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Research Paper No. 2006/03

Tax Policy Reforms in Nigeria

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Janaury 2006

Abstract

Nigeria is governed by a federal system, hence its fiscal operations also adhere to the same principle, a fact which has serious implications on how the tax system is managed. The country's tax system is lopsided, and dominated by oil revenue. It is also characterized by unnecessarily complex, distortionary and largely inequitable taxation laws that have limited application in the informal sector that dominates the economy. The primary objective of this paper is to prepare a case study on tax policy reforms in Nigeria, with the specific objectives of examining the main tax reforms in the country; highlighting tax revenue profile and composition; analysing possible distributional impacts on the poor; discussing major problems that could prevent effective tax implementation in the country; and offering suggestions for reforms.

Keywords: tax reform, Nigeria, administration

JEL classification: E62, H20

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This study has been prepared within the UNU-WIDER project on Tax Policy Reform in Developing Countries.

UNU-WIDER gratefully acknowledges the financial contribution to the project by the Royal Danish Ministry of Foreign Affairs, Danida.

UNU-WIDER also acknowledges the financial contributions to the research programme by the governments of Denmark (Royal Ministry of Foreign Affairs), Finland (Ministry for Foreign Affairs), Norway (Royal Ministry of Foreign Affairs), Sweden (Swedish International Development Cooperation Agency—Sida) and the United Kingdom (Department for International Development).

ISSN 1810-2611 ISBN 92-9190-767-7 (internet version)

Acronyms

BIR	Board of Internal Revenue
CBN	Central Bank of Nigeria
CITA	Company Income Tax Act of 1990
CGT	capital gains tax
CIT	company income tax
ECOWAS	Economic Community of West African States
FIRS	Federal Inland Revenue Services
ITMA	Income Tax Management Act
JOA	joint operating agreement
JTB	Joint Tax Board
JVC	joint venture companies
MOU	memorandum of understanding
NCS	Nigeria Custom Services
PAYE	income tax system, based on the principle of 'pay as you earn' system,
PIT	personal income tax
PITA	Personal Income Tax Act of 1993
PPT	petroleum profits tax
PPTA	Petroleum Profit Tax Act of 1959
PSC	production sharing contract
SAP	structural adjustment programme
SBIR	State Board of Internal Revenue
SIRS	State Internal Revenue Service
VAT	value-added tax

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UNU World Institute for Development Economics Research (UNU-WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Camera-ready typescript prepared by T:mi LHR Editorial and Secretarial Assistance

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by the Institute or the United Nations University, nor by the programme/project sponsors, of any of the views expressed.

1 Introduction

Nigeria is governed by a federal system, hence its fiscal operations also adhere to the same principle. This has serious implications on how the tax system is managed in the country. In Nigeria, the government's fiscal power is based on a three-tiered tax structure divided between the federal, state and local governments, each of which has different tax jurisdictions. As of 2002, about 40 different taxes and levies are shared by all three levels of government.

The Nigerian tax system is lopsided, and dominated by oil revenue. The most veritable tax handles are under the control of the federal government while the lower tiers are responsible for the less buoyant ones—the federal government taxes corporate bodies while state and local governments tax individuals. While the federal government on average accounts for 90 per cent of the overall revenue annually, it only accounts for about 70 per cent of total government expenditure. In 1995, the breakdown of total tax and levy collection of the three tiers was 96.4 per cent for the federal government, 3.2 per cent for the state and 0.4 per cent for the local government (Phillips 1997: 40). A major element contributing to this development was the prolonged military rule that had ignored constitutional provision.

Over the past four decades, the country's revenues were largely derived from primary products. Between 1960 and the early 1970s, revenue from agricultural products dominated, while revenue from other sources was considered as residual. Since the oil boom of 1973/4 to date, however, oil has dominated Nigeria's revenue structure, and its share in federally collected revenue rose from 26.3 per cent in 1970 to 81.8, 72.6 and 76.3 in 1979, 1989 and 1999, respectively. Over the past two decades oil has accounted for at least 70 per cent of the revenue, thus indicating that traditional tax revenue has never assumed a strong role in the country's management of fiscal policy. Instead of transforming or diversifying the existing revenue base, fiscal management has merely transited from one primary product-based revenue to another, making the economy susceptible to fluctuations of the international oil market.

The need to address this problem led to several tax policy reforms. The tax policy reviews of 1991 and 2003, as well as the yearly amendments given in the annual budget, were geared towards addressing this issue. But not much has been achieved. Perhaps to understand the importance of tax policy reforms, one needs to appreciate the urgency for such reforms. Why the need for tax policy reforms in Nigeria? First, there is a compelling need to diversify the revenue portfolio for the country in order to safeguard against the volatility of crude oil prices and to promote fiscal sustainability and economic viability at lower tiers of government. Second, Nigeria operates on a cash budget system, where proposals for expenditure are always anchored to revenue projections. This facilitates determining the optimal tax rate for a given level of expenditure. Thus accuracy in revenue projection is vital for devising an appropriate framework for sustainable fiscal management, and this can be realized only if reforms are undertaken on existing tax policies in order to achieve some improvement.

Third, Nigerian tax system is concentrated on petroleum and trade taxes while direct and broad-based indirect taxes like the value-added (VAT) are neglected. This is a structural problem for the country's tax system. Although direct taxes and VAT have the potential for expansion, their impact is limited because of the dominance of the informal sector in the country. Furthermore, the limited formal sector is supported with

strong unions that act as pressure groups to deter any appreciable tax increment from gross income. Fourth, the widening fiscal deficit that over the years has threatened macroeconomic stability and prospects for economic growth makes the prospect of tax reform very appealing. The ratio of deficit to GDP averaged 9.98 and 5.0 per cent for the periods 1990-94 and 1999-2001; in 1993 it was 15.5 per cent.

Fifth, the study groups on the review of the Nigerian tax system in 1991 and 2003 highlighted the need to increase tax revenue and reduce expenditure as the major fiscal issues to be addressed. As such, the primary objective of the committees was to optimize revenue from various sources within the country. Finally, the necessity to improve the tax notification procedure was underscored in order to facilitate effective evaluation of the performance of the Nigerian tax system and to promote adequate planning and implementation. The quality of management associated with regular and result-oriented tax reforms has a significant bearing on the overall macroeconomic performance and the distribution of resources between public and private sectors as well as within the public sector.

In spite of the importance of a result-oriented tax policy review for the country, attempts have not been made to assess development over the years. The primary objective of this paper is to prepare a case study on tax policy reforms in Nigeria, with the specific objectives of:

i) Examining the main tax reforms in the country;

ii) Highlighting tax revenue profile and composition;

iii) Analysing possible distributional impacts on the poor;

iv) Discussing major problems that could prevent effective tax implementation in the country; and

v) Offering possible suggestions for reforms.

The rest of the paper is divided into five parts: section 2 reviews existing tax policies and reforms while section 3 presents a profile of tax and non-tax revenues in Nigeria. Section 4 examines the effects of fiscal measures on the economy in the country. Recommendations are given in section 5 and section 6 concludes.

2 Review of the existing tax policies and reforms in Nigeria

Nigeria's fiscal policy measures have been largely driven by the need to promote such macroeconomic objectives as promoting rapid growth of the economy, generating employment, maintaining price levels and improving the balance-of-payment conditions of the country. Although policy measures change frequently, these objectives have remained relatively constant. Until the mid 1980s, tax policies, for instance, were geared to achieving such specific objectives as:

i) Ensuring effective protection for local industries;

ii) Encouraging greater use of local raw materials;

iii) Enhancing the value added of locally manufactured and primary products;

iv) Promoting greater geographical dispersion of domestic manufacturing activities; and

v) Generating increased government revenue.

Since the implementation of the structural adjustment programme (SAP), however, taxes have been used to enhance the productivity and competitiveness of business enterprises. Consequently, attention has been focused on promoting exports of manufactures and reducing the tax burden of individuals and companies. In line with this change in policy focus, many measures were undertaken. These involved, among others, reviewing custom and excise duties, continuing with the reduction of company and income taxes, expanding the range of tax exemptions and rebates, introducing capital allowance, expanding the duty drawback scheme and manufacturing-in-bond scheme, abolishing excise duty, implementing VAT, monetizing fringe benefits and increasing tax relief to low-income earners (see Appendix Tables 1 and 2).

In line with its federal structure, Nigeria operates a three-tier government, with certain fiscal responsibilities and powers delineated to each level. To avoid conflict among the three levels, the 1999 Constitution classified governmental responsibilities and powers into exclusive, concurrent and residual categories or lists. The National Assembly is empowered to issue legislation on the taxation of incomes, profits and capital gains. It is also authorized to legislate on matters classified in the concurrent list, particularly those related to the 'division of public revenue'—tax collection.[1] The State Houses of Assembly, on the other hand, may prescribe the collection of any tax, fee or rate, or the administration of a law to provide for such collection by a local government council (1999 FRN: A1060-63). This constitutional provision enables the state government to impose, collect and spend any tax, fee or rate which is not expressly stipulated as being within the authority of the federal government. Consequently, the state government is empowered to impose tax on all items in the concurrent list as well as residual matters.[2] However, according to the 1999 Constitution, such laws are void if inconsistent with those of the National Assembly.

The implementation of fiscal federalism in Nigeria, particularly with regard to tax administration, has been plagued with problems. A critical aspect of this is multiple taxes. In fact, all the study groups on tax reform have highlighted this as the most serious problem for the country's tax administration. In addition to federal income tax, companies are subjected to a wide range of taxes, levies and rates at the state and local levels. Apart from driving up the cost of production, this imposes restrictions on inter-state commerce and trade, making locally produced goods uncompetitive and in some instances, causing business closures (CITN 2002). While it may not be plausible for companies to be subjected to federal taxes only, it is imperative that enterprises are always aware of their tax liabilities at each level. Enterprises should not be exposed to the whim of lower levels of government, as is currently the situation.

The declining and fluctuating earnings from oil since the mid-1980s have compounded the aggressiveness with which the state and local governments impose taxes. In most

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1 Authority is also vested with the National Assembly to delegate the collection or administration of taxes other than those resulting from capital gains, income, profits and stamp duties.

2 The ruling on the case between Aberuagba and Ogun State Attorney General, one of the 36 states of the federation, provides the legal ratification for issues of this nature (1985 NWLR at 405).

cases, they resorted to using tax consultants not recognized or authorized by the Constitution. There have been reports of violence by the consultants in carrying out their duties, a fact causing serious concern for the future tax administration of the country. To reduce the multiplicity of taxes of the local and state governments and to eliminate the need for consultants, the Joint Tax Board (JTB) was instructed to publicize the taxes each tier is empowered to levy and collect. Becoming operational 1 April 1997, and receiving statutory backing with Decree No. 21 of 1998, this was a major landmark in Nigerian tax reform: federal authority was limited to eight specific taxes while the state and local governments were restricted to 11 and 20, respectively (Table 1).

It is instructive to note that legislation also ratified three additional forms of taxation to be levied by the government: taxes on mining, rent and royalty; customs and excise duties and earnings from oil sales. It became illegal for consultants, other than those recognized by the authorities, to collect taxes on behalf of the state and local governments. Thus, the federal government controls most of the buoyant tax handles, an issue that has been severely criticized over the years. As pointed out by the Study Group on Tax Reform (2003), the federal government accounts for 99 per cent of the tax revenue in Nigeria, but the concentration of fiscal power with the central government conflicts with the tenets of fiscal federalism, where some degree of autonomy is assumed.

The major tax laws in existence as of September 2003, and various related amendments include the following:[3]

i) Personal Income Tax Act of 1993;

ii) Company Income Tax Act of 1990;

iii) Petroleum Profits Tax Act of 1990;

iv) The Petroleum Act of 1990;

v) Value-Added Tax Act of 1993;

vi) Education Tax Act of 1993;

vii) Capital Gains Act of 1990;

viii) Customs and Excise Management Act of 1990;

ix) Minerals and Mining Act of 1999;

x) Stamp Duties Act of 1990;

xi) Taxes and Levies (Approved List for Collection) Act of 1998; and

xii) 1999 Constitution of the Federal Republic of Nigeria.

3 Although tax laws are statutory which should imply strict interpretation, the absence of a common law on taxation makes it easy for the general principle of law to override their true meaning and intent.

