



## **NIGERIA'S TAX DRIVE; THE ROLE OF PRIVATE CITIZENS IN NATION BUILDING**

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Nigeria has had its fair share of the economic downturn in recent years. The worse of which were the recessions of 2016 and 2020. To salvage the situation, the Government has constantly latched on to foreign and local loans to fund its budget deficits and implement its infrastructural development programmes. This budgetary deficit has recently measured up to 25% per cent of the budget's debt ceiling, initially set by the Fiscal Responsibility Act.

According to the latest report by the Debt Management Office, Nigeria's domestic and international debt as of 31st of March, 2022, stands at 45 Trillion Naira, with about 22% of its budget to be spent on servicing these debts. These debts stand at 3.38 per cent of the country's GDP, a little above the 3 per cent bar set by the Fiscal Responsibility Act 2007. The states have not fared well either, as evident in the recent allocations from the Federal Accounts Allocation Committee (FAAC), which saw one of the states receiving as low as 34 million Naira with over 95 per cent of what becomes due deducted at source to service debts.

In the public sphere, many are beginning to express genuine concern about the sustainability of these ever-increasing borrowings. If these fears ever become a reality, the implication is far-reaching as it would leave an unsavoury legacy for our children unborn, who may inadvertently bear the burden and lasting consequences of a potential debt crisis. Having noted these concerns, the Government appears to have begun to look inwards into developing mechanisms to drive its internally generated revenues to match its everincreasing budgetary demands, especially in the light of the dwindling oil revenues.

In furtherance of these objectives, this present administration has begun implementing policies geared towards revamping revenues generated from taxes by ensuring increased compliance amongst the taxable populace. One of such policy measures is the introduction of the Voluntary Assets and Income Declaration Scheme (VAIDS) in 2017, which will incentivise compliance with waivers on penalties etc., for defaulters covering a period from 2011 to 2017.



Although the essence of this article is not for argument purposes but to highlight the implication of low tax compliance on national development and suggest measures through which the relevant tax authorities can widen the current tax net.

Therefore, we will further consider this topic under the following subheadings:

1. Tax Compliance in Nigeria;
2. The National Tax Policy;
3. Reasons for Low Tax Compliance in Nigeria; and
4. Improving the Consciousness for Tax Compliance

### Tax Compliance In Nigeria

There is a general notion that most Nigerians don't pay tax; while this may be true in some sense, the conclusion may differ in the light of a broader understanding of the wide range of taxes embedded in our regular day-to-day transactions. Every member of the consuming population pays the tax directly and or indirectly. The question of direct or indirect taxes would depend on whose responsibility it is to file the necessary returns to the levying authorities.

For clarity, direct taxes, on the one hand, are levied on individuals/entities and are often assessed from their income, profits or tangible assets. Practical examples of these kinds of taxes would be the personal income tax, property tax, tenement rates, stamp duties and levies on vehicle license renewals.

While indirect tax, on the other hand, is those duties indirectly paid by consumers of goods and services through the manufacturers or their service providers. Therefore, whenever you recharge your phones, pay your light bills, pick up a thing or two from the stores or even retain the services of lawyers and other professionals, you would be said to have paid taxes for the value received. These Value-Added Taxes (VAT), as they usually are called, are factored into the overall price you pay for that goods and services. The service providers then must remit the same to the relevant authorities. Please note that while you may not be penalised for non-remittance of indirect taxes, you will be held liable for direct taxes in the event of non-compliance.



Having drawn this distinction, I wish to state that everyone who consumes goods or services indirectly pays value-added tax. Then, the challenge for the Nigerian tax administrators has instead been the level of compliance to direct tax obligations as prescribed in the various tax laws. According to the Joint Tax Board, the tax Authority have only registered 10 million people (precisely 10,006,304) for personal income tax purposes in all the States of the Federation states, including the FCT. Compared to the labour workforce of 77 million at the end of 2015, according to the National Bureau of Statistics (NBS), the number of people in the tax net is only 13 per cent. These figures and the alarm they raised led to the establishment of the National Tax Policy in 2017 as a measure to coordinate the drive for increased compliance. Despite this effort, the compliance has not met the desired results due to reasons we would further elaborate.

### The National Tax Policy

The Government, having come to terms with the issues of low compliance vis-a-viz the need to revamp her internally generated revenue, developed the National Tax Policy in 2017 to galvanise tax compliance from the formal and informal sectors of the economy and private citizens. This policy document also elaborated on the role of relevant stakeholders in seeing to the improvement in tax drive and compliance, including the necessary reforms.

One of such roles for policymakers is to continuously develop policies aimed at reforming

government reform line with current realities. Despite these policies, however, the tax compliance performance has not met the desired expectations of the policymakers as the revenue-generating agencies have continuously fallen below the projected benchmark contemplated in budget financing both at the state and federal tiers of governance.

### Reasons for Low Tax Compliance in Nigeria

Several factors would account for Nigeria's low remittance of Personal Income Tax. Prominent among which would be the lack of proper sensitisation/tax education, the lack of trust between the taxable populace and the managers of the country's resources and the near absence of and lack of willingness to implement the punitive measures provided for in the applicable laws to drive compliance.



The essence of this publication is to enlighten the average Nigerian on their obligations to the development of Nigeria and the tax systems and further recommend measures through which policymakers can implement its tax compliance policies.

### Improving the Consciousness for Tax Compliance

Tax compliance, as already stated, is universally measured by three yardsticks. These yardsticks are compliance with payments, adherence to filing and compliance to accurate filings. Therefore, one way to revamp and ensure increased compliance is by implementing already existing tax policies.

Therefore, to do this effectively, we must put the following into consideration:

#### A) Tax Education

There is a saying that if you want to cultivate a culture or imbibe specific values in the consciousness of a people, incorporate it into the educational curriculum of the people. It is our opinion that tax compliance would not so much improve if the Government did not include it in the primary curriculum of the tiers of academic institutions in the country.

The education, in a sense, would focus on the following;

1. The patriotic implications of tax on nation-building;
2. The National Development Plan (2021 to 2025) and all updated versions may be from time to time released by the Ministry of Budget and National Planning;
3. The simplified method of personal tax assessment and e-remittance;
4. Criminal and civil liabilities are associated with none or partial compliance/declaration.

Therefore, making tax a general subject/course applicable to all fields of study will increase tax awareness among the populace beyond the four walls of the academic institutions. Therefore, we recommend a compulsory enlightenment course on self-assessment and compliance for newly registered businesses and corporations. By this, small corporations would know the correct income deductions from the payments of their employees and the procedure for remittance to the relevant agencies.



## **B) Comprehensive Database**

The problem with the accurate planning for National programmes in Nigeria is the lack of an efficient database. To solve the issues of insufficient database to monitor compliance, we recommend the following:

1. The periodic introduction of Tax Incentives Schemes for voluntary registrations – The tax administrators should churn out more programmes and incentives like the Voluntary Assets Declaration Scheme of 2017 to encourage people to register under the Tax Scheme in exchange for some waivers and benefits.
2. The Incorporation of a tax clearance certificate as a condition precedent to open/regularise accounts with banks with sanctions like limits to transactions
3. The states and national tax administrators should create a joint tax database to eliminate double taxations.

## **C) Equipping the relevant agencies to Implement punitive measures in the event of default –**

Enforcement of tax policies has been the bane of full compliance among the taxable populace. While it is impracticable to audit and prosecute all tax defaulters, the Government at the state and federal levels must deliberately fund and empower tax administrators to enforce the sanctions provided for in the relevant tax laws for tax defaulters. The essence of sanctions is to serve the purpose of deterrence. Once there is the absence of a deterrent, people would not see the need to take the matter of tax compliance seriously. We strongly recommend criminal prosecution as is seen in other developed climes, especially with high net worth individuals with negotiations on forfeitures or reduced prison terms.



## Conclusion

We will realise our collective stride for development as a nation when we contribute our quarters to Nation Building. Ensuring compliance with tax laws is one such way to demonstrate this patriotic zeal. The Government, on its part, must ensure taxable individuals and business owners are enlightened, encouraged and given reasons to comply with tax laws.

## REFERENCES

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