JTB
JOINT TAX BOARD
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140TH JOINT TAX BOARD (JTB) MEETING

THEME:

Deepening Internally Generated Revenue (IGR) Beyond Personal Income Tax (PIT)

Paper Presented at the 140th Joint Tax Board (JTB) Meeting
Held in Oshogbo, Osun State, Nigeria
On Tuesday, March 27, 2018

by:

Muritala Awodun, PhD
Executive Chairman,
Kwara State Internal Revenue Service

AT:

AENON SUITE HOTEL, GRA OKEIFA, OSHOGBO, OSUN STATE, NIGERIA

KW-IRS
KWARA STATE INTERNAL REVENUE SERVICE

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Courtesies

1.0 Introduction

When I was first contacted about the decision of the JTB Secretariat that I present a paper at the 140th Joint Tax Board Meeting on the theme of the meeting, *'Deepening Internally Generated Revenue (IGR) Beyond Personal Income Tax (PIT),'* what first came to my mind is what lessons would the paper bring to the calibre of audience that the paper is meant to address. What is new that can be brought to the attention of this top-level executives of tax administration in Nigeria? However, after some reflections over the activities of the Revenue Service, and the laws guiding such operations, I came to the conclusion that there are still much more to learn, hence the resolve to accept the responsibility.

I am therefore, grateful to the JTB Chairman and the Executive Secretary for considering me worthy of this assignment. I hope that the presentation will meet their expectations and the issues that will be brought out for discussion will be of meaningful impact to the audience who are desirous of adding value to their respective agencies, in particular, and the nation, in general.

Ordinarily, I should be a beneficiary of the presentation, if someone else has been chosen. Notwithstanding the fact that I have been given the responsibility to address you, my colleagues, I will like to state that the paper is meant to raise our consciousness to the opportunities that still exist within the coverage of our operations as tax administrators.

In my quest to do justice to this assignment, I will take a critical look at the following;
What do we really mean by Internally Generated Revenue (IGR)?
What does Personal Income Tax (PIT) means?
What do we mean by deepening IGR beyond PIT?
Why do we need to deepen IGR beyond PIT now?

I sincerely believe that if I am able to draw our attention to a critical look at these questions, it will not be difficult to come to a reasonable conclusion on what must be done to achieve an improvement in our IGRs and also deepen our collections beyond the present concentration on PIT collections in our various states.

Resources, the Basis of Human Existence

Resources from nature forms the basis of human existence, and are very unevenly distributed over the earth's surface. Various parts of the world differ with regards to climate, soil, relief features, locations, water bodies, natural vegetation, mineral wealth, people, etc. First-class fertile soil is found only in few spots, whereas the world arable land is made up only 40 per cent of world land (exclusive of the Polar Region). The uneven distribution of population and wide differences in economic development and living standards are, therefore, a direct outcome of this uneven distribution of natural resources. Both in terms of availability and frequency, the operations of the nature of resources can be classified into four main categories.

Resources that can be found everywhere.	Ubiquitous	Examples of such are; Sunshine, Oxygen, Air (but not nitrogen)
Resources that are available in many places but not everywhere.	Commonalities	Examples are; Arable land, Forest, Manpower (Labour)
Resources that are found only in few places.	Rarity	Examples are; Petroleum, gold, uranium, etc.
Resources that can be found in one place only.	Antiquity	Example is Cryolite

Resources as we can see are diverse and similar. While some resources are commonly found everywhere, some are uniquely found in specific

places. Some countries are so blessed with availability of diverse resources while some can hardly boast of any meaningful resource.

Resources of Nigeria as a Basis for IGR

Nigeria as a country belongs to the category of countries with diverse resources and on the basis of this is popularly referred to as the "giant of Africa." Giant in terms of its mass of land resources, large deposits of mineral resources and enormous population (human resources). With a population figure of over 140 million people (National Bureau of Statistics, 2009), estimated to be now about 180 million, it is the most populous (populated) country in Africa. Nigerians constitute one sixth of black population of the world, and ranked the 8th most populous country in the world. By the year 2025, Nigeria is expected to become the 5th largest country in the world (World Development Report, 2005).