Table 1
Nigeria's tax system (taxes and levies approved for collection)
Decree No. 21 of 1998

Federal government	State government	Local government
• Company income tax • Petroleum profit tax • Value-added tax • Education tax (applies to companies, residents of the federal capital territory and non-resident individuals) • Capital gains tax (applies to corporate bodies and Abuja residents) • Stamp duties (applies to corporate bodies) • Withholding tax (applies to companies) • Personal income tax (applies to personnel of the armed forces, police, External Affairs Ministry, and residents of Abuja)	• Personal income tax (applies to residents of the state) • Withholding tax (individuals only) • Capital gains tax (individuals only) • Stamp duties (applies to instruments executed by individuals only) • Road taxes (e.g., vehicle licenses) • Taxes on pool bets, lottery and casino wins • Business premises and registration fees in urban and rural areas: Urban areas as defined by each state, maximum of: (i) ₦ 10,000 for registration, and (ii) ₦ 5,000 per annum for renewal of registration; Rural areas: (i) ₦ 2,000 for registration, and (ii) ₦ 1,000 per annum for renewal of registration • Development levy (max. of ₦ 100 per annum applies to taxable individuals only) • Street name registration fees (state capital only) • Fees for right of occupancy on urban land owned by the state government • Market taxes and levies where state finance is involved • Miscellaneous revenue (e.g. rent on property)	• Tenancy rates • Shops and kiosk rates • Fees for on-off liquor licenses • Fees for butcher slabs • Fees for marriage, birth and death registrations • Fees for street name registration (except in the state capital) • Motor park fees • Market taxes and levies (except in any market where state finance is involved) • Fees for domestic animal licenses • Fees for bicycles, trucks, canoes, wheelbarrows, carts and canoes • Fees for right of occupancy on land in rural areas (except those of federal and state governments) • Cattle tax, applies to cattle farmers only • Entertainment and road closure levy • Fees for radio and television licenses • Vehicle parking and radio license fees • Charges for wrongful parking • Fees for public convenience, sewage and refuse disposal • Customary ground permit fees • Fees for permits for religious establishments • Fees for permits for signboards, bill boards and advertisements

Note: Other major taxes authorized under different tax laws include: (i) Mining, rents and royalties; (ii) Customs and excise duties (i.e., import and export duties), and (iii) Miscellaneous revenue (e.g., earnings from oil sales, rents on property, etc.).

All laws currently in effect date from the military regime. The civilian regime, which has ruled the country since 1999 is yet to enact tax laws despite critical pending issues. With the exception of the 1999 Constitution, the laws have been amended on a yearly basis in conjunction with the annual budget to correct possible loopholes and to promote their use as macroeconomic management instruments. Appendix Tables 1 and 2 summarize some of the annual adjustments.

In line with fiscal federalism, court jurisdiction over tax matters reflects the three tiers of government. The federal high courts have jurisdiction over company income tax, petroleum profit tax, custom and excise duties as well as stamp duties and corporate capital gains tax, and education tax. Personal income tax (PIT) and capital gains tax and stamp duties payable by individuals are legislated by the federal government, but collected by state authorities. Since the federal government is not a party to these taxes, their adjudication should fall on the state. The fact that any appeal to the VAT tribunal is handled by the Court of Appeal confirms that VAT adjudication is levied with the federal government. Taxes collected by the local government are under the jurisdiction of the magistrate courts.

Recent developments in the Nigerian tax system and components of the country's tax system, especially those included in the exclusive and concurrent legislative lists, are examined next.

2.1 Personal income tax (PIT)

This is the oldest tax in the country. It was first introduced as a community tax in northern Nigeria in 1904, before the unification of the country in 1914 (Ola 2001), 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, it was later incorporated into Direct Taxation Ordinance No. 4 of 1940. The need to tax personal incomes throughout the country prompted the Income Tax Management Act (ITMA) of 1961. In Nigeria, personal income tax for salaried employment is based on a 'pay as you earn' (PAYE) system, and several amendments have been made to the 1961 ITMA Act. For instance, in 1985 PIT was increased from ₦600 or 10 per cent of earned income to ₦2,000 plus 12.5 per cent of income exceeding ₦6,000. In 1989, a 15 per cent withholding tax was applied to savings deposits valued at ₦50,000 or more while tax on rental income was extended to cover chartered vessels, ships or aircraft. In addition, tax on the fees of directors was fixed at 15 per cent.

In 1990 further amendments were made to PIT: apart from providing additional individual tax allowances, minimum taxation was reduced from 1 per cent to 0.5 per cent, so that individuals with incomes of ₦3,000 or less were exempt from submitting tax returns. Non-residents were exempt from withholding tax on interest accruing in deposit accounts. Personal allowances were further extended in 1992 to reduce the tax burden of individuals while the monetization and taxation of fringe benefits were introduced.

The application of ITMA varied across regions/states, causing the burden of multiple taxes on individuals. Two study groups were subsequently set up in 1991 to review the situation and improve tax collection. The 1961 ITMA was replaced with an amended

act, which was superseded in 1993 by Personal Income Tax Act (PITA) No. 104.[4] It was applicable with nationwide coverage. Its administration, however, was assigned to the states, which were empowered to tax individuals, or corporate or bodies of individuals residing in its territory in a particular year. Rates were also increased. The PITA coordinated the subsidiary legislations for the PAYE system, withholding taxes, among others, as stipulated by the Ministry of Finance. The PITA empowered the Joint Tax Board to administer the tax throughout the country and to coordinate its administration, while the State Board of Internal Revenue (SBIR) became responsible for the administration of the revenue. There have been some amendments since its implementation. For instance in 1994, to achieve progressive taxation, the withholding tax was increased from 5 to 10 per cent. Directors' fees payable by property and investment companies were raised from ₦ 3,000 to ₦ 10,000 when a 30 per cent ceiling was set for PIT. Child allowance was first increased to ₦ 1,000 and then, in 1996, to ₦ 1,500 per child payable up to four children. In 1998 this became ₦ 2,500 per child. In addition, tax relief to low-income earners was increased to ₦ 2,500, and individual marginal taxes were decreased from 30 per cent in 1995 to 25 per cent in 1996. See Appendix Table 2 for details.

A recurring problem with PIT is the non-compliance of employers to register their employees and to remit such taxes to relevant authorities. To address this, in 2002 the government amended the 1993 PIT Act to make non-compliant employers liable to penalties up to ₦ 25,000, as well as liable for the payment of all tax arrears. Employers failing to keep proper records would also face a penalty of ₦ 5,000. A fine this small tends to encourage tax evasion since the penalty for being caught is lower than the cost for non-compliance. The issues of unremitted funds from the PAYE system and withholding taxes particularly among government ministries and agencies as well as lax adherence by all three levels of government to the approved list for (tax) collection, as stipulated by the 1998 Taxes and Levies Act 21, have over the past five years attracted the attention of JTB.[5]

Personal income tax failed in Nigeria for lack of equitability. In spite of the fact that the self-employed outnumber paid workers and that they earn as much as four times that of the formal sector employees, the bulk of PIT is paid by employees whose salaries are deducted at source (Adekanola 1997). Inadequate monitoring by tax authorities, the dominance of informal sector activities and the fact that many Nigerians live in rural

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4 It is important to mention that some laws were also promulgated. For instance, Income Tax Management Decree No. 17 of 1975 unified the rates, reliefs and laws throughout the country while the Finance (Miscellaneous Taxation Provisions) Decree of 1985 introduced certain changes. First, it empowered tax authorities to obtain information on any individual from any bank, and changed the basis for computing capital allowances. Other changes included the 1987 Amendments (increased personal allowances, review of capital allowances, and treatment of withholding taxes on rent, interest, dividends and royalties); 1990 Amendments (significant improvements in capital allowances); 1998 Taxes and Levies Act authorized the federal government, through the Federal Inland Revenue Services (FIRS), to collect PIT from members of Nigeria's armed forces, residents of the Federal Capital Territory, staff of the Ministry of Foreign Affairs and non-residents. The Act further empowered the state governments to collect direct taxation (self assessment).

5 The JTB has made some remarkably positive efforts through dialogue with stakeholders on the issue of compliance to existing tax rules. In October 2002, for instance, informative workshops were held for all chairmen of local government councils, members of JTB and members of the National Revenue Mobilization, Allocation and Fiscal Commission for the elimination of multiple taxes as embodied in Act 21 of 1998.

areas make the coverage of self-employed workers difficult. Although regulations were enforced in PIT Act No. 104 of 1993, amendments are still made on a yearly basis. In addition to the fact that amendments are not adequately informed to the public nor incorporated in the relevant legislation, the legal language is also ambiguous, confusing and unprofessional (CITN 2002). There is very little tax education in Nigeria; taxpayers are ignorant of the laws regulating their taxation, and this makes disclosure difficult. Due to the absence of communication between the government and the people, most citizens view taxes as a mere legal hindrance rather than their civic responsibility. The CITN (2002: 15) summarizes the problem confronting the PIT administration as follows:

> We must admit that tax administration is particularly hard here because literacy level is low and record keeping is not yet a popular culture. There are not enough tax officials to cover the field. Most of the officials are little trained, ill equipped, badly remunerated and corrupt… Governments in Nigeria are perceived as a corrupt and selfish lot, to whom money should not ever be voluntarily given. Taxes paid are expected to end up in private pockets, not in public utilities.

The foregoing not only makes compliance difficult, but also enforcement problematic.

2.2 Company income tax (CIT)

Company income tax (CIT) was introduced in 1961. The original law (Company Income Tax) has been amended many times and is currently codified as the Company Income Tax Act 1990 (CITA). The Federal Board of Inland Revenue, whose operational arm is the Federal Inland Revenue Services (FIRS), is empowered to administer the tax. CITA policy regimes can be divided into two phases, namely, pre-1992 and post-1992. The CIT policies in the pre-1992 era were narrowly based and characterized with increasing tax rates and overburdening of the taxpayers, which induced negative effects on savings and investment. Since 1992, however, measures have been taken to address these structural problems. For instance, excess profit tax was eliminated in 1991, and the capital transfer tax scrapped in 1996. Tax rates on company profits, payable on trade profits and investment income, fell from 45 per cent during 1970 to 1986 (when SAP was introduced) to 40 per cent between 1987 and 1991, further to 35 per cent for the period 1992-95 and to 30 per cent from 1996 to date. There is, however, a 20 per cent tax concession for certain companies: i.e., those engaged in agricultural production or mining of solid minerals with a maximum turnover of ₦0.5 million and those in manufacturing or the export promotion sector with a turnover not exceeding ₦1 million.[6] The rates on capita allowances have been reduced continually to reflect the economic reality of the country.

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6 The concession is limited to the first five years of operations. Companies engaged in gas utilization in downstream operations are entitled to a three-year tax-free period, subject to renewal, as well as an accelerated capital allowance of 90 per cent; a 10 per cent retention for investment in plant(s) and machinery after the tax-free period as well as tax-free dividends payable during the tax holidays. Businesses located more than 20 kilometres away from available utilities are entitled to certain allowances: 100 per cent if no facilities are available; 50 per cent if no electricity is available; 30 per cent for no water; 15 per cent for no paved roads; and 5 per cent for no telephones (see *The Guardian*, 10 November 2003: 29 for details).

In the spirit of global competitiveness, the 30 per cent tax rate for corporates is still one of the highest in the world. The allocation of all categories of corporate tax to the federal government negates the spirit of decentralization, particularly in a federal system such as Nigeria's. The taxation of companies operating at a loss is not only grossly inequitable but also destructive to business enterprises. The penalty for non-compliance within the provision of the Act is too low and counter-productive to the goals of the Act.

Table 2
Exemptions from personal income tax

Type of exemptions	Year(s)	Rates
1. Personal allowances	1985	12.5% plus ₦ 1,200
	1987-89	12.5% plus ₦ 1,000
	1992-97	15% plus ₦ 3,000
	1998 to date	20% plus ₦ 5,000
2. Child allowance	1987-91	₦ 400 per unmarried child, up to a maximum of four children
	1992-94	₦ 500
	1995	₦ 1,000
	1996-97	₦ 1,500
	1998 to date	₦ 2,500
3. Life insurance premium (LIP)	Up till 1991	Tax relief provided to life insurance holders as following:
		- Actual amount of paid premium, or
		- 10% of capital paid on death, or
		- 20% of net statutory total income, or
		- premium paid for any form of life, retirement, widow scheme must not exceed ₦ 2,000
	1992-95	LIP changed from ₦ 2,000 to ₦ 5,000
	1996 to date	Total value of premium paid
4. Personal allowances for the disabled	From 1989	An employed handicapped worker using special equipment is entitled to an allowance of ₦ 2,000 or 10 %of his earned income per annum
	1997	₦ 2,000 or 15% of earned income
	1998 to date	The greater benefit of either ₦ 3,000 or 20% of earned income
5. Special incentives	The lesser amount of either equity in research and development oriented companies, or 25% of total income	
	A maximum of 10% of taxable income in the assessment year for donations to research centres	
6. Other allowances	Meal subsidy	₦ 5,000 per annum
	Utility allowance	₦ 10,000 per annum
	Entertainment allowance	₦ 6,000 per annum
	Leave grant	10% of annual basic salary

Sources: FRN (2002) and CITN (2002).

2.3 Education tax

Education tax was introduced in 1993 (Education Tax Act No. 7). To prevent the educational system from total collapse due to the financial crisis that had affected the sector for years, this federally collected tax imposed a 2 per cent charge on the assessable profits of Nigerian companies. It was geared towards providing the sector with the opportunity for survival and renewal. The tax is applied to company net profits, and is deducted from net profits before tax, thus it is not subject to company income tax.

The introduction of this tax has added to the list of multiple taxes that eats away at the profit margins of companies. It is a double tax on company profits, and is argued to be a major disincentive to foreign investment in Nigeria. At the technical level, the term 'assessable profits' causes confusion and is considered to be misleading. This, with regard to education tax, could lead to a situation where companies under-report profit margins.

