

Tax Administration System in Nigeria, A Review

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Summary
Recently the revenue that accrues to state government is derived from two broad sources, viz: the external sources and the internal sources. The increasing cost of running government coupled with dwindling revenue has left various state governments in Nigeria with formulating strategies to improve the revenue base. More so, the near collapse of the national economy has created serious financial stress for all tiers of government. As a result of fall in the international price of oil and the collapse of the national economy, the direct allocation from federation account to the states has fallen. This research work examined the relationship between tax administration and revenue generation from the perspective of Nigerian internal revenue service. It also determined the impact of evasion and tax avoidance on the revenue generation in general.
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Introduction

It has been observed over the years that income tax revenue has generally been grossly understated due to impropertax administration arising from under assessment and inefficient machinery for collection. In Nigeria revenue derived from income taxes has been grossly understated due to improper tax administration, assessment andcollection (Ola, 2001; Oluba, 2008; Adegbie and Fakile, 2011). Persons and companies are known to routinely evade and avoid taxes due to corrupt practices and the existence of various loopholes in the tax laws. According to Naiyelu (1996), the success or failure of any tax system depends on the extent to which it is properly managed; the extent to which the tax law is properly interpreted and implemented. Recently the Nigerian government undertook various tax law reforms to improve tax administration and to increase tax yield. The Value Added Tax (Amendment) Act, 2007; was for instance intended to widen the value added tax base and improve the machinery for its collection. Similarly the Company`s Income Tax (Amendment) Act. 2007; the Federal Inland Revenue Services (Establishment) Act, 2007 and The Personal Income tax (Amendment) Act, 2011, were all aimed at encouraging tax compliance and increasing tax yield (Aguolu, 2010).

The serious decline in price of oil in recent years has led to a decrease in the funds available for distribution to the Federal and State Governments. The need for state and local governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. This need underscores the eagerness on the part of state and local governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources. Aguolu (2004), states that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from taxation, however, taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. Aguolu (2004) further mentioned that taxation is the most important source of revenue to the government. Owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances.

Concept and Nature of Taxation

Taxation is seen as a burden which every citizen must bear to sustain his or her government because the government has certain functions to perform for the benefits of those it governs. A précised definition of taxation by Farayola (1987) is that taxation is one of the sources of income for government, such income as used to finance or run public utilities and perform other social responsibilities. Ochiogu (1994) defines tax as a levy imposed by the government against the income, profit or wealth of the individuals and corporate organizations. According to Adams (2001) taxation is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their income. Taxation is seen by Aguolu (2004), as a compulsory levy by the government through its agencies on the income, consumption and capital of its subjects. These levies are made on personal income, such as salaries, business profits, interests, dividends, discounts and royalties. It is also levied against company's profits petroleum profits, capital gains and capital transfer. Whereas, Ojo (2008) stresses that, taxation is a concept and the science of imposing tax on citizens. According to him, tax is itself a compulsory levy which is required to be paid by every citizen. It is generally considered as a civic duty. The imposition of taxation is expected to yield income which should be utilized in the provision of amenities, both social and security and creates conditions for the economic well being of the society. Okon (1997) states that income tax can be regarded as a tool of fiscal policy used by government all over the world to influence positively or negatively particular type of economic activities in order to achieve desired objectives. The primary economic goals of developing countries are to increase the rate of economic growth and hence per capita income, which leads to a higher standard of living. Progressive tax rate can be employed to achieve equitable distribution of resources. Government can also increase or decrease the rates of tax, increase or decrease the rate of capital allowances (given in lieu of depreciation) to encourage or discourage certain industries (e.g. in the area of agriculture, manufacturing or construction) or may give tax holidays to pioneer companies. Income tax therefore can be used as an agent of social change if employed as a creative force in economic planning and development.

The role of the tax administrator in this matter is a crucial one. Balls (1965) has pointed out that subject to the direction of the government and the will of the legislature, the purpose of the tax administrator is, to devise taxes in conformity with the principles that will raise revenues sufficient to meet the needs of government to establish the basis of assessment and a procedure for collection that are as simple, effective and economical as possible, and to develop auditing and other procedures. The function of a tax administrator also includes ensuring full compliance and effective enforcement of tax matters by tax payers. It is important to note that however good principles of a tax system may be, the success of tax administration depends essentially on the ability of the tax administrators to utilize the principles. The problem of personnel then becomes central to tax administration. Hence it has been argued according to Surrey (1965) that the problems of tax administration in underdeveloped countries are basically problems of personnel; there is usually poor pay, lack of training, inefficiency and understaffing.