The Nigerian nation covers an area of about 909,890 square kilometres, (i.e. 90.99 million hectares), of which about 99% is suitable for cultivation. As a result of abundant mineral resources, her principal trading partners for a very long time were United States of America, Britain, Netherlands, Germany, France and Spain, and they are, incidentally, the country's major partners in import and export of her mono-product, oil. This has changed with China playing a dominant role in Nigeria's trade. Nigeria was for many years the 6th largest oil producer and has the 6th largest deposit of natural gas in the world with abundant solid mineral deposits that remain largely untapped (Awodun, 2011a).

Moreover, less than 40 percent of the country's arable land is being cultivated, and about 75 percent of the population are under 34 years as at the 2006 figures, therefore within the 40-years age bracket now. It is estimated that 17 million Nigerians live outside the country, and tens of thousands of them are world class professionals in various fields. As at today, there are 158 universities and over 100 mono-technics, polytechnics and colleges of education producing annually over 200,000

graduates, with annual intake of about 300,000 students, and total enrolment in these higher institutions put at over 1.5 million students by the 2012 Unified Tertiary Matriculation Examination, hence the availability of the basic human capital for development (National Bureau of Statistics, 2017).

However, there are several challenging and pressing indicators about the Nigerian socio-economic environment that are of significance and worthy of mentioning in our consideration of the Nigerian Journey:

- Decreasing level of per capita income (from $870 in 1981 to $260 in 2001, two decades later).
- Low level of agricultural, industrial and infrastructural development rate.
- Increasing Population of primary school students (about 17 million pupils in 2006 which is above the population of Cameroon put at about 16 million or Cote d' Ivore at 14 million) and the enrolment of fresh pupils into primary school put at a little above 3 million annually is about the population of Liberia which was 3.04 million in 2001(Otokiti, 2006).
- The population of secondary school students and students in higher institutions is put at a figure above 5 million just about the population of Libya 5.47 million or Togo 5.56 million or Benin Republic and Liberia put together. In other words, the population of school going children in Nigeria is more than the population of countries like Ghana or (Zimbabwe and Malawi) or (Tunisia and Libya) or (Benin, Togo, Liberia and Sierra Leone put together) (Bloomsbury, 2006).
- Above 80 million Nigerians (i.e. about two third of the population) are reported to be living below poverty line, while 19 persons of her citizens are ranked amongst the 500 wealthiest men of modern market economies.
- Other challenging indicators are; (i) Increasing population figure (see New National Population Policy 2006). (ii) Emerging Market (Economy) status with some cities (i.e. Lagos, Ibadan, Abuja, Port-Harcourt and Kano emerging as Mega Cities. (iii) Sub-optimum

mineral exploration (iv) inability to manage and sustain higher level of human focused developmental policies. (v) Bad and inconsistent governance.

On closer examination, one observed that since independence, the main thrust of Nigeria's development strategies and objectives has been development of education, industrialization and self-reliant economy at a high cost resulting from infrastructural neglect, unethical practices, capacity underutilization, increasing poverty, corruption, and so on, against the emergence of some mega-cities status with low level of business development (Otokiti, 2004; and 2008).

While business is saddled with the responsibility of propelling other sectors to maturity, its sub division into commerce and industry are the pivots of evolution of national developmental process and industrial revolution of the modern economy. Otokiti (2009) therefore posited that governments are assigned the responsibilities of;

- Encouraging the diversification and development of basic infrastructure, such as improvement on land, labour, population adaptability and its control.
- Development of supportive and promotional institutions, structures and strategies basically for specific trust within the complex national expectation on her resource availability.
- Provision of sound and acceptable business regulatory environment by regulating conflicts within the various participants responsible for implementing basic changes in the national system.
- Provision of infrastructural facilities in the areas of health, education, water, defence, housing, and so on.

There is no doubt that the Nigerian economy is embodied with complex social and economic difficulties, more so, it exhibits the structure of a developmental economy even though the space of her development has never been taken seriously. The caravan of Nigerian economy has, after long delay, collective will of many participants and a slumber of decades of hopelessness, started marching towards the goal of her founding

fathers. With the repositioning of the budgetary system, the nature of development has particularly been taken more seriously. With the content of "Modified Rolling Plans and arrival of vision 2020", all these presented an array of hope on the requirements of the people of this country, and more as it is being promised on the country's resource availability and resource consciousness.

