

# **THE PEOPLE AS GOVERNMENT: IMPERATIVES OF TAX PAYMENT**

**BEING A PAPER PRESENTED**

**BY**

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In order to put our discourse in its proper perspective, I have decided to x-ray this topic under the following sub-headings:

- Introduction
- The People as Government
- What is the Essence of Government
- Government and Tax Payments
- Challenges to Tax Payments
- How to Attain Effective Tax Payment
- Imperatives of Tax Payment
- Conclusion

## **INTRODUCTION**

This topic we are here to examine demands discussion in the context of the overarching theme of the Akwa Ibom Revenue Summit which is “**Maximizing Internally Generated Revenue (IGR) Potentials in Akwa-Ibom State – A Collective Responsibility**”. The invitation letter for me to deliver this paper states clearly that the summit involves participation of stakeholders from diverse socio-economic sectors in the State and is being organized:

- as part of strategic efforts to boost IGR of the State
- to fashion out ways of improving the level of tax compliance among taxable residents of the State in view of dwindling Federal allocations
- to afford all stakeholders opportunity to make input on how best to improve tax administration in the State
- to improve the tax collection system
- to enhance transparency and accountability

- to maximize the role of ICT (information communication technology) in the entire process

It becomes clear that with aforementioned objectives in mind, the topic for discussion which is **“The People As Government: Imperatives of Tax Payment”** needs to be contextually situated.

We must point out from the onset that this discourse is as important for the other 35 States of the Federation as it is for Akwa-Ibom State. This is because the reverberative effect of the global financial meltdown has resulted in dwindling Federal allocations to all States and Local Governments without exception since they all share revenue from the same Federation account.

The current situation demands self-realization and self-introspection with a view to gaining financial self independence by maximizing the IGR generation efforts and potentials in Akwa-Ibom State, indeed in all States of the Federation, as a collective responsibility. In order to do this, Akwa-Ibom State must aggressively accelerate collection of taxes and levies collectible by both the State and Local Governments as delineated for States and Local Governments in the Taxes and Levies (Approved List for Collection) Act, Cap T2 LFN 2004 shown below:

<b>STATE TAXES</b>	<b>LOCAL GOVERNMENT TAXES</b>
Personal Income Tax in respect of a. Pay-As-You-Earn (PAYE); and b. Direct taxation (self-assessment)	Shop and Kiosks rates
With-holding taxes (individuals only)	Tenement rates
Capital Gains Tax (individuals only)	Slaughter slab fees
Stamp duties on documents executed by individuals	Marriage, birth and death registration fees
Pool Betting and lotteries gaming machine	Naming of street registration fee, excluding any street in the State capital
Road Taxes	Right of Occupancy fees on lands in rural areas, excluding those collected by the Federal and State Government
Business premises registration fee in respect of a. Urban areas as defined by each state,	Market taxes and levies excluding any market where state finance is involved

<ul style="list-style-type: none"> <li>maximum of</li> <li>i. N10,000 for registration, and</li> <li>ii. N5,000 per annum for renewal of registration, and</li> <li>b. Rural areas: <ul style="list-style-type: none"> <li>i. N2,000 for registration, and</li> <li>ii. N1,000 per annum for renewal of registration</li> </ul> </li> </ul>	
Development levy (individuals only) not more than N100 per annum on all taxable individuals	Motor park levies
Naming of streets registration fees in the State Capital	Domestic animal licence fees
Right of occupancy fees on land owned by the State Government in Urban areas of the State.	Bicycle, truck, canoe, wheelbarrow and cart fees, other than mechanically propelled truck
Market taxes and levies where State finance is involved	Cattle tax payable by cattle farmers only Merriment and road closure levy
	Radio and television licence fees (other than radio and television transmitter)
	Vehicle radio licence fees (to be imposed by the Local Government of the State in which the car was registered)
	Wrong parking charges
	Public convenience, sewage and refuse disposal fees
	Customary burial ground permit fees
	Religious places establishment permit fees
	Signboard and advertisement permit fees.

Mr. President in his speech during the 1<sup>st</sup> International Tax Conference held in Abuja on 27<sup>th</sup> October, 2008 emphasized the need for a paradigm shift from dependence on oil revenue to tax revenue for sustainable growth and development when he said:

**“There is no better time but now for Nigeria to put the issue of diversification of revenue sources away from oil on the front burner...For a nation to carry out basic functions of government, pursue and implement her development programmes like our “Vision 2020” ... it requires a stable, predictable and sustainable source of revenue. This leaves us with a very limited choice other than to subscribe to international best practices and make taxation the primary source of revenue of government...This is crucial in view of the fact that the so called diversification from dependence on oil as the principal source of revenue is applicable to the three tiers of government as States and LGAs**

**should henceforth depend less on handouts from FAAC and intensify their IGR drive”**

Hitherto huge foreign exchange earnings from oil revenue made all three levels of Government (Federal, States and Local Governments) to pay less attention to IGR collections from tax revenue. But our **constitution saw the need for dependence on tax revenue for sustainable development** when it stipulated in Section 24(f) that it shall be the duty of every citizen to declare his income honestly to appropriate and lawful agencies and pay his tax promptly. It is therefore a constitutional duty for every citizen in Akwa-Ibom State and indeed the whole country to pay his tax for the collective growth of the commonwealth. When we talk of sustainable development we mean **“meeting the needs of the present without compromising the ability of the future generations to meet their own needs”**. Oil which is in great quantities in Akwa-Ibom State, being a wasting asset cannot be relied upon for sustainable development for all time but taxes can. Therefore generating adequate tax revenue for sustainable development is the most desirable option.

The ongoing tax reforms in Nigeria which involve the establishment of a National Tax Policy are geared towards this goal by ensuring that every citizen pays his due taxes to Government and has a taxpayer identification number (TIN). However, in order to attain this, the people must see themselves as Government as this is the only way to achieve a voluntary tax compliance culture which engenders voluntary tax payments.

## **THE PEOPLE AS GOVERNMENT**

Democracy which is the extant form or system of government in Nigeria places emphasis on the people as government. Chapter two of the 1999 Constitution which deals with the “Fundamental Objectives and Directive Principles of State Policy”

emphasizes that the Federal Republic of Nigeria shall be a state based on the principles of democracy and social justice. Consequently, Section 14(2) of the Constitution conceptualizes “the people as government” when it says that:

**“It is hereby, accordingly, declared that –**

- (a) Sovereignty belongs to the people of Nigeria from whom government through this Constitution derives its power and authority;**
- (b) The security and welfare of the people shall be the primary purpose of government; and**
- (c) The participation by the people in their government shall be ensured in accordance with the provisions of this Constitution.**

This means that the people as a whole have ultimate sovereignty which they cede to their representatives in government through a mandate to act as a truly representative, responsive and responsible government. In other words, the people have through acceptance of democracy as a system of government established:

- (i) representative government:** which represents the interests and aspirations of the people in accordance with the tenets of liberal democratic theory.
- (ii) responsive government:** which must at all times respond to the desire and wishes of the people by gauging public opinion.
- (iii) responsible government:** which means the government must be accountable to the people for their actions and therefore act with a great sense of responsibility.

The three concepts aforementioned show that government in a democracy is representative government which must have responsiveness and responsibility as necessary ingredients. Professor Karl Deutsch says:

**“The concept of a “representative”, to be sure, is more complex than it seems. It has at least five different meanings. A representative may be similar to his constituents, so that they can see him as a sample of themselves; or he may give voice to their own vague feelings; or he may**

**deliver their explicit message and do their will; or they may trust him to use his greater competence and wisdom on behalf of their interests; or he may serve them as a broker who brings together their diverse and divided groups and interests, so as to make them more powerful in combination; or he may combine any of all of these functions.”**

This means that a representative of the people in a representative Government may function in several capacities to wit: as a sample, a messenger, a trustee, a broker. When the people perceive themselves as participants in the entire government process they see governance as a collective responsibility. Such a political system will breed a high participant political culture which generates self-confidence in the people and leads to attainment of a high voluntary tax compliance. The people then see themselves as partners in progress with government leading to the entrenchment of voluntary tax compliance culture. A political system that is run otherwise engenders alienation and aberrant political behaviour from the people. This is why the people prefer liberal democracy to military dictatorships. At the moment, the people of Akwa-Ibom State, and indeed all Nigerians having elected their leaders in the present democratic dispensation must see themselves as government which our Constitution really says they are.

### **WHAT IS THE ESSENCE OF GOVERNMENT?**

Government as an institution arose to control the bestial attitude of man in the Hobbesian State of nature when life was “solitary, poor, nasty, brutish, shortish” and what obtained was “war of every man against every man”. It therefore became imperative that all men came together to hand over control of their affairs to the sovereign to run government in the interest of all. In traditional societies, Government was run by the sovereign in a political system that lacked political differentiation as their functions were diffuse. In other words, the three arms of

government as we know them today in the modern nation-state, namely, the legislature, executive and the judiciary were not clearly defined institutions with clearly delineated roles spelt out as we have them in modern societies. In modern day society, government has clearly set out objectives. For example, the Nigerian Constitution clearly states in section 14(2) that **the primary purpose of Government is the security and welfare of the people**. This is the essence of Government. Consequently, it sets out in sections 16 – 20, very clear objectives and compels all organs of government to conform to, observe and work towards the attainment of the objectives of Government categorized into the political, economic, social, educational, foreign policy, environmental objectives. These clear objectives which are discussed hereunder, underscore the essence of government for the people of Akwa-Ibom State including all Nigerians.

- Political Objectives

Government aims at fostering a feeling of belonging and of involvement among the various people of Akwa-Ibom State and the Federation and consequently discourages discrimination on grounds of place of origin, sex, religion, status or linguistic association amongst others.

- Economic Objectives

Government is to control the economy in such a manner as to secure the maximum welfare, freedom and happiness of the citizens on the basis of social justice and equality of status and opportunity. Government is also to ensure that the material resources of Akwa-Ibom and the nation are harnessed and distributed as best as possible to serve the common good amongst others.

- Social Objectives

Government is to ensure that every citizen shall have equality of rights, obligations and opportunities before the law and that exploitation of human and natural resources in any form whatsoever for reasons other than the good of the community shall be prevented and that the health, safety and welfare of all persons in employment are safeguarded and not endangered or abused amongst others.

- Educational Objectives

That government shall ensure that there are equal and adequate educational opportunities at all levels and strive to eradicate illiteracy amongst others.

- Foreign Policy Objectives

That Government shall promote and protect the national interest, promote Africa integration and international cooperation while respecting international law and treaty obligations as well as seeking settlement of international disputes by negotiation, mediation, conciliation, arbitration, adjudication among others.

- Environment Objectives

That Government shall protect and improve the environment and safeguard the water, air, land forest and wild life of Akwa-Ibom State.

## **GOVERNMENT AND TAX PAYMENTS**

The role of Government is first and foremost to provide good governance. What is good governance? Good governance simply means provision of basic infrastructure to meet the basic needs of citizens in an atmosphere where peace and security is guaranteed. Professor C. R. McConnell defines “infrastructure” as “the capital goods usually provided by the public sector for the use of its citizens and firms (for example, highways, bridges, transit systems, waste water treatment

facilities, municipal water system, and airports)”. Good governance therefore entails the provision of electricity, potable water, good roads, telecommunications, etc to the general public by Government. Where Government does not provide these facilities to citizens in exchange for taxes paid, citizens become reluctant to pay taxes. Tax officials are often interrogated by taxpayers to show evidence of what Government is doing with the taxes paid as they do not have regular electricity and potable water supply. This is why Government needs to do more to meet the basic infrastructural needs of citizens.

In order to attain good governance, government must put in place a rational tax system where tax payments are made by every citizen and the canons of taxation so well enunciated by Adam Smith upheld. These canons of taxation include convenience, certainty, economy and equity in the tax collection process while optimizing tax collections.

Government can put good governance in place with the good utilization of taxes paid usually referred to in common parlance as “taxpayers money”. Government has a crucial role to play in order to maximize the IGR potentials and collections in Akwa-ibom State, but there are challenges.

## **CHALLENGES TO TAX PAYMENTS**

The challenges have been grouped into 8 broad categories which include:

- Economic
- Environmental
- Educational
- Structural/functional
- Political

- Social
- Constitutional/legal
- Cultural/Religious

### **Economic Challenges**

- **Tax Evasion and Tax Avoidance** – Tax evasion which is common place is a criminal act that leads to serious loss of revenue to Government. It includes:
  - Deliberate evasion of payment of taxes
  - Deliberate failure or refusal to pay taxes to Government
  - Deliberate failure/refusal to remit deducted taxes to Government by employers
  - Deliberate refusal to deduct and pay due taxes to Government.
  - Deliberate underdeclaration of income and underpayment of tax

Tax avoidance although not a criminal act is immoral. It entails the deliberate use of loopholes in the provisions of the tax law to reduce taxes payable. Some tax practitioners and individuals work out tax avoidance schemes to drastically reduce their tax liabilities by exploiting loopholes in the tax law to their advantage and to the detriment of Revenue.

Some employers of labour engage in several tax evasion and tax avoidance schemes which result in huge revenue loss to Government.