2.4 Petroleum profit tax (PPT)

The petroleum profit tax (PPT) is applicable to upstream[7] operations in the oil sector. It is particularly related to rents, royalties, margins and profit-sharing elements associated with oil mining, prospecting and exploration leases. It is the most important tax in Nigeria in terms of its share of total revenue, contributing 95 and 70 per cent of foreign exchange earning and government revenue, respectively. The PPT covers oil and gas taxation but is complemented with two different contractual relationships not formally covered by tax legislation. The first constitutes joint ventures between international oil companies and the Nigerian National Petroleum Company structured under a joint operating agreement (JOA) as set out in the memorandum of understanding (MOU). Following earlier oil shocks, the MOU was introduced in 1986 to provide necessary incentive, and has been revised in 1991 and 2000. This system has been adjudged complex, creating problems for tax authorities. The second measure relates to deep offshore exploration and development under a production-sharing contract (PSC), which allows an oil company to recover its costs at a pre-established rate and to share in additional revenue according to a pre-determined formula. Taxation is 50 per cent of the cost recovery and production share revenue after deduction for costs in accordance with the PPT provisions. While the JOA imposes some operating and capital expenditures on the federal government, the production sharing contract transfers the funding responsibility and most of the risk to the oil companies. Management problems with the JOA and the PSC are further complicated by the lack of coordination between the Department of Petroleum Resources and tax authorities on tax policy matters and information-sharing on various agreements in the upstream subsector.

The amended Petroleum Profit Tax Act (PPTA)[8] of 1959 provides the legal basis for taxing joint venture companies (JVC) and is governed by the memorandum of understanding. The Nigerian statutory rate is 85 per cent (effective rate, however, is 70-80 per cent because of the MOU), as opposed to 65.8 per cent for Angola, 73 per

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7 'Upstream' operations deal with the production of the crude oil and gas; and sale of these as primary stock to 'downstream' operators who include the added value for sale to the ultimate end-users.

8 Recodified as CAP 354 Law of the Federation of Nigeria.

cent for Gabon, and 48 per cent for Cameroon (World Bank 2002). The PPTA stipulates that oil-producing companies must render accounts annually, while remittance of the tax is done on a monthly basis as required by the CIT Act.[9] Over 95 per cent of Nigeria's crude oil production is covered by the PPT/MOU system, and taxation is calculated according to two different formula. The first one is based on PPT and royalties without adjustments while the second is based on the MOU which is often referred to as the revised government tax. In order to guarantee an after-tax margin based on crude oil levels, or operating and capital expenditure, the taxpayer is expected to choose the lower of the two taxes. However, the failure to ratify the MOU into law makes the administration of the petroleum profit tax cumbersome. The limitation on capital allowances eliminates the incentives offered by the accelerated capital depreciation policies and discourages investment: a PPT tax rate of 85 per cent in the form of royalties is being imposed (Section 19(1) of PITA) while indigenous firms producing less than 50,000 barrels pay a rate ranging between 85 per cent (PITA) and 30 per cent (CITA). Paragraph 6 of the Second Schedule of PITA stipulated a 65.75 per cent taxation rate for this category of companies.

Taxation of natural gas is a two-part process: upstream and downstream gas operations.[10] Upstream operations enjoy several fiscal incentives, including:

i) A five-year tax holiday (three years in the first instance and two years later); subject to the CIT tax rate which is currently 30 per cent;

ii) Deduction of capital expenditure and operating expenditure against the PPT rate (85 per cent);

iii) Depreciation rate of 60 per cent in the first year and 20 per cent thereafter;

iv) Investment allowance of 20 per cent;

v) 5-7 per cent royalty, which does not apply if gas is transferred to a downstream project; and

vi) Exemption from import duty and VAT.

For the downstream subsector, an additional 20 per cent investment allowance is applicable to points (i), (iii) and (vi). The World Bank (2002) considered these incentives very generous, given the international standards. Until recently, gas has been flared without serious penalties, which has encouraged Nigeria to flare 28 per cent of the world total, thus having one of the largest global flare programmes. To address this, efforts have been made to impose tax penalties on the volumes flared and provide tax incentives for utilizing all associated gas to encourage its commercialization.

The existing tax is not sufficiently attractive to encourage marginal gas field projects. Rather, attention is focused on the major fields, where many local operators may not

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9 The Petroleum Profit Tax Act also allows certain pre-operation expenses and such costs as education tax or intangible drilling costs to be capitalized. It does not stipulate withholding tax on dividends.

10 Upstream gas refers to the exploration and production of gas, which are typically associated with crude oil exploration and production while downstream operations refer to marketing, distribution, industrial processing and power generation.

have the financial resources for meaningfully participation (World Bank 2000). To encourage indigenous operations, which could be the beginning of the domestication of operations in this sector, marginal fields should be separated from major operators.

2.4 Value-added tax (VAT)

An important landmark in tax reform in Nigeria was the adoption of the value-added tax (VAT) in January through the VAT Act No. 102 of 1993 but its implementation actually began in January 1994. Since its introduction, 15 of the 42 sections of the Act have been amended.[11] Replacing sales tax, VAT was originally imposed on 17 categories of goods and 24 service categories. Such items as basic foods, medical and pharmaceutical products, books, newspapers and magazines, house rent, commercial vehicles and spare parts and services rendered by community and people's banks, however, were VAT-free. The revenue generated was to be shared 20:80 between the federal and state government: currently it is shared 15:50:35 among the federal/state/local levels. The state's allocation was to be earmarked as 30 per cent for the state of origin, 30 per cent for consumption/destination and 40 per cent for equality of the state.

To ensure VAT's effectiveness, certain amendments were made to the existing tax structures. These include:

i) Reduction of the personal income tax burden through increased tax allowances and reduced tax rates;

ii) Monetization and taxation of fringe benefits;

iii) Deduction of R&D expenditure from the gross earnings of companies;

iv) Extension of tax-free status to companies in rural areas and granting of incentives based on the infrastructure available in the areas;

v) Reduction of company tax rate from 40 to 35 per cent, and subsequently to 30 per cent; and

vi) Payment of petroleum profit tax in dollars.

Although VAT is a consumption tax, a 5 per cent rate is levied on suppliers (i.e., taxable individuals) who are expected to add this amount to invoices for collection from customers, and for further remittance to the VAT authorities on a monthly basis. VAT is retained at 5 per cent regardless of the stage of production or distribution. This assumes the absence of cascading effects.

Although enforced by federal legislation, VAT was excluded from federal jurisdiction by the 1999 Constitution. This was unusual because at the time of introduction, the federal government's tax administrative machinery was used to collect VAT on behalf of the state governments, as they had had jurisdiction over the sales tax that was being

[11] Introduced by Finance Decrees (Miscellaneous Taxation Provisions) Nos 30, 31 and 32 of 1996 and Nos 18 of 1998 and 30 of 1999. This consumption tax replaced the Sales Tax Decree No. 7 of 1986 that was considered to be too narrow-based as it covered only nine categories of goods, excluding imported items, and could not generate sufficient revenue. It had a single rate: 5 per cent.

replaced by VAT. It is a non-discriminatory tax with regard to locally manufactured or imported goods. The Act designated the FIRS as the responsible instance for implementing VAT. In practice, however, the Nigerian Custom Service collects VAT on imports on behalf of FIRS. An important challenge to administering VAT is the Nigerian business environment. Written records are crucial for VAT; not only do invoices need to be issued, but recordkeeping is also important. Apart from the fact that keeping records is not common in Nigeria yet, the economy is dominated by informal activities where traders are continually on 'the move'. African trading activities hinge on bargaining, and a commodity is sold at different prices, depending on the haggling powers of each buyer.

2.5 Capital gains tax (CGT)

Although a 20 per cent rate for capital gains tax (CGT) was introduced at its inception in 1967 (Decree No. 44 of 1967), it is currently 10 per cent. The tax is imposed on any gain accruing to any person in connection with the disposal of assets during the assessment year. It is a concurrent tax, implying that the federal government, which has jurisdiction over corporate bodies and over residents of Lagos (now Abuja), administers it through FIRS. The states are empowered to tax individuals within their territories and the board of internal revenue of each state is responsible for capital gains tax with regard to individuals.

Sections 27 to 42 of the old Act detailed certain exemptions to the tax. For instance, according to Section 37, a disposed asset, which is a tangible moveable asset valued at ₦ 1,000 or less, is tax-free. Capital gains accruing to religious, charitable, educational, cooperative organizations and trade unions are also exempted from CGT. Others exceptions include assets for private use, life insurance policies, stocks, shares and government securities. In 1972, however, the CGT was extended to profits accruing from sold stocks and shares, and from 1975, it became applicable to both residents and non-residents. Capital gains arising from the acquisition of company shares through a merger or takeover were also exempted from CGT in 1993, provided that no cash was paid for the acquired shares. However, foreign income and gain were taxable until 1996; by 1998 the CGT had been reduced from 20 per cent to 10 per cent.

CGT is hindered by problems such as the unwieldy scope of the Act, clumsy process of determining taxable gain, the inability to discount for inflation, and the inability of loss relief within transactions. As pointed by the Study Group on Tax Reform (2003) and CITA (2002), the complex provisions of the Act made the implementation of the tax impractical. There is confusion regarding the target of the tax; records and disclosures are scare, and the inequitable tax burden is on the buyer rather the asset owner. These problems have reduced the significance of the tax, which by 2002 accounted for about 0.1 per cent of the revenue of FIRS.

2.6 Stamp duties

Stamp tax is applied to documents, for example, conveyance documents concerning land transfers, bonds, debentures, covenants and warrants, but not to transactions or individuals. The law was introduced during the colonial period in 1939 (Stamp Duty Act). The western regional government gave the stamp tax a local orientation when it

was introduced in 1959: it later became Lagos State Law No. 16 of 1972 and now is codified in Cap 411 of the Laws of the Federation of Nigeria 1990. The tax, executed by the commissioners of stamp duties, applies an *ad valorem* rate of 1.5 per cent of the price or value mentioned in the document. Appendix Tables 3a to 3c list the various instruments currently in effect in the country. Exemptions include share transfers, shipping agreements and documents from the ministries and parastatals.

Although stamp duties are regulated by federal law, their administration is a mutual operation. While the federal government is responsible for the administration of the tax on companies through FIRS, the State Board of Internal Revenue (SBIR) handles its administration with regard to individuals. One of the problems facing the stamp tax is the trespassing of federal agents who also tax individuals as opposed to companies only. The penalties of ₦ 40 and ₦ 20 for non-disclosure and bureau trespassing, respectively, are considered to be on the low side.

2.7 Custom duties

Custom duties in Nigeria are the oldest form of modern taxation, and their introduction dates back to 1860. Known otherwise as import duties, these represent taxes on imports into Nigeria, charged either as a percentage of the value of imports or as a fixed amount contingent on quantity. The former rate predominates. Import duties are the country's highest yielding indirect or expenditure tax. Prior to the introduction of SAP in 1986, custom duties were as high as 300 per cent but currently range between 2-75 per cent. The Nigerian Custom Services (NCS) administers the tax.

The Custom and Excise Management Act of 1958 and its amendments provided the statutory backing for the implementation of the tax. The latest revision to this Act dates from March 1995 and articulated the effective customs and excise tariffs for the period 1995-2001. Currently, the expired tariffs are still in use, which contradicts the letter of law. In most cases, consultants are called in to recommend tariff rates, but as the main authorities are not represented, this approach is non-participatory. In addition, several amendments have been made to existing tariffs, and these have been counter-productive to the objective of achieving the stability that promoted the adoption of the multi-year tariff regime in 2001. As pointed out by the Study Group on Tax Reform (2003), nearly 1,500 tariff lines were amended in the two years of the regime. Furthermore, certain amendments were considered inconsistent or subject to multiple interpretations, thus providing loopholes for lower rates of duties.

2.8 Excise duties

Excise duties, introduced in 1962, are an *ad valorem* tax on the output of manufactured goods, as enforced by the Customs and Excise Acts of 1962 and 1965 and the Customs and Excise Tariff Decree of 1995. The tax is administered by the country's custom services. The tax handle is highly unstable, and is applied or reneged at will, as in 1998-2000, for instance, when it was revoked. Since 2001, duties have been abolished on most manufactured goods with the exception of products considered harmful such as bleaching creams, alcohol, spirits and tobacco. Although excise duty as a tax has lost its revenue objective, it is still used to discourage consumption of harmful goods.