Within the next few years or so, the critical indicators to watch and strive to achieve by all managers of Nigeria's resources were identified as:

- Increase Level of resource consciousness,
- Resource appropriateness and justification of strategies.
- Increase in revenue resistances and destruction.
- Increase and structural composition and diversification of resources.
- Increase in Industrial Production and value added.
- Increase in Agricultural Production and modernization of advance development of high yielding varieties.
- Increase in social overheads or improvement of basic infrastructures (power, irrigation, insurance, banking, education, monitoring of vital statistics and improvement of skills and productivity).

From the foregoing, it is obvious that Nigeria's development is beyond oil. Someone once described Nigeria as a rich country with poor people. This is a statement that is easily comprehended since we know that Nigeria's export and income are up to 90% dependent on oil with less than 10% linkage of these to employment, production and other sectors of the economy, hence the accomplishment of limited development. Nigeria's oil economy therefore lacks the capacity to incorporate development objectives of improving the living standards of the majority and promoting balanced growth, and at fifty-eight as a nation, we need no angelic visitation to realize that we must retrace our steps back.

Managing the Resources for Growth

For any nation to grow, choices must be made about the level of the nation's resource unconsciousness, the use of scarce resources and the possible resource creativity and resistances (Otokiti, 2006; and 2009).

Crucial among these are the present unconscious usage of natural resources, human resources, technological resources and capital resources. If economic growth is to occur, these must not only be increased but also must be used consciously and applied efficiently (Vietor, 2007).

The role of resources as basis for economic prosperity, among other factors, has been confirmed. For this reason, different countries are at different levels of economic development, primarily because of their level of proven resources. For example, it is evident that the Western World, USA, Canada, UK are economically prosperous because they possess vast and proven resources (technology, human capital and culture) whereas most part of Africa, Asia and to some extent Latin America are quite benevolent with nature but the lack of resource consciousness, inadequate use of knowledge and initiative, made them unable to convert available huge mass of neutral stuff into resources (Beinhocker, 2006 and Van Agtmael, 2008).

It is in this latter category that Nigeria belongs, as the managers of the nation's resources are 'resource unconscious'. As a result of this, Nigeria's massive land and forest resources, mineral wealth, solar-energy, agro-allied potentials still lie largely unutilized, and in the state of national and regional unconsciousness.

From the resource perspective, only those countries where the managers of the nation's resources have become conscious of the "state of her resource" and put in place creative and conscious effort to exploit them in a planned and rational manner have we witnessed high levels of economic development and prosperity. Examples of such nations abound in the developed nations and the newly industrialized nations with high level of economic prosperity.

Our country, Nigeria is known and associated with lack of resource consciousness and reckless exploration of resources, hence our inability to rise above the traditional status. We have subjected ourselves to the

natural environment and dictate of nature. We toil hard, but get little reward because of our lack of resource creativity and resource consciousness despite the abundance that nature has blessed us with. The above forms the required leading to our subject-matter on how to deepen the internally generated revenue beyond the collection of personal income tax.

It is obvious that all the other resources respond to the level of growth and development of one major resource which is the human resource. Thus, it is significant to note that the rate of development or otherwise of a state or nation is positively correlated to the level of development of its people. Knowing fully well that we possess the various resources as already described above, the capacity and capability to utilize these resources for the advancement of the course of the people and the nation is our major undoing, thus our limitations.

Conceptual Clarifications

Internally Generated Revenue (IGR), by popular description, refers to monies collected by a government through imposition by legislation, in the form of fees, levies, rates, charges, and taxes on facilities, incomes, sale of goods and services, transfers of properties, and other domestic transactions within the confines or territory of that government. There are certain characteristics that must be given due consideration when classifying revenue as IGR. Most fundamental of it is that the revenue must be collectible from the residents of a state or nation based on the legislation (law) that mandates such payments. So, the revenue service is guided by the law upon which the revenue is administered.

