REFORMING DEFICIENCIES IN NIGERIA'S TAX ADMINISTRATION US BEST GLOBAL PRACTICES

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ABSTRACT

Due to the failing economy of several countries of the world, including developed and developing economies, there has been urgent and pressing need for a sustainable source of revenue to fund the economy. Several countries of the world have identified and operated taxation as a dependable and lasting source of revenue for the nations' economy, Nigeria inclusive. Nigeria at present is experiencing vast decline in its revenue generation and the Gross Domestic Product (GDP) as well as the living standard of the citizenry is exponentially declining mainly because of the fall in international price of crude oil. Crude oil has been, for over five decades, the main source of sustaining and growing the Nigerian economy. Nigeria has a nation can only exploit the economic benefits laden in taxation as a means of generating immense revenue for sustaining and growing the economy. This has been evident in countries like Ireland, Denmark, Germany, and France, where taxation contributes massively to the economies of the various countries, as reflected in their Gross Domestic Products (GDP). The viability of taxation in Nigeria, just like in any country, is however dependent on the effectiveness and adequacy of the tax administration system. A country's taxation returns cannot go beyond its tax administrative proficiency. As such, in paying proper attention to taxation in the country, there is an unequivocal need to ensure effectiveness and efficiency in the administration of tax. This has been the bases for immense revenue generation through tax in most advanced countries, and must also be optimized in the Nigerian tax system and this is what the study sets out to achieve.

Keywords: Reforming, Deficiencies, Tax Administration, Best, Global, Practices.

1.1 Introduction

This paper seeks to canvass for effective and adequate tax administration syste Nigeria. The paper gives a brief historical background of tax administration in Ni The main objective of this paper is to discover the various deficiencies ir

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administration in Nigeria and to adduce workable substitutes to the prevalent administrative systems using best global practices.

The paper further analyzed the practices in other jurisdictions like Ireland, Denmark. Germany and France where taxation contributes massively to the economies of these countries as reflected in their Gross Domestic Products (GDP). It is found that most of these nations have ridiculously low population density compared to Nigeria but are still able to pull such high economic returns from taxation. The main thrust of the paper is to proffer workable solutions to the deficiencies in tax administration in Nigeria using best global practices.

1.2 Brief History of Tax Administration in Nigeria

The earliest trace of any form of direct taxation in Nigeria even before the British Administration was in Northern Nigeria. The Islamic religion, which was predominant in the North, approved of taxation as being consistent with the demand of Islam. Thus, taxes such as Zakka, Gada, Kararat and Jangoli were forms of taxes.[1]

With the coming of the British, they took advantage of the tax system that was existing in the Northern part of the country to introduce direct taxation into the whole country. The history of modern taxation in Nigeria is traceable to the reforms initiated in the first decade of the 20th Century in Northern Nigeria by the High Commissioner of the then Northern Protectorate. Sir Fredrick Lugard. Lugard issued the Stamp Duties Proclamation in 1903 and followed it with the Native Revenue Proclamation in 1906. The Native Revenue Proclamation 1906 systematized all pre-colonial taxes that existed in Northern Nigeria by defining taxable rates, procedures for assessment and collection as well as penalties for default. This made away with the arbitrariness that was the case in the pre-colonial era and introduced the four certainties essential in modern tax practice, what to pay, when to pay, where and who to pay to. Following the amalgamation of the Northern and Southern Protectorates in 1914, the Colonial Government re-issued the Native Revenue Proclamation as the Native Revenue Ordinance 1917, but the application was still restricted to the Northern Territories. The application of the Ordinance was extended to the Western and Eastern Territories in 1918 and 1927 respectively to enable the levying of income tax in those regions. Another major reform took place in 1943 when the Nigerian Inland Revenue Department, the precursor to the Federal Inland Revenue Service (FIRS), was carved out of the Inland Revenue Department of British West Africa.[2]

The changes that have occurred in the tax system since 2004 cut across organizational reformation of the Federal and State authorities, the enactment of a National Tax Policy, funding, legislation, taxpayer education, dispute resolution mechanism, taxpayer registration, human capacity building, automation of key processes, refund mechanism

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[1] 'Taxation in Nigeria: Origin and Importance of Taxation in Nigeria'. <http://articlesng.com/taxation-nigeria-origin-importance-taxation-nigeria> accessed on 21 March, 2016.

[2] Ibid.

and several other areas discussed in detail in the handbook of the Federal Inland Revenue Service (FIRS) and Taxation Reforms in Democratic Nigeria – 2012.[3] Political and socio-economic factors usually provide the context for every reform process. In the case of the 2004 reform era, the need to shift emphasis from oil to a more sustainable source of funding has been the overriding consideration. Of particular importance is the need to develop the non-oil tax segment and increase its overall contribution to the national coffers. Focused determination, support of key stakeholders and enabling political and legal environments have been critical in the successes recorded to date.[4]

1.3 The Impact of Tax Administration on Revenue Generation in Nigeria

From the Annual Conclusion of revenue generated from taxation published by the Federal Inland Revenue Service (FIRS), it reveals that revenue generated from taxation always supersedes the Tax Target of the federal government and, except for year 2002, 2007 and 2009, revenue generated in the succeeding year increases by an average of 19%. The obvious deduction from this is that tax administration always got better in the succeeding year than the previous year.[5]

This shows the effect of proper and adequate tax administration or, inversely, poor and inadequate tax administration may have on revenue generated from taxation in Nigeria.

1.4 Deficiencies in Tax Administration in Nigeria

The challenges confronting tax administration in Nigeria have been known to have heavily inhibited the ultimate revenue generative prowess of taxation in the Nigerian economy. These challenges or deficiencies were aptly apprehended in the Chartered Institute of Taxation of Nigeria (CITN) 2002 Tax Guide[6] which revealed 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.[7]

These problems were highlighted far back in 2002 but they are still subsisting because tax administration in Nigeria reveals that not much effort has been expended in improving Nigeria's tax administrative system. The problems which have been identified will be examined one after the other.

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[3] Ibid.
[4] Ibid.
[5] See the Federal Inland Revenue Service Annual Report on revenue generated between year 2000 and 2015 on <http://www. firs.gov.ng > accessed on July2016
[6] CITN (Chartered Institute of Taxation of Nigeria) (2002). 'CITN Nigerian Tax Guide Statutes'. Lagos.
[7] These problems were highlighted far back in 2002, considerably because of the juvenile nature of our tax system then. We are now in 2016, fourteen (14) years after and the problems facing tax administration are still persistent and the same.

1.5 Complexity of Tax Laws

Tax is a product of statute, as such rights, obligations and liabilities in relation to tax are to be deduced from tax laws.[8] In fact, Lord Blackburn in *Coltness Iron Company v. Black*[9] posited in relation to the imposition and enforceability of tax laws, that:

> No tax can be imposed on the subject without the words in an Act of Parliament clearly showing an intention to lay a burden on him. But when that intention is sufficiently shown, it is vain to speculate on what would be the fairest and most equitable mode of levying that tax.

Tax laws constitute an important factor in the administration of tax in Nigeria, just as in any other jurisdiction. In tax administration and enforcement, the importance of clear and an unambiguous language can never be overemphasized. This is because understanding of language in any document is very essential for either action or inaction.[10] However, the tax laws in Nigeria have been overly complicated in words and structure. Tax laws in Nigeria are waywardly left unattended to. Whereas tax laws are subject to constant review and changes in most developed countries of the world, the refusal for necessary constant review of our tax laws bedevils the efficiency of tax administration in Nigeria. The complexity in the laws makes it difficult for tax administrators themselves to effectively comprehend and execute the provisions of the laws to the spirit. More to this is the avoidable backlash experienced by taxpayer's who finds interest in apprehending their stipulated obligations and rights under the much complex laws.[11]

A procedural ambiguity in some Nigerian tax laws shows that the combined interpretation of Sections. 29(1) and 31(2) of the Companies Income Tax Act[12] is laden with ambiguity because a combined interpretation of the two sections constitutes misdirection of procedure on deductibility and assessment of the yearly company profit tax payable.[13]

Section 2(4) of the Personal Income Tax Act[14] also bears some contradictory of ambiguous provisions. It says that 'in the case of a village or other indigenous communities, tax may be imposed for any year only by the law of the territory on which that community is to be found.' This statement itself may ordinarily seem clear enough, especially to undiscerning minds, however, the provision provokes an equivocation as to the 'law' it refers to. No particular law was mentioned in the provision, neither was any

[8] A Legal Analysis of the Taxation of Banking Business in Nigeria (1990 – 2010) Ph.D. Thesis Faculty of Law, University of Ilorin, citied in Olokooba S.M., Kareem A.A., & Zakariyah L.K., 'Ambiguities in the Nigerian Tax Laws' (2013) Ife Juris Review. p.725.

[9] (1881) 6 A.C. 315.

[10] Ibid, p.717.

[11] Ibid.

[12] Cap 21, Laws of the Federation of Nigeria, 2007.

[13] A Legal Analysis of the Taxation of Banking Business in Nigeria (1990 – 2010) Ph.D. Thesis Faculty of Law, University of Ilorin, citied in Olokooba S.M., Kareem A.A., & Zakariyah L.K., 'Ambiguities in the Nigerian Tax Laws' (2013) Ife Juris Review. p.728.

[14] Cap p 21, Laws of the Federation of Nigeria, 2004 as amended 2011.

law given in the definition section, thereby leaving the interpretation and enforcement of this provision open to the winds.

1.6 Difficulty of Paying Tax

The ease of paying tax in Nigeria also constitutes a major challenge in tax administration in Nigeria. The ease of paying tax in any country would either encourage or discourage the taxpayers' from paying their taxes and in due time. In a joint survey carried out by the World Bank and the PriceWaterhouse Coopers (PwC) on the ease of paying taxes, Nigeria is recorded to rank 181 out of 189 economies covered by the survey in the ease of paying tax. A further report by the same survey reveals that it takes 908 hours (more than 37 days). [15]This complications and bureaucracy predominant in tax compliance in Nigeria contributes negatively in no small way to the present challenges prevalent in the nation's tax administration. When it is complex and cumbersome to pay taxes, the temptation for corruption as a short cut could arise, to save time and reduce uncertainty about how much tax to pay.

1.7 Inadequate Taxpayers' Data

There is no way an institution can effectively monitor its subjects without proper information about them. The absence of adequate information about taxpayers' in Nigeria has been a benchmark problem to tax administration in Nigeria. This is particularly so for those operating in the informal sector of the economy. There is no detailed information on or database for the self-employed in Nigeria, thus bringing them into the tax net is difficult.[16]

In acknowledging the grand inadequacy of taxpayers' information by tax authorities in Nigeria, Sir Oseni Elemah, the Chairman, Edo State Internal Revenue Service,[17] revealed that over 80 percent of Nigerians do not have the Tax Payers Identification Number, which directly means that over 80 percent of Nigerians are not within the tax net of the various tax authorities, thereby not subject to the administration of tax. So many millions of Nigerians, particularly wealthy and affluent Nigerians find a way of scooping themselves off the template of tax administration. The general effect of this is low revenue generation by the government from taxation.

1.8 Administrative Challenges

General administrative operations among tax authorities in Nigeria further serve as a cog in the wheel of progressive and efficient tax administration. This relates to the issue of staffing, funding, availability of essential resources for tax administration. There is

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[15] Pay Taxes 2016: PwC and World Bank http://www.pwc.com/gx/en/services/tax/payment-taxes-2016.html accessed on 19 July, 2016

[16] Angahar P.A., and Alfred, S.I., 'Personal Income Tax Administration in Nigeria: Challenges and Prospects for Increased Revenue Generation from Self Employed Persons in the Society'. (2012) 1 (1): 1-11. Global Business and Economics Research Journal.
<http://www.pmnewsnigeria.com/2015/05/17/80-of-nigerians-do-not-pay-tax> published on 17th May 2015 accessed on 28 March, 2016

[17] Ibid.

inadequate staffing or manpower of the tax authorities to carry out their tax administrative assignment efficiently and thus has constituted a major obstacle to successful tax administration, leading to the low revenue generated for the country. There is also the inadequate funding of tax authorities which adversely influences tax administration. When there are inadequate or limited resources to relate with taxpayers' and furnish necessary tax administrative responsibilities, tax officials will continually find it difficult to optimally perform their tax administrative obligations as required by law and as expected for the nourishment of the economy.[18]

Tax authorities lack the required institutional capacity to administer and ensure tax compliance effectively. Nigerians who file tax returns spend approximately 956 hours annually to comply with their tax obligation.[19] If the tax authorities are well equipped, they will effectively and optimally respond to administrative issues, thereby reducing the difficulties faced by taxpayers' in complying with tax.

1.9 Inadequate Taxpayers' Orientation and Sensitization

Tax administration is not operational against a single way or institution. Tax administration is two or three way traffic: the tax authority, the tax laws and the taxpayers' themselves. The disregard of one for the others will go a long way in not only affecting the administration of tax, but will prevent an efficient and successful tax administration.

The inadequate sensitization and tax orientation programs being initiated and organized by relevant tax authorities for the consciousness and awareness of the public (who are the taxpayers') is definitely short-changing the government in terms of needed revenue through taxation. This is evident through the statistics given by Oseni,[20] the Chairman of Edo State Inland Revenue Service. The public are not sufficiently aware of their obligation to pay tax, or how to even go about the fulfilment of this obligation. Some pay tax to wrong hands, like the street-boys and touts going about flaunting themselves as tax authorities, basically because they lack the necessary awareness on how to fulfil their tax obligations. Others are not desirous of paying taxes because they lack sensitization on the very benefit they derive in paying their tax. This is an area where the various tax authorities need to improve drastically on for efficient and effective tax administration.

Most of the self-employed taxpayers do not know what tax to pay, when to pay, who to pay to, where to pay and what relief and allowance they are entitled to.[21]

1.10 Corruption among Tax Officials

Another basic challenge to efficient and effective tax administration in Nigeria is corruption among tax officials. It is as an unlawful or unauthorized act engaged in by a

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[18] Yassie H, 'Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean' 'Chapter 14: Budget Planning and Resource Management' (USAID'S Leadership In Public Financial Management, 2013).

[19] Taiwo, O. 'Nigeria and the Ease of Paying Taxes: A Country in Need of a Coordinated Approach to Tax Reform.' <http://www.pmnewsnigeria.com/2015/05/17/80-of-nigerians-do-not-pay-tax> accessed on 31 March, 2016.

[20] Ibid.

[21] Ibid. p.9.

public officer using his or her position to receive a bribe, directly or through a family member or associate, in exchange for making a benefit available to a member of the public.[22] Those who are ordinarily charged with the legal responsibility of enforcing tax laws and ensuring tax compliance are the ones who help and encourage taxpayers' to evade and avoid tax payment. They do this normally for financial gains and benefits which should ordinarily accrue to the government.

Some tax officials collude with would be taxpayers to defraud the government of her taxes. A large chunk of revenue that is suppose to come into government coffers ended up in private pockets compounding problems of government's inability to provide the basic infrastructure needed for the orderly development of the society.[23]

Corruption drastically reduces tax revenues, forcing governments to find other avenues for financing government expenditure, including borrowing. Future fiscal flexibility is reduced, because servicing of debt has to be given priority over other expenditures. This creates a vicious circle endangering fiscal sustainability.[24]

1.11 Unproductive Use of Taxpayers' Money

One of the many challenges bedevilling tax administration in Nigeria is the unproductive use of taxpayers' money. Nobody wants to put hard-earned money in a purse or pocket that will not make productive use of it or render accountable response in relation to money given. This is the same situation in Nigeria. Taxpayers' are less willing to pay tax, choosing rather to evade and avoid tax payment because they feel their money being paid as tax will not be used judiciously for the presupposed agenda. Rather, they feel they will only be enriching the already rich political tycoons of the nation.[25]

1.12 Inadequate Enforcement of Penal Consequences

Existing deterrent tax measures in Nigeria are inadequate in their very nature and have not helped to promote tax administration and tax compliance in the country.[26] The fear of sanction, punitive sanction generally arouses individuals and companies to opt for lawful operation and compliance with tax laws. However, where the punitive measures being adopted to deter individuals and companies from evading and avoiding tax are not adequate, they will inherently be inclined towards pleasuring themselves with what was customarily meant for government.

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[22] Imam P. A. and Jacob D.F. 'Effect of Corruption on Tax Revenues in the Middle East' (Paper presented at the IMF Institute and Fiscal Affairs Department Working Paper, 2007).

[23] Angahar P.A., and Alfred, S.I., 'Personal Income Tax Administration in Nigeria: Challenges and Prospects for Increased Revenue Generation from Self Employed Persons in the Society'. (2012) 1 (1): 1-11. Global Business and Economics Research Journal.
<http://www.pmnewsnigeria.com/2015/05/17/80-of-nigerians-do-not-pay-tax> published on 17th May 2015 accessed on 28 March, 2016.

[24] Mahesh, C.P. 'Corruption in Tax Administration'. Ibid. P. 6. (Paper presented at the World Bank Summit, Washington D.C., 2007.

[25] This is quite understandable judging by the increasing gap between the rich and the poor in the Nigerian society and the unproductive corruption trials in court.

[26] Anyaduba J.O., Modugu E.E, and Kenndy P. Ibid. 'Deterrent Tax Measures and Tax Compliance in Nigeria' (2012)4(11) European Journal of Busienss and Management p.3.

The Personal Incomes Tax Act[27] provides penalty for failure to deduct tax thus:

> Any person or body corporate who, being obliged to deduct tax fails to deduct or having deducted fails to remit such deducted tax within thirty days from the day the tax was deducted shall be liable to a penalty of an amount of 10 percent of the tax not deducted or remitted plus interest at the prevailing monetary policy of the Central Bank of Nigeria.

It further provides penalty for non-payment of personal income tax thus:

> If any income charged by an assessment is not paid within the period prescribed, a sum equal to 10 percent per annum of the tax shall be added thereto, and the provisions of this Act relating to the recovery and collection of tax shall apply to the recovery and collection of that sum.[28]

For companies' income tax, Section 82 of the Companies' Income Tax Act 2007 provides the punishment for failure to comply with companies' income tax thus:

> Any person who being obliged to deduct any tax fails to deduct or having deducted fails to remit such deducted tax to the Board within twenty one days from the day the tax was deducted or the time the duty to deduct arose, shall be liable to a penalty of an amount of 10 percent of the tax withheld or not remitted.

The Companies' Income Tax Act further provides a punitive fine of N20, 000 initially and a subsequent N2, 000 fine for every day for which the non-compliance continues.[29]

These punitive provisions in the various tax laws appear ineffective, judging by the level of tax evasion and avoidance prevalent in the tax system till date. Immediate follow-up to contact non-filers and taxpayers whose payments did not match their liabilities is often neglected.

1.13 Best Global Practices on Tax Administration

The Federal Inland Revenue Service (FIRS), as the central tax authority, has conducted various stakeholder meetings whose aims, amongst others, include: obtaining feedback on tax practices; enlightening taxpayers' on controversial regulations; and informing tax practitioners on proposed initiatives. It is noteworthy that Federal Inland Revenue Service (FIRS) has been able to provide clarity to an extent that taxpayers' (who were hitherto in the dark about their obligations and at the mercy of tax administrators), as well as shape a better tax administration through an 'all inclusive government' through these forums. Nevertheless, much more still need to be done, in view of the multifarious challenges facing the administration of taxation in Nigeria. This can mostly be achieved by

27 Section 74, Personal Income Tax Act, 2011 as amended
28 Ibid. Section 76.
29 Ibid. Section 92.

observing, learning and incorporating the best practices in tax administration obtainable in other jurisdictions where they have been mostly successful.[30] These best global practices are low corruption rating of the government, adequate taxpayers' information, proper enforcement of tax punishments, and so on. These will now be explained one after the other.

1.14 Very Low Corruption Rating

A very important factor for effective and successful tax administration is a low corruption rating in the country. Taxpayers' are meant to be assured that their hard-earned money remitted into government coffer will be judiciously utilised for public benefit. In the countries with high tax returns and compliance record, having high tax to GDP ratio, their corruption ranking is particularly low.[31]

Austria has 43.4 percent tax to GDP ratio, which means revenue generated through taxation in the country constitutes 43.4 percent of the total monetary value of all goods and services produced in a year. Denmark has 49.0 percent tax to GDP ratio. Sweden has 45.8 percent tax to GDP ratio. Finland has 43.6 percent tax to GDP ratio. The essence of these statistics in terms of tax to Gross Domestic Product ratio of these countries is that it signifies the high rate of tax compliance in these countries. That means taxpayers in these countries are more willing to pay tax and less obliged towards evading or avoiding tax payment. A major factor in influencing this is the low corruption profile of these various countries.[32]

In the Corruption Perception Index for 2015,[33] Denmark ranks as the least corrupt nation in the world. Finland ranks as the second least corrupt nation in the world. Sweden ranks third least corrupt and Austria ranks as the sixteenth least corrupt nation in the world. The very low corruption level of these countries explains the reason for huge tax returns, especially in relation to their Gross Domestic Product.[34]

1.15 Adequate Taxpayers' Data

One of the definite requirements for an efficient and effective tax administration is proper and up-to-date (which sums up to adequate) taxpayers' information. This has been practised in several jurisdictions to be instrumental towards successful tax administration. These generally involve the collection, recording, and maintenance of basic identifying taxpayer information and data in the tax administration's master database that allows the tax administration to understand its taxpayer base and to plan accordingly. There is no

[30] 'Reshaping Tax Administration during Tough Economic Times.' (Canadian Global Information, Montreal 2009).
[31] Transparency International 'Corruption Perception Index' http://www.transparency.org/cpi2015/results> accessed on 24 May 2016.
[32] Ibid.
[33] Ibid.
[34] Ibid.

way tax administrators can collect and document tax payments from individual income earners or companies if they are not comprehended within the database.[35]

Netherlands and Canada are regarded as the prominent countries with the best record of registration of taxpayers.[36] They engage in visiting new and starting businesses to surreptitiously incorporate them into the tax net when they become liable to tax. This practice has helped both countries in ensuring that every individual income earner and businesses liable to pay tax do not evade or avoid tax.[37]

1.16 Due Enforcement of Tax Punishments

It is important for the success of tax administration that the punishments contained in the various tax laws for tax related offences be adequately enforced by relevant tax authorities. This has enabled an enviable level of success in some countries of the world where tax contributes enormously to national revenue.[38]

To achieve an impressive success in tax revenue through the administration of tax, close attention must be paid to such simple tasks as ensuring that those who are in the system file on time and pay the amounts due. An adequate penalty structure is needed to ensure that those who should register do so, that those who should file do so, and that those who under-report their tax bases are sufficiently penalized to deter tax evasion.[39]

1.17 Elimination of Corruption among Tax Administrators

The importance of honesty and faithfulness among the tax administrators for effective and efficient tax administration for increased revenue cannot be inflated. It is essential that corrupt tax officials are completely weeded from the tax administrative system, and are replaced with diligent and faithful ones.

Developed countries[40] took centuries to develop and implement systems to prevent dishonest tax officials from corrupt practices. One key factor to reduce corruption is to adequately compensate tax officials so that they do not need to steal to live. Ideally, tax officials should be professionally trained, promoted on the basis of merit, and judged by their adherence to the strictest standards of legality and morality.[41] Temptation of stealing and corruption should be reduced by limiting direct contact between officials and taxpayers and increasing supervision when there is direct contact.[42]

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[35] Angahar P.A., and Alfred, S.I., 'Personal Income Tax Administration in Nigeria: Challenges and Prospects for Increased Revenue Generation from Self Employed Persons in the Society'. (2012) 1 (1): 1-11. Global Business and Economics Research Journal.

[36] John H, 'Best Practice in Tax Administration' Consultancy Report for the National Audit Office, 2007.

[37] Ibid.

[38] The recent tax evasion trial by Spain of a famous footballer, Lionel Messi and his father, explains how important unbiased trial of tax offences is to effective tax administration.

[39] Anyaduba J.O, Modugu E.E, & Kennedy P., 'Deterrent Tax Measures and Tax Compliance in Nigeria' (2012) 4(11) European Journal of Business and Management.

[40] This refers particularly to developed countries that have been extremely successful in the area of tax administration, countries such as Australia, Sweden, Ireland and many more.

[41] Richard Bird, 'Smart Tax Administration.' A Journal Published for the World Bank on Economic Premise on October 2010.

[42] Ibid.

1.18 Effective Human Resources and Performance Management

Effective human resources management is a key requirement for tax administrations where people are the most important enablers to carry out their main mandate, which is to collect tax revenue.[43] This has represented a major reason for the success of tax administration in some other jurisdictions. This involves the availability of facilities, equipments and mechanisms needed by the tax administrators for effective and efficient performance. We take note of the fact that the Federal Inland Revenue Service Act of 2007 has appreciated the level of autonomy granted by the government to the tax authorities, it has, however, not productively resulted in effective human resources and performance management. This area as over time constituted a major challenge to administration of taxation in Nigeria; incorporated learning from other jurisdictions will help the country overcome this challenge and progress in tax administration.[44]

Effective human resources and performance management requires quality capacity building for the tax officials through quality training, exchange programme with the developed countries, and recruitment of competent staff. Adequate encouragements, in form of monetary incentives should also be stretched in the direction of tax officials, with government ensuring due payment of necessary salary and remuneration.[45]

1.19 Easeful Tax Payment Process

Making the process of filing tax returns and paying tax liabilities and debts easy will encourage voluntary tax compliance on the part of taxpayers'. As already identified among the challenges bedevilling the administration of taxation in Nigeria, businesses and companies in Nigeria spend more than 36 days to comply with tax payment requirements.[46] This herculean process will definitely serve as a discouragement to payment of tax.

Providing taxpayers with returns personalized with their own tax data already filled out could improve the filing process. Countries like Finland, Denmark, Sweden, Spain and the UK all use this system, or one like it. In these countries, many taxpayers just have to review a tax return that the government prepares for them, rather than having to fill out the return from scratch. In Ireland, it takes businesses about 9.5 work days per year to do their taxes. For an average Canadian business, it takes about 15 work days. But in the

[43] Araki S. and Claus I., 'A Comparative Analysis of Tax Administration in Asia and the Pacific. (Asian Development Bank, Mandahyong City, 2014).

[44] Sandra C.H, 'Improving Tax Administration in Sub-Saharan Africa: The Potential of Revenue Agencies and Electronic Service Delivery'. (Paper presented at the Ad Hoc Expert Group Meeting on Strategies for Improving Resource Mobilization in Developing Countries and Countries with Economies in Transition, Montreal, 2000).

[45] Ibid.

[46] Taiwo O, 'Nigeria and the Ease of Paying Taxes: A Country in Need of a Coordinated Approach to Tax Reform.'<http://www.pwc.com/nigeriataxblog> accessed on 16 July 2016.

U.S., the estimated time it takes a business to do its taxes is significantly longer. The average business spends about 23 work days on their taxes.[47]

1.20 Decorous Treatment of Taxpayers'

The success of any tax administration is hinged on the attitude of the tax administrators to the taxpayers' and how the taxpayers' perceive their interest to be catered for in the administrative processes. Optimum success in tax administration will continually be a pipe-dream in the Nigerian tax system if taxpayers' are continually been treated in a dismal way.[48] A conducive tax environment that would enhance taxpayers' confidence at all levels of government should be created.

This approach rests on treating the taxpayer as a client to be served and not a thief to be caught. Unfortunately, the latter attitude still prevails in many countries *like Nigeria.*[49]

An instrument for ensuring and improving decorous taxpayers' service is the creation of a website. The Nigerian tax authority, the Federal Inland Revenue Service (FIRS) already has a website.[50] However, based on the United Nations recommendations, the taxpayers' websites of Singapore and Canada represent the best practice in the world. Both websites set the standards for user-friendliness, ease of access of enormous information base. The Canadian system is, in addition, bilingual.[51] E-filing is available for income tax and goods and services tax.[52] Virtually all information needed by taxpayers and traders is on line and downloadable. The Nigerian tax authority can equally improve on the existing website using the standards of Singapore and Canada. Particularly, the Federal Inland Revenue Service should organize the website in the three major Nigerian languages (Hausa, Yoruba and Igbo) in addition to English. It will assist native income earners who do not understand English to still understand and comprehend the information on the website.

More sacrosanct to this is ensuring justice in the case of conflicting facts and interest between taxpayers and tax authorities. It is obviously inevitable that there will be disputes between taxpayers and tax authorities. As such, treating taxpayers as clients requires that due and quick justice is obtained by taxpayers. At the moment, tax dispute resolution

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[47] Hearing Statement of Senator Max Baucus 'Regarding Tax Administration Practices from around the Globe' Hatch Statement At Finance Committee Hearing Examining Global Tax Administration Practices (Washington D.C, United States of America <http://www.finance.senate.gov./.../...>. Accessed on 29 December 2015.

[48] Though no particular evidence can be given for the fact that taxpayers' are not been treated properly, since no primary data was gotten for this work, however, inferences and deduction to support this can be made from the persistent evasion and avoidance of tax in the country, both by individual income earners and companies.

[49] Richard Bird, 'Smart Tax Administration.' A Journal Published for the World Bank on Economic Premise on October 2010.

[50] FIRS Reforms and Transformation <http://www.firs.gov.ng/cg/Pages/FIRS- Reforms -and-Transformation.aspx> accessed on 7 July, 2016.

[51] This adoption of two languages is to properly represent and communicate to the multiple languages within the country.

[52] Though e-filing is already operational and being practiced by the Federal Inland Revenue Service.

takes many years thereby making tax justice extremely expensive for taxpayers even with the establishment of Tax Appeal Tribunal.[53]

1.21 Proper Taxpayers' Sensitisation and Orientation

Taxpayer education is essential to improving tax administration and increasing tax compliance which is currently embarrassingly low as revealed by the ratio of tax to Gross Domestic Product (GDP).[54] Tax awareness should not be once or only when there is new tax projects like transfer pricing. There should be continuous taxpayer engagement, education and awareness.[55] The various tax authorities can execute this essential requirement with minimal cost by making maximum use of social media mechanisms, and other creative means of awareness. New Zealand, Sweden, Chile and Japan are countries particularly renowned for taxpayers' insight and sensitization.[56] They undertake intensive education of taxpayers' on tax programs and tax policies, which helps the taxpayers' feel important to the system.

A notable approach being adopted in Bangladesh is the National Taxpayers Day,[57] which is exclusively dedicated to celebrate and encourage taxpayers to pay their taxes. This approach, though without immediate productive impact in Bangladesh, has a great potential in encouraging voluntary compliance on the part of the taxpayers.[58]

1.22 Simplification of Tax Laws

The tax laws are very important to the success of any tax administration. The complexity and ambiguity of tax laws stand as one of the major challenges to effective and efficient tax administration in Nigeria. Whereas, the simplicity and easy comprehension of tax laws has enhanced the success rate of tax administration in developed countries. France, Australia and Austria are particularly remarkable for their simplified tax regimes, especially for small businesses. These countries achieve great success in compliance rate as a result of their simple tax regimes.[59]

In an apposite addition to the need for the simplification of tax laws, a progress analysis of tax laws given by USAID[60] Leadership in Public Financial Management (LPFM)[61]

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[53] Taiwo O., "Nigeria and the Ease of Paying Taxes: A country in Need of a Coordinated Approach to Tax Reform" <http://www.pwc.com/nigeriantaxblog> accessed on 16 July, 2016

[54] Taiwo O., 'Nigeria: Will Change Come to Tax?' <http://www.mondaq.com/Nigeria/x/393158/withholding /Will+Change+Come+To+Tax accessed on 5 July 2016.

[55] Ibid.

[56] John H, 'Best Practice in Tax Administration' Consultancy Report for the National Audit Office, United States of America, 2007.

[57] Just like the Workers' Day, Independence Day and Children's Day of every year are used to reverberate the importance of workers, the Independence Day and Children's Day respectively to the existence and development of Nigeria, a day can equally be dedicated to emphasise the importance of taxpayers to the existence, stability and development of the nation.

[58] Karim A, and Md. Alauddin, 'Emerging Tax Issues in Asian Countries' (Publication by the National Board of Revenue, Bangladesh). (IMF Japan High Level Tax Conference for Asian and Pacific Countries. Tokyo 2012).

[59] This can easily be deduced from the tax ratio to GDP of the three countries, France having 44.6, Australia 25.8 and Austria 43.4 percent respectively compared to Nigeria's 6.1 percent tax ratio to GDP.

[60] United States Agency for International Development, 2013.

they classified the maturity of tax laws into four: maturity level 1 where the tax laws are dispersed and chaotic; maturity level 2 is where the tax laws are still dispersed but seeking codification; maturity level 3 where the tax laws have attained codification and; maturity level 4 where all the tax laws are assembled in a single tax code called the Model Tax Law. This can be adopted by the Nigerian government, owing to the obvious benefits. It would reduce the multiplicity of tax laws and limit the study of tax practitioners to the single tax code instead of seeking several documents to discover the position of the law on a particular tax. It would equally reduce the multiplicity of certain tax types in different documents as everything will be contained in a single document, which can also be easily amended by legislators. Both the tax administrators and taxpayers find it difficult to follow such an assortment of multiple laws, regulations, instructions, and decisions, particularly since administrative provisions are usually inconsistent and always dispersed among the various laws and related documents.[62]

1.23 Collaboration and Cooperative Approach

Enhancing cooperative and collaborative initiatives between large companies, other government agencies and international tax agencies as proved to improve the efficiency and productiveness of tax administration. This involves sharing and exchange of ideas, data, information, strategies and progressive initiatives.[63]

The experience of Australia, Chile and Canada remonstrate the importance of enhanced relationship with other agencies. The Organization for Economic Cooperation and Development (OECD) in a research conducted into the benefits and challenges of cooperative initiatives between tax authorities and large businesses in these three countries suggested best practices.

It is essential to work towards a relationship of trust between business and the tax administration. In order to build trust, tax administrations should consider starting with the assumption (unless there are indications to the contrary) that large businesses, closely manage and scrutinise their material risks and issues, minimise their compliance risks through effective internal controls and seek to properly apply the law. By starting with these assumptions, tax administrators can focus on developing relationships built on mutual respect, transparency and openness. Engaging large businesses early in the design of initiatives or approaches to improve tax risk management can also be effective in building trust.[64]

Where large business directors and senior management ask for practical advice about steps they might consider to better understand their business' level of tax risk, the tax administration could suggest that they: have a broad understanding, at least from a

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[61] Arturo J., 'Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean: Legal Framework' (USAID Leadership in Public Financial Management (LPFM), 2013).

[62] Yassie H, 'Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean' 'Chapter 14: Budget Planning and Resource Management' (USAID'S Leadership In Public Financial Management, 2013).

[63] John H, 'Best Practice in Tax Administration' Consultancy Report for the National Audit Office, 2007.

[64] Organization for Economic Cooperation and Development 'Forum on Tax Administration: Compliance Management of Large Business Task Group'. (OECD, 2009).

financial and business perspective, of the major tax issues that arise in the normal ongoing operations of the business; make enquiries about or establish reporting procedures to identify material risks so as to provide a level of confidence that corporate processes promote tax compliance; consider, from a financial and business perspective, the tax implications of major transactions, business structures and strategies; oversee the overall amounts of different taxes paid by the business – be aware of whether these amounts are increasing or decreasing, and how the tax administration is likely to perceive these trends; be aware of the relationship the business has with tax jurisdictions, the level of scrutiny of its affairs and the stance that its advisers adopt in relation to tax compliance and tax planning.[65]

The success and efficiency of tax administration in Nigeria will improve expectedly with an initiation of collaboration between Nigerian tax authorities and tax authorities from other jurisdictions, and between the tax authorities in Nigeria and other government agencies.

1.24 Conclusion

In view of the challenges of tax administration in Nigeria examined in this work and the best global practices equally identified among several developed countries, the following recommendations are made for the Nigerian government and relevant tax authorities to incorporate into the administration system. .

1. The relevant tax authorities at the federal and state levels should ensure due and strict enforcement of the various tax laws, though with some flexibility where needed. It will communicate seriousness and genuineness of the tax authorities to the taxpayers.
2. The Nigerian tax authorities should initiate and undertake a beneficial, productive and cooperative approach and collaborative programs with tax authorities from other jurisdictions, particularly tax authorities of developed countries. This will help the Nigerian tax authorities learn latest modes of tax evasion, new successful administrative strategies, and ways of implementing these strategies smoothly into our native administrative system.
3. As observed in countries such as Ireland, Denmark, Germany and France, the Nigerian tax authorities should endeavour a 'catch them young' approach in bringing businesses liable to pay tax within the tax net. This could be by visiting new businesses, as is done in Canada, or by ensuring that new businesses being registered under the Corporate Affairs Commission (CAC) are equally registered under it.
4. The burden and process of tax compliance should be made easy and simple to go through. The ease of tax compliance will further encourage taxpayers' to comply with tax payment, which further reduces the number of people trying to evade tax payment.

[65] Ibid.