Ministry of Education and Youth Development
- Ministry of Agriculture and Natural Resources.

The Government Parastatals a nd Agencies

There are a number of revenue generating Parastatals and Agencies within the State. The structure of each of these Parastatals and Agencies depends on the natures of their activities. The revenue generating activities are handled by appropriate departments.

While some of the Parastatals are presided over by a General Manager, others are presided over by a Managing Director. On the other hand, the Agencies are presided over either by a Director General, Permanent Secretary or Sole Administrator.

The major Parastatals and Agencies where internal revenue are generated in Ogun State are:

- Ogun State Water Corporation.
- Ogun State Property and Investment Corporation.
- Bureau of Lands, Survey and Town Planning.

3.3 The Operational Coverage of the Programme in Ogun State

The implementation of Accelerated Revenue Generation Programme is centred mostly around the activities of Board of Internal Revenue, which is the main source of internally generated revenue in the State. The coverage of the programme is mostly felt by the Board, activities of which are completely overhauled to capture the whole essence of the programme. The programme is often extended to cover revenue generating Parastatals and Agencies.

Board of Internal Revenue

Accelerated Revenue Generation Programme is implemented to effectively cover three of the four Directorates of the Board. These are Directorates of:

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- Personal Income Taxes
- Other Taxes
- Inspection, Investigation and Compliance.

The revenue activities of the Board is classified into two categories:

- Personal Income Taxes
- Road Taxes

The Workplans and Strategies of the programme are focused on each revenue heads under the two classifications with a view of enhancing and boosting their revenue collections.

Revenue heads under Personal Income Taxes includes the following among others:

- Pay As You Earn Taxes
- Withholding Taxes
- Direct Assessment Taxes
- Development Levies on Contracts
- Stamp Duties of Documents
- Capital Gain Taxes
- Education Levy
- Dividend Taxes
- Economic Development Levy
- Haulage Taxes
- Slot Gaming Licence

The procedures of the Revenue Consultants are applied through the Board's activities in respect of the revenue heads and revenue so collected are monitored to ensure that there are no leakages between the collection points and the Government coffer.

The revenue heads under Road Taxes includes the following among others:

- Motor Vehicle Licence
- Vehicle Registration
- Drivers' Licence

- Road Traffic Examination
- Tipper and Trailer Permit
- Sales of Motor Cycle Plates
- Motor Cycle Stickers and badges.

The activities of the Revenue Consultants tends to check the malpractices associated with the operations of Motor Licensing Authority which is the body saddled with the responsibilities of operating the Road Taxes.

The Government Ministries

The revenue base and rates operated by all Ministries and Departments are regulated by law (Federal and State) as well as by other Regulations and Circulars. The rates and bases, are well published and there are no taxpayers objections. What is required is the creation of Revenue database for purposes of Revenue Drive and the identification of major revenue collection points for purposes of Revenue Motoring. The activities of the Revenue Consultants effectively handle this within the State.

The Revenue Drive and Revenue Monitoring activities of the Consultants reveal the following revenue heads under various Ministries.

Ministry of Health and Social Welfare

Registration and Renewal Fees for Day Care Centres, Maternity Centres, Private Hospitals, Company, Institution, Clinics etc.

- Registration and Renewal Fees for Pharmaceutical Stores and Patent Medicine Stores.

- Admission fees for Health Institutions, namely School of Midwifery, School of Hygiene and School of Family Health.

- Revenue from the issuance of Yellow Cards for Overseas Travellers.

- Contract fees for supplies.

Ministry of Works and Transport

Registration and Renewal fee for Private Driving Schools, Car Hire Services, Private Nursery Primary Schools and Hospitals (for Fire Safety Inspection) Cinema Houses, Petrol Stations, Hotels and other establishments requiring Fire Safety Certificate.

- Registration and Renewal fee for Major and Petty Contractors, as well as other Trade groups.

- Fees for testing of materials and State investigation.

- Accident Vehicle Inspection Fees.

- Fees for Heavy Vehicle Permits, erection of canopies, Hire of Plates or Vehicles.

Ministry of Commerce, Industry and Cooperatives

- Registration/Renewal of Business Premises.
- Registration of Co-operative Societies and Unions.
- Tuition Fee from all Co-operative Colleges.
- Rent on Permanent Trade Fair Site.

- Sales of Essential Commodities.
- Sales of Application Forms for Small Scale Industries.
- Credit and other Miscellaneous Sales.

Ministry of Education and Youth Development

Registration and Renewal Fees for Private Nursery, Primary and Secondary Schools.

- Sales of Continuous Assessment Documents based on Student enrolment in all Government Schools.
- Junior Secondary School Certificate Examination Fees.
- PTA levy for Secondary and Technical Colleges.
- Rent on the usage of the facilities.
- Sales of Tender Documents, Transfer Forms, Common Entrance Examination Fees etc.

Ministry of Agriculture and Natural Resources

Registration and Renewal Fees for Private Veterinary Premises, Poultry Farm, Hatchery, Commercial Feed Mills, Sawmills and Hammer.

- Sales of Fertilizer
- Livestock Inspection Fees
- Produce Grading Fee
- Sales of Agric Livestock, Forestry and Fisheries Product.

The consulting firm officials are assigned to selected revenue collection points for monitoring, assessment, collections, recording, banking, accounting and reporting.

The Parastatals and Agencies

By September 1995, the scope of activities of the Consultants was widen to cover all activities of the State Parastatals and Agencies. The consulting firm extended their activities immediately to cover all the revenue generating activities of some identified Parastatals and Agencies.

Some of the revenue heads covered by the activities of the Consultants could be summarized as follows:

- Water Connection Fee
- Water Consumption Rates
- Water Reconnection Fees

- Allocation of Land
- Government Consent Fees
- Sales of Application Forms
- Ground Rent on Government Lands
- Express fee on Consent
- Express fee on Certificate of Occupancy
- Certificate of Occupancy

The activities of the Revenue Consultants is targeted at these revenue heads with a view of boosting the revenue collections as well as blocking the associated leakages.

3.4 The Workplans of the Programme in Ogun State

The Accelerated Revenue Programme has developed a number of Workplans over the years for effective implementation of the programme. For the purpose of the programme implementation in Ogun State, the following Workplans were adopted.