3 Profile of tax and non-tax revenues in Nigeria

From the time of independence to date, there has not been much change in the country's tax structure because the demarcation between oil and non-oil revenue is thin. But the type of primary commodity involved has changed: prior to the mid-1970s, it was agricultural commodity but crude oil thereafter. Even the advent of VAT in 1994 did not make a significant difference, and the revenue base of the country has been oscillating from one primary commodity to another. In the 1960s, the Nigerian economy was characterized by the dominance of agricultural tax, which served as a proxy for personal income tax because of the difficulty in correctly determining tax liability and accessing individual farmers. During this period, various marketing boards were responsible for collecting the tax (Ariyo 1997). As indicated in Table 3, non-oil revenue declined from 73.0 per cent in 1970 to 18.9 per cent in 1980, and continued to oscillate between 16.5 and 31.7 per cent during 1980-2001. In contrast, oil receipts rose from 26.9 per cent in 1970 to 81.1 per cent in 1980, reflecting the oil boom of 1973/4 and 1979/80. Thereafter, it has gyrated between 68.3 and 83.5 per cent. As such, oil-oriented taxes have become a veritable source of revenue for the government. Due to increased oil-income flows, total revenue rose from ₦ 0.63 billion in 1970 to ₦ 2,231.53 billion by 2001. A major problem of the heavy reliance on oil revenue is that the economy is tied to the vagaries of the international oil market. In the absence of a fiscal policy, the Nigerian economy has become highly exposed to external shocks, with the associated negative effects. Appendix Table 5 provides detailed information on PPT, other petroleum-related revenue, customs and excise duties, company income tax, VAT and education tax.

The Nigerian tax system favours the federal government, which controls the buoyant tax components while the lower tiers have jurisdiction over the less profitable ones. In most instances, the federal government taxes the corporate bodies, while the state and local governments tax individuals. In areas of concurrent taxation such as the personal income tax, capital gains tax and stamp duties, the federal government retains legislative power, while sharing administrative capacity with the states. The federal government has always assumed jurisdiction for such taxes as VAT introduced in 1993, and

Table 3
Structure of federal government revenue, 1970-2001

	Oil revenue		Non-oil revenue		Total
Year	₦ billion	% Share of total	₦ billion	% Share of total	₦ billion
1970	0.17	26.98	0.47	73.02	0.63
1980	12.35	81.09	2.88	18.91	15.23
1990	71.89	73.28	26.21	23.71	98.10
1997	416.81	70.51	174.34	29.49	591.15
1998	324.43	68.30	150.73	31.70	475.04
1999	724.42	76.32	224.76	23.68	949.19
2000	1,591.70	83.47	314.48	16.53	1,906.16
2001	1,707.56	76.52	523.97	23.48	2,231.53

Source: CBN (1999, 2001).

education tax implemented in 1994. In addition, state and local governments have had no freedom to introduce new taxes, a fact that affects the tax capability of the lower arms of government.

Revenue from federally collected taxes is estimated to be relatively high: as a ratio to GDP, it rose from 17.9 per cent in 1970-74 to 24.1 in 1975-79, following the oil boom of the late 1970s. But in subsequent years, this share fell to 22.5 and 20.9 in 1980-84 and 1985-89, respectively, because of the glut in international oil markets. The temporary boom of the early 1990s, reflecting the Gulf crisis, increased the ratio to 30.6 per cent in 1990-94.

Table 4
Revenue capacity of government, 1970-2001

	Revenue raised by government tiers (million ₦)				Revenue to GDP ratio			
Period	Total	Federal	State	Local govt.	Total to GDP	Federal to GDP	State to GDP	Local to GDP
1970-74	1,888.12	1,650.85			17.94	14.18		
1975-79	7,721.28	6,873.90			24.13	21.97		
1980-84	12,343.94	7,972.80	4,872.66		22.49	14.59	8.82	
1985-89	26,898.78	15,116.40	5,078.22		20.86	12.36	6.57	
1990-94	156,845.48	59,272.48	4,825.96	19,548.80	30.64	11.15	6.42	2.48
1995-99	595,157.02	411,711.94	5,409.78	36,083.38	29.59	20.47	5.63	1.80
2000-01	2,068,846.50	697,129.50	6,512.90	86,435.14	46.70	15.52	10.33	2.19

Figure 1
Tax revenue collection, January-June 2003

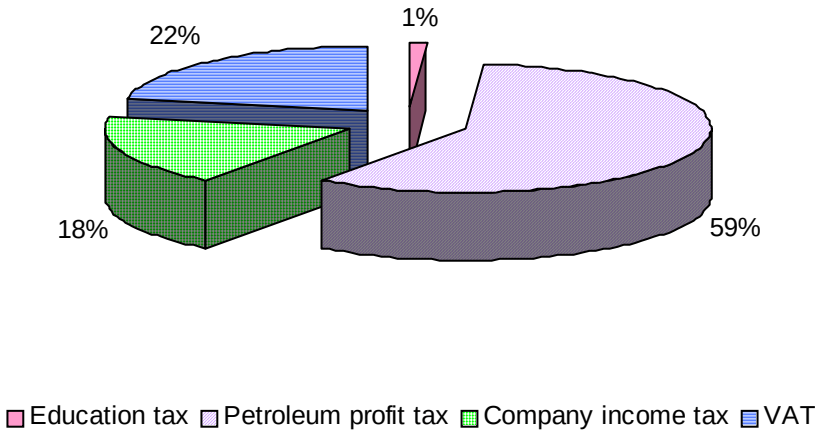

Table 5
Federally collected taxes and non-tax revenue, 1990-2001

	Type of revenue	1990	Share % for 1990	1991	1992	1993	1994	1995	1996	Share % for 1996	1997	1998	1999	2000	2001	Share % for 2001
Tax revenue																
1	Petroleum profits tax royalties, etc [a]	27.0	31.7	38.7	51.5	59.2	42.8	57.8	76.7	14.7	68.6	68.0	164.3	525.1	639.2	28.6
2	Tax on petroleum products												14.4	25.5	30.2	1.3
3	Company income tax	2.9	3.4	3.8	5.4	9.6	12.3	21.9	22.0	4.2	26	38.3	46.2	51.1	68.7	3.1
4	Value-added tax						7.3	20.8	31.0	5.9	34	36.9	47.1	58.5	91.7	4.1
5	Education tax													7.5	16.2	0.7
6	Customs and excise duties	8.6	10.1	11.5	16.1	15.5	18.3	37.4	55.0	10.6	63	57.7	87.9	101.5	170.6	7.7
	Sub-total of tax revenue	38.5	45.2	54.0 (53.4)	73.0 (38.4)	84.3 (43.7)	80.7 (39.9)	137.9 (28.7)	184.7	35.5	191.6 (32.4)	200.9 (41.8)	359.9 (37.9)	769.2 (40.3)	1,018.80	45.6
Non-tax revenue																
7	Crude oil exports (equity)							134.1	159.0	30.6	167.6	100.7	514.0	947.2	934.3	41.9
8	Domestic crude oil sales							53	70.0	13.4	49.8	56.6	46.1	96.4	121.5	5.4
9	Other oil revenues [b]	45.0	52.8	44.1	112.6	102.9	117.4	79.6	103.2	19.8	130.8	99.1	0	23.0	12.5	0.6
10	Other non-oil revenue							55.4	0		43	11.4	9.1	14.2	24.2	1.1
11	Privatization proceeds										0	0	0	18.1	78.0	3.5
12	Independent federal revenue [c]	1.7	1.9	3.0	4.9	5.6	3.8	20.4	3.4	0.007	8.3	11.4	20.1	38.1	44.0	2.0
	Sub-total of non-tax revenue	46.7	54.8	47.1 (46.6)	189.0 (61.6)	108.5 (56.3)	121.2 (60.1)	342.5 (71.3)	335.6	64.5	399.5 (67.6)	279.2 (58.1)	589.3 (62.1)	1,137.0 (59.7)	1,212.70	54.4
	GROSS TOTAL	85.2		170.9	262.0	192.8	201.9	480.4	520.3		591.1	480.1	949.2	1,906.2	2,231.50	100.0

Notes: [a] Figures for 1990-94 include royalties, rent, crude oil exports and domestic sales;
[b] Figures 1990–94 apply to PPT only;
[c] PIT collected by the federal government is lumped under independent federal revenue.

Sources: CBN (various years) and CBN (1999).

After a marginal decline during 1995-99, the share of federally collected revenue rose sharply to 46.7 per cent in 2000-01 partly because of the depreciating exchange rate of the naira. During the same period, the revenue capacity of the federal government fluctuated between 11.2 and 21.9 per cent, while that of the state governments hovered between 5.6 and 10.3 per cent. In view of the constitutional independence of the local governments, their revenue capacity is precarious, and has ranged over the last decade between 1.8-2.5 per cent (see Table 4).

Analysing government revenue in terms of tax and non-tax receipts provides a clearer picture of the performance of each tax component in total revenue. Tax revenue rose from 38.5 per cent in 1990 to 53.4 per cent in the following year, fluctuating thereafter between 28.7 and 45.6 per cent for the years 1992-2001 (Table 5). In 1990, 45.2 per cent of government revenue came from tax receipts; PPT and royalties accounted for 31.7 per cent, customs and excise taxes and company income taxes 10.1 and 3.4 per cent, respectively. During the same period, non-tax oil revenue (mostly petroleum based) hovered between 46.6 and 71.3 per cent, with oil revenue contributing the largest chunk of the total. In 1990 for instance, oil-related revenue accounted for 52.8 percentage points of the total (54.8 per cent) generated through non-tax revenue. Even after the introduction of certain other taxes (i.e., VAT), the picture remained unchanged. In 1996 while PPT accounted for 14.7 per cent, other tax receipts included in the 35.5 per cent share of this sub-group were 14.7 per cent from PIT; 10.6 per cent from customs and excise duties; 5.9 per cent from VAT and 4.2 per cent from CIT. The decline in PPT in 1995 was the result of the transfer of royalties and other oil-related revenues into non-tax revenue category. Consequently, oil-related revenue accounted for nearly all the income generated by non-tax groups. Table 5 shows that the picture has not changed in 2001 with non-oil tax revenue accounting for only 15.6 per cent compared to 20.7 per cent in 1996. Figure 1, however, shows that there is some improvement in the first half of 2003.

4 Effects of fiscal measures

Although fiscal measures are aimed at promoting rapid economic growth, they also generate some unintended effects, making taxation a double-edged sword. Apart from encouraging (or discouraging) activities that are socially or environmentally friendly (unfriendly), fiscal policy is also used as a tool to provide direct assistance to society or individuals. As an economic development tool, taxation provides the financial base for providing and maintaining, among others, infrastructure such as roads, electricity, telecommunications, and water that have direct impact on living conditions. The need to bring social succour to the people recognizes the potential offered by personal taxation for improving exemption benefits such as individual allowance, tuition for children, insurance premiums and allowance for dependent family members, all of which are factors that affect the social structure of the whole country (Ola 2001: 8-11). Part of the adverse impact of taxation is the possible migration of people and businesses. Taxation can become a ‘push’ or ‘pull’ factor for migration because businesses relocate to areas with smaller taxes. In fact, taxation in recent times is one of the instruments for promoting foreign investments in developing countries.

The foregoing has a significant practical impact for Nigeria. For instance, an increase in import duties in the country would cause an intensification of smuggling and under-

utilization of some productive capacities.[12] The approved budget for the year 2000 highlights the seriousness of this problem:

> Imports destined for Nigeria are still diverted to ports of neighbouring countries. This is due to relatively high port charges and levies. The result is a loss of revenue in terms of import duties going to neighbouring countries (Year 2000 Approved Budget: xi).

In addition to the loss of revenue, port facilities are seriously under-utilized since importers now ship goods through neighbouring ports. The prohibitive taxes imposed by the government also cause, in some cases, excess capacity in domestic manufacturing plants.

Since the adoption of SAP in 1986, government has used taxation as a tool to fight poverty, with the emphasis on increasing disposable income as well as shifting the focus from income to consumption. Prior to 1986, tax measures were concentrated on income when PIT was increased from ₦600 or 10 per cent to ₦1,200 or 12.5 per cent for income exceeding ₦6,000. The 1990s witnessed a different story, when minimum individual tax was reduced in 1990 from 1 to 0.5 per cent. In anticipation of the 1994 introduction of VAT, the PIT marginal tax rate was reduced from 45 to 30 per cent in 1993, and again in 1995 and 1966 to 30 and 25 per cent, respectively. The PIT rate was also made progressive. The need to enhance disposable income has been the primary objective since 1995.

With poverty alleviation in mind, the government is paying attention to tax reliefs and allowances, for instance, in order to enhance workers' disposable income for better living standards. In 1996, the government also increased children allowances from ₦1,000 to ₦1,500 per child up to a maximum of four children. This was increased to ₦2,500 in 1998. A dependant relative allowance of ₦1,000 (up to two dependants) was introduced in 1997, to be further increased to ₦2,000 in 1998. During the same year, the personal allowance of ₦3,000 plus 15 per cent of earned income was raised to ₦5,000 plus 20 per cent of earned income. Other relevant tax reliefs include life insurance scheme which offers an exemption on paid premiums up to 10 per cent of the insured capital as well as certain disability allowances. To advance this initiative, the minimum tax-free income was raised from ₦7,500 in 1995/6 to ₦10,000 and to ₦30,000 over the next two years. All these measures were geared towards increasing the disposable income of low-wage earners and strengthening aggregate demand.

Tax reliefs have significantly reduced the tax liability of the people, particularly among low-income groups (Table 6). During 1995-98, the relative reduction in tax liability ranged between 48.4 and 87.5 per cent for low-income groups while it was between 25.4-45.0 per cent for high-income earners. This is clear evidence of a tax liability reduction among the poor. Relief measures have been aimed at helping workers adjust to the impact of inflation and the rising cost of living. The multiplier effect of this can serve as a means of reviving the economy. With added purchasing power, aggregate demand grows and according to the accelerator principle, capacity utilization, output

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12 This has been a recurrent event in Nigeria, as has frequently been expressed in the government's annual budget statements. Special prominence was given to this fact in the Approved Budget for the 2001 Fiscal Year.

and employment opportunities increase.[13] Osakwe (1999), however, observes that the welfare effect of the tax reliefs may not be significant because the majority of the population lives in rural areas and the ratio of formal sector workers is relatively small compared to their informal counterparts.

As pointed out by the Central Bank (CBN 1980: 5), the fiscal policies have imposed hardships on consumers and producers in the form of high prices and increased production costs. Experience shows that producers in Nigeria treat VAT input as a cost. To this end the price effect has become non-neutral, i.e., exceeding the 5 per cent rate. The study by Ajakaiye and Odusola (1996) has drawn attention to the cascading impact of VAT. Using a general equilibrium analysis, these authors conclude that if input VAT is treated as a cost under mark-up pricing regimes, its price effect is distortionary regardless of whether or not the mark-up rates are rigid or flexible downwards. The distortionary impact is severely felt in sectors such as housing, livestock, vehicle assembly, mining, drugs and chemicals, and iron and steel. Price implications of the cascading effects range between 8.7-17.5 per cent across the 29 economic sectors of Nigeria. The effect of this on the purchasing power of the domestic currency and the welfare of the citizens cannot be underestimated.

Table 6
Tax liability of married taxpayers in Nigeria

Income group (₦ '000)	Tax liability (₦)			Difference in tax liability (₦)		% difference in tax liability	
	1995	1997	1998	1995 vs 1998	1997 vs 1998	1995 vs 1998	1997 vs 1998
Columns	(1)	(2)	(3)	(4)	(5)	(6)	(7)
10	50	50	50	0	0	0.0	0.0
20	425	300	100	325	200	76.5	66.7
30	1,200	950	150	1,050	800	87.5	84.2
40	2,325	1,950	650	1,675	1,300	72.0	66.7
60	5,625	4,500	1,900	3,725	2,600	66.2	57.8
80	9,897	7,900	3,750	6,125	4,150	62.0	52.5
100	14,950	12,000	6,150	8,800	5,850	58.9	48.8
120	20,050	16,250	8,550	11,500	7,700	57.4	47.4
140	25,150	20,500	11,600	13,550	8,900	53.9	43.4
160	30,250	24,750	14,800	15,450	9,950	51.1	40.2
180	35,350	29,000	18,250	17,100	10,750	48.4	37.1
200	40,450	33,250	22,250	18,200	11,000	45.0	33.1
300	65,950	54,500	42,250	23,700	12,250	35.9	22.5
400	91,450	75,750	62,250	29,200	13,500	31.9	17.8
500	116,950	97,000	82,250	34,700	14,750	29.7	15.2
1000	244,450	203,250	182,250	62,200	21,000	25.4	10.3

Note: Columns 4 and 5 show absolute increases in disposable income or reduction in tax liability while columns 6 and 7 show relative reduction in tax liability.

Source: Osakwe (1999: 35).

[13] The generous tax reliefs have been considered as counter-productive to the revenue generating efforts of the states. The states of Lagos, Delta and Oyo which generated substantial part of their internal revenue from PIT are unhappy with this development.

Despite efforts to diversify the tax structure, not much has been achieved. The introduction of the structural adjustment programmes in 1986 did not help matters. Due to an inflexible tax structure, oil and gas receipts still constitute about 75 per cent of total revenue. And in the absence of policy, Nigeria's fiscal operations are largely influenced by oil-driven volatility, which impacts on both revenue and expenditure. For instance, revenue and expenditure have increased sharply during periods of high oil prices as in 1979-82, 1991-92 and 2000-02. But as prices decline, scaling back of expenditure is the order of the day. As Baunsgaard (2003: 2) notes:

> The implications of such boom-bust fiscal policies include the transmission of oil volatility to the rest of the economy as well as distortions to the stable provision of government services. This has added to the failures over the years of public spending neither facilitating the diversification and growth of the non-oil sector nor reducing poverty.

Effects of the boom-bust cycle are numerous; in addition to affecting the wages of public sector employees, particularly at the state and local government levels, it also influences the implementation of development projects and maintenance of the existing infrastructure.

5 Problems of tax administration

The Nigerian tax administration faces serious, complex and multidimensional problems. As Ola (2001: 10) summarizes:

> Revenue realized from income tax is low because of the low level of literacy, poor relationship between taxpayers and income tax authorities, and the inadequate number, or complete absence, of trained and qualified accountants on the staff of the tax authorities. Unqualified staff do not know how to get information or the technical methods of how best to use information made available to them.

According to Ariyo (1997), the problems are the deficient tax administration and collection system, complex legislation and apathy of the Nigerians caused by the lack of value received in return for their taxation money. The general perception that the rich do not pay taxes in Nigeria has further worsened the situation. The military government's practice of using the budgetary process to amend several tax laws concurrently through a single omnibus decree created confusion. It was difficult to separate tax issues from financial ones because these were usually lumped under a single standardized caption. It also made the process of ascertaining the legal position laborious and complex (Study Group on Tax Reform 2003). Consequently, the eventual codification of tax laws has become difficult and lengthy.[14]

[14] Since the inauguration of the democratic government in Nigeria on 29 May 1999, not a single tax law has been passed. This, given the urgent issues in the country's tax laws and administration, is quite disturbing.

The Nigeria tax system is beset by a myriad of problems, some of which are highlighted below (FRN 1997, 2002; Ariyo 1997; Ola 2001; Odusola 2002, 2003; Study Group on Tax Reform 2003):

- Taxation has been the oldest governmental activity since the country's unification in 1914, so one would expect tax statistics to be readily available. This expectation, however, is misplaced. With the exception of the states of Delta, Lagos, Kaduna and Katsina and the Nigerian Customs Services, other agencies of the states and relevant federal tax offices have serious failures in data management. Moreover, there are no efforts to have the limited data that are available collated or analysed on a routine basis, not to mention, having it stored, or made more easily assessable or retrievable. This situation does not provide much input to policy process.

- The political economy of revenue allocation in Nigeria does not prioritize tax efforts. It is, instead, anchored on such factors as equality of states (40 per cent), population (30 per cent), landmass and terrain (10 per cent), social development needs (10 per cent), and internal revenue efforts (10 per cent). The approach, discouraging a proactive revenue drive, particularly for internally generated revenue, makes all government tiers heavily reliant on unstable oil revenues which are affected by the volatility of the international oil markets. Aside from the national syndrome of 'cake sharing', the instability and volatility of oil revenue should have created an opportunity for improved tax efforts within the provisions on taxation ratified in the 1999 Constitution. Although some state governments have initiated measures to enhance their tax generation attempts, the outcome has not reflected any level of serious effort.[15]

- Tax administration and individual agencies suffer from limitations in manpower, money, tools and machinery to meet the ever increasing challenges and difficulties. In fact, the negative attitude of most tax collectors toward taxpayers can be linked to poor remuneration and motivation. Phillips (1997) considers the paucity of administrative capacity as a major impediment to the government in its attempts to raise revenue in Nigeria. As of March 2003, the Federal Inland Revenue Services (FIRS) had 7,643 staff members throughout the country; of these a mere 12.6 per cent, or 964 employees, were tax professionals/officers. The predominance of support staff in a professionally inclined agency like the FIRS does not augur well for the country. The situation at the local government level is more precarious. For instance, while Oyo State has 370 tax officers to cover 33 local government councils, Kwara has 111 to administer tax across the state's 16 local councils. Anecdotal evidence shows that staff are not provided with regular training to keep them abreast of developments in tax-related matters. This makes the administration of taxes in terms of total coverage and accurate assessment very weak.

- A major problem facing the country is the multiplicity of taxes. Individuals and corporate bodies complain about the ripple effects associated with the duplication of tax. This problem arose from the states' complaints about the mismatch between

[15] The expectation of oil wealth since the oil boom of 1973/4 has influenced government disposition to non-oil revenue. The sudden upsurge in oil revenue created the Dutch disease syndrome, a part of which is the neglect of non-oil revenue. Cheap oil revenue limited the resourcefulness and imagination of the tax authorities in searching for alternative sources of revenue.

their fiscal responsibilities and fiscal powers or jurisdiction. To compensate, some states took the initiative of levying certain taxes, which has led to arbitrariness, harassment and even closure of businesses. To rectify this embarrassing situation, the Taxes and Levies Act of 1998 was enacted. Lagos State is a good example of efforts to offset the inequitable distribution of VAT proceeds: it imposed certain taxes and proposed a re-introduction of the sales tax. To control multiple taxation, the Joint Tax Board started to publish a list of approved taxes and levies and to declare any other unspecified taxes illegal. This has created a degree of harmony, and checked the hitherto rampant taxation that had made the business environment in Nigeria so harsh.

- Since the early 1990s, Nigeria has been moving away from direct to the indirect tax considered to be less distortionary. VAT, for instance, is less distortionary because it is applicable to the value-added contents of imports and of domestically produced goods. The potential for maximizing the benefits of this taxation form, however, is constrained by structural problems in the economy. The predominance of the informal sector, constituting more than 50 per cent of the country's economy, enables most domestic production to circumvent VAT. Income tax also faces the same risk. Since operations in the informal sector are rudimentary without adequate recordkeeping, tax assessments are difficult to make. Often tax administrators resort to estimates that are prone to a wide margin of error, or open up tax evasion opportunities. Ariyo (1997) points out that the proportion of self-employed relative to the total working population is substantial, yet tax authorities have not devised appropriate means of collecting effective personal income tax from this group. In fact, income from the self-employed or informal sector activities is grossly untapped. This situation applies equally to excise tax and VAT. Retail trade in Nigeria is incredibly large but substantially informal. VAT collection at this stage is bound to be a logistical nightmare, particularly where a large portion of trade is by transient agents and receipts rarely issued (CITN 2002). This is further compounded by the country's social structure where price is determined by the bargaining ability of the buyer; this creates a system of differential pricing that complicates VAT administration. The coverage of these forms of taxes depends largely on the extent of economic progress.

- It is important to note that in Nigeria the administration of VAT has been beset with problems, namely:[16]

  i) Tax evasion and avoidance;

  ii) Inadequate funding for the revenue services;

  iii) Limited or lack of independence of revenue services;

  iv) The lack of the VAT Tribunal, as recommended under VAT Act Decree No. 102 of 1993;

  v) Proposals by some state governments (e.g., Lagos) to re-introduce sale tax;

16 According to the chief tax inspector of FIRS, these problems are preventing the government from reaping VAT's potential benefit, but according to *The Guardian*, the lack of autonomy for the FIRS is considered to be the critical drawback (3 September 2003: 21).

vi) Discontentment in states applying *Sharia* law with regard to VAT-taxable items that are prohibited on a religious basis; and

vii) Practical problems related to the implementation of VAT's dual elements (input and output). Experts consider this to be a major challenge.

- In addition to the generally poor nature of data collection, individuals and enterprises do not keep proper records, subsequently making tax assessment difficult. As CITN (2002: 15) concludes, 'recordkeeping is not yet a popular culture' in Nigeria. Evaluating tax liabilities is contingent on proper accounting records. Widespread illiteracy among business owners, however, precludes the existence of such accounting details. Outright falsification of records to undercut the system is also a problem,[17] for which some sanctions have recently been imposed by the JTB.

- Corruption is prevalent in the administration of taxes and duties. Until very recently, it was commonplace to collect tax payments partly on behalf of one's self and partly for the government. Evaders prefer to bribe officials rather than pay taxes. Tax assessors collude with taxpayers, particularly with regard to the PIT, or in some cases, in connection with the assessment. The multiple processes of clearing imports is not only a source of administrative delay, but also an avenue for entrenching corruption. This is further compounded by the pilferage of goods at port. As CITN notes, 'governments in Nigeria are perceived as a corrupt and selfish lot, to whom money should not ever be voluntarily given. Taxes paid are expected to end in private pockets, not in public utilities' (CITN 2002: 15). This attitude has eroded tax consciousness on the part of Nigerians. Although some progress has been made by the present administration, there is still room for improvement.

- The failure of the three tiers of government to provide social amenities affects tax compliance. Apart from the problem of mismanagement of resources, more than 70 per cent of the revenue is spent on recurrent operations. For instance, recurrent expenditures on the part of the central government ranged between 36.6 and 65.8 per cent over the period 1995-2001 while those for the state government were between 49.7-68.2 per cent. Many state governments spend as much as 70-90 per cent on recurrent operations. The situation is even worse at the local government level where, for instance, during 1993-97 the share of recurrent expenditures in the total ranged between 71.9-78.5 per cent, and between 58.4-69.3 per cent during 1998-2000 (Odusola 2003). Some local governments are having difficulties in paying salaries, not to mention funding development projects. To many taxpayers, the fundamental principle of government has been defeated and the moral obligation to pay taxes for the salaries of government officials no longer exists.