The Principles of Taxation

Adam (1910) maintained in his book "The Wealth of Nations" gave the most important set of principles, which are also known as the "cannon of taxation" which are still accepted generally by tax administrators all over the world. The principles of taxation are outlined below:

(A) Equity/Equality of Sacrifices:

Adam Smith maintained in these principles that each tax payer should contribute to the support of government also referred to as "state" as nearly as possible in proportion to his ability to pay. For example 10 to 20 percent of all income above a certain figure, since there are some citizens whose incomes were so low that theywere obviously to pay any taxes. Similarly, Musgrave and Peacock (1984) conceived the principles of equity as equal proportion of taxation on every income that is; in principle everyone should pay the same proportion of his income as tax. This means proportional taxation or some percentage on all incomes and therefore rejected progressive taxation i.e (higher tax rates on higher incomes). It also means equal taxation of earned and investment incomes, existing private wealth and capital are exempted, taxation is limited to income only. In the same view, Prest and Barr (1985) said, equal amount per head should be levied. It is obviously much easier to run a system under which everybody pays say ten pounds per head than one which the amount due varies according to economic circumstance.

(B) The Principle of Certainty:

This principle asserts that the taxpayer should know how much tax he has to pay, and when it is to be paid. Such information should be adequately accurate and clearly stated by the tax regulations. Thus, neither the amount nor the time of payment should be the subject of arbitrary decisions by the tax officials.

(C)The Principle of Convenience:

Taxes should be collected at a time convenient for the taxpayers. For example, the Pay as You Earn income tax on salaries and wages deducted weekly or monthly as the case may be as income is received, is a good example of the principle of convenience. Convenience as a principle of taxation has to do with the enforcement of tax and administration. Eckeston (1983) has said that a good tax should not impose taxes that are impossible to enforce even when people comply to tax laws voluntary, the government should verify the tax payments, if not the tax becomes an invitation to break the law. Adam (1910) has pointed out that every tax ought to be levied at the time or in the manner in which it is likely to be convenient for the contributor to pay it. Using this principle as an example, one can argue that the convenient time for payment of tax for West African farmers is during the harvest time.

(D) The Principle of Economy:

The principle emphasizes that the cost of assessing and collecting a tax should be small in relation to the revenue so collected i.e. economy should be the yardstick so that the cost of collecting tax should not be excessive. For example, if the expenses incurred in the course of collecting a tax exceed even 50 percent of the yield, then such taxes do not conform to the principle of economy.

Objectives of Taxation

Although the tax structure in the various developing countries differs widely, the objectives of taxation in these countries are virtually the same. Unfortunately however, the objectives of the tax system and the relationship between these objectives are hardly clearly stated (Cutt, 1969). This does not only makes tax administration difficult but also give room for tax evasion with the attendant effects on economic development. Cutt (1969) therefore, states that a brief discussion on the objectives of taxation as outlined below would be a gainful exercise.

(A). Rising of Revenue:

The classical function of a tax system is the raising of the revenue required to meet government expenditure. This income is required to meet the expenditure which are either the provision of goods and services which members of the public cannot provide such as defense, law and order to the provision of goods and services which the federal and state governments feel are better provided by itself such as health services and education.

(B) Wealth Redistribution:

In modern times, great emphasis has come to be placed on the objective of redistribution of wealth. This has two quite distinct forms. The first is the doctrine that taxation should be based on ability to pay and is summarized by the saying that "the greatest burdens should be borne by the broadest backs." The second form presupposes that the present distribution is unjust and concludes that this should therefore be undone. This second principle sees confiscation as a legitimate objective of taxation.

(C) Economic Price Stability:

It has been said that the most fundamental reason a government has for taxing its citizens is to provide a reasonable degree of price stability within the nation (Summerfield, et al, 1980). Most spending by the public and private sectors without taxes generates high demand, which is inflationary. In such a situation, the basic function of taxation is to reduce private expenditure in order to allow government to spend without causing inflation. Thus, taxation is basically a deflationary measure. On the other hand, when aggregate demand is lower than the deserved level, government has two options which are to increase government spending with increasing taxes or to reduce taxes while leaving government spending stable.