The Workplns

The primary objective of the programme is to boost the internal revenue generation capacities of the State Government. Thus, the first step towards the programme implementation was to identify all revenue generating sources within the State. The identified sources are:

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- Board of Internal Revenue
- Bureau of Lands, Survey and Town Planning
- State Water Corporation
- Ministry of Agriculture and Natural Resources
- Ministry of Education and Youth Development
- Ministry of Health and Social Welfare
- Ministry of Works and Transport
- Ministry of Commerce, Industries and Co-operatives
- Ogun State Properties Investment Corporation.

These major revenue sources within the State were examined, appraised and in some case overhauled in readiness for the applications of the programme's tools and strategies.

Review of Collectible Revenue Items

Apart from Personal Income Taxes and Road Taxes, which are governed by Federal Legislation, other sources of revenue such as rates, levies, fees etc. are covered by State edicts. At the inception of the programme, the rates, levies, fees etc. in operation were found to be unrealistic. Some of them have never been reviewed since they were introduced.

In order to bring the rates, levies, fees etc. into realities of the present day, the Revenue Consultants recommended to the Government the need to review the existing rates. The review were adequately back up with appropriate legislations (edicts) and within a short while of the review the State recorded an unprecedented boost in their internally generated revenue.

The review in rate affected all the State Ministries, Parastatals and agencies. A few of the revenue items reviewed are:

- Direct Assessment Rates
- Haulage Taxes
- Pool Betting Taxes

- Registration of Hospitals
- Economic Development Levies
- Accident Vehicle Inspection Fees
- Water Consumption Rates
- Ground Rent
- Business Premises Registration Fees
- Registration of Private Schools
- Registration of Contractors
- Registration of Co-operative Societies

Direct Bank Lodgement System

A well fine–tuned Direct Bank Lodgement System was introduced as primary check against leakages and to enhance the confidence of the tax-paying public. Prior to the introduction of the programme, the number of the State Government Accounts were in excess of twenty with almost all the revenue generating agencies having different bank accounts.

With the introduction of the scheme, some few banks were selected as designated banks, thereby reducing the number of Government Revenue Accounts. The scheme further centralized all the designated accounts into a single account on weekly basis. Thus, all revenue generated within the week is remitted from designated banks into a single account at the end of every week.

The Direct Bank Lodgement System has resulted into these inherent benefits for the State.

- A Fraud Free System
- Prompt Remittance of Fund to Government Accounts.
- Timely rendering of returns
- Prompt reconciliation of all collections
- Prompt and courteous attention to the taxpayers.

Back Duty Investigations

The Personal Income Tax Decree 104 of 1993 allows Back Duty Investigation to determine accuracies and adequancies of tax remittances to Government Coffer. The tool was adopted for the implementation of the programme in Ogun State and this yielded tremendous result for the State Government in terms of revenue recovered.

Apart from companies and organizations operating within the State who were tax audited for period of six years, similar Back Duty Investigations were carried out in all Ministries and Agencies and this paid off significantly.

Computerisation

As part of efforts to ensure speedy processing of data and information retrieval, all aspect of revenue generating activities are computerized. The Revenue Consultants got the State to acquire computers, firstly for the Board of Internal Revenue Operations and subsequently, all other revenue generating agencies within the state came on bound.

Training Programme

Organizing training programme is part of the scope of services of the Consultant and this came in various forms. Seminar and workshops are organized for the officials of Board of Internal Revenue and other revenue generating agencies on regular basis. On – the – job training is also conducted for middle and junior cadres of the Board and other agencies by been co-opted into the activities of the Consultants. In this manner, they would be able to carry on with the ideals of the programme at the expiration of the contract period.

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Tax Awareness

The Revenue Consultants ability to implement their programme successfully is partly due to the tax awareness often created. Ordinarily, nobody will want to pay tax; there is therefore the need to create awareness within the tax-paying public. The Programme does this adequately.

Tax awareness as a Workplan has been successfully adopted in Ogun State so much so that the Government has an idea of what could be collected as internally generated revenue while the tax paying public are now aware of their responsibilities towards the Government.

3.5 The Strategies of the Programme in Ogun State

There are several procedures designed by the Accelerated Revenue Generation Programme as tools and strategies for the implementation of the programme. A number of these procedures were implemented in Ogun State for the overall benefit of the programme. Prominent among the procedures adopted are:

Revenue Monitoring

This procedure is often adopted in respect of revenue activities where there are no fixed database and which are derived from transactions as and when they arise. It is a system of "policing" revenue collection right at the source. In this case, members of the consulting firm is assigned to selected revenue collection points for Monitoring, Collection, Recording, Banking, Accounting and Reporting.

Revenue Monitoring Procedure was applied in all the identified revenue generating sources especially at the Board of Internal Revenue, which is the main source of internally generated revenue in the State. The major areas of Revenue Monitoring are the various collection points, some of which are the following:

- Direct Assessment taxes
- Development levies
- Stamp duties of documents on contracts

- Capital Gain Taxes
- Economic Development Levies
- Haulage Taxes
- Pool Betting Taxes
- Dividend Taxes

All revenue activities under the Government Ministries, Parastatals and Agencies are also placed under close surveillance by the Revenue Consultants under this procedure. The Revenue Monitoring activities in the State reduced leakages and malpractices by as much as seventy five percent.

Tax Drive

As one of the most important tools and strategies of Accelerated Revenue Generation Programme, the procedure was applied in respect of Personal Income Taxes especially PAYE and withholding taxes where the employer of labour as agent of Government deduct income taxes on behalf of the Government.

In this case, all companies and organizations operating within the State were tax drived to ensure that whatever that is deducted as tax on behalf of the Government is remitted promptly into Government coffer. The internally generated revenue especially the Income taxes recorded a significant boost by the application of this procedure in the State.

Tax Audit

Prior to the engagement of the Revenue Consultants the companies and organizations operating in the State remitted a paltry of what ought to be remitted in form of Income Taxes to the State Government. Records were falsified for the purpose of deriving relieves and in most case relevant

information about chargeable income were suppressed. The Revenue Consultant introduced this procedure in line with the relevant tax laws to determine the accuracies and adequacies of tax deductions and remittance of same to the Government coffer.

The application of this procedure was a landmark in the administration of tax system in Ogun State. Arrears of tax deduction and under deductions in millions of naira were raised as Demand Notice and companies were made to effect payment within a given period, failure of which resulted into seal-up of their business premises. Revenue recovered as Tax Audit liabilities boosted the internally generated revenue within the period to an unimaginable level.

Direct Assessment

The Personal Income Tax Decree 104 of 1993 allows the use of Direct Assessment Procedure for the purpose of assessing self-employed individuals within the society. Since self – employed individuals neither keep accounts nor render returns for Personal Income Tax purposes, the Revenue Consultants introduced a Minimum Tax Table which represents Best of Judgement Assessment.

A very small proportion of self – employed persons do apply for Tax Clearance Certificate and this provides an opportunity to collect Personal Income Tax at acceptable rates using the Minimum Income Tax Table. However, for the majority of self – employed persons, massive income Tax collection drive was embarked upon and which yielded a good result for the Board.

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Enumeration

The Revenue Consultants adopted enumerate procedure, which is one of the tools for the programme implementation. In this case, names and particulars of all existing and potential tax payers are recorded to form a database upon which income taxes like Direct Assessment, Business Premises Registration and Renewal could be applied.

A comprehensive Taxpayers' Enumeration was carried out throughout the major centres of the State. The establishment of a database for all companies and businesses operating in the State made the practice of tax evasion much more difficult and the effect of the procedure on the revenue generated compared with the past was remarkable.

Control Post

The nature of activities in Ministry of Agriculture and Natural Resources necessitated the need for a special procedure to capture the revenue activities within the Ministry. The movement of agricultural products and the attendant sales requires a special monitoring arrangement. Control post procedure is the tool adopted by the programme to address this peculiarity.

The revenue activities of Ministry of Agriculture and Natural Resources through out the State were placed under the watchful eyes of the Revenue Consultants who established several posts with officials at all strategic locations for the purpose of monitoring the collection of appropriate taxes and ensuring that such collection got to appropriate Government coffers.

The application of this procedure was tedious and highly tasking but result oriented in terms of revenue collection for the State. It was remarkable.

Enforcement and Recovery

The teeth of Accelerated Revenue Generation Programme is Enforcement and Recovery Procedure. The tool was adopted for the programme implementation in the State.

At the initially stage, a task force for the Recovery of Government property was put in place and which was responsible for enforcing payments of established and verified tax liabilities. At the expiration of notices as required by law, the defaulting companies and organizations had their premises sealed up for non-compliance.

As a result of complaints by Manufacturing Association of Nigeria (MAN) over the legality of such exercise, the State Government enacted an edict establishing a Revenue Court. The court was up – graded to the status of a State Magistrate Court and could make pronouncements in respect of any established and verified tax liabilities.

The internal revenue capacities of the State Government was boosted as a result of the establishment of State Revenue Court. A significant percentage of the established tax liabilities were recovered thereby boosting the internally generated revenue of the State.

CHAPTER FOUR

REVENUE PERFORMANCE UNDER THE PROGRAMME

4.1 The State Revenue Profile

The use of Professionals in the internal revenue generation activities of the State Government has no doubt tremendously increased the revenue base of the participating Governments. Revenue profile of the State improved significantly with the implementation, of the Accelerated Revenue Generation Programme. The revenue figure more than doubled initially and at the end of the period covered by this report, the internally generated revenue within the State has increased by over Eight Hundred percent when compared with the figure at the inception of the programme.

The summary of internally generated revenue within the State for the period 1991 t o 1995 clearly shows that the programme has made significant impact on the internally generated revenue capacities.

At the inception of Accelerated Revenue Generation Programme in Ogun State, the average internally generated revenue stood at about One Hundred point Five Million Naira. Precisely, at the end of 1991 the total revenue collection for the State was about One Hundred and Sixty four Million Naira (₦164,048,508.00). At the end of the first year of the programme implementation (1992), the internally generated revenue for the State more than doubled. The figure increased to an unprecedented level of almost Five Hundred Million Naira. (₦492,646,332.00).

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Table 1: Internally Generated Revenue – Ogun State 1991-1995

	1991	1992	1993	1994	1995
MINISTRIES	90,993,111	273,257,111	363,972,444	454,965,555	803,618,750
B. I. R	52,834,709	158,665,419	296,556,111	264,173,548	466,617,338
OTHERS	20,220,691	60,723,804	80,882,765	101,103,456	178,581,944
TOTAL	164,048,508	492,646,332	741,411,321	820,242,555	1,448,818,032

The trend of the increase continued through the following years so much so that at the end of the fourth year (1995), the internally generated revenue for the State had clock a billion naira mark. By the end of 1995, the figure stood at about One point Five Billion Naira (₦1,448,8188,032.00).

The impact of Accelerated Revenue Generation Programme could be seen from the revenue performance through the years of implementation. Due to some circumstance, the Revenue Consultants withdrew their services from the State by the end of December 1993. The revenue performance declined. This is visible from the revenue figure for Board of Internal Revenue where the services of the Revenue Consultants are mostly required. The activities of the Board are such that the physical presence of the Revenue Consultants acts as checks on the revenue operations. The withdrawal of their services led to a decline in the internally generated revenue of the Board from about Two Hundred and Ninety Million Naira in 1993 to about Two Hundred and Sixty Million Naira in 1994.

The decline in internally generated revenue is not visible in absolute terms because various Workplans and Strategies adopted by the programme cannot be withdrawn overnight especially within the machineries of other revenue generating agencies of the State. The Government Ministries, Parastatals, Agencies adopted a number of the programme's procedures for the purpose of blocking loopholes and leakage within the collection machineries. Effective Direct Bank Lodgement System alone is capable of reducing leakages by at least Seventy Five percent.

Generally, the impiementation of Accelerated Revenue Generation Programme has increased tremendously the internal revenue generation capacities of the State Government.

4.2 THE BOARD OF INTERNAL REVENUE

The Board of Internal Revenue is regarded as the employer of the Revenue Consultants. The activities of the Consultants centres mostly on the activities of the Board. It indeed covers all the operations of the Board. The services of the Consultants are only extended to other revenue generating agencies within the State to enhance the overall revenue performance of the State Government.

The main source of internally generated revenue in the State is the Board of Internal Revenue, The operational base of the Consultants is therefore the Board of Internal Revenue. The engagement of the Revenue Consultants has a great impact on the revenue performance of the Board. The average internally generated revenue from the Board before the engagement of the Consultants was barely Fifty Million Naira. This figured has increased significantly through the years of operation. The analysis of revenue collection from the Board between 1991 and 1995 clearly show this significant performance (Table II).