- **Fraud** – This is a serious problem leading to loss of revenue as both taxpayers and tax authorities continue to witness cases of fraud and fraudulent conversion of tax revenue into private pockets. In some cases, cheques meant for tax payments to Government are fraudulently converted to private pockets without trace.

- **Lack of working materials** – This has remained a problem blighting the various tax offices in States as they lack basic working materials like photocopiers, computers, furniture, office cabinets, tax forms, generators, etc.
- **Poor remuneration of staff** is a disincentive to hard work and adversely affects productivity.
- **Poverty** of the general public leads to little tax payment because the “**ability to pay principle**” comes into play as the majority of the population lives on the bare edges of existence and therefore do not have the necessary disposable income from which to pay their taxes.
- **Inadequate funding** of the Board of Internal Revenue has dwarfed field operations as tax officials cannot effectively carry out tax inspection and tax audit of employers. The existing motor vehicles for these operations cannot be easily fuelled for lack of funds. Also, generators can hardly be bought or fuelled to run their computers in their various field offices. Adverts and publicity jingles for sensitizing the public to pay taxes cannot be made because of lack of funds, while computers cannot be maintained or repaired for same reason. In some States where 10% of collected revenue has been approved as cost of collection to the BIR, the money is not readily released to the BIR thereby compounding the problem of inadequate funding.
- **Lack of logistics** - This makes it impossible for the staff to readily move to the various employers of labour to check their books to ensure that correct tax deductions and payments are made as required by law.
- **Lack of banks in rural areas** – This has posed a problem to revenue collection as officers working in stations without banks have to travel several miles to deposit the collected revenue with the attendant risk of coming across robbers.

- **Insufficient Office Accommodation** – There is no office accommodation in some local government areas for the BIR to collect revenue.

### **Environmental Challenges**

- **Corruption** – This hydra-headed phenomenon blights the tax system as both the taxpayers and tax collectors are involved. Many taxpayers do not want to pay the correct tax even in the face of clear information available to the tax authorities about their true earnings or incomes. They prefer to negatively induce tax officials to reduce their tax and pay far less than they should. In some cases, tax officials demand bribes in order to reduce tax liabilities of citizens. The incidence of corruption results in huge losses of revenue to Government.
- **Ignorance** – There is gross ignorance on the part of the populace about the taxes payable by them to the State Government. Even the few who know are not certain about how much they should pay or what the tax law says about their rights of objection or appeal against tax assessments. There is crass ignorance about which taxes are payable to the Local Governments. Consequently many citizens do not pay their due taxes either to the State or to the Local Governments resulting in low revenue collections.
- **Conflicts between the Federal Government and States** in the collection of certain taxes where employers wrongly pay State withholding taxes to the Federal Government is a challenge resulting in revenue loss to States. At the Local Government level, some revenue collectors collect revenue using private contractors receipts and remitting only part of revenue collected into Government coffers instead of all the revenue collected. The use of revenue contractors at that level of Government leads to huge loss of revenue to the

third tier of Government as most of the revenue collected ends up in private pockets.

- **E-trade and commerce** which now characterizes our modern globalized world has led to serious tax evasion. This is because most transactions are carried out in living houses or bedrooms without trace by tax authorities resulting in huge revenue loss to Government.
- **Violence, threats to lives of tax officials** is a disincentive to tax collection. Many members of the public are hostile to tax collectors and resist accepting demand notices. Some even physically assault tax officials.
- **Poor working conditions in tax offices** where offices lack basic working materials like photocopiers, computers, air conditioners, generators, furniture, ceiling fans, etc the resultant effect is low productivity by such staff.
- **Interventions of unauthorized persons** – When officers are posted to areas where their services are most needed for revenue collection, some unauthorized but powerful persons in the political class intervene as godfathers to thwart such postings to the detriment of Revenue. Also sometimes, certain persons unauthorized by law unilaterally exempt certain emoluments from tax payments without clearance from the BIR which is the appropriate tax authority.
- **Robberies** and breaking into tax offices by thieves in search of money remains a challenge.
- **Ineffective taxation of the affluent** – The affluent in the society use their influence to underpay taxes. Usually they belong to the ruling political party and are seldom controllable as they are potentates.

### **Educational Challenges**

- **Lack of training** for revenue officials is a major conundrum adversely affecting revenue generation. This makes it possible for qualified chartered accountants to effectively use tax avoidance schemes to the detriment of Revenue when they confront ill-trained revenue officials.
- **Lack of professionalism** - A lot of the staff have not yet qualified as tax professionals as they have not qualified as Associates or Fellows of the Chartered Institute of Taxation (CITN) to enable them effectively practice taxation to enhance revenue collection. It is a major deterrent to thorough tax inspection, tax audit and tax investigation.
- **Lack of computerization** – Effective use of modern computerized systems of revenue generation is yet to be put in place as required for tax computations and tax audit. All the processes and procedures for tax collection are not yet automated as should be the case.
- **Lack of a data base** of all taxable adults in the State has aided tax evasion and led to loss of revenue to Government as many taxable adults are yet to be included in the tax paying bracket by giving them a tax identification number (TIN).
- **Mediocrity** on the part of many tax officials remains a major challenge to higher revenue yield as tax officials need to be very knowledgeable about tax law provisions to maximally use this information for optimum collections.
- **Lack of public enlightenment and taxpayer education** – This has resulted in non-compliance with tax laws and non-payment of taxes due from the populace. Many people argue that they do not see the need to pay taxes as they are not getting regular power supply and other basic public utilities required for normal living.

- **Lack of data and records** – This is a major handicap to revenue collections as many businessmen and self-employed persons do not keep books of account on all their transactions or any records to enable revenue authorities accurately assess their income to tax.

### **Structural/Functional Challenges**

- **Lack of a refund scheme** for overpaid taxes makes many employees especially bank employees not to disclose their total emoluments. A good refund system for overpaid taxes as exists in the developed world and many Commonwealth countries is totally lacking.
- **Lack of good internal control** - This still poses a problem since the processes and procedures are not fully automated.
- **Bureaucracy** which characterizes the mainstream of the civil service has posed a problem to quick release of funds for printing of revenue earning books, and tax forms. The various Ministries, Departments and Agencies (MDAs) do not share information with the BIR that will lead to adequate assessment of taxpayers e.g. Ministry of Lands does not give information to BIR on buyers and sellers of land for tax assessment purposes.
- **Leakages** still exist in the system because of inadequate automation while some collecting banks have been known for not disclosing all tax revenue payments made to them until discovered.
- **Inadequate prosecutions** - Tax defaulters are not promptly and readily arraigned for tax default and diligently prosecuted and this leads to loss of revenue.
- **Underassessment of taxpayers/persons** – many taxpayers/persons are often under-assessed their taxes/ground rents/levies and charges by revenue

collecting MDAs largely because of lack of information or because the rates have not been reviewed for many years.

### **Political Challenges**

- **Bad governance** is a disincentive to tax payments. When basic infrastructure in the form of street lights, good dualized roads, potable water and hospitals etc are lacking, this discourages voluntary tax compliance.
- **Lack of legislation and updated amendments** – This is still adversely affecting collections of personal income tax as the National Assembly has not yet enacted into law all the necessary amendments that will accelerate revenue generation as proposed to her by the Joint Tax Board in the Personal Income Tax (Amendment) bill.
- **Lack of political will** – This makes tax officials afraid of adequately taxing the affluent as the very affluent belong to the political and ruling class. Political appointees are not requested to produce tax certificates as required by law before being appointed.
- **Political considerations and political solutions** - This had in the past led to the incomes of certain class of people remaining untaxed e.g. when a portion of employees salaries/allowances are exempted from tax.
- **Premature retirements and unwarranted redeployments of revenue staff** - This factor discourages revenue officials from putting up optimum performance.

### **Social Challenges**

- **Lack of tax policy** – This has adversely affected revenue generation as there is yet no national tax policy or code of conduct and code of ethics for the practice of tax administration.
- **Negative public attitude to income tax payment** – This has led to low tax collections as many people do not come up to pay their taxes voluntarily unless they require tax clearance certificates to obtain government services.
- **Social upheavals and insecurity** are twin problems that have posed a major challenge to revenue generation.
- **Poor work environment** – This has always had a discouraging influence on staff of the revenue service in the past and remains a disincentive to hard work.

### **Constitutional/Legal Challenges**

- **Light penalties** - Many of the penalties for defaulters prescribed under the Personal Income Tax Act were made long ago and the rates or fines which are too low and unrealistic have not been updated because of the long legislative process.
- **Tedious amendment procedures** of the Personal Income Tax Act have hampered the amendments of the PITA to reflect the changing realities of today that should yield high tax payments.
- **Judicial problems and delays** resulting from long delays due to our long court processes discourage tax officials from taking the legal option.

### **Cultural/Religious Challenges**

- **Religious considerations** have also hampered non-collection of taxes from pastors and churches to the disadvantage of revenue.

- **Cultural beliefs against taxing income of deceased persons** have worked against high revenue collections from deceased persons whose estates are still yielding good taxable income.

## **HOW TO ATTAIN EFFECTIVE TAX PAYMENT**

A comprehensive approach is needed to tackle the identified economic, environmental, educational, structural/functional, political, social, constitutional/legal and cultural/religious challenges if States including Akwa-Ibom State are to collect the desired internally generated revenue to attain the desired growth and development.

We desire to have optimal internally generated revenue collections in a rational tax system where the canons of taxation propounded by Adam Smith are upheld, to wit: convenience, equity, economy and certainty. Paying of taxes by citizens should be arranged in such a manner that taxpayers find it convenient to pay taxes while being certain of the taxes they are to pay.

I have decided to make my prescriptions to surmount these challenges seriatim.

### **Economic Challenges**

- **Tax Evasion** – The challenge of tax evasion must be tackled head on by first putting in place a taxpayers database of all taxable adults in Akwa-Ibom State. This will first make it possible for all taxable adults in the State to be known and their due taxes determined by the tax authority as a comprehensive database is currently lacking. Regarding those who deliberately fail to deduct or remit taxes deducted to Government, the full weight of the law with all the stiff penalties prescribed therein should be applied to discourage tax evasion. I

suggest that garnishee powers as used in Canada be incorporated into the Nigerian tax law at the national level for implementation by States.

- **Tax Avoidance** – Adequate funding of the BIR should be put in place to enable her train and re-train tax officials to detect tax avoidance schemes and plug all such loopholes to increase revenue collections.
- **Fraud** – Full automation of all revenue collecting processes and procedures is recommended to contain this problem. It is better to prevent fraud than allow it and prosecute offenders.
- **Lack of working materials** – Adequate funding is the solution to this problem by prompt payment of the approved 10% cost of collection to the BIR.
- **Poor remuneration of staff** – This should be seriously looked into and better remuneration and incentives including benefits in kind should be approved for BIR staff.
- **Poverty** – The ability to pay principle demands that Government should strive to see that Akwa-Ibom State becomes fully industrialized to wipe out the prevailing poverty amongst the populace so that the generality of the population will have greater disposable income from which to pay their taxes. The jump starting of a free trade zone is recommended to attain this.
- **Inadequate funding** – The BIR in Akwa-Ibom should be given 10% of revenue collected as approved by law within 10 days of the end of each month without fail by the Accountant-General as running cost to enable her astronomically improve collections by doing the following: buying and maintaining motor vehicles for regular tax inspection and tax audit; buying and maintaining generators for all field offices and for establishing more field offices; buying and maintaining computers in all offices; paying for adverts

and publicity to sensitize the public to pay taxes voluntarily; sending outreaches to educate the public for public enlightenment; and paying hotel accommodation bills for BIR often transferred staff. The greater the funding of BIR the more their collections as exemplified by the Federal Inland Revenue Service and the Lagos State Internal Revenue Service.

- **Lack of logistics** - The BIR should purchase sufficient motor vehicles for intensified tax inspection and tax audit.
- **Lack of banks in rural areas** – Designated banks already collecting money for the State Government should be encouraged to open branches in the rural areas to prevent tax officials from traveling several miles with cash from tax offices in Local Governments without banks to where there are banks with the risk of losing the revenue and their lives.

### **Environmental Challenges**

- **Corruption** – The office of a State Ombudsman or a whistle blower should be opened for public complaints against public officials who are corrupt. Although the Servicom offices are geared towards this, the office of an Ombudsman and a whistle blower dedicated for this purpose will go a long way to check corruption within and outside revenue collecting offices. The anti-corruption crusade should continue with the use of the EFCC and ICPC.
- **Ignorance** – Tax forums, outreaches, TV and radio education programmes would eradicate ignorance if 10% of the revenue collected by BIR is promptly given the BIR and utilized for enlightenment campaign.
- **Conflicts between Federal Government and States** – The payment of withholding taxes meant for the State to the Federal Government by certain

employers can be stopped through radio, TV jingles and pamphlets to educate employers if the BIR is better funded.

- **E-trade and e-commerce** – There should be collaboration between the EFCC and the BIR regarding this. Besides, the National Assembly should be urged by States to quickly pass into law the Personal Income Tax Amendment Bill where there is a provision that banks must send to the BIR the names of any person who deposits cash of N1 million and above.
- **Violence and threats to lives of tax officials** – If BIR is given adequate funds, this menace will be overcome by aggressive adverts/publicity by the BIR educating taxpayers on the good utilization of taxes paid by Government.
- **Poor working conditions in tax offices** – These can be adequately improved from the 10% funding already approved by law for the BIR in Akwa-Ibom State.
- **Interventions of unauthorized persons** – Tax forums for public enlightenments will be organized to tackle this problem once BIR is adequately funded. Also all private sector employers and MDAs need to be educated through pamphlets, radio and TV jingles on the need for non-intervention once BIR is adequately funded. Robberies and breaking into tax offices by thieves will be obliterated ultimately through e-payments for all types of taxes. The current direct bank lodgment system should be extended to all forms of tax payments to prevent any attractions to robbers.
- **Ineffective taxation of the affluent** – Taxpayer segmentation is the best way to overcome this conundrum. Government has to establish special large taxpayers offices to identify and focus on taxation of the affluent in society – owners of housing estates, big hotels, petrol stations, large-scale importers and exporters and big contractors.

## **Educational Challenges**

- **Lack of training and retraining for revenue officials** – This will be adequately done if 10% of revenue collected is quickly disbursed to the BIR as running cost.
- **Lack of professionalization** – A well funded BIR will send officers regularly for the Mandatory professional Training Program (MTPT) of the Chartered Institute of Taxation of Nigeria. This will enable revenue officers properly carry out thorough tax inspection, tax audit and investigation.
- **Lack of computerization** – Government must be ready to spend money for full automation of all the processes and procedures of the BIR. There must be put in place online links between the BIR and the Ministry of Lands, Surveys and Urban Development for BIR to be adequately informed enough to capture and tax all persons engaging in land transactions.
- **Lack of a database** – the BIR should be fully supported by Government to create a database of all taxable adults in Akwa-Ibom State. All Ministries, Departments and Agencies (MDAs) should on a monthly basis send the names and addresses of all persons to whom Government services have been rendered for inclusion in the database as banks currently do to all new customers who open bank accounts. All banks should also send names of new customers to the BIR every month as stipulated in section 49 of the Personal Income Tax Act for the database.
- **Mediocrity** – continuous training and retraining of staff through workshops, seminars and conferences will solve this problem once the BIR is adequately funded as earlier recommended.

- **Lack of Public enlightenment and taxpayer education** – intensive public enlightenment and taxpayer education can only be engaged in by a well-funded BIR. The regular disbursement of 10% of the revenue collected to the BIR will solve this problem permanently. There is a need to include the teaching of “Civics” in the primary school syllabus in Akwa-Ibom State where children should be taught their tax obligation to the system.
- **Lack of data and records** – the use of outreaches by the BIR and radio/TV jingles to notify businessmen and self-employed persons to keep accurate books of accounts and records of their transactions should be adopted. Where necessary, best of judgment (BOJ) assessments should be used to compel compliance from such persons.

### **Structural/Functional Challenges**

- **Lack of a refund scheme-** Government must put in place in the budget for each year funds for the refund of overpaid taxes as done in developed countries.
- **Lack of good internal control** – this challenge can be overcome by installing a modern computerized system of revenue collection. This calls for immediate automation of all processes and procedures in the BIR.
- **Bureaucracy** – the redtapism that has always over delayed approved funds for the BIR will be solved once and for all when 10% of revenue collected is disbursed by the Accountant-General to the BIR unfailingly within 10 days of the end of each month. The Ministry of Lands, the Account-General’s office and other MDAs should share information with the BIR about the following: people who buy and sell land, names of contractors and value of contracts executed and details of other services by various MDAs respectively for tax

assessment purposes. The BIR and Ministry of Lands should be linked on-line for this purpose since the affluent always end up buying land and property.

- **Leakages** – Full automation of all the processes and procedures of the BIR will permanently solve this problem.
- **Inadequate prosecution** – The BIR should promptly and diligently prosecute all tax defaulters (individual and corporate) who have defaulted in tax payments for over one year to ensure compliance.
- **Underassessment of large taxpayers/persons** – Taxes, ground rents, levies and charges collectible by all revenue collecting MDAs should be reviewed upwards immediately.

### **Political Challenges**

- **Bad governance** – Serious infrastructural development which should be visible to the tax paying public should be put in place to encourage voluntary tax payments. This entails massive construction and dualization of roads; provision of street lights; provision of potable water; provision of power, hospitals, schools, bridges, sewage disposal systems, good public transportation etc. All of these enable BIR officials to convince the taxpaying public to pay their tax without resistance and build a culture of voluntary tax compliance.
- **Lack of legislation and updated amendments** – Pressure should be mounted on the National Assembly to quickly enact into law the Personal Income Tax (Amendment) bill for update of amendments already proposed. The State should use the governor's forum and the National Economic Council to achieve this.

- **Lack of Political will** – A strong political will and backing of the revenue authorities by Government in the taxation of the affluent irrespective of political party affiliation of the taxpayer affected will enable tax authorities tax the affluent adequately. It will also encourage and enable tax authorities seal up premises of recalcitrant tax-defaulting companies as provided by law. Political appointees and other persons transacting business with Government must be made to produce TCCs before being appointed or getting Government services as stipulated by section 85 of the Personal Income Tax Act.
- **Political considerations and political solutions** – The provisions of the law should be upheld at all times as a safeguard for adequate taxation of all classes of persons irrespective of their status.
- **Premature retirements and unwarranted redeployments of revenue staff** – The staff of the BIR should be insulated from general Government policies of premature retirements and unwarranted redeployments in order to ensure security of tenure and get maximum performance of staff.

### **Social challenges**

- **Lack of tax policy** – The National Tax Policy being currently debated nationwide is to be sent to the National Assembly for debate and enactment into law and it addresses issues of code of ethics and code of conduct in the practice of tax administration.
- **Negative public attitude to income tax payment** – The pace of infrastructural development should be accelerated while adequate funds should be made available to BIR for adverts/publicity blitz on the good utilization of taxpayers money by Government.

- **Social upheavals and insecurity** – Peace and security which are necessary conditions for effective tax administration must be vigorously pursued as no one can pay or collect taxes in an atmosphere of insecurity.
- **Poor work environment** – This will be adequately taken care of once the 10% of revenue collected is readily paid to the BIR as usually done for the FIRS and the Lagos State Internal Revenue Service.

### **Constitutional and legal challenges**

- **Light penalties** – Pressure should be mounted on the National Assembly by State Governments through the Governors forum or the National Economic Council to see that the Personal Income Tax (Amendment) bill in the National Assembly is enacted into law without further delay.
- **Tedious amendment procedures** – Regular review of the tax laws every 3 years as proposed in the National Tax Policy soon to be enacted into law by the National Assembly will take care of this problem.

### **Cultural/Religious challenges**

- **Religious considerations** – The BIR when properly funded should establish outreaches one of whose duties will be sustained public enlightenment and education of the public and pastors to take care of this problem.
- **Cultural beliefs against taxing income of deceased persons** – Intensified public enlightenment and taxpayer education including enforcement of the tax law provisions will provide a cure for this challenge.

## **IMPERATIVES OF TAX PAYMENT**

It is imperative that taxes are paid to enable Government attain the objectives of taxation which include:

- Raising public revenue for public expenditure
- Redistributing income and wealth
- Encouraging or discouraging investment in certain sectors of the economy
- Attaining economic stabilization

In the face of the current dwindling federal allocations as an afterclap of the global financial meltdown, the Akwa-Ibom State Government must rise up to the challenge and see tax payment by every citizen as an imperative for sustainable growth and sustainable development of Akwa-Ibom State. Taxes paid by citizens remain a veritable tool for infrastructural development and should be so seen by individuals and corporate citizens. In order to attain this, every adult taxpayer in Akwa-Ibom State must be given a taxpayer identification number (TIN) in compliance with the ongoing tax reforms nationwide. All employers of labour must be held liable for taxes deducted or deductible from all employees in Akwa-Ibom State. Since Akwa-Ibom State is an oil producing State, oil companies operating in Akwa-Ibom State must see tax payment as an imperative and pay up their PAYE and withholding taxes including environmental and carbon taxes and other levies due to the Akwa-Ibom State Government as may be determined by the State Government.

## **CONCLUSION**

Where there is good governance, the people see themselves as Government as a result of such good governance and are therefore motivated to pay their taxes voluntarily. This in turn encourages Government to provide more infrastructure for

the common good and a cycle of “good governance-voluntary tax payments” emerges in the interest of the commonwealth.

Such a desirable situation is what we require in Akwa-Ibom State, indeed in all States of the Federation, in order to optimize IGR collections to enable Government fulfill its primary purpose which is security and welfare of the people.

It behoves Government therefore to make the people see themselves as Government and see tax payment as an imperative for sustainable development of the State.

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