(D)Economic Growth and Development:

The overall control or management of the economy rests on the central government and taxation plays an important role in this direction. In addition to maintaining reasonable price stability, governments are determined to promote the near-full employment of all the resources of the country (including human resources i.e. labour) and ensure a satisfactory rate of economic growth. Economic growth and development programmes are geared towards raising the standard of living of the masses of a country through the improvement of their economic and social conditions. Taxation in one way discourages, postpones or reduces consumption and encourages saving for private investments. This is only possible when the basic necessities of life including security, law and order, education and communication are provided by government, hence, the national development plans of developing countries are considered to be important. This objective will be of great assistance to Nigeria where there is mass unemployment of labour force and economic resources. According to Soyode and Kajola (2006) the responsibilities or objectives of government using taxation are as follows:-

(a) Revenue Generation:

The primary objective of a modern tax system is generation of revenue to help the government to finance ever-increasing public sector expenditure.

(b) Provision of Merit Goods:

An important objective of tax system is the promotion of social, economic and good governance through provision of merit goods. Examples of merit goods are health and education. These must not be left entirely to private hands though, private participation should be encouraged. Private enterprises will push the cost of providing education and health services beyond the reach of common people if left entirely in their hands.

(c)Provision of Public Goods:

Revenue generated from tax can be used to provide commonly consumed goods and services for which an individual cannot be levied the cost of the goods or a service consumed is one of the functions of government. Examples of public goods include:-

(i) Internal security through maintenance of law and order by police and other security agencies.
(ii) External security through defense against external aggression by Army, Navy and Air Forces, and
(iii) Provision of street lights and roads.

(c) Discouraging consumption of demerit goods:

Tax can be used to discourage consumption of demerit or harmful goods like alcohol and cigarette.
This is done to reduce external costs to the society. These external costs include health risks and pollution.

(d) Redistribution of Income and Wealth:-

Tax system is a means of ensuring the redistribution of income and wealth in order to reduce poverty and promote social welfare. For example, taxation can be used as economic regulator for promotion of economic stability and sustainable growth through fiscal policy. Government also has responsibility for fighting inflation, unemployment and creating a sound infrastructure for business. A tax system is one of the means of achieving this.

(e) Harmonization of Economic Objective:-
Harmonization of diverse trade or economic objectives of different countries is one of the modern objectives of tax systems. For example, tax system can be used to achieve the philosophy of the single market in ECOWAS or Africa so as to provide for the free movement of goods/services capital and people between members states.

Features of the Nigerian Tax System
Somorin (2011) stated the features of the Nigerian tax system as follows:- (i) Simplicity, certainty and clarity: Tax payers should understand and trust the tax system and this can only be achieved if Nigerian tax policy keeps all taxes simple, creates certainty through considerable restrictions certainty through considerable restrictions on the need for discretionary judgments and produces clarity by educating the public on the application of relevant tax laws. It is therefore imperative that the Nigerian tax system should be simple (easy to understand by all), certain (its laws and administration must be consistent) and clear (stakeholders must understand the basis of its imposition).
(ii) Low Cost of Administration:-
A key feature of a good tax system is that the cost of administration must be relatively low when compared to the benefits derived from its imposition. There must therefore be a proper cost- benefit analysis before the imposition of any taxes and the entire machinery of Tax Administration in Nigeria should be efficient and cost effective.
(iii) Fairness:-
Nigeria's tax system should be fair and as such observe the objective of horizontal and vertical equity. Horizontal equity ensures equal treatment of equal individuals. The Nigerian tax system should therefore seek to avoid discrimination against economically similar entities. Vertical equity on the other hand addresses the issue of fairness among different income of fairness among different income categories. In this regard, the Nigerian tax system shall recognize the ability to pay principle, in that individuals should be taxed according to their ability to bear the tax burden.
(iv) Flexibility:-
Taxes in Nigeria should be flexible enough to respond to charging circumstances. Prevailing circumstances should also be considered before the introduction of new taxes or the review of existing ones.
(v) Economic Efficiency:-
The Nigerian tax system shall at all times strive to minimize the negative impact of taxes on economic efficiency by ensuring that the marginal tax rates do not distort marginal propensity to save and invest. Utilization of Taxation as an Instrument of Fiscal Policy Keynes (1936) believed that governments could counteract the problem of instability in the economy caused by cycles of high unemployment, severe fluctuations in prices (inflation or deflation) and uneven economic growth through the use of taxation as an instrument of fiscal policy to promote full employment, price level stability, and a steady rate of economic growth. In the Keynesian scheme, tax systems is a primary tool of fiscal policy used, rather than trying to design a neutral tax system, governments deliberately use taxes to move the economy in the desired direction.