Table 2: Analysis of Revenue Collections
Board of Internal Revenue
1991 – 1995

YEARS	INCOME TAXES	OTHER TAXES	TOTAL
1991	35,467,504	17,367,205	52,834,709
1992	103,578,339	55,087,080	158,665,419
1993	195,005,795	101,550,317	296,556,112
1994	177,334,149	86,839,399	264,173,548
1995	320,475,221	146,142,117	466,617,338

Before the implementation of Accelerated Revenue Generation Programme, the State Board of Internal Revenue was generating average internal revenue of about Fifty Million Naira. At the end of the first year of the programme (1992), the internally generated revenue more than tripled to almost One Hundred and Sixty Million Naira and to about Three Hundred Million Naira at the end of the second year (1993).

By the end of the period covered by this report (1995), the internally generated revenue had almost clocked half a Billion Naira. The effect of the

service withdrawal by the Revenue Consultants in 1993 could be seen from the revenue performance of the Board from about Two Hundred and Ninety Six Million Naira to about Two Hundred and Sixty four Million Naira in 1994.

The impact of Accelerated Revenue Generation Programme on the revenue performance of the State Board cannot be waived aside. The average revenue collection of about Fifty Million Naira in 1991 increased tremendously by over Eight Hundred percent to almost Half a Billion Naira in 1995.

4.3 Bureau of Lands, Survey and Town Planning

To enhance the total revenue performance of the State Government, the services of the Revenue Consultants are usually extended to cover activities of Government Ministries and Agencies. One of the Government Agencies that benefited from the services of the Revenue Consultants is the Bureau of Lands, Survey and Town Planning.

The Revenue Consultants adopted a number of the Workplans and Strantegies of the programme. The rates, levies fees etc. in place for the activities of the agency was not in tune with the present realities and were more often than not abandoned. The procedure applied was to review the rates, levies, fees etc. and subsequently get them applied. Aggressive Revenue Drive was also embarked upon to recover all liabilities so arose. The result in terms of revenue performance was remarkable.

Before the adoption of the programme in 1991, the average revenue collection from the Bureau was about Seven Million Naira. The percentage increase in the revenue performance of the Bureau through the years of the programme implementation was tremendous and unprecedented. The analysis

of the revenue collection for the period 1991 to 1995 clearly show this (Table III).

Table 3: Analysis of Revenue Collections
Bureau of Lands, Survey and Town Planning
1991 – 1995

YEARS	LANDS	SURVEY/TOWN PLANNING	TOTAL
1991	5,342,440	1,989,606	7,332,046
1992	17,411,321	4,584,817	21,996,138
1993	31,581,944	7,746,240	39,328,184
1994	27,332,048	9,328,184	36,660,230
1995	37,103,456	11,324,322	48,427,778

At the end of the first year of the programme implementation in 1992, the revenue collection of the Bureau had more than tripled to about Twenty Two Million Naira and to almost Forty Million Naira in 1993. By the end of 1995, the revenue collection for the Bureau had increased significantly to almost Fifty Million Naira representing over Six Hundred percent increases over the average figure in 1991.

The revenue performance at the Bureau of Lands, Survey and Town Planning is a reflection of revenue performance in all other revenue generating agencies which adopted Accelerated Revenue Generation Programme

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION.

5.1 General Overview

For too long, the responsibilities of Government in the provision of employment, education, health care, social services including maintenance of infrastrutural facilities have been impaired with the inadequacies of Public Finance. The different tiers of Government have had to depend mainly on the Federation Account for the funding of their operations. This source is no longer reliable as a result of continued fall in revenue accruing from oil to the nation.

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It would have been possible to seek alternative funding from the Monetary Institutions to do Government businesses but Nigeria is not in the priority list of nations that will be favoured with such monetary assistance as a result of our democratic orientation. Back home, loans from Financial Institutions including African Regional Organizations are becoming too expensive if not absolutely inaccessible to various Government agencies.

From the above, something drastic became imminent. Apart from Petroleum Resources, there are a number of sources from which Governments including their agencies could derive their revenue. Some of these are constitutional and others evolve from practice. The problem is not all that of the legal framework for making money, rather it has to do with a number of factors, some of which are:

- The political will to explore these resources.
- The knowledge and expertise required to fully tap these sources.
- The sincerity of schedule officers.
- The availability of modern Information Technology in the pursuit of these revenue generating objectives.
- The adequacy or otherwise of logistic support in terms of men, money, materials and equipment.
- The infrequent changes in Government monetary and fiscal policies.
- The problem of red tapism
- The absence of enlightened tax paying public, technically well educated revenue officials.
- The lateness in collating revenue information which impairs planning.

For too long, the Nigerian economy has been riddled by massive illiteracy as if it is a kind of jungle economy. The policy makers have not helped matters in their actions since they act as though there is a perpetual divide between theory and practice.

Professional Accountants, Lawyers, Tax and Allied Practitioners have been left to rotten away rather than been effectively engaged in the running of the economy. Investors in the economy, either local or foreign have been allowed to take so much from the system without returning anything back to it. Our social infrastructures have been allowed to look like shadows of their old selves. The members of the Civil Service have put in so much without

adequate compensation and consequently little or nothing to show for the so-called long years of meritorious services. Revenue Professionals in the Civil Service have been bugged down by political and bureaucratic considerations at the expense of the ethics of their professions.

Inadequacies have dragged for too long. Government have been advised by Orthodox Revenue Consultants and no difference made to government revenue (treasury) balance and this circle of inadequacies have continued and continued to repeat itself. Accelerated Revenue Generation Programme therefore became the practical alternative to the so–called "orthodox" revenue generation approach. Although the programme is packaged primarily as an intervention programme, only few Government among those participating, have actually clearly come to terms and full grips with the ideals and the concept of the programme. Whereas the emphasis of the programme in most cases is on volume of revenue generated for each of these Government, the programme nevertheless has other focus which includes:-

- Development of comprehensive revenue database for budgeting, planning purposes and future revenue administration.
- Educating the revenue-contributing public to better appreciate and perform their civic responsibilities of supporting the finance of Government.
- Reviving a number of useful revenue/tax laws for the benefit of the present and future generation of Nigerians.
- Attempting to reduce income inequalities by bridging as practically as possible the income gap within the Nigerian population.

- Getting investors to plough back into the system, which has made them, and what is legally due to the system.
- Putting in place a legacy of Professional Tax/Revenue Administration and Accountability.
- Re-organizing most of the revenue generating machineries of the government and plugging existing loopholes in the revenue collection arrangement.
- Computerizing most of the revenue generating machineries including agencies and government parastatals.
- Allowing for meaningful private input into the administration of Public Finances.
- Giving life to laws, which hitherto have been, confined to the wardrobes and library shelves.
- Enforcing through the law enforcement agencies the provisions of revenue laws in absence of voluntary compliance.

Accelerated Revenue Generation Programme is not restricted to the different tiers of Government finances alone. Indeed, Boards, Commissions, Corporations, Agencies and Parastatals performing activities of public character requiring that money be made and spent requires the implementation of the programme. It is a lasting system of money making, custody and administration.

5.2 The Criticisms and facts of the ProgrammeHE CRITICISMS AND FACTS OF THE PROGRAMME

Like any other newly introduced programme, the Accelerated Revenue Generation Programme has developed its own army of critics. The major criticism against the programme can be summarized as thus:

- That the same Revenue Consultants been engaged in all the States have no experience in Tax Management.
- That Accelerated Revenue Generation Programme encourages State Governments to impose and collect illegal and multiple taxes recklessly.
- That State Board of Internal Revenue could have done a better job with the facilities and encouragement made available to the Consultants.
- That business premises are being scaled–up for non–compliance.
- That the appointment of private Consultant for revenue generation activities is illegal.
- That the Joint Tax Board has issued a number of unfavourable pronouncements on the implementation of the programme.

While the criticisms against the programme cannot be dismissed with a waive of hand, they are not as efficacious as they are meant to be. The following would be adequate explanations.

Appointment of same Consultants - 477989

It is not correct that the same Consultant is the one handling the internal revenue generation programme in all the States of the Federation. While it is true that the firm pioneering the programme (**OLUSOLA ADEKANOLA & CO**) has implemented same in twenty-eight States of the Federation and Federal Capital Territory at different times, other Consultants are consulting for some other States.

It is a source of joy and pride that most of the concerned Consultants are qualified Accountants with proven track records. Given that taxation, as a

discipline is a sub–set of Accountancy profession, the question of lack of proper training is obviously misleading.

Legality of the Appointment

Those who argued that the appointment of Consultants for revenue generation activities of the State Governments are illegal hinged their argument on Section 33(B) of the Finance (Miscellaneous Taxation Provisions) Decree No. 3 of 1993 that vested the administration of a State's internal revenue generation in hands of a properly constituted State Board of Internal Revenue. Such critics do not reckon with a situation where there is no properly constituted Board in accordance with Section 33 (A) of the same Decree as the case in almost all the States where the programme is being implemented.

In such cases, nothing precludes the State Governments from putting necessary legal machinery in motion to ensure that the internal revenue generation activities are carried out in one way or the other. In other words, the commonest concept of appointing Sole Administrators or Acting Chairmen for some Boards without properly establishing the Boards as stipulated by Section 33(A) of Decree 3 of 1993 is as good as appointing Consultants for revenue generation activities.

It follows, therefore that if the appointment of an Administrator for the Board is not declared illegal, the appointment of Consultants cannot be so declared. In fact, it is a question of semantics as to whether they are called Administrators, Acting Chairmen or Consultants. They are all not "The State Board" as defined by Section 33(A) (2) of Finance (Miscellaneous Taxation Provisions) Decree No. 3 of 1993.

There is no section of Decrees 3 and 104 of 1993 that prohibits the engagement of Tax Consultants for any of the functions of the Board either by the Board itself or by the State Government. What the Consultants mostly do for the State Government is the Tax Audit as stipulated by Section 46(A) and 48(A) of Decree 104 of 1993, and monitoring revenue related activities of the States. Nothing precludes the relevant tax authority for engaging Consultants for the purpose.

This act is similar to the fact that while only the office of the Attorney General has the statutory function of prosecuting criminal and civil cases in the courts of law, more often than not, they do engage Legal Consultants for the purpose. If the prosecution of such cases in the ordinary courts of law and tribunals by Government through a hired private solicitor (Legal Consultant) is not regarded as illegal, then nothing is illegal about the appointment of Revenue Consultants to carry out some of the function of the Board of Internal Revenue.

Illegal and Unorthodox Collection of Taxes

To opined that the Consultants encourages the State Governments to recklessly impose or collect illegal taxes is misleading. In the first place, the State Governments for whom Accelerated Revenue Generation Programme is being implemented are not imposing illegal taxes. All they are doing, is to collect PAYE and other taxes deducted at source and withheld by employers and business organizations within the States.

In most cases, such taxes have been held by these organizations for a long period of time, thus denying the State Government a vital source of

internally generated revenue. All what the States are doing is the collection as conferred on them by item D9 and D10 of the Constitution. To this extent, the Consultants can simply be referred to as professional Debt Collectors of a sort.

As far as the purported assessment of PAYE and withholding taxes are concern, what the Consultants are doing is simply carrying out Back Duty Investigation and statutory Tax Audit with a view of ascertaining and recovering such taxes already deducted but not remitted to the State Government. Carrying out such an assignment is legally perfect and in line with Section 46 and 48 of Decree 104 of 1993 which empowers the tax authority of a State to verify by Tax audit any matter relating to the income of a person.

What the Consultants are doing, therefore, is not an imposition of taxes on profits of business organizations but a recovery of what can rightly be termed debts arising from taxes deducted on behalf of the State Government but not remitted to the relevant authorities as required by the law.

Imposition of Multiple Rates and Taxes

The other rates and levies, other than taxes being implemented by the Consultants are not newly imposed. They are rates that have been existing for long. All the current State Administrators are doing is just to review the State edicts to bring them in line with the present realities. Most often, it is after the reviews that it is passed on to the Consultants for implementations, since the past implementations have been bedeviled with fraud and embezzlement.

Thus, the State Government merely reviews the edicts they inherited and not fixing new or arbitrary rates. Similarly, the Consultants are merely

implementing the edict as directed by the State Governments. It is therefore improper to accuse the State Government or the Consultants of imposing the rates that were in existence years before they appeared on the scene.

Lack of facilities for the Boards

Lack of facilities and resources is often blamed for the lack–luster performance of the Board. The critics further claim that if adequate resources had been made available for the Boards they would have performed as well as the Consultants. There is no gain saying the fact that the Boards have over the years been starved of funds, just like any agency of government. Lack of fund also hurts the ability of the Boards to acquire adequate infrastructures and attract appropriate human resources for effective revenue administration.

The absence of fund notwithstanding, other non fund related problems which prevents the Board from being as effective as expected of a viable revenue generation machinery have been identified and can be summarized as follows:

- Absence of an effective Management Information System within the Boards. This makes an effective co-ordination of the Boards activities a mirage.
- Incompleteness of information and data on taxable entities and activities. Experience has shown that the State Boards have not been making any concerted effort to collate complete information on taxable entities in their respective States. If Board cannot define it's revenue base, how can it be convinced of the completeness of revenue generated by its functionaries.
- Ineffective internal control machinery with regard to accountability.

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- Fraudulent activities of revenue collectors and other officials emanating from collusion, embezzlements and other undesirable activities.

- Absences of appropriate training schemes and facilities. The revenue officials have not been exposed to relevant practical training in their fields.

- Inaccurate fraudulent information often furnished by taxpayers results to outright tax evasion by some of them. These unpatriotic citizens, more often than not, find accomplices among some equally unpatriotic tax officials.

From the above, funds or lack of it, is not the axis upon which the Board's problems rotates. If the Boards are awashed with fund, it is left to be seen how they could have utilized the funds to solve other problems that have their roots in what has embarrassingly come to be known as "Nigerian Factor".

Closure of Business Premises

The closure of premises for non–compliance is normally applied where a business organization fails to remit PAYE or withholding taxes deducted on behalf of the State Government to the appropriate coffer. It is also used when after a tax audit exercise, an organization fails to settle the verified liability within a given period.

The closure of business premises as a means of enforcing compliance may be new in Nigeria. It is not new in other civilized societies. Such non-compliance may even lead to jail term for the officials of the business organization concerned as well as a complete liquidation of such organizations. In most advanced countries, it is not uncommon to have citizens or organizations being declared bankrupt for failure to remit taxes or pay assessed taxes to the government.

Those who argued that it is illegal or unorthodox to seal up business premises in enforcing payment of taxes are missing the point. The question here is not an assessed income or the taxes. Once a collecting agent (or an employer) deducts PAYE or any other tax, the deduction ceases to be a mere tax but becomes a debt in favour of the State Government. The later has the right to recover its debt in any way it consider to be most effective.

Apart from the application of Section 96(1) – (6) of Decree 104 of 1993, legal instruments setting up the Task Force on Recovery of Government Property being used to enforce compliance normally makes provisions for sealing up of defaulting organizations' premises among other sanctions. It is therefore erroneous to allege that the Consultants are responsible for sealing up of business premises.

Joint Tax Board Pronouncements

The Joint Tax Board which is the body vested with the power to advice the Federal Government on the legislation governing the operation of various taxes and to interpret such legislation with a view of ensuring a smooth implementation of the law, had never seen anything positive or legitimate about Accelerated Revenue Generation Programme.

The Board hinges its position on Section 85 (A) – 85 (E) of Personal Income Tax Decree 104 of 1993 which defines the State Board of Internal Revenue as the only body established to assess and collect taxes for and on behalf of the State Government.

It is pertinent to recall that, when Decree 104 was first published in 1993, there was nothing like Section 85 (A) – 85 (E). However, in the process

of codifying the Nigerian Tax Laws in 1995, the Federal Inland Revenue Service inserted Sections 85 (A) – 85 (E) even though the promulgation of these sections had not been made. The sections were replicated from Section 33 (A) – 33 (E) of the Income Tax Management Act (ITMA) of 1961 which Section 99 of Decree 104 had repealed.

Accelerated Revenue Generation Programme is an all encompassing programme that is not limited to tax collection. The main objective is to boost the internal revenue generation capacity of the State Government while at the same time expanding its revenue base for future generation. Its activities covers not only the Board of Internal Revenue but all revenue generating agencies of the Government to which it lends technical support and renders training services with a view to enhancing their revenue generating capacities.

Contrary to the impression created by Joint Tax Board's publications, there is nowhere in the Decree 104 of 1993 where delegation of any of the functions of the Board of Internal Revenue is prohibited. In fact, Section 85(A) is like an Island on its own having little or no relationship with other provisions of Decree 104. This emanates from the fact that apart from Section 85 that created it, in no other section of the Decree was the "State Board" mentioned.

The body that is rested with the responsibility of tax administration in a State is the relevant tax authority. Section 100 specifically define a relevant tax authority as "the persons or body of persons responsible under the law of a territory, for imposing tax on the income of individual, for the administration of that law".

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In effect, unless a territory (defined in the Decree as a State in case of Personal Income Tax), promulgate an edict to make the State Board, the sole body that is vested with tax administrators, any other body or agency can be saddled with the responsibility. In other words, until there is an edict (as per Section 100) to properly constitute the Board, nothing in the Decree makes Section 85(A) operational. Even if there is an edict in place, nothing in the Decree prohibits the delegation of the State Board's authority.

It is interesting to note that just as in the case of State Board of Internal Revenue, Section 1 of Company Income Tax Act (Cap 60) that established Federal Board of Internal Revenue states its functions. Why is the functions not made exclusive to the Board? It is this non-exclusivity that made it possible for the Federal Inland Revenue to appoint Private Consultants to monitor withholding Taxes and Value Added Taxes on its behalf.

Thus, if the establishment of the Federal Board of Inland Revenue did not preclude the employment of private Consultants, the establishment of State Board cannot preclude the Board from delegating some of its functions to the private Consultants. If the Federal Board can delegate some of its functions to private Consultants, it has no reason why it should advise the State Board to do otherwise.

5.3 The Impact of the Programme

The incidence of Accelerated Revenue Generation Programme (ARGP) can be felt not only in the Accountancy profession but equally on the economy. Unlike the pre-ARGP period, Accountants are now sharper in their tax

consulting and appreciation and now offer better advice to their clients on tax matters.

Apart from this, they are now busier than they had ever been. Tax planning and management assignments now occupy its pride of place in the practice of the profession. The ARGP Lawyers are now functionally alive while their contemporaries on the other side have more cases to handle on behalf of their tax defaulting clients for their fees. The Bankers are now having a field day as a result of their having been listed for active participation in the revenue collection and accounting process under the Direct Bank Lodgement System (DBLS) Scheme.

Traditional revenue officials are receiving "on-the-job training" and are getting wiser and the Tax Consultants now have something that can be develop into complete practice and the regulatory bodies now have enormous job to handle. The benefit of the programme generally can be listed to include among others:

- Unprecedented boost in internal revenue for the participating States. The use of professionals in the internal revenue generation activities has no doubt tremendously increased the revenue base of participating governments.

- A creation of sustainable tax database with the compilation of a standard Master Register of taxpayers for the various participating States. Up to date information on all taxable entities have been documented and this facilitates prompt settlement of financial commitments.

- A positive change in the orientation of the staff of State Board of Internal Revenue as well as an improvement in their training, compensation packages and availability of modern equipment. All these have greatly enhanced the output of the civil work force.

- Enormous benefits to Accountants and Tax Practitioners who participate in the negotiation of their clients tax liabilities.

- A recognition of the tax practice as a profession that is distinct from Accountancy and which must be taken seriously.

- An introduction of a new voluntary tax payment culture resulting from a better tax education and awareness. Taxpayers now voluntarily discharge their civic obligations to the government without much persuasion.

- The reactivation of Back Duty Investigation has actually helped to sanitize the tax system. It has hijack the economy from the manipulation of "business illiterates" and "tax cheats". Tax paying public is conscious about tax matters.

- Giving life to otherwise dormant revenue laws and getting the courts and the law enforcement agencies alive to their responsibilities under the revenue laws.

- Better and improved funding of Government businesses, thus reducing the incidence of unpaid salaries and arrears of other emoluments.

- Allowing for better funding of Government welfare programmes and social services, thus curtailing dependence on loans, grants and federal allocations.

- Getting citizens to be socially responsible to the State finances through prompt payment of their taxes, rates, levies and fines, thus promoting social accountability.

Nevertheless, the ideals of Accelerated Revenue Generation Programme would be better realized if some basic problems, which hinder the proper implementation of the programme, are addressed.

5.4 Tax Collection and Administration in Nigeria: Efficiency and Effectiveness

Tax Collection and Administration has become very topical and has been receiving a great deal of attention of late. Efficiency is a function of input and

output. Tax Administration involves putting in place personnel, logistic support and some legal machinery to back it up. The interaction of all these factors is expected to produce some prescribed level of result (revenue) before the system can be said to be working efficiently. Unfortunately, the efficiency level in most cases is in the range of not more than twenty to twenty–five percent for the Tax System.

Effectiveness on the other hand seeks to relate result to target through budgeting or other forecast procedure. Every tax collection system is designed to ensure that all income sources are identified and taxed in accordance with the relevant laws. An efficient tax collection system is therefore like a net that is wide enough to cover the water, but whose holes are not large enough for even the small fingerling to pass through.

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The decay in the Tax Collection and Administration apparatus of Government is alarming in Nigeria, a situation which is hard to blame on any one. The drive or taxes waned, the quality of personnel declines, infrastructural and other logistics support decayed and funding dried – up. In the last fifteen to twenty years, the efficiency level of our tax collection and administration has suffered reverse until very recently. The consequence of all these is a considerable loss of tax revenue resulting from poor coverage, under assessment, diversion of revenue cheques among a list of other malpractices.

The most disturbing aspect of our Tax Collection and Administration system is that of "Tax Evasion". In the developed economies, tax avoidance scheme thrives efficiently. It is perfectly legal since no one need to pay more than is legally required. But down here, Tax Avoidance Schemes are hardly

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explored since the opportunity for Tax Evasions are open and cheap. Tax evasion in Nigeria has become institutionalized. It has its root in the tax administration and has it's branches with tax offices. The taxpayer does not want to pay tax while the taxman supply the necessary tools to achieve that purpose. Tax evasion is achieved mainly by neglect or falsifying records, which invariably the taxman is aware of but ignores.

Tax evasion thrives on the platform of collusion and "settlement", where the taxpayer keeps all his tracts opens, knowing and assured that nothing will happen, and invariably nothing happens. It is true that nobody pays tax willingly, and hence all the clever schemes devised to avoid them. However, the Nigerian taxpayer does not device clever tax avoidance – schemes, he does not evade tax in the conventional way, he simply refuses to pay even when it is crystal clear that he has been correctly assessed and has the means to pay.

Under this situation, having gathered the correct income data using the best intelligence and information system available and raising correct assessment, how do you invoke the tax law or any other legislation for such taxes to be recovered? It would seem that we need a larger dose of recovery provision in our tax laws than we have at the moment backed by appropriate machinery, but more than that, the political will to make it work and be applicable for everyone.

Having considered Nigeria Tax Laws within the Nigerian environment and its implication for economic growth and development. It is obvious that Nigeria Tax Laws without exception need to be completely overhauled. However, until this is done, it remains the law and should be rigidly enforced.

The greatest problem of effective Tax Collection and Tax Administration lies with the unorganized sector of the economy, which controls the wealth of the nation but leaves nothing behind by way of taxes. Sadly enough, there is no effective machinery on ground to make it happen. Should there be an effective machinery for internal revenue mobilization, an incredibly high tax collection is feasible.

The incursion of the Private Revenue Consultants into the areas of tax collection, which hitherto has been the exclusive preserve of Civil Servant, has at least proven this point. Until a few years ago, it was almost unheard of for private Consultant to be involved in the tax collection operation of Government. However, the reality of the situation now is that tax authorities can hardly make it on their own without outside assistance. Even for the most pessimistic of such hybrid arrangement, the only area of dislike and distaste is where to draw the line between the outsider and the insider within the context of the laws establishing Tax Boards or Authorities. The efficacy and effectiveness of this novel experimentation have been accepted but have only continued to question the limit of authority and mode of operations of the Consultants.

The Problem of Tax Collection and Administration

For a satisfactory level of efficiency and effectiveness of Tax Collection and Tax Management System to be achieved, some fundamental matters must be addressed.

First, no Tax Board or Authority has any hope of attaining any reasonable level of efficiency or effectiveness, if it is not in proper control of a

comprehensive database of Taxpayers, Employers, Business and Income Sources. This must be supported by an Intelligence and Information System to boldly back up Income Tax assessment in the widest sense. Even for the best system as we have them today, it is a far cry from acceptable. And yet, it is a relatively simple structure to put in place. This is perhaps the most significant area where Tax Consultants have come to the aid of Tax Boards and Authorities.

Secondly, the leakage in the revenue collection system nationwide reaches to high heavens, while the Government concerned simply watch in dismay. It is pleasing to note that a well fine–tuned Direct Bank Lodgement System (DBLS) addresses the greater part of these malpractices, particularly when it is combined with Direct Monitoring of such tax collection operation right down to the banking floor. Closely connected to this Bank Monitoring is also an effective system of "policing" revenue collection right at the source. All it entails is for the watchful eye of the monitoring staff to be kept at strategic revenue collection point during which the entire system of collection, issuing of receipts, other documentation processes, banking, accounting and reporting are kept under close surveillance.

Because of the dynamic nature of revenue collection, receipting, banking and accounting operations, without on the spot monitoring, only a trickle of what is generated reaches the coffers of the government.

Thirdly, and the most important is the question of enforcement of collection, which is perhaps the most controversial. It is entirely a useless exercise to raise assessments, send demand notices, if the tax payers are simply

going to treat them with contempt, and with no serious repercussions. We cannot continue to make laws, which are only applicable and suitable for the European and American, environments.

Tax payers gets away not paying their taxes without dire consequences due to irrelevant clauses in our tax laws. They hide under the laws and claim all manners of rights in attempt to evade taxes. It is a fundamental rule of law that a person who is in defiance of the law cannot appeal to the same law for assistance to continue in his disobedience. These are issues that must be addressed to demonstrate our level of seriousness.

Thus, while the rule of law must be observed, such laws also need to look seriously into the right of the environment and peculiarities. No doubt the present arrangements are most inefficient and down right ineffective.

The tax laws as presently constituted are substantially irrelevant and ironically ineffective, particularly in ensuring prompt tax collections. The present arrangement for tax recovery is completely alien to our present state of development and culture and needs complete overhaul as well as a bold political will for the implementation of a new order.

5.5 Recommendations

The Accelerated Revenue Generation Programme is designed to enhance the internally generated revenue base of the participating Governments. Seventy five percent of the internally generated revenue comes from taxation. For the enhancement of the internally generated revenue, there must be an efficient and effective tax system whose main component is Pay As Your Earn (PAYE) scheme.

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An effective PAYE scheme is one whose major objective is an easy implementation at a minimum revenue loss to the Government and at a minimum income loss to the worker. In other to achieve this objective, all interested parties have input to make. The relevant parties in this case are, the Federal Government, the State Governments, the employer of labour and the employees. The Accelerated Revenue Generation Programme is designed to highlight the role of each of the parties and how such roles could be performed for the overall achievement of the desired objectives.

Federal Government

The Federal Government enacts legislation governing the operation of PAYE tax while the Joint Tax Board (JTB) is the body that is rested with the power to advise the Federal Government and to interpret such legislation with a view of ensuring a smooth implementation since the foundation for an effective PAYE scheme is a feasible enabling legislation, the role of the Federal Government cannot be over emphasized. However, what is in operation presently is not feasible and, in most cases, overdue for a revision.

The Joint Tax Board which is the body that is charged with advising the Federal Government as to the appropriate reviews that should be carried out on the existing tax laws to ensure a smooth implementation, focuses more on consultancy rather than directing it's energy on ways of eliminating causes of managerial inefficiency that made the consultancy attractive in the first place. The struggle has been so ferocious that the Joint Tax Board has completely abandoned its traditional role. In recent times, the major agenda topic at its monthly meeting is constantly focussed on how to outlaw tax consultancy.

The effort of the Joint Tax Board is expected and should be directed at ensuring that out-dated Personal Income Tax laws are up-dated rather than directing and wasting efforts on inconsequential issues. It is difficult, if not impossible, for an effective PAYE tax scheme to evolve under such a confused environment. The Board has not been living up to its responsibilities in advising the Federal Government on how the outdated sections of the Personal Income Tax laws should be reviewed. There is thus, an urgent need to reorganize the Board. The composition of the Board should be such that the private sector is adequately represented, so as to make the body more responsive and effective.

State Governments

The enabling PAYE tax laws are administered by the State Governments. In addition, taxes arising there from are collected and utilized by them. It follows, therefore that their contributions in bringing about an effective PAYE system cannot be over emphasized.

However, the State Governments have not been very effective in this regard. This emanates from the fact that the various State Boards of Internal Revenue that are charged with the responsibility of administering the tax laws on behalf of the States are bedeviled with a lot of problems that has made it difficult for them to be effective and efficient.

In order to bring about a PAYE tax system that will lead to the achievement of the stated objectives the State Governments would need to strengthen their Boards by ensuring adequate funding and provision of basic tools that are required for their daily operations. In addition, functional training

facilities, attractive compensation packages and adequate incentives should be made available to staff of the Boards as a matter of urgency.

It is in effect, desirable that the staff of the Boards are excised from the civil service structure and be subjected to separate and more attractive conditions of service. This will go a long way in minimizing fraudulent activities within the rank and file of the Boards' staff.

Furthermore, activities of the Board should be computerized, so that their management information system will be greatly improved. Computerization will also lead to the emergence of a wider and more functional database of taxpayers in addition to improved efficiency that such an exercise can attract.

To ensure that the Boards are well equipped for their task, the State Governments should also encourage compliance by judiciously investing proceeds of the PAYE tax in projects that will not only be visible but also beneficial to the tax payers. A situation where the taxpayers are at a loss as to the purpose for which tax proceeds are being utilized will certainly discourage them from co-operating with the tax collectors. In the absence of such a co-operation, an effective PAYE tax system will remain a mirage for a long time.

Employers and Employees

The employers of labour are by law, held to be agents of the Government for the purpose of deducting PAYE tax from their employees' remuneration as well as remitting same to the Government coffer. Their contribution towards the evolution of an effective PAYE tax system therefore lies in the need for them to ensure that fairly accurate amount of tax is deducted

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from their employee's emoluments and to ensure prompt remittance to the government.

Unfortunately, this is hardly the case as the employers inadvertently under deduct taxes and more often than not hardly remit the deduction to the State Governments within the statutory time limit.

While the employers have the responsibility of ensuring that all taxable on and off payroll salaries and allowances of their employees are incorporate into the tax computation, the employees own it a duty to ensure that accurate data is provided when making their tax returns to the relevant tax authorities.

No doubt, full disclosure of all taxable on and off payroll salaries and allowances will lead to higher taxes being paid by the employees. However, in order to mitigate the negative effects of such a full disclosure, both the employers and employees should make strong representation to the Federal Government to review the tax relief and non-taxable allowance upward.

A careful appraisal and subsequent implementation of these recommendations could lead not only to a realistic and effective PAYE scheme, but shall be beneficial to all the parties concerned.

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