As the definition above has stipulated, the tax or fee or rate or levy or charge must be applicable to something that has value and belonging to somebody, be it an individual, group or organization. It could be based on income generated by the person, group or organization, or charged for a service rendered by any arm of government that we refer to as ministries, departments or agencies. Thus, the responsibilities of the Revenue Service in administering taxes for the government could be classified into revenue that are related to personal income, PIT or

revenue that are not related to personal income, which we will call, non-PIT revenues, for the purpose of this paper. For this reason, we need to understand further what PIT is.

Personal Income Tax (PIT) is a form of direct tax that is deducted from the income of a person. In this case, a person could be an individual, an ordinary partnership, a sole proprietor, an undivided estate, a non-juristic body, etc. It is deductible from income realized from trade, business, vocation, profession, employment, gratuity, pension, superannuation, over a period of time.

The components of PIT include salaries, wages, fees, allowances or other gains or profits earned from employment, including compensations, bonuses, premiums or other benefits given by the employer to the employee, be it temporary or permanent. Also, PIT is applicable to the gains or profits (in the form of rents) derived from a right granted to anybody for the use or occupation of any property. In addition, it is also applicable to dividends, interests, discounts, pensions as well as annuities

Those eligible to pay PIT are:

- Persons employed in the Nigerian Army, the Nigerian Navy, the Nigerian Air Force, the Nigerian Police Force other than in a civilian capacity;
- Officers of the Nigerian Foreign Service;
- Every resident of the Federal Republic of Nigeria who earns an income or profit from a business in Nigeria;
- Anyone residing outside Nigeria who derives income or profit from Nigeria.
- Itinerant workers; this category is often charged by the state in which they have worked for any given year
- Communities; this occurs when it is impossible to assess each member of the community individually
- Trustees of any settlements or estates according to the Second Schedule to the PIT Act.

Schedule of Levies and Taxes

The Personal Income Tax Act (PITA) of 1993 as amended in 2011, and the Approved List for Collection as promulgated in 1998 spells out the various categories of taxes and levies that are collectible by the various arms of government in Nigeria. These are referred to as the approved list of taxes, and they guide the operations of the various tax administrators in the different arms of government in the country. For the Federal Government and its collecting agency (Federal Inland Revenue Service), there are nine (9) items on the approved list. For the 36 State Governments and their agencies (States Internal Revenue Service), there are twenty-four (24) items while there are twenty-one (21) items for the 774 Local Government Areas.

Federal Government (9) Items Approved for Collection

All collections by the FIRS are guided by this approved list, and as we can see, there is only one item that is PIT related out of the nine items on the list below. What this depicts is that at the federal government level, the PIT components of the IGR cannot be anything significant comparatively, as the other items are corporate related:

- Company Income Tax
- Withholding Tax on Companies & FCT Residents
- Petroleum Profit Tax
- Education Tax
- Value Added Tax (VAT)
- Capital Gains Tax on Residents of FCT
- National Information Technology Development Levy
- Stamp Duties on Corporate & Residents of FCT
- PIT of Armed Forces, NPF, Residents of FCT, Staff of Ministry of Foreign Affairs

State Government (24) Items Approved Collection

Also on the approved list are the following twenty-four items that the various (36) state governments in Nigeria are expected to collect through their various State Boards of Internal Revenue (SBIRs). These items are both PIT and non-PIT related:

- PIT in respect of PAYE & Direct Assessment
- Withholding Tax for Individuals
- Capital Gains Tax for Individuals
- Stamped Duties on Instruments by Individuals
- Pools betting, lotteries, gaming & casino taxes
- Road Taxes
- Business Premises Registration
- Development Levy for Individuals
- Street Naming Registration Fees in State Capital
- Right of Occupancy Fees on State owned lands
- Market Taxes & Levies
- Consumption Tax on hotels, restaurants etc
- Entertainment Tax
- Mining, Milling & Quarry Fees
- Animal Trade Tax
- Produce Sales Tax
- Slaughter or Abattoir Fees
- Infrastructure Maintenance Charge or Levy
- Fire Service Charge
- Economic Development Levy
- Social Service Contribution Levy
- Signage and Mobile Advertisement Levy
- Property Tax
- Land Charge/Ground Rent