Taxation as a tool for Wealth Creation and Employment
Somorin (2011) stated that taxation is recognized as a very important tool for National Development and growth in most societies. One of the major indices by which development and growth can be measured in any society is the amount of wealth, which is created by economic activities undertaken in that society.

Furthermore, she stressed that one of the means of creation of wealth for citizens is through meaningful employment, so that citizens are able to earn income to cater for their needs and also contribute taxes to the Government as part of their contribution to National Development. Somorin (2011) stated that taxation can play a vital and pivotal role in the creation of wealth and employment in the Nigerian economy in the following ways:- Stimulating growth in the economy, by increased trade and economic activities: In this regard, tax revenues should be used to provide basis infrastructure such as power, roads, transportation and other infrastructure which would facilitate trade and other economic activities.
(ii) Stimulating domestic and foreign investment: It is necessary to mention that where the tax system creates a competitive edge for investments in the economy, local investments would be retained in the country while also attracting foreign investments. Increased investment would generate employment and provide wealth in the hands of individuals.
(iii) Revenue generated from taxes can also be applied directly to identify sectors of the Nigerian economy to stimulate such sectors: Somorin (2011) emphasized that for this statement to apply, the sectors must be those which have potential for creating employment, developing the economy and creating wealth for the greater benefit of citizens and government of this country.
(iv) Revenue earned from taxes can be used to develop effective regulatory systems, strengthen financial and economic structures and address market imperfections and other distortions in the economic sector:

Taxes realized from specific sectors of the economy can be channeled back to those sectors to encourage their continued growth and development.

(iv) Redistribution of income, whereby tax revenue realized from high income earners is used to provide public infrastructure and utilities to the lowest income earners.

The Role of Taxation on Economic and Social Development Sustainability Adeyemi (2012) stated that in achieving sustainable development in the social and economic sectors of a country, the government must consider the trade-off involved in attracting foreign direct investment (FDI) in terms of giving incentives and the impact of these on the country's sustainable development.

Tax is a fiscal instrument used to encourage or discourage specific production or consumption behaviours that affect the economic, environmental or social sustainability. Taxation has the following impacts on the sustainability of economic development:

(i) Tax system provides a fiscal platform that encourages foreign direct investment (FDI) and also fosters bilateral, regional and international trade relations among countries: The tax policies of a nation determine whether foreign direct investment would be attracted or not. investors are brought into a country, it means that the investors will bring their stable and free capital, their technology, efficiency and contribution to nation's capital accumulation and job/wealth creation.

(ii) Taxation fosters a fair relationship between development and developing countries so as to ensure that developing countries get a fair allocation of tax base and tax room in emerging trade relations: Consequently, the developed countries would not take undue advantage of the development needs in developing countries as a reason not to work out the international tax regime and mechanism against the third world countries.

(iii) Taxation helps developing countries in formulating effective policies and collection system that foster the funding of sustainability: Effective and well-functioning tax system and administration are and essential foundation blocks for financing sustainable development. Therefore, if there is no adequate tax structure or tax collection system in place, it limits the ability of implementing any policy meant to enhance sustainable development goals and this may make developing countries to keep relying on foreign support which are usually attached with strings.

Government Revenue Generation

Olotu (2012) mentioned that today, taxation is already sowing seed of transformation in many states of the federation of Nigeria. She pointed that only lost month, Tell Magazine carried a cover story titled, "the new cash cow". In that write up the magazine reveals how "more and more states across the country are now turning to taxation to shore up their revenue to finance critical infrastructural projects". (Tell Magazine, April 30, 2012). She pointed examples of Governor Okorocha (Imo State), Governor Oshiomole (Edo State), Governor Fashola (Lagos State) and Governor Amaechi (Rivers State) were among the list of states where tax revenues are being harnessed to transform their various jurisdiction. Further more, Olotu (2012) mentioned that these states have seen their tax revenues tripled and quadrupled in recent times and this has enabled the implantation of numerous life and community transforming projects and programmes leading to an increasingly more satisfied populace. Olotu (2012) cited monthly revenue increase from N275 million per month to over N1.6 billion per month, as is the case in Edo State. She attributed the cause mainly due to increase in tax revenue. Abiola and Asiweh (2012) also highlighted the contribution of Lagos State to government revenue generation in Nigeria. They stated that Lagos State is among a few states in Nigeria that have left a land mark in terms of independence and use internally generated revenue.

Syndelle (2009) observed that in 2007, Lagos state achieved a gross domestic product of N3.68 trillion an equivalent of $29.028 billion making it the biggest contributor to the federal government.

Nigeria's Major Taxes

In order to avoid multiple collections of taxes from the same taxpayer, at least in theory, taxes of each tier of government in Nigeria have been clearly defined by the Joint Tax Board (JTB) as follows:

(a) Federal Taxes: Federal Taxes includes: Companies Income Tax.
(ii) Custom and Excise Duties.
(iii) Value Added Tax.
(iv) Education Tax
(v) Personal Income Tax in respect of:-
(1) Armed Forces, Police, etc.
(2) Non resident individuals and companies.
(3) Staff of Nigeria Foreign Service.
(4) Individuals resident in the Federal capital Territory.
(b) State Taxes:

(i) Personal Income Tax.
(ii) Road Taxes
(iii) Pools betting and lotteries.
(iv) Business premises registration
(v) Development Levy.
(vi) Naming of street registration in state capitals
(vii) Right of occupancy on land owned by state
(viii) Market taxes on state financed taxes.
(c) Local Government Taxes:
(i) Shops and Kiosks rates.
(ii) Tenement rates.
(iii) On and off liquor license fee.
(iv) Slaughter slab fees
(v) Marriage, Birth and death Registration Fees (Rural Areas).
(vi) Right of Occupancy on land in rural areas.
(vii) Market Taxes and Levies.
(viii) Motor Park Levies
(ix) Domestic Annual License Fees.
(x) Bicycle, Truck, Canoe, Wheelbarrow, and Cart Fees.
(xi) Cattle tax payable by cattle farmers only.
(xii) Merriment and Road Closure Levy.
(xiii) Radio and Television License Fees (other than radio and television transmitter)
(xiv) Vehicle Radio License (Local Government Registration of the vehicle).
(xv) Wrong Parking Charges
(xvi) Public Convenience and Refuse Disposal, Customary burial ground permit fees.
(xvii) Religious Place Establishments Permit Fees
(xviii) Signboard and Advertisement Permit Fees.

Problems of Tax Administration in Nigeria

According to Soyode and Kajola (2006), the problems of tax administration in Nigeria are as follows: Tax Evasion: Tax evasion is a deliberate and willful practice of not disclosing full taxable income so as to pay less tax. In other words, it is a contravention of tax laws whereby a taxable person neglects to pay the tax due or reduces tax liability by making fraudulent or untrue claims on the income tax form.

Tax is evaded through different methods some of which include the following: Refusing to register with the relevant tax authority. Failure to furnish a return, statement or information or keep records required. Making an incorrect return by omitting or understating an income liable to tax refusing or neglecting to pay tax. Overstating of expenses so as to reduce taxable profit or income, which will also lead to payment of less tax than otherwise have been paid. A taxpayer hides away totally without making any tax return at all. Entering into artificial transactions.

(2) Tax Avoidance:

Tax avoidance has been defined as the arrangement of tax payers' affairs using the tax shelters in the tax law, and avoiding tax traps in the tax laws, so as to pay less tax than he or she would otherwise pay. That is, a person pays less tax than he ought to pay by taking advantage of loopholes in a tax levy.

Tax can be avoided in various ways:

Incorporating the tax payer's sole proprietor or partnership into a limited liability company. The ability to claim allowances and reliefs that are available in tax laws in other to reduce the amount of income or profit to be charged to tax. Minimizing the incidence of high taxation by the acquisition of a business concern which has sustained heavy loss so as to set off the loss against future profits. Minimizing tax liability by investing in capital asset (for instance through the new form of corporate financing by equipment leasing), and thus sheltering some of the tax payers income from taxation through capital allowance claims.

Sheltering part of the company's taxable income from income tax by capitalizing profit through the issue of bonus shares to the existing members at the (deductible) expenses to the company. Creation of a trust settlement for the benefit of children or other relation in order to manipulate the martinet tax rate such that a high income bracket tax payer reduces his tax liability.

Converting what would ordinarily accrue to the tax payer (employee) as income into capital gain (i.e Compensation for loss of office) the advantage of the employer and employee. Manipulation of charitable organizations whose affairs are controlled and dominated by its founders thus taking advantage of income tax exemption. Buying and article manufactured in Nigeria thereby avoiding import duty on imported articles.

Avoiding the consumption of the articles with indirect taxes incorporated in their prices e.g. tobacco.

Other Problems Militating against Effective Tax Administration in Nigeria

(1) Problems of Assessment

There are two major aspects to these:

(1) Identification the person to be assessed:

His address and his place of resident so that notices can be served to him.

Due to the poor rate of voluntary compliance, and the very low degree of honesty, most taxable persons hide from tax authorities, and if possible would give fake addresses to conceal their identity. Persons who are aware of the whereabouts of other taxpayers evading tax would not volunteer any information to the Tax Authorities.

Our postal system and services are so inadequate and inefficient that even letters with proper addresses are not delivered let alone those with no proper addresses. Many businessmen and women do their business without any registration or any fixed addresses. It is therefore difficult to track down such persons for tax purposes.

There is also the fact that a lot businesses involving money, are still carried out in this country without reducing anything in writing, what is in writing may not accurately reflect what has transpired, either for fraudulent reasons or for tax purposes.

(2) Identifying Income for Tax Purpose

The ascertainment of world income tax purpose most of the time proved difficult. World income embraces all sources of income, including employment income, income from business, profession or vocation interest, rents, dividends etc. earned in or brought into Nigeria. Taxpayers often flout notices to file return of income forms and either they fail to render any returns at all or even when they do, they render virtually

useless returns, in the pretext that they are illiterate or do not know what to do. People engage in artificial transactions to conceal or dodge the burden of tax and conceal income yielding transactions e.g. people build houses in other people's name, may be in the name of people who are otherwise non-existent or are so insignificant in the society that they are not likely to be called at any time to pay tax, let alone to be asked to account for house(s) they are supposed to own.

(3) Personnel Problem and Low Image of Tax Officials

Lack of experienced personnel to man the various relevant tax authorities hinders the effective tax administration in Nigeria. In some states, the Board of Internal Revenue is poorly staffed both in terms of quality and quantity of staff. The image of a tax man is that of a corrupt person. They are seen in the eyes of the public as not only corrupt but also lacking in personal integrity.

(4) Inadequate Penalties for Tax Defaulters

Low penalties, sometimes ridiculous for tax defaulters do not serve as deterrent for others. They are also not strict enough to encourage compliance.

(5) Attitudinal Problem

Most people do not know that it is part of their civic duties or responsibilities to pay tax and except a few enlightened individuals, corporate organizations and salaried employees whose income are subjected to tax, some adult Nigerians do not eagerly and regularly pay tax.

(6) Cumbersome Process of Payment

The procedure for paying certain taxes are too cumbersome and do not encourage prompt payment of tax by payers. In some instances they go Scot free by bribing tax officials.

The way forward

In this study, effort has been made to analyze taxation as a tool for revenue generation in Nigeria in the three tiers of government namely: Federal, State and Local Governments for structural and economic developments. In this study, issues relating to taxation as a tool for wealth creation and employments, the role of taxation in wealth creation and employment, the role of taxation on economic and social development sustainability and government revenue generation were considered. This study also considered the two major categories of tax which are direct and indirect taxes, and the study focused on the various types of taxes collected by the Federal, state and Local Governments. Furthermore, the study considered other problems militating against effective tax administration in Nigeria such as identification of the person to be assessed, identifying income for tax purpose, personnel problem and low image of tax officials in the eyes of the public, attitudinal problem and cumbersome process of payment.

Finally, the study concludes that taxation has significantly impacted on revenue generation in Nigeria.

Recommendations

The following recommendations are made:

(a) There is an urgent need for all state governments to clearly state the basic objectives of its tax system and the relationship between these objectives. This will assist to give the tax administrators a sense of direction and

make the tax payer see clearly the reasons he/she should pay his/her tax as at when due.
(b) The tax collection mechanism used by tax officials must be free from corruption and embezzlement. If this is not done the revenue collected many not reach the desired point.
(c) The Federal Government, state governments and local governments should urgently fully modernize and automate all its tax system, improve tax payer convenience in the assessment and payment process whilst at the same time entrenching effective and modern human resource management practices in the tax authorities.
(d) Judicious use of tax payers money should be made and be seen to have been properly utilized. This will encourage tax payers to continue to pay taxes.
(e) Effort should be made by the Federal State and Local Government to diversify the main revenue source from oil to other sectors of the economy such as agriculture, extractive industries in order to attract direct and indirect taxes.

The Federal, State and Local Governments should ensure that all collected revenue from either Pay As You Earn, withholding taxes, value added tax etc are paid promptly into designated bank accounts and failure to do so within the stipulated period of time should attract strict penalties to the tax official.

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