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17 The Chartered Institute of Taxation of Nigeria has stated that before the introduction of VAT, traders were known to keep two sets of records: one for their personal business accounting purposes and the second for haggling customers who refuse to buy unless they believe they are getting the item at a bargain price for which other buyers had paid more (CITN 2002: 32).

- According to the Nigerian Stock Exchange, 85 per cent of corporate tax revenue in the country accrues from the 196 companies[18] listed on the exchange compared to the 30,000 companies registered with the Corporate Affairs Commission. This is a serious indictment of the administrative machinery and capacity of the tax authorities of Nigeria.

- Experience from the emerging economies shows that tax incentives such as waivers, tax holidays, tax-free status, tax-free allowance, etc., are not important factors in investment decisions. Since the first tax incentive was introduced in Nigeria in 1958 under the Industrial Development (Import Duty Relief) Act, not much has been achieved in terms of industrial progress. This observation needs to be reconsidered in connection with future tax policies.

- In spite of the fact that the federal government is responsible for tax legislation, there are departures from the statutory provisions in the method of assessment and collection at the state and local government levels, as for example, the use of tax consultants since the late 1980s. The option of using consultants was triggered by the desperate need of the sub-national governments to enhance their internally generated revenue. Tax consultants, apart from operating illegally counter to regulations in Section 2 of Decree 21 of 1998,[19] have been considered unprofessional, crude and violent in their methods, thus minimizing the prospects for good tax administration (FRN 1997; Study Group on Tax Reform 2003). In realization of the foregoing, the Joint Tax Board issued in August 2003 the following communiqué at its 104th meeting:

  > The Board deplored the use of tax contractors/consultants for assessment and collection of taxes by some States and local governments and urged various States' Executive Governors to ensure that the tax administration structures as provided for by law are put in place for effective, efficient and enduring tax administration in the country.
  >
  > The Board frowned on the use of consultants in the traditional function of tax authorities, and restricted their involvement to such secondary assignments as information gathering, training, monitoring and computerization.

- Tax laws in Nigeria are complex and difficult for the common taxpayer to understand, and some cases are problematic even for literate officials. In addition to lack of understanding, many taxpayers are unaware of the existence of certain taxes. This—coupled with the lack of information, laziness of the tax officials, uncooperative taxpayers and the habit of 'quick-fix' solutions—encourages the use of 'the best judgement' approach (*boj*). This may be a manifestation of the poor tax education and weak fulfilment by tax authorities of their responsibilities with regard to public awareness.

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18 This is credited to the director general of the Security and Exchange Commission (*Business Times*, 2 September-4 October 2003: 10).

19 There is not one iota of legality in support of the tax consultants. See sections 85A to E of PIT Act as documented in the Finance Decree No. 19 of 1998 (Miscellaneous Taxation Provisions, No. 2).

Box 1
Problems of tax administration at the state level

Tax administration in Kwara State does not differ much from other parts of the country. In specific terms, the problems of tax administration in Kwara are:

- Irregular review of revenue capacity of all revenue units. Although monthly meetings are held to appraise the revenue-generating performance of the units, the last serious effort was in 1989. The irregularity of these review processes has contributed to the poor forecast of implied growth rate over the years.

- The existing tax rates are too low and in some cases the cost of administration is higher than the revenue collected. For instance prior to 1999, the high court rate for an oath was ₦ 2 while the cost of printing a receipt is more than the applicable rate. Even after the review of the rates conducted in 1999, they are still too low to cover administrative costs (for example, the rate for an oath is ₦ 10; divorce and service ₦ 20; divorce servicing ₦ 10 for the high and regional courts and ₦ 5 for the magistrate's court; and filing a motion ₦ 15).

- Rates applicable in other sectors are also considered to be low, for example, charging a flat rate of ₦ 5,000 as the fee for processing a contract irrespective of the amounts involved deserves urgent attention. Rates for land acquisition and rent also remain ridiculous in comparison to market rates. It is important to note that the Board of Internal Revenue (BIR) has recently initiated a review of the rates that do not need statutory approval such as fees on forms for governmental transactions (₦ 100), withholding tax (10%), vehicle plate number scheme and its attendant charges (e.g., proof of ownership, vehicle registration and vehicle licenses).

- The administration related to the direct tax assessment scheme has been problematic in the state. Based on the business methods in effect in Nigeria, it is not easy to ascertain whether firms operate at a profit or loss, and this makes it very difficult to determine how much should be paid in taxes. A large chunk of the revenue is lost through this process.

- Tax enforcement is weak. During the military era, the Tax Force Unit was used to enforce tax compliance. However, with democratic rule, this is not allowed and the use of the traditional court system is not only too cumbersome but also time consuming. To this effect, a bill for a tax court has been prepared by the state to replace the Tax Force. The bill has been discussed at the cabinet level, and is currently being amended by the Ministry of Justice after which it will be presented to the House of Assembly. When this bill becomes operational, it is hoped that BIR's monthly collection target of ₦ 70-80 million can be increased to ₦ 120-150 million.

- The government pays inadequate attention to IGR. Certain key ministries have facilities that could be used to generate revenue for the state but due to poor tradition regarding maintenance, these resources are wasted away. These, to mention a few, include the Ministry of Works (e.g., earth moving equipment), Ministry of Agriculture (e.g., tractor-hiring services, poultry equipment) and Ministry of Commerce (e.g., Kwara Hotel and Satellite Motel).

- Using tax consultants to collect revenues from government ministries and agencies (e.g., PAYE) does not give a true picture of performance. This is revenue that is collected at source with minimal effort and could easily be collected by government tax or revenue officials. Thus, the practice of including certain taxes (PAYE and other revenue deducted at source) within the government machinery as components of a revenue benchmark for tax consultants should be discontinued. It is important to note that the period when tax consultants were employed coincided with revenue increase. This fact notwithstanding, their performance should be reviewed regularly to determine their relevance, and they should concentrate on revenue outside the government machinery, e.g., direct tax assessment.

Source: Odusola (2002: 20).

- Although the absence of a common law in Nigeria is a disadvantage, the fact that the general principle of law is allowed to replace the intent and to affect tax statutes is regrettable.[20] Over the years, the non-consistent pattern of adjudication on tax laws in the country has caused difficulties in interpreting the tax statutes. In view of this, the CITN (2002: 21) concluded that the Nigerian judges have not developed sufficient expertise in the field of tax adjudication.

6 Recommendations

Taxation is crucial to Nigeria to ensure sustainable fiscal policy. This is even more important in view of the fact that the country presently operates under a cash budget approach. The need to avoid revenue volatility, and the inability of the lower levels of government to meet their ever-increasing fiscal responsibilities make the expansion of non-oil revenue vital. Increasing non-oil revenue requires the various government tiers to seek improvements in (i) the treatment of both the taxpayer and tax administrator, (ii) adequate investment for the tax system and (iii) judicious spending of taxpayers' money. Furthermore, the various government levels need to focus on the following:

- Nigeria's economic history of volatile revenue flows has shown that it is time for the country to undertake serious efforts to diversify its revenue structure. The diversification experience of Indonesia to safeguard its economy against oil-related volatility could be relevant for Nigeria, and calls for exploiting the potential of such broad-based revenue sources as income tax and VAT. For stability and sustainability, the revenue structure should be largely domestically driven and should principally be derived from value-added production activities rather than from the current service-oriented operations.

- VAT, one of the most dependable revenue sources in Nigeria today, has the potential to become the main source if it is properly harnessed. This can be achieved only if the Federal Inland Revenue Services is autonomous, void of the unnecessary encumbrances and bureaucratic bottlenecks it is currently faced with. To be able to function effectively, the FIRS should be ratified by law and supported with adequate resources; their tools and techniques should be modernized.

- Withholding tax on dividends: in line with the current globalization trend, many countries now provide various tax incentives to attract investors. In Nigeria, operators in the Securities and Exchange Commission have made spirited efforts to persuade the government to abolish taxes on dividends. This is all the more expedient, given the government's commitment to attract foreign investors as well as to increase saving and investment.

- Tax administration can achieve good results only if the following conditions are met: simple tax rules and procedures, low tax burden, convenience to taxpayers,

[20] The CITN (2002) made it clear that there is no consistent interpretation of tax statutes in Nigeria. Since tax is an imposition on a country's citizens, any ambiguous situation is interpreted in favour of the taxpayer. Although it is obvious that there is no intendment in tax laws, this provision has been ignored in the Nigerian setting.

minimal compliance costs, easy access to information, and mutual thrust and fairness. Reforms that ignore these issues may not achieve much.

- A corrupt-free and efficient administrative machinery with personnel who are adequately trained, well-equipped and motivated would enable Nigeria to make appreciable progress in revenue diversification. Tax administration machinery should have an effective redress and refund system so that disputes can be settled easily and corruption checked.

- Contrary to the erstwhile practice of obsolete tax laws and rates, there should be a continuing review of tax-related issues to align these with the macroeconomic targets for promoting efficient fiscal policy.

- To avoid the present situation where states impose illegal taxes and levies, there should be a unified, effective and unbiased tax administration with full representation from the three tiers of government. This should not, however, compromise the diversified revenue efforts and the uniqueness at each level of government. To complement this effort, specialized tax judges are needed in the courts to adjudicate on tax matters promptly and efficiently and to foster tax compliance and respect.

- Funding for tax authorities and custom services should be increased to 3-5 per cent of the targeted revenue to ensure efficient administration. Officials employed within these services must adopt a client-friendly attitude for assisting taxpayers/importers as the need arises.

- Nigeria has numerous tax incentive structures, but these need to be made internationally competitive. While acknowledging the efforts of the present democratic regime to put the country's ports into shape, they are still below international standards, and should be improved to ensure competitiveness.

- The current situation in which the buoyant tax handles are controlled by the federal government is an issue for concern. Thus, there is need to align tax responsibilities with tax power. The authority to issue taxes should be devolved to lower tiers of government: this could have positive implications for the fiscal coordination and macroeconomic management of the country.

- JTB's new stance that tax consultants should not be involved in primary taxation functions is a step in the right direction because it upholds the tenets of the Taxes and Levies Act of 1998. Consultants contravening the law should be prosecuted by the Attorney General, and relevant professional associations should take disciplinary steps against erring tax consultants.

- To tap income from the self-employed or informal sector activities, a broad-based comprehensive scheme should be designed so as to fully harness the potential from this revenue source.

- Tax incentives have not had much impact in Nigeria. Total rejection of the present approach is not warranted, but its use should be restricted to such important sectors as oil and gas, export-oriented industries, industries located in rural areas and solid minerals development, etc.

- In addition to addressing the problem of corruption and entrenching real value-for-money in public service delivery, there is need for continuous dialogue between the government and citizens on taxation matters. This does not, however, replace the need for tax education and information campaigns on critical issues relating to tax administration. The government must be honest and more transparent with regard to the way public funds are dispensed. Defaulters must be prosecuted for tax evasion, or the general public will not take taxation seriously.

- Nigerian tax laws are noted for their complex structure. Tax laws must be made understandable to all: they should be expressed simply, clearly and intelligibly. The annual amendments that are incorporated into the yearly budgets should be aligned with the principal legislation to avoid confusion.

- Upstream oil companies need to report annual expenditures on the purchase of assets, services and financial charges with the view to broaden the scope for withholding tax and VAT payments. Computerization of these items could provide important input for improving tax assessment and collection. The FIRS will have to work closely with the oil companies, the Nigerian National Petroleum Company, in particular with the Department of Petroleum Resources, Crude Oil Marketing Department and the National Petroleum Investment Management Services as well as the Central Bank of Nigeria.[21]

- The efficiency of a country's institutions has significant bearing on its operations. Between 1999 and 2002, FIRS accounted for 74.5 per cent of federal revenue while the NCS collected the balance. For efficient operations, the federal tax organizations should comprise the following (Study Group on Tax Reform 2003):

    i) FIRS (Federal Inland Revenue Services)[22] with responsibility for income and other inland taxes, VAT excluded;

    ii) value-added tax services, responsible for VAT;

    iii) NCS (Nigeria Custom Services) for custom and excise duties;[23] and

    iv) JTB (Joint Tax Board) for harmonizing income tax at the three tiers of government; managing the national database, and serving as a clearinghouse for inter-state tax flows.

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[21] The Central Bank of Nigeria is responsible for the depository of royalties, PPT and other direct taxes as well as for providing other relevant information on tax collection. The Department of Petroleum Resources monitors and collects royalties and gas flare penalties and provides data on reserves and production for use in calculating PPT. The Crude Oil Marketing Department is responsible for marketing crude oil, verifying production and sales data while National Petroleum Investment Management Services monitors the operation of JVCs and PSCs and is also responsible for planning and budgeting, reviewing and approving capital expenditures and purchase contracts.

[22] The Federal Board of Inland Revenue (FBIR, established by Sections 1-7 of the Companies Incomes Act, Cap 60, LFN 1990) is expected to serve as the policy organ of the FIRS which is currently responsible for PIT at the federal level, corporate income tax, petroleum profit tax, VAT, capital gains tax and stamp duties.

[23] In addition to custom and excise duties, the NCS also collects a range of extra non-custom levies such as VAT on behalf of FIRS, a 2 per cent levy on vehicles and spare parts for National Automotives Council, a 5 per cent sugar levy, a 1 per cent comprehensive inspection scheme levy, ECOWAS levy, as well as several other miscellaneous levies.

At the state level, the State Board of Internal Revenue with an operational technical arm called the State Internal Revenue Service will, among others, ensure effective and optimum tax collection, facilitate effective tax assessment and collection, and make recommendation to JTB on tax policy, etc. The Joint State Revenue Commission is the second institution.

- Tax institutions at the local government level are characterized by irresponsible, deliberately questionable action and inhuman exploitation of citizens. Improvement in this regard calls for institutional rehabilitation. First, the role of the Ministry of Local Government in terms of proper coordination, control and regulation of activities should be enforced. Second, the practice of using political associates to collect taxes should be avoided, as this may not be within the strict rule of law. Creating jobs for the 'boys' has worked against the state and local governments in efforts to form a constitutionally recognized body to undertake this responsibility. Thus, a local government revenue committee to be recognized by law,[24] should be established. Currently, most committee members are politicians, and employees are hired at federal and state levels with limited or no technical qualifications. Third, the Joint State Revenue Committee, which was intended to coordinate issues and problems relating to the implementation of legal provisions of the laws,[25] but which is still absent in almost all states, should be set up.

7 Conclusions

Nigeria's tax system is characterized by unnecessarily complex, distortionary and largely inequitable taxation laws that have limited application in the informal sector that dominates the economy. Among the other problems relating to taxation can be added the low yield of revenue, disregard for the true principle of federalism, endemic institutional and management concerns at sub-national levels, weak tax assessment, corrupt processes, and the prevalence of multiplicity of taxes. The major challenges facing tax authorities include the need not only to build, but also to utilize institutional and human capacity, funding and logistics as well as finding solutions for tax evasion, fraud and mismanagement of collected revenue, improving voluntary compliance, and quick adjudication on legal matters. For the tax system to be efficient and effective, it must produce officials that are well-paid, well-motivated, properly organized, adequately equipped, well-disciplined and professionally inclined. The system needs to adhere to simple, clear and unambiguous tax laws; assessment and collection procedures must be straightforward, transparent and client-friendly. Nigeria must train special tax judges and establish special tax tribunals; ensure that tax compliance costs are minimal; and to adopt the attitude of 'the taxpayer being the king'.

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24 As ratified by Sections 85D and 85E of PIT Act of 1993, it proposed membership as follows: chairmanship to be assumed by the supervisor for finance, three local government councillors plus two other members experienced on revenue matter to be appointed by the chairman.

25 The chairman of the SBIR presides over committee meetings while the chairmen of all local government revenue committees are members, among others.

Appendix

Appendix Table 1
Tax and other related policy measures in the 1980s

Years	Policy measures
1980	• Import duties on fishing vessels abolished; • Existing user scheme modified to promote industrial dispersal: relief contingent on distance from coastal region: Lagos (20%), Enugu (15%) and Bauchi (5%); • Auto assembly workers protected by increasing duty from 20 to 35% on fully assembled vehicles; • Duties on paper bags and selected spare parts abolished while bicycle tyres and tubes, jute bags and fabrics, etc. were import-banned; • Upward increase for certain finished imported items (from 20-50% to 25-75%); • Ban on rice importation lifted; • Excise duties on margarine, toothpaste and perfumery products reduced (from 10-25% to 5-15%).
1981	
1982	• Certain sections of the customs and excise tariff schedule granting exceptions to firms and individuals deleted; • FBIR empowered to impose a maximum tax rate of 2% on turnover or 45% of taxable profit or whichever is higher; • Exemption from tax payments discontinued for companies, except at the explicit recommendation of the president of council; • All government agencies to advise the FBIR with respect to contracts and awards to companies, payment of rents, interests, etc; • Import duty on tyres increased (55 kobo to 65 kobo per kg); • Import duties on electrical components reduced (33.5 to 5% for assemblers); • 5% import duties imposed on previously tax-free bolts and nuts.
1983	• 152 commodities transferred to a specific import licence to ensure effective control. • Import duties on certain items increased: - Starch (33.5 to 100%); - Sticks for confectionary items (25-200%) - Cotton yarn (50-100%); - Sacks and jute bags (40-50%). - Fabricated structural steel (40-60%); - Wheelbarrows (50-100%). • Reclassification of some imported items and new rates introduced: - Soap and detergent (100%); - Paper and paper labels (200%); - Real madras (200%); - Blankets (100%); sheets and plates (10%); - Knives and cutting blades (15%).
1984	• Reforms and rationalization of import tariffs by reducing import duties from the earlier range of 0-500% to 5-200%; • Schedule II of the Customs Tariffs Act of 1973 abolished which had imposed only 20% import duties such as aircraft parts, goods imported by non-profit organizations; • Concessionary rates to designated import-substitute manufacturers removed by imposing *ad valorem* rates ranging from 10 to 75% on raw materials and intermediate products.

Appendix Table 1 (continues)

Appendix Table 1 (cont')

Years	Policy measures
1984 (con't)	• Excise duty base expanded to include 332 new excisable products; • All imports placed on specific import licensing scheme by cancelling the open general licensing; • A minimum period of 3 years established during which customs and excise duties would remain unchanged.
1985	• Amendment of the Income Tax Management Act of 1961 and Company Income Tax of 1979 by the Finance Decree of 1985 to address the following: – Increasing the rate of tax deductible at source on rents, dividends, royalties and interest from 12.5 to 15%; – Setting a maximum period of 4 years for companies to carry forward losses against future profits; – Calculation of capital allowance restricted to a straight line method only; manufacturing companies to a maximum of 75% assessable income; – Turnover tax abolished; – In addition to the airport tax of ₦ 5, a levy of ₦ 100 was imposed on passengers travelling outside Africa; – Fine of ₦ 500 imposed on registered companies that are not operating after 6 months; – Personal income tax raised from ₦ 600 or 10% of earned income to ₦ 1,200 plus 12.5% of income earned in excess of ₦ 6,000; – Tax clearance certificates introduced for 18 types of transactions; – Banking license application fee of ₦ 2,500 imposed and the banking licence fee increased to ₦ 10,000; – A system of pre-paid import duty contingent on a valid letter of credit introduced.
1986	• Continuation of the National Economic Recovery Fund established in October 1985 to accommodate: – Revenue from levies from all factor incomes ranging between 2-15%; – Revenue from the 80% reduction in petroleum subsidy; – Revenue from the consolidated import levy of 30% on all imported items. • Amendment of the custom and excise tariffs to accommodate: – Duty imposed on imported agriculture equipment so as not to place local assemblers at a disadvantage; – Goods (e.g., tubes, pipes, blanks of iron and steel, etc.) inadvertently overlooked in taxation were targeted for excise tax; – Banning of such goods as vegetable oil (except those used by local industries), commercial day-old chicks, hatching eggs and stock fish.
1987	
1988	• All investment income earned outside Nigeria and formerly repatriated, exempted from taxation; • A lower rate of company tax of 20% introduced for small- and medium-scale enterprises engaged in agriculture, manufacturing and mining of solid minerals, but with turnover not exceeding ₦ 500,000 for 3 years; • Wage freeze revoked and collective bargaining reinstated; • An additional 5% capital tax allowance introduced for eligible expenditures for plants, construction and agricultural production; • The number of excise-taxable products reduced from 412 to 182; • Anti-dumping tariffs introduced on such items as roofing sheets, tomato paste and purée, etc; • Custom duty on fish caught in Nigeria's territorial waters cancelled; • Maximum taxation of 15% applied to all investment income; • Tax rebate introduced on interest charges paid on loans for financing owner-occupier homes.

Appendix Table 1 (continues)

Appendix Table 1 (con't)

Years	Policy measures
1989	• Ban on cigarettes, jewellery, precious metals and lottery machines lifted but applicable to a 200% duty while particle boards attracted 50% duty; • Excise duties on beer, stout, spirits and wines a well as cigarettes increased from 30 to 40%; • Sale taxes on beer (3 kobo) and soft drinks (1 kobo) raised to a uniform 5% of producer price; • Subsidies on fertilizers reduced (from ₦ 10 to 15 in one category and from ₦ 8.5 to 12 in another); • A 15% withholding tax applied to savings deposits of 50,000 naira or more; • A 15% withholding tax on rental income extended to cover chartered vessels, ships or aircraft; • A 15% withholding tax established as the maximum on director fees; • Duties reduced on a number of intermediate products, e.g., batteries, rolled sheets and tin plates; • Duties increased on some products such as syringes and needles (from 40 to 55%), mosquito repellent (30 to 200%) and motor cycles and bicycles (from 35 to 45%); • Penalties of life imprisonment and seizure of properties for individuals convicted of smuggling, or storing or selling banned items; • Import duty on spare parts for commercial vehicles and tractors reduced from 25 to 5% while other categories remained at 25%; • Companies allowed a maximum 10% tax-free allowance on their annual gross profits to promote R&D.

Source: Compiled by the author.

Appendix Table 2
Tax and other related policy measures, 1990-2002

Year	Measures
1990	• Ban on the export of primary products such as hides and pelts and palm kernel to allow for drawback scheme and local processing of inputs; • Import duties increased on certain products: jewellery (100-200%), toothbrushes (35-70%) and wheelbarrows (15-50%); • Import duties increased on fluorescent tubes, batteries, starch tubes and glass shells to discourage smuggling (35-75 to 200%); • Minimum tax for individuals reduced (1 to 0.5%); tax returns no longer to be submitted by individuals earning ₦ 3,000 or less; • Tax allowances to individuals increased; • Non-residents exempted with regard to deposit account interest, including interest on foreign currency accounts held domestically; • A 10% investment allowance introduced on expenditures incurred on production machinery.
1991	• Two study groups set up by the federal government to review the tax structure and administration to improve tax collection; • The amount earmarked for the duty drawback scheme increased from ₦ 10 million in 1990 to ₦ 50 million in 1991; • The manufacturing-in-bond scheme established to allow export manufacturers access to duty free raw materials regardless if whether these are banned or not; • Duties on certain inputs reduced to stimulate production; • Excise duty on locally produced sugar cancelled to promote competitiveness; • Excess profits tax eliminated; • Penalties introduced on delayed tax payments by individuals and companies; • Implementation of ECOWAS liberalization with exoneration from duties and taxes and free from quantitative restriction.
1992	• Modified value-added tax adopted in principle, effective from 1994; • PIT burden reduced through increased tax allowances and reduced tax rates; • Fringe benefits monetized and taxed; • R&D expenditures to become deductible from companies' gross earnings; • Tax exemption status extended to companies in rural areas and incentives granted on the basis on locally available infrastructure; • Company tax rate reduced from 40 to 35%; • Payment of petroleum profit tax in dollars; • Tariff reforms on the removal of import duties on CKD components and spare parts for commercial vehicles and inputs used in cement manufacturing.
1993	• Excise duty reneged in order to reduce cost induced inflation; • Sugar reclassified under Harmonized Commodity and Coding System (HS) and duty raised from 5 to 40%; • 10% surcharge imposed on the cif value of sugar to promote local production; • Arms and ammunition reclassified under the HS and duty increased from 20-30 to 100%; • Workers earning less than ₦ 5,000 exempted from paying income tax; • Marginal tax rate reduced from 45 to 35%; • Adequate customs duty and taxes imposed on contract or project loans, except technical assistance.

Appendix Table 2 (continues)

Appendix Table 2 (con't)

Year	Measures
1994	• Withholding tax increased from 5 to 10% to achieve progressive tax policy and extending capital gains tax to include moveable assets; • Fees increased for directors in property and investment companies from ₦ 3,000 to ₦ 10,000; • VAT implemented at a flat rate of 5%.
1995	• Certain aspects of the petroleum profit tax reviewed; • Making returns and remittances of 'oil tax' directly payable to FIRS by those covered by oil production sharing contracts (PSCs); • Withholding tax on building construction and related services increased to 5%; • Penalty of 200% of the unremitted tax amount imposed for failing to pay or remit withholding tax; • Reducing PIT to a maximum of 30%; • Child allowance increased to ₦ 1,000 per child; • VAT base widened by mandating government agencies to deduct VAT at source from all contract payments; • Tax incentives to small-scale manufacturers extended from 3 to 5 years; • Additional tax incentives introduced to export processing zone (EPZ) operators such as accelerated capital allowance of 100% on building and plant expenditure and a tax of 20 kobo per every ₦ 1 value of their operations.
1996	• Additional ₦ 2,500 in tax relief proposed to low-income earners; • Child allowance increased to ₦ 1,500 per child up to a maximum of 4 children; • Marginal PIT tax reduced from 30% in 1995 to 25%; • Capital transfer tax cancelled; • CIT reduced from 35% to 30%.
1997	• Legally-approved taxes and levies listed publicly; others denounced as illegal; • State governments discouraged from using tax consultants for internal revenue collection; • A waiver of tax clearance required for remitting interest or dividends on which withholding tax had been deducted; • Some commodities exempted from VAT: plant and machinery for EPZ use, gas utilization in downstream petroleum operations, agro-chemicals and water treatment chemicals; • Additional tax incentives for gas exploitation initiated, such as 3-year tax holiday.
1998	• Strengthening tax administration by establishing tax authorities at the three levels of government; • Minimum tax-free income raised from ₦ 10,000 to ₦ 30,000; • Excise duties abolished for domestic manufacturers; • Capital gains tax on stocks and shares cancelled; • State and local governments' share of VAT increased from 40% and 25% to 45% and 30%, respectively; • Penalty for gas flaring increased from 50 kobo to ₦ 10 per 1000 cubic feet; • The number of items in the import prohibition list reduced and made subject to duty at rates ranging between 20-150%.
1999	• 1998 tax policy measures to be pursued in 1999; • VAT base widened through a gradual phasing out of VAT exemptions; • PSC members allowed to claim investment tax credit allowance such as tax offsets.

Appendix Table 2 (continues)

Appendix Table 2 (con't)

Year	Measures
2000	• Eight VAT tribunal zones established: • VAT clearance certificate introduced and issued to taxpayers; • Exporters of duly processed products allowed a 10% grant on their total annual exports turnover versus 4% earlier; • The 10% administrative charge paid to the Nigerian Export Promotion Council abolished with regard to claims due to Nigerian exporters under the export expansion grant, manufacture-in-bond scheme and other export incentive schemes; • Custom duties reduced on raw materials for manufacturing; amounted to about ₦ 19 billion; • Custom duties reduced on raw materials for the manufacture of pharmaceutical products; • Custom duties reduced on machinery, equipment for agricultural production and animal husbandry, petroleum products, etc; • The construction of 50 VAT offices started throughout the country; • All approved fiscal incentive structures for the oil and gas sector ratified by law; • Compliance to company income tax enforced, particularly with regard to the self-assessment tax.

Source: Compiled by the author.

Appendix Table 3a
State governments flat rate charges

	Types of instruments	Current rates (1996) Cost per copy for: Original	Current rates (1996) Cost per copy for: Extras	Renewed rates Cost per copy for: Original	Renewed rates Cost per copy for: Extras
		Amounts in ₦			
1	Affidavit–affirmation statutory declarations Declarations of loss of items Declarations of ownership of property, etc.	10	5	10	20
2	Ordinary tenancy agreement excluding corporate bodies (government agencies)	25		500	50
3	Standard receipts	5		20	
4	Certificates of occupancy	50	20 [a]	500	50
5	Agreements (under seal)	50	20	500	50
6	Agreements (i.e., memo of any agreement)	50	20	500	50
7	Oaths & other affiliate documents relating to above	50	20	500	50
8	Bonds (ordinary)	50	20	1,000	50
9	Gifts (land); gifts other than land	50	20	1,000	50
10	Collateral securities	50	20	500	50
11	Certificates (other than occupancy certificates)	50	20	500	50
12	Legacies (movable assets)	50	20	1,000	50
13	Proxy forms or card forms	50	20	200	50
14	Partnerships	50	20	1,000	50
15	Bank guarantees	50	20	1,000	50
16	Appointments of trustees or attorneys	50	20	500	50
17	Appointments of commissioners for affidavits	50	20	500	50
18	Warrants of attorneys, all kind	50	20	500	50
19	Notary dealings	50	20	500	50
20	Wills	50		500	50

Note: [a] Cost of copy for counterpart.
Source: JTB (2002).

Appendix Table 3b
Ad valorem rates charged by state governments
Amounts vary according to the value of transaction

	Types of instrument	Current rates (1996)	Renewed rates
1	Land agreements	₦ 1 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value
2	Lease agreement sublease	₦ 3 for each ₦ 100 of total value	₦ 3 for each ₦ 100 of total value
3	Lease holding agreements or rent agreements		
	1-7 years	₦ 3 for each ₦ 100 of total value x no. of years	₦ 6 for each ₦ 100 of total value x no. of years
	7-21 years		
	21-99 years		
4	Deeds of assignment, ratification or confirmation	₦ 1 for each ₦ 50 of total value	₦ 1.50 for each ₦ 50 x no. of yrs
5	Deeds relating to release, hire, purchase or surrender	₦ 1 for each ₦ 200 of total value	₦ 1.50 for each ₦ 200 of total value
6	Legacies (immovable assets)	₦ 1 for each ₦ 100 of total value	₦ 1.50 for each ₦ 100 of total value
7	Promissory notes (IOU)	₦ 1 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value

Source: JTB (2002).

Appendix Table 3c
Flat rate fees charged by the federal government

	Types of instruments	Current rates (1996)		Renewed rates	
		Cost per copy for:		Cost per copy for:	
		Original	Extras	Original	Extras
		Amounts in ₦			
1	Bond forms, guarantor's forms, powers of attorney, scholarship bonds, loan agreements, sealed agreements, partnership agreements, guarantees of bank facilities, trust deeds, memorandums, articles of associations, admission forms in French, articles of clerkship, trustees, fidelity bonds, sealed declarations, protests on bill of exchange, maturity claims, forms for insurance companies	50	20 [a]	500	50 [a]
2	Ordinary or open agreements, underhand articles	50	20	500	50
3	Legacies (movable property)	Flat rate 50		Flat rate 500	
4	Appointments of trustee or attorney	50	20	500	50
5	Affidavit confirmations, statutory declarations, agreements (memo of handwritten) (ordinary)	50	20	500	50
6	Agreements (under seal)	50	20	500	50
7	Appointments of trustees or attorneys	50	20	500	50
8	Warrants of goods, bonds (under seal), collateral security, guarantor forms of understanding	50	20	500	50
9	Declarations of oath and other affiliate documents relating to above	50	20	500	50
10	Certificates of occupancy, partnership	50	20	100	50
11	Gifts (land), warrants of attorney, all kinds	50	20	100	50
11	Wills	50	20	500	50
12	Notary acts	50	20	500	50
13	Bank cheques (per chequebook)	50k		1	

Note: [a] Cost of copy for counterpart.
Source: JTB (2002).

Appendix Table 3d
Ad valorem rates charged by the federal government

	Types of instruments	Current rates (1996)	Renewed rates
1	Insurance policies	₦ 2.50 for each ₦ 200 of total value	₦ 3 for each ₦ 200 of total value
2	Share capital or share capital increase (TTC required)	₦ 2.50 for each ₦ 200 of total value	₦ 3 for each ₦ 200 of total value
3	Mortgage on insurance, debentures, indenture and their up-graded equitable mortgage (e.g., deposits)	₦ 2.50 for each ₦ 200 of total value	₦ 3 for each ₦ 200 of total value

Appendix Table 3d con't

Appendix Table 3d (con't)
Ad valorem rates charged by the federal government

	Types of instruments	Current rates(1996)	Reviewed rates
4	Bills of sale	₦ 1.5 for each ₦ 2000 of total value	₦ 2 for each ₦ 200 of total value
5	Assignments from banks; discharges (from insurance companies, indemnity or lease of mortgage)	₦ 1.5 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value
6	Contracts relating to shares; loan agreements from insurance companies	₦ 0.75 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value
7	Bills of exchange, or surrender	₦ 0.5 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value
8	Promissory notes for standard documents	₦ 0.25 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value
9	Lease agreements for plants or machinery	₦ 1 for each ₦ 200 of total value	₦ 3 for each ₦ 200 of total value
10	Goodwill debentures, settlements	₦ 0.25 for each ₦ 200 of total value	₦ 4 for each ₦ 200 of total value
11	Premiums	₦ 1.5 for each ₦ 200 of total value	₦ 3 for each ₦ 200 of total value
12	Contracts	₦ 1 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value
13	Land agreements	₦ 1 for each ₦ 200 of total value	₦ 1 for each ₦ 50 of total value
14	Deeds of assignment, confirmation or ratification	₦ 1 for each ₦ 150 of total value	₦ 1.5 for each ₦ 50 of total value
15	Deeds of conveyance or transfer on the sale of property	₦ 1 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value
16	Lease or rent agreements	₦ 1 for each ₦ 50 of total value	₦ 3 for each ₦ 100 of total value
17	Tenancy or rent agreements	₦ 3 for each ₦ 100 of total value	₦ 3 for each ₦ 100 of total value
18	Lease holding agreements or rent agreements (i) If term is less than one year (ii) 1-7 years (iii) 7-21 years (iv) 21-99 years	₦ 3 for each ₦ 100 of total value x no. of years	₦ 6 for each ₦ 100 of total value x no. of years
19	Deeds or releases	₦ 1.5 for each ₦ 200 of total value	₦ 1.5 for each ₦ 200 of total value
20	Hired purchase lending (money)	₦ 1.5 for each ₦ 100 of total value	₦ 1.5 for each ₦ 100 of total value
21	Legacies (immovable assets)	₦ 1.5 for each ₦ 100 of total value	₦ 1.5 for each ₦ 100 of total value
22	Insurance policy certificates	₦ 2.5 for each ₦ 200 of total value	₦ 3 for each ₦ 100 of total value
23	Promissory notes (IOU)	₦ 1 for each ₦ 200 of total value	₦ 2 for each ₦ 200 of total value

Source: JTB (2002).

Appendix Table 4
Computation of PIT in Nigeria 1993 to date (in ₦)

	1993-94	1995	1996-97	1998-2000	2001
First	10,000 (10%)	10,000 (5%)	10,000 (5%)	20,000 (5%)	30,000 (5%)
2nd step	10,000 (15%)	10,000 (10%)	10,000 (10%)	20,000 (10%)	30,000 (10%)
3rd step	10,000 (15%)	10,000 (15%)	20,000 (15%)	40,000 (15%)	50,000 (15%)
4th step	30,000 (25%)	10,000 (20%)	20,000 (20%)	40,000 (20%)	50,000 (20%)
5th step	40,000 (30%)	20,000 (25%)	>60,000 (25%)	>120,000 (25%)	>160,000 (25%)
Over	100,000 (35%)	60,000 (30%)			

Sources: Various approved budgets and CITN (2002).

Appendix Table 5
Revenue of the federal government (₦' million)

Year	Petroleum profits tax & royalties	Others taxes on petroleum [a]	Company income tax	Custom & excise duties	VAT	Others [b]
1970	97.7	68.9	45.8	370.0	–	
1971	383.1	127.0	67.5	491.0	–	–
1972	540.5	223.8	80.4	481.1	–	–
1973	769.2	246.8	80.8	516.2	–	–
1974	2,870.1	853.9	148.8	498.3	–	–
1975	2,707.5	1,564.0	261.9	760.7	–	–
1976	3,624.9	1,740.3	222.2	882.7	–	–
1977	4,330.8	1,749.8	476.9	1,145.6	–	–
1978	3,415.7	1,140.1	527.4	1,698.2	–	–
1979	5,164.1	3,716.7	575.1	1,143.9	–	–
1980	8,564.3	3,789.0	579.2	1,813.5	–	–
1981	6,325.8	2,238.6	403.0	2,325.8	–	–
1982	4,846.4	2,968.5	550.0	2,336.0	–	–
1983	3,746.9	3,506.1	561.5	1,984.1	–	–
1984	4,761.4	3,507.8	787.2	1,616.0	–	–
1985	6,711.0	4,212.7	1,004.3	2,183.5	–	–
1986	4,811.0	3,296.3	1,102.5	1,728.2	–	1,224.1
1987	12,504.0	6,523.0	1,235.2	3,540.8	–	1,170.0
1988	6,814.4	13,017.3	1,550.8	5,672.0	–	1.7
1989	10,598.1	28,532.4	1,914.3	5,815.5	–	6,072.1
1990	26,909.0	44,978.1	2,997.3	8,640.9	–	12,853.1
1991	38,615.9	44,050.5	3,827.9	11,456.9	–	–
1992	51,476.7	112,601.4	5,417.2	16,054.8	–	–
1993	59,207.6	102,894.8	9,554.1	15,486.4	–	–
1994	42,802.7	117,389.7	12,274.8	18,294.6	7,260.8	–
1995	42,857.9	281,689.7	21,873.3	37,364.0	20,761.0	35,000.0
1996	76,667.0	332,116.0	22,000.0	55,000.0	31,000.0	3,407.0
1997	68,574.1	348,237.0	26,000.0	63,000.0	34,000.0	43,000.0
1998	67,986.6	256,324.6	33,315.3	57,683.0	36,867.7	11,431.6
1999	164,273.4	560,149.1	46,211.2	87,906.9	47,135.8	23,483.0
2000	525,072.9	1066,603.0	51,147.4	101,523.6	58,469.6	65,281.5
2001	639,234.0	1068,328.0	68,660.0	170,557.1	96,757.9	148,589.9

Notes: [a] Including revenue from export sales, domestic sales, rents, taxes on petroleum products, etc.;

[b] Including custom levies and education taxes, etc.

Source: CBN (2001).

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