Effect of Insurgency on Personal Income Tax Assessment in Maiduguri Metropolis, Borno State, Nigeria

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Abstract

This study examines the effect of insurgency on the assessment of Personal Income Tax in Maiduguri Metropolis, Borno State, Nigeria. The study employs survey method. Data were collected through administration of structured questionnaire to 171 respondents drawn from staff of the Borno State Board of Internal Revenue, Major self-employed taxpayers and Major tax remitting organisations. Analysis of Variance was employed in testing the possible effect of insurgency on the assessment of tax in the Metropolis. It was found that insurgency had adverse effects on personal income tax assessment process resulting to loss of files, inaccessibility of the taxpayers, loss of taxpayers, and incomplete statements of accounts which resulted to poor assessment of tax liabilities. It was recommended that the Borno State Board of Internal Revenue ensure effectiveness and full computerisation of the assessment system and encourage online filing of tax returns by taxpayer and issuance of assessment notice by the Board.

Keywords: Insurgency, Personal Income Tax assessment, Borno State Board of Internal Revenue

Introduction

The development and growth of any society depends on the provision of basic and social infrastructure by government. This perhaps explains why governments show great concern for the means through which money can be made available to achieve their set goals for the society. Governments need funds to execute social obligations to the public. These social obligations include but are not limited to the provision of security, infrastructure and social services. Meeting the needs of the society call for huge funds which is most effectively put together by collective effort. It is the responsibility of government to source for the funds to enable it provide basic amenities to its citizens. One of the medium through which fund are accumulated is taxation.

Personal Income Tax (PIT) is a tax imposed on the incomes of individuals and it is also charged on the incomes due to a trustee or an estate. When effectively and efficiently administered, it will improve the revenue collection of the state. The effectiveness of a tax system is not only about appropriate legal regulation but also by the integrity and efficiency of the tax administration. In many developing countries, small amounts of collected public revenue can be explained by either incapability of the tax administration in realisation of its duty, or some degree of corruption. Regardless of how carefully tax laws have been made, between tax administration and tax payers cannot be entirely eliminated.

Tax administration, with skilled and responsible staff operating in peaceful environment, is the most important precondition for realisation of “tax potential” of the state. Jenkins (1992), emphasises that the tax system can never work better than its tax administration, however, the best tax administration would not turn a bad tax system into a well-operated one. He also expressed the opinion that many ambitious tax reforms failed because of the inefficient tax administration. Without the permanent reorganisation of the tax administration and almost daily improvements in methods of its management, it is impossible to expect that tax reforms be realised successfully. Hence, in tax reforms there is a close correlation between successful tax policy and efficient tax administration. In other words, there is no good tax policy without efficient tax administration capable of withstanding environmental challenges such as insurgency.

Insurgency makes policy makers and revenue authorities in developing economies to face constraints that require careful consideration in executing appropriate and effective tax administration policy. In particular, insurgency is a typical case of insecurity, causing devastating phenomenon, both to the population and to economic activities. The existence of insurgency inevitably affects the tax administration because as the conflict intensifies communities are displaced, economies were devastated and the affected community are isolated from the
substantial economic and social progress. Borno State has experienced insurgency since 2009, hence, its communities were affected.

Studies like Kayaga (2007), suggests that insurgency affects personal income tax administration while some studies (Akhidime & Abusonwan, 2013; Asur & Nkeruewem, 2013) examine implications of the Personal Income Tax (Amendment) Act 2011 on compliance but there are limited studies linking insurgency to PIT administration.

This study therefore, examines the effect of insurgency on the assessment of Personal Income Tax in Maiduguri Metropolis, Borno State, Nigeria. For the purpose of this study, the hypothesis tested was: Insurgency has no significant effect on the assessment of personal income tax.

The study covered Personal Income Tax Administration in Maiduguri Metropolis, and some data reviewed the 2006 to 2014 years of assessment. The years were categorized into pre-insurgency and insurgency periods. The 2006 to 2009 years of assessment were period prior to insurgency and 2010 to 2014 years of assessment were insurgency period in Borno State. This is to enable the research to make comparison in tax administration of the different periods.

**Literature Review**

**Taxation as Source of Income to Government**

Government requires fund to execute its programmes and taxation is one of the sources available. Akanle, (1991), defines tax as a compulsory levy imposed on a subject or upon his property by the government having authority over him. This definition indicates that taxation is compulsory contribution for the taxable citizenry. Akhidime and Abusonwan (2013), describes tax as a rateable portion of the produce and labour of the individual citizens, taken by the nation, in the exercise of its sovereign rights, for the support of government, for the administration of the laws, and as the means for continuing in operating the various legitimate functions of the state. Inference from the above authors is that taxation is certain and specified percentage of individual’s income to be compulsorily contributed to the government toward provision of basic and social amenities.

Policy makers and revenue authorities in developing economies face quite different challenges and constraints that require careful consideration in designing appropriate and effective tax system. In particular, the tax system in a developing economy must foster sustainable economic growth, ensuring that the necessary revenue collections are made to provide for political stability, investment in infrastructure and improved standard of living. Typically developing economies have both limited administrative resources and expertise which are compounded by insurgency. Tax administration in developing economies are generally weak, with widespread evasion, corruption and coercion. Furthermore, taxpayers tend to have low levels of literacy, low tax morale and negative attitudes towards government especially where it fails to provide security to life and property.

**Evolution of Personal Income Tax in Nigeria**

Personal Income Tax is considered the oldest form of tax in Nigeria. It was first introduced as community tax in Northern Protectorate in 1904, (prior to the amalgamation of the protectorates in 1914); and was later implemented through the Native Revenue Ordinances to the Western and Eastern regions in 1917 and 1928, respectively; among other amendments in the 1930s; and was later incorporated into Direct Taxation Ordinance No.4 of 1940. The need to tax personal incomes throughout the country prompted the enactment of the Income Tax Management Act (ITMA) of 1961 (Akanle, 1991).

Personal income tax for the salary earners is based on pay- as- you earn (PAYE) system and several amendments have been made to the Tax Acts which later evolved into ITMA 1961. The history of personal income tax law in Nigeria can never be complete without mentioning the Raisman Commission of 1957, the recommendations of which were incorporated into 1960 constitution and later to the ITMA 1961 (Akhidime & Abusonwan, 2013). The recommendations provided that the Federal Government had exclusive powers to levy tax on the income of all limited liability companies while the Federal and State governments enjoyed concurrent powers over personal income tax. Prior to 1961 each region had its own tax law on personal income tax. However, with the enactment of the Income Tax Management Act (ITMA) 1961 by the Federal Government, acting under its constitutional

Assessment Process of Personal Income Tax Administration

PITA 2011, introduced the Consolidated Tax Relief and Allowance (CTRA) to be computed as the higher of ₦200,000 or 1% of gross income plus 20% as personal relief to replace the previous personal relief allowances and housing allowances (₦150,000), transport allowance (₦20,000), entertainment (₦6,000). However, allowances like children allowance (₦2,500 per child subject to a maximum for four children) dependent allowance (₦2,000 subject to a maximum of two dependants) were retained. The advantage of this clause is that every taxpayer under PIT can claim CTRA irrespective of being employed or self-employed. The amendment provides for the following as tax deductible income: National Housing Fund Contribution, National Health Insurance Scheme, Life Assurance Premium, National Pension Scheme and gratuities.

Taxpayers can take advantage of these allowable deductions as there is no ceiling to the amount an income earner can contribute. This has been a loophole to the advantage of the taxpayer and has challenged the assessment process. PITA, 2011 created a new sub section 6 under section 36 of the old Act and introduced the presumptive tax regime that individual are tax based on judgement in addition to a fine on conviction of ₦50,000 for individuals and ₦500,000 for corporate employers, which can influence effective assessment process of taxation (FRN No. 20, 2011). Furthermore, tax appeal tribunals were established to hasten assessment process, residency scopes were explained to assist in assessment process.

Insurgency as it Affects Taxation

The insurgency challenge has been a source of concern to security experts and has shifted to the realm of terrorism. It is lamentable, however, that the security organizations have battled unsuccessfully with the challenge for years. The coordinated assaults from the Boko Haram sect in the North-Eastern part of the Nigeria has a source of concern to tax administration in the region, aside from the difficulties it had caused Nigerians. According to Asur and Nkereuwem, (2013), Boko Haram insurgency is a general problem that has forced many shop owners to lock up their shops. Even corporate businesses have had employees resign, leaving them short-staffed. Banks have had to reduce the time they open for business drastically and schools closed earlier to allow residents to arrive their home prior to the curfew period. Many residents had moved out to other regions that were considered safer. All these have a negative multiplier effect on taxpayers’ compliance and revenue earning capacity of the government. It is speculated that tax administration is affected.

Empirical Studies

Enahoro and Olabisi (2012), examined the overall effectiveness of tax administration in relation to assessment, collection and remittance of tax in Lagos State, Nigeria. A sample of 130 persons were contacted through questionnaire to obtain the opinion of civil servants directly connected with tax administration in five Local government areas of Lagos State that are vulnerable to disturbances. Hypothesis tested for the relationship which exists between tax administration, tax regulation and revenue generation found that tax administration in Lagos state is not totally efficient. Hence, there is a significant relationship between tax administration, tax policies and tax laws. The study therefore recommends that Lagos State Government put in place a tax system that can enhance better administration of tax assessment process. The inference was that effectiveness of tax policy administration can be influence by an activity around the tax environment, and hence, insurgency may influence the process of tax assessment.

Luo and Najdawi (2004), examined trust earning measures employed by the health-related websites found that health information portals have varying strengths and weaknesses and may employ only those measures of trust that is capable increasing strength. The study chose only those health-related websites which have sufficient influence on enhancing trustworthiness of the websites. Fogg (2002), discusses that unlike previous work, many do not use better evaluation schemes but rather focus on design and looks, information structure and content, in the order to access the credibility and trust on online websites. This study emphasizes on the fact that many evaluate credibility of the websites by joining two pieces of information together: what they notice about a site; and the judgments they make on the things they notice. It is believed that the users of the online tax-filing websites adhere to this interpretation theory. Sharma and Yurcik (2004), examined security assessment of E-Tax filing websites of the USA Inland Revenue Service and the State Boards of Revenue, concluding that users become more confident about the security of the system when they see visible security. Inference is that
effectiveness of assessment depends on strength of the authority to ensure and organise in normal way and believe of the community, its process of executing policies and programmes. Hence, manual tax assessment was examined with respect to computerised process in overcoming challenges of administering tax assessment.

Okello (2014), examined the management of Income Tax Compliance through Self-Assessment. The researcher opined that though modern tax administrations seek to optimize tax collections while minimizing administration costs, experience shows that voluntary compliance is best achieved through a system of self-assessment. Many tax administrations have introduced self-assessment principles in the income tax law but the legal authority is not being consistently applied, relying heavily on “desk” audit. There is the need to explore on risk management practice and effective policy on assessment management so as to take care of any challenge in term of tax assessment administration.

Akhidime and Abusonwan (2013), examined Nigeria Personal Income Tax (Amendment) Act 2011 and its implications for Tax Administration and Enforcement, critically reviewing the implications of the Act as it affects personal income tax administration by the tax authorities, as well as employers, employees and individuals with respect to compliance issues of payment, collection, and remittance of personal income tax. The study relied on the review of relevant literature on Personal Income Tax Administration in Nigeria and the reactions of stakeholders to the administration process; observed the implication of the Act on the administration process; and concluded that, education and enlightenment of employers and tax payers is imperative for effective and efficient tax Administration. From the study, it can be inferred that, detailed information on the effect of effective tax assessment is the key for successful administration of tax assessment. Naiyeju (2010), pointed out that most of the tax authorities in Nigerian Local Governments lack the desired institutional capacity to administer tax system effectively. The bulk of tax today is paid by only the employees and less privileged individuals in the state. Politicians, the rich, the professionals and the privileged individuals are not equitably taxed. It was inferred from the study that personnel capacity is a factor in effective tax assessment process.

However, tax assessment depends on availability of information from the taxpayers. Most studies indicate both corporate body and individual are reluctant of disclosing their financial activities. For instance, Surma and Vondra (1992), surveyed 125 major U. S. companies about their accounting practices and reporting of environmental costs. The study found that only 12% of publicly traded companies record an environmental liability on initial notification of a potential liability by relevant regulatory authorities. A Price Waterhouse study (1992) reports that 62% of the corporations responding to their survey have known environmental liability exposure, not recorded in their financial statements. This might be an indicator that most corporate entities do not make full disclosures.

These studies examine administrative effectiveness of the process, security of the process, individual compliance to the process, implication of the policy to the process and personnel capacity to the process. This study will examine effect of insurgency on administration of tax assessment process.

Theoretical framework

Institutional theorists propose that an organisation's survival requires it as much to conform to societal norms of acceptable practice as to achieve high levels of production efficiency and effectiveness. Thus, many aspects of an organisation's formal structure, policies and procedures serve to demonstrate conformity with the institutionalised rules and expectations expressed by external constituents (Meyer & Rowan, 1977; DiMaggio & Powell, 1983).

Institutional theory suggestions are more relevant to effects of insurgency in PIT administration, because according to Meyer and Rowan (1977) organisations become matched with their environment by technical and exchange interdependencies; and organisations that incorporate societally legitimated rationalized elements in their formal structures maximize their legitimacy and survival capabilities. Therefore, the study employs institutional theory as a guide to achieve the research objective.

Methodology

The study employs survey method; the primary data were collected through structured questionnaire designed in a closed ended form with options were provided for responses. The study population is categorised into three: staff of the Borno State Board of Internal Revenue, Major self-employed taxpayers and Major tax remitting organisations. There are one hundred and ten (110) staff of the Revenue Board around Maiduguri metropolis.
The population of major self-employed taxpayers that are registered with the Board (that is taxpayers whose annual tax liability are ₦100,000 and above per annum) total two hundred (200). There are only thirty-two (32) major taxpaying organisations that remit five hundred thousand naira (₦500,000) and above as monthly PIT liability of their staff to Borno State Board of Internal revenue. This gives us a total population of three hundred and forty two (342). The sample size amounted to one hundred and seventy-one (171) respondents. This is made up of 55 staff of the Board operating in Maiduguri Metropolis; 100 self-employed taxpayers; and 16 respondents from the major organisations. The choice of 50% was arrived at by using Yamane (1967) formula as follows:

\[
 n = \frac{N}{1+N(e)^2} 
\]

Where

\( N = \) population size

\( n = \) sample size

\( e = \) marginal error between (1 & 10) % and average was considered = 5.5%

\[
 = \frac{342}{1+342(0.055)^2} = \frac{342}{2} = 171 \text{ which is } = 50\%
\]

Hence = 171 respondents i.e. 50% responses were sampled. The study adopted multi-staged sampling. The population, divided into strata of staff, self-employed taxpayers and organisation were purposively selected. Simple random sampling was employed in the selection of individuals to whom questionnaires will be administered (that is, 50% of the population of each strata). The staff and ...were divided into four areas: Maiduguri revenue area Unit; Bolori revenue area Unit; Custom revenue area Unit; and the Bulunkutu revenue area office. Sources of data for the research includes both primary and secondary sources. The primary data was obtained using survey method. Responses from the selected respondents constitute the primary data. The research instrument was prepared by the researcher to elicit information on the extent to which insurgency have influenced five factors of tax assessment: filing of annual returns; timely raising of assessment; self-assessment; revision and amendment o assessment; and best of judgement assessment. The responses to these factors were: low, moderate and high influence. Secondary data were from the records of summary of monthly actual collections of personal income tax and actual PAYE tax remittance to the State Board of Internal Revenue with reference to Personal Income taxation for the period of the study.

Data collected were compiled sorted and coded and were presented in tabular form for percentage analysis to ensure accuracy and completeness. Descriptive method was used to present and analyse data measuring the effect of insurgency on PIT assessment. Analysis of Variance was employed in testing the possible effect of insurgency on the assessment of tax in the Metropolis.

**Analyses and Results**

Table 1 shows questionnaire administered, valid responses, invalid responses and the various rates of responses.

**Table 1: Response Rate of Questionnaire Issued**

<table>
<thead>
<tr>
<th>Groups</th>
<th>Issued</th>
<th>% bwn</th>
<th>% wtn</th>
<th>Correctly returned</th>
<th>% bwn</th>
<th>% wtn</th>
<th>Not Returned/ Excluded</th>
<th>% bwn</th>
<th>% wtn</th>
</tr>
</thead>
<tbody>
<tr>
<td>T25</td>
<td>54</td>
<td>32%</td>
<td>100%</td>
<td>53</td>
<td>33%</td>
<td>98%</td>
<td>1</td>
<td>10%</td>
<td>2%</td>
</tr>
<tr>
<td>MaU</td>
<td>30</td>
<td>17%</td>
<td>100%</td>
<td>28</td>
<td>17%</td>
<td>93%</td>
<td>2</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>BoU</td>
<td>29</td>
<td>17%</td>
<td>100%</td>
<td>27</td>
<td>17%</td>
<td>93%</td>
<td>2</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>CuU</td>
<td>31</td>
<td>18%</td>
<td>100%</td>
<td>30</td>
<td>19%</td>
<td>97%</td>
<td>1</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>BuU</td>
<td>27</td>
<td>16%</td>
<td>100%</td>
<td>23</td>
<td>14%</td>
<td>85%</td>
<td>4</td>
<td>40%</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>171</td>
<td>100%</td>
<td>100%</td>
<td>161</td>
<td>100%</td>
<td>94.2%</td>
<td>10</td>
<td>100%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Source: Field Survey (2015)
Where:

T25 stands for large PIT Unit,  
MaU stands for Maiduguri revenue area Unit,  
BoU stands for Bolori revenue area Unit,  
CuU stands for Custom revenue area Unit,  
BuU stands for Bulumkutu revenue area office,  
bwn % stands for % between i.e. % between the various groups of responses and  
wtw % stands for % within i.e. % between valid and invalid responses among various respondents.

The study administered 171 questionnaires to the strata of staff, self-employed and organisation based on the methodology adopted among the various groups. The T25 group were administered 32% of the instruments while other groups including MaU, BoU, CuU and BuU were administered 17% on the average, the variation in the size of selected respondents was premised by the fact that T25 comprises of large PIT payers cutting across all revenue Units while the study purposively sampled major self-employed taxpayers hence, all large taxpayers were assessed among the T25 revenue unit irrespective of their actual revenue unit and responses are generated accordingly.

The research succeeded in obtaining 94.2% responses valid and useful for the analysis, while 5.8% were wrongly filled hence, declared invalid for the analysis. The excluded respondents were considered insignificant to affect outcome of the analysis based on probability for the various chances of outcome for the responses. Furthermore, the distribution of valid and invalid outcomes among the groups were average except for the previously observed variation in the issuance and difference among BuU which was premised by the effect of T25 unit, and compounded by literacy level in the revenue unit. Distribution of valid response within various group stood on the average 95% for the groups of T25, MaU, BoU, and CuU.

Table 2 contains average responses for the five factors of tax assessment, that is the average of the five responses were obtained. The respondents were represented in five classes: T25, MaU, BoU, CuU, and BuU to enable descriptive analyses of variations in opinion expressed by respondents within each group and variation of responses from respondents of various groups.

Table 2: Effect of Insurgency on Assessment Process of Personal Income Tax

<table>
<thead>
<tr>
<th>Groups</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NoR</td>
<td>%btn</td>
<td>%wtn</td>
<td>NoR</td>
<td>%btn</td>
</tr>
<tr>
<td>T25</td>
<td>11</td>
<td>29%</td>
<td>21%</td>
<td>24</td>
<td>32%</td>
</tr>
<tr>
<td>MaU</td>
<td>6</td>
<td>16%</td>
<td>21%</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td>BoU</td>
<td>8</td>
<td>21%</td>
<td>30%</td>
<td>14</td>
<td>18%</td>
</tr>
<tr>
<td>CuU</td>
<td>5</td>
<td>13%</td>
<td>17%</td>
<td>16</td>
<td>21%</td>
</tr>
<tr>
<td>BuU</td>
<td>8</td>
<td>21%</td>
<td>35%</td>
<td>12</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100%</td>
<td>24%</td>
<td>76</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Survey (2015)

Where T25, MaU, BoU, CuU and BuU stands as described in Table 1  
NoR stands for number of respondents  
Opinion 1 stands for low influence of insurgency.  
Opinion 2 stands for moderate influence of insurgency.  
Opinion 3 stands for high influence of insurgency.  
bwn % stands for % between i.e. variation in % between responses of various groups in respect of particular opinion and  
wtw % stands for % within i.e. variation in % between opinions 1, 2, & 3 responses among particular group of respondents.

The respondents in the T25 group, 18 (34%), were of the opinion that assessment factors have been highly influenced by insurgency; on the assessment process of PIT while 24 (45%) say assessment factors had been moderately influenced by insurgency; and 11 (21%) say the influence of insurgency on assessment factors had been low. The implication from this outcome were: only 21% among T25 PIT assessment group are effectively assessed; 34% among the T25 assessment group were difficult to assessed for PIT; and 45% of the T25 assessment group were challenging to assess for PIT. Therefore, the descriptive analysis suggests the presence of insurgency effect on the assessment process of PIT among T25 taxpayers.
The respondents in the MaU area were of the following opinion: 6 (21%) say the influence of insurgency on PIT assessment process is low; 12 (43%) say the influence of insurgency on tax assessment is high; and 10 (36%) say the influence of insurgency on tax assessment is moderate. The inference from this outcome were: only 21% around MaU area were effectively assessed for PIT; 36% of MaU area were challenged during assessment of PIT; and 43% of the MaU area are facing difficulties in assessment for PIT. The implication of this descriptive analysis suggests that there is moderate to high influence of insurgency on assessment process of PIT around the MaU area.

The respondents in the BoU area were of the following opinion: 5 (18%) voted for high influence of insurgency on the assessment process of PIT; while 14 (52%) voted for moderate influence of insurgency on the assessment process; and 8 (30%) voted that the effect of insurgency on the tax assessment process was low. The implication from this outcome were: about 18% of respondents around the BoU area found PIT assessments difficult as a result of the insurgency; 30% of the respondents had effective assessment for PIT in spite of the insurgency; while 52% of the respondents around the area found the PIT assessment process challenging as a result of insurgency. Therefore, the descriptive analysis suggests that the effect of insurgency on the assessment process of PIT around BoU is challenging but manageable.

The respondents around the CuU area were of the following opinion: 5 (17%) said the influence of insurgency on the PIT assessment process was low; 9 (30%) were of the opinion that there was high influence of insurgency on the assessment process of PIT; and 16 (53%) experienced moderate influence of insurgency on the PIT assessment process. The inference from this outcome were: only 17% of respondents around CuU area were effectively assessed for PIT; 36% of respondents around the CuU area experienced challenge during assessment of PIT as a result of the insurgency; and 30% of the respondents in the CuU area faced difficulties in assessment for PIT as a result of insurgency. The implication of this descriptive analysis suggests that the insurgency affected the assessment process of PIT around CuU area.

The respondents of the BuU area were of the following opinion: 3 (13%) experienced high effect of insurgency on the assessment process of PIT; 12 (52%) say the influence of insurgency on the tax assessment process was moderate; and 8 (35%) were of the opinion the influence of insurgency on the assessment process was low. The implication from this outcome were: only 13% of the respondents around the BuU area had difficult PIT assessments process due to insurgency; 35% of the respondents around the area had effective assessment for PIT while 52% of respondents around the area had challenging PIT assessment as a result of insurgency. Therefore, the descriptive analysis suggests the effect of insurgency on the assessment process of PIT around the BuU was challenging but manageable.

The sum of the entire respondents stood at 161 with 38 (24%) saying there were low influence of insurgency on the assessment process of PIT around Maiduguri Metropolis; 76 (47%) voting for moderate influence of insurgency on the assessment process of PIT around Maiduguri Metropolis; and 47 (29%) said there is high effect of insurgency on the assessment process of PIT around Maiduguri Metropolis. The mean is 54 (33.33%), however, none of the opinion was at mean except for moderate which goes above by half of the mean. It can be inferred that there is significant influence of insurgency on the assessment process of PIT around Maiduguri Metropolis.

From the data collected, it can also be inferred that the T25 group are suggesting better situation however, considering the sample effect as contained in Table 4.1, it is within the mean range while CuU are suggesting heavier influence of insurgency on the assessment process. Responses for opinion 2 (moderate effect) among various groups are as follows T25 32% (24 of the respondents), MaU 13% (10 of the respondents), BoU 18% (14 of the respondents), CuU 21% (16 of the respondents) and BuU 16% (12 of the respondents).
These presentation and discussion are further summarised as presented in Table 3

### Table 3: ANOVA, Two-Factor Without Replication

<table>
<thead>
<tr>
<th>SUMMARY</th>
<th>Count</th>
<th>Sum</th>
<th>Average</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>T25</td>
<td>3</td>
<td>53</td>
<td>17.6667</td>
<td>42.33333</td>
</tr>
<tr>
<td>MoU</td>
<td>3</td>
<td>28</td>
<td>9.33333</td>
<td>9.333333</td>
</tr>
<tr>
<td>BoU</td>
<td>3</td>
<td>27</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>CuU</td>
<td>3</td>
<td>30</td>
<td>10</td>
<td>31</td>
</tr>
<tr>
<td>BuU</td>
<td>3</td>
<td>23</td>
<td>7.66667</td>
<td>20.33333</td>
</tr>
<tr>
<td>Opinion 1</td>
<td>5</td>
<td>38</td>
<td>7.6</td>
<td>5.3</td>
</tr>
<tr>
<td>Opinion 2</td>
<td>5</td>
<td>76</td>
<td>15.2</td>
<td>29.2</td>
</tr>
<tr>
<td>Opinion 3</td>
<td>5</td>
<td>47</td>
<td>9.4</td>
<td>35.3</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>47</td>
<td>16</td>
<td>9.4</td>
</tr>
</tbody>
</table>

**Source:** Field Work (2015)

The summarised result indicates 38 (24%) of respondents experienced low or no influence of insurgency on their tax assessment process, 76 (47%) of the respondents were affected by the insurgency in addition to other issues when assessing for personal income taxation, and 47 (29%) of the respondents perceived high influence of insurgency on the assessment process of personal income taxation. This implies, only 24% of respondents involved in the assessment of PIT perceived the assessment process was free from effects insurgency challenge while 76% are challenged by insurgency in addition to other factors or insurgent alone in the assessment process. Table 4 tests the hypothesis: there is no significant effect of insurgency on the assessment process.

### Table 4: ANOVA Test of Hypothesis

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group opinion</td>
<td>188.9333</td>
<td>4</td>
<td>47.23333</td>
<td>4.18615</td>
<td>0.040499</td>
<td>3.837853</td>
</tr>
<tr>
<td>Individual opinion</td>
<td>157.7333</td>
<td>2</td>
<td>78.86667</td>
<td>6.98966</td>
<td>0.017551</td>
<td>4.45897</td>
</tr>
<tr>
<td>Error</td>
<td>90.26667</td>
<td>8</td>
<td>11.28333</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>436.9333</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Field Survey (2015)

Where: Group opinion consist of variation between T25 MaU, BoU, CuU and BuU. Individual opinion consists of variation between Low, Moderate and High.

The test for the individual responses on influence of insurgency (low, moderate and high) indicates 6.9897 at \( p \)-value of 0.0176 while the critical value (table value) indicates 4.4590 meaning there is a significant difference. Likewise test for the group opinion reveals 4.1861 at \( p \)-value of 0.0405 while the critical value (table value) indicates 3.8378 meaning there is a significant difference.

The result obtained indicates that tax assessment is significantly affected by insurgency. This is inferred from the result and properties of the analysis of variance, which revealed \( f \) value 4.1861 > \( f \) crit value 3.8379 at significance of \( p \) value 0.0405. While the \( f \) value and \( f \) critical value properties are testimony to the significance of the insurgency coefficient, the \( p \)-value confirm the adequacy of the level of confidence. Thus, the null hypothesis which distance tax assessment from insurgency could not be accepted for this sample.

The finding is in line with the expectation of institutional theory which says organisation's survival requires it as much to conform to societal norms of acceptable practice (security of life and property is number one interest of everybody) as to achieve high levels of efficiency and effectiveness. The finding is also in agreement with
Enahoro and Olabisi (2012) and Kayaga (2007) who found the effect insurgency on PIT administration. Furthermore, information extract from the Borno State Board of Internal Revenue in Table 5 confirms these assertions. Though the information gave detail of actual collection, collection is made following assessment. Therefore, what is collected is as a result of effective assessment.

<table>
<thead>
<tr>
<th>Table 5 Average Revenue Collection 2006 to 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Average collection</td>
</tr>
<tr>
<td>2006 - 2009</td>
</tr>
<tr>
<td>N50,000,000 P A</td>
</tr>
<tr>
<td>Average collection</td>
</tr>
<tr>
<td>2010 - 2015</td>
</tr>
<tr>
<td>N16,000,000 P A</td>
</tr>
</tbody>
</table>

Source: Borno State Board of Internal Revenue (BSBIR) Statistic, (2015).

Following the request for statistical data, the state tax board furnished the research the summary of collection from 2006 to 2014. However, the useful data to the research were Head 401 Sub-Head 1 & 2, that is, PAYE and direct tax (self-employed tax collection). Furthermore, data presented were around to the nearest tenth average of the respective periods. It can be seen from the information in Table 5, that there was a sixty-eight (68) percent decline in taxes collected. This decline is indicative of the level of influence of insurgency on the assessment process in the jurisdiction. However, it is important to note that the possibility of the closure of many businesses, exodus of individuals and business and inability of the assessment apparatus to capture more tax payers in the tax bracket may have also been responsible for some part of the decline.

Summary of Findings

The Analysis of Variance specification relating tax assessment process to insurgency confirmed that $f \text{ value} = 4.2086 > f \text{ critical value} = 3.8379$ at significance of $p \text{ value} = 0.0400$. As the $f$ value and $f$ critical value properties show the effects of insurgency on tax assessment, the $p$-value indicates level of confidence. It can therefore be inferred that tax assessment process is affected by insurgency and the null hypothesis could not be accepted. Therefore, it can be concluded that insurgency have effect on assessment process of PIT administration like duty to keep records and reliefs and allowances claim of the taxpayers and reporting of annual return. Furthermore, studies like Asur and Nkereuwem, (2013), suggesting insurgency is among other challenges to tax compliance in Borno is an understatement of the effect of insurgency on taxation, because insurgency alone might bring about 70% effects on assessment process which can be inferred from the collection during insurgency is dropped to 32% of pre-insurgency as contained in Table 5 while Table 2 analysing effect of insurgency on assessment process is confirming that only 29% perceive low influence of insurgency on the process. Hence, about 70% of the assessment process were affected by insurgency.

Conclusion

Insurgency is a serious threat to fiscal policy, economic activity and the population. Except there is peace and harmonious co-existence, taxation and tax administration cannot be managed effectively. This study has shown that personal income tax administration has suffered in the jurisdiction due to the insurgency and that taxation of self-employed taxpayers was most affected. The study concludes that assessment process is adversely influenced by an unconducive environment. Insurgency had adverse effects on personal income tax assessment process resulting to loss of files, inaccessibility of the taxpayers, loss of taxpayers, and incomplete statements of accounts which result to poor assessment of tax liabilities.

Government and policy makers must not neglect the effect of insurgency in tax administration, as well as in the budgeting for personal income taxation and should take into consideration counter measures for the challenges arising in tax administrative process. The Borno State Board of Revenue should ensure every system of assessment process works effectively and is fully computerised to overcome physical interference of the insurgency into assessment process of namely: update of and maintenance of tax payers’ records at the Board, encouraging online filing of tax returns by taxpayer and issuance of assessment notice by the Board. There is nothing the tax authority can do about tax payers that have moved away from the jurisdiction, however, tax payers’ that have retained their residency in the jurisdiction could be better administered to achieve a higher level of success.
References