Local Government (21) Approved Collection List

The following twenty-one items constitute the list of approved collections for the 774 Local Government Areas in the country:

- Shops and Kiosks rates
- Tenement rates
- On and off liquor license fees
- Slaughter slab fees
- Marriage, birth and death registration fees
- Street naming registration fees (outside capital)
- Right of occupancy fees on rural lands

- Market taxes and levies
- Motor Park levies
- Domestic Animal license fees
- Bicycle, truck, canoe, wheelbarrow & cart fees
- Cattle tax
- Merriment and road closure levy
- Radio and television license fees
- Vehicle radio license fees
- Wrong parking charges
- Public toilets, sewage & refuse disposal fees
- Customary burial ground permit fees
- Religious places establishment permit fees
- Signboard and advertisement permit fees
- Wharf landing charge

States IGR Deepening

Using the States IGR figures of the National Bureau of Statistics released in 2017 in conjunction with the Joint Tax Board, and the classification of the IGR into five sub-heads, namely; Pay-As-You-Earn (PAYE), Direct Assessment, Road Taxes, MDAs and Others, as presented by the reports, we extracted, for the purpose of our analysis, the PAYE collections and Direct Assessment summing them together to derive the PIT related IGR, while the remaining three categories were summed up to arrive at the non-PIT related revenues.

With the above established, we found the ratio or percentage of the PIT related IGR and the non-PIT related IGR to the total IGR for each of the states. This was done, first on a geo-political zone arrangement before extracting the states that are seen to be moving towards deepening their IGR beyond PIT as states whose PIT-IGR deepening is less than 50 percent or non-PIT-IGR deepening is more than 50 percent, as the case may be.

To accomplished this, we came up with the basis of our computation using the IGR Deepening Computation as defined and formulated below for ease of understanding:

- PIT = PAYE + Direct Assessment
- Non-PIT = MDAs + Road Taxes + Others
- Total IGR = PAYE + DA + MDAs + Road + Others
- PIT Deepening = PIT/Total IGR
- Non-PIT Deepening = Non-PIT/Total IGR
- IGR Deepening Ratio = PIT/Non-PIT IGR or
- PIT Deepening/Non-PIT Deepening
- IGR Deepening Ratio > 1 is PIT Based
- IGR Deepening Ratio < 1 is non-PIT Based

In this wise, the IGR figures of the thirty-six states for the years 2015 and 2016 critical examined, and the results obtained are presented in tables 1 – 6 below:

South Western States	2015 (PIT) Deepening	2015 (Non-PIT) Deepening	2016 (PIT) Deepening	2016 (Non-PIT) Deepening	2017 (PIT) Deepening	2017 (Non-PIT) Deepening
Ekiti	69	31	47	53	70	30
Lagos	69	31	69	31	67	33
Ogun	64	36	33	67	53	47
Ondo	NR	NR	63	37	60	40
Osun	64	36	59	41	NR	NR
Oyo	NR	NR	NR	NR	60	40

Table 1: South Western States IGR Deepening

Out of the six states in the south west of Nigeria, only Ekiti and Ogun are moving towards non-PIT IGR deepening with their 53 and 67 percent scores in the 2016 IGR Report, all the other states, including Lagos are high on PIT with Lagos (69), Ondo (63) and Osun (59) in 2016. All the states remained PIT deep in 2017 with Ekiti (70), Lagos (67), Ogun (53), Ondo (60) and Oyo (60). It is important to mention that the non-PIT IGR deepening in Osun State improved from 36 in 2015 to 41 in 2016. Oyo State has no record of breakdown of IGR for 2015 and 2016 while Osun State also had no records for 2017, making it difficult for us to assess.

South Southern States	2015 (PIT) Deepening	2015 (Non-PIT) Deepening	2016 (PIT) Deepening	2016 (Non-PIT) Deepening	2017 (PIT) Deepening	2017 (Non-PIT) Deepening
Akwa Ibom	79	21	78	22	79	21
Bayelsa	94	06	70	30	88	12
Cross River	44	56	44	56	44	56
Delta	89	11	88	12	76	24
Edo	53	47	55	44	52	48
Rivers	NR	NR	NR	NR	NR	NR

Table 2: South Southern States IGR Deepening

From the figures in table 2, out of the six south southern states in Nigeria, only Cross River State has maintained a 56 percent point non-PIT IGR deepening in the three years under consideration 2015, 2016 and 2017. All the other states are low on non-PIT IGR with Delta (12), Akwa Ibom (22), Bayelsa (30) and Edo (44) in the year 2016, while the order of non-PIT IGR for 2017 was Bayelsa (12), Akwa Ibom (21), Delta (24) and Edo (48). It is important to mention, however, the observed significant improvement in Bayelsa State from a non-PIT IGR deepening of 6 in 2015 to 30 in 2016, but this subsequently reduced to 12 in 2017. Rivers State has no record of breakdown of IGR so it was not possible to assess the level of IGR Deepening of the State.

South Eastern States	2015 (PIT) Deepening	2015 (Non-PIT) Deepening	2016 (PIT) Deepening	2016 (Non-PIT) Deepening	2017 (PIT) Deepening	2017 (Non-PIT) Deepening
Abia	NR	NR	NR	NR	NR	NR
Anambra	NR	NR	NR	NR	NR	NR
Ebonyi	NR	NR	NR	NR	61	39
Enugu	29	71	35	65	NR	NR
Imo	89	11	93	07	74	26

Table 3: South Eastern States IGR Deepening

Of the five states in the south-eastern region of Nigeria, Enugu State has a very high non-PIT IGR deepening of 71 in 2015 and 65 in 2016. Imo State, however remains very low on non-PIT IGR with 11 in 2015 and 7 in 2016 which rose to 26 in 2017. The other three states have no record of breakdown of their IGR collections making it impossible to calculate their IGR Deepening as recorded in table 3 above.

North Eastern States	2015 (PIT) Deepening	2015 (Non-PIT) Deepening	2016 (PIT) Deepening	2016 (Non-PIT) Deepening	2017 (PIT) Deepening	2017 (Non-PIT) Deepening
Adamawa	52	48	31	69	52	48
Bauchi	NR	NR	NR	NR	65	35
Borno	58	42	85	15	NR	NR
Gombe	NR	NR	87	13	52	48
Taraba	50	50	46	54	40	60
Yobe	NR	NR	56	44	NR	NR

Table 4: North Eastern States IGR Deepening

Adamawa State had 69 percent non-PIT deepening in 2016 which dropped to 48 in 2017. For Taraba State however, it was 54 percent non-PIT IGR deepening in 2016 and 60 in 2017. While for Taraba it is consistent improvements over the years, for Adamawa the improvement witnessed in 2016 was lost in 2017. For Borno, Gombe and Yobe the non-PIT IGR deepening ratios are still below the 50 percent mark with the scores of 15, 13 and 44 respectively in 2016. It is equally important to note that Bauchi State had no record of breakdown of their IGR reports for both years, making assessing them for IGR Deepening difficult.

North Central States	2015 (PIT) Deepening	2015 (Non-PIT) Deepening	2016 (PIT) Deepening	2016 (Non-PIT) Deepening	2017 (PIT) Deepening	2017 (Non-PIT) Deepening
Benue	62	38	31	69	67	33
Kogi	NR	NR	48	52	79	21
Kwara	57	43	32	68	32	68
Nasarawa	89	11	92	08	96	04
Niger	56	44	57	43	64	36
Plateau	NR	NR	71	29	64	36

Table 5: North Central States IGR Deepening

Out of the six states in the north central region, Benue, Kwara and Kogi have non-PIT IGR deepening of 69, 68 and 52 respectively in 2016, and only Kwara maintained the non-PIT IGR deepening in 2017. For Benue and Kwara the results of 2016 are significant improvements from the 2015 figures of 38 and 43 respectively. The other three states in the region still remain low on non-PIT IGR with Nasarawa (8), Niger (43) and Plateau (29) in 2016, and (4), (36), and (36) respectively also in 2017.

North Western States	2015 (PIT) Deepening	2015 (Non-PIT) Deepening	2016 (PIT) Deepening	2016 (Non-PIT) Deepening	2017 (PIT) Deepening	2017 (Non-PIT) Deepening
Jigawa	NR	NR	66	34	28	72
Kaduna	74	26	65	35	43	57
Kano	NR	NR	42	58	32	68
Katsina	NR	NR	78	22	84	16
Kebbi	79	21	60	40	76	25
Sokoto	NR	NR	NR	NR	71	29
Zamfara	50	50	59	41	56	44

Table 6: North Western States IGR Deepening

From the seven north western states, only Kano has a non-PIT deepening higher than 50 percent which is 58 for 2016. All the remaining states have non-PIT IGR deepening, ranging from as low as 22 for Katsina, 34 for Jigawa, 35 for Kaduna, 40 for Kebbi and 41 for Zamfara in 2016. However, in 2017, three states have moved up in the non-PIT IGR deepening, and these are Jigawa (72), Kaduna (57) and Katsina (68) with the remaining four states sit PIT IGR driven.

States with IGR Deepening Beyond PIT (2016)

From the above analysis, only ten (10) out of the thirty-six (36) states are in the category of IGR deepening beyond PIT by the 2016 reports. This is because their PIT to non-PIT (IGR Deepening) Ratio is less than one which indicates that they collected more non-PIT related revenues than PIT related revenues in the year 2016.

This is an indication of diversification of IGR sources beyond the PIT and a step that should be encouraged particularly if the potentials inherent in the resources of our nation must be harnesses efficiently as required. There are prospects, but prospects alone translate to nothing if no conscious efforts are made to utilize the opportunities.

States	PIT/non-PIT IGR	IGR Deepening Ratio
Ekiti	47/53	0.88
Ogun	33/67	0.49
Cross River	44/56	0.76
Enugu	35/65	0.54
Benue	31/69	0.45
Kogi	48/52	0.92
Kwara	32/68	0.47
Taraba	46/54	0.85
Adamawa	31/69	0.45
Kano	42/58	0.72

Table 7: States with IGR Deepening Beyond PIT in 2016

By 2017 however, the number of states have dropped to six from ten, and only four of the ten states in 2016 are still non-PIT driven in 2017 and these are; Kwara, Kano, Cross River and Taraba, with Jigawa and Kaduna joining the list of non-PIT driven anew.

States	PIT/non-PIT IGR	IGR Deepening Ratio
Jigawa	28/72	0.39
Kwara	32/68	0.47
Kano	32/68	0.47
Taraba	41/59	0.69
Kaduna	44/56	0.79
Cross River	44/56	0.79

Table 8: States with IGR Deepening Beyond PIT in 2017

Challenges to IGR Deepening Beyond PIT

In conducting this assignment, the various problems encountered shows that we are still not taking the issue of conscious planning through research and data gathering as anything important. It is therefore obvious that not able to assess the required data to plan is only a sure bet to failure, and this explains the poor state of our states. In this wise, this paper thus identified some of the challenges associated with deepening IGR collection beyond PIT are as follows;

- Lack of adequate information on taxpayers as most taxpayers can easily avoid reporting their income to the State IRS.
- Lack of cooperation from the taxpayers as many Nigerians (even within the tax net) do not feel obligated to Government to tax payment; therefore, they do not consider paying tax as a civic responsibility.
- Insufficient information on the logic and significance of taxes.
- Lack of Motivation as certain taxpayers who might be willing to pay are not motivated to do so.
- Lack of uniformity in the incidence of taxation as most taxpayers believe that they are unfairly levied.
- Lack of standard structures and modalities for tax assessment in Nigeria, and the problem has created distrust between collectors and payers.
- Complexity of the tax system and a lack of explanation with respect to tax obligations by the Nigerian government.
- Many taxpayers cannot distinguish between PAYE, WHT or VAT, even among the intellectuals much less calculate the tax base or tax liability in any of these cases.
- Inadequate training and preparation of tax officials as most lack the basic knowledge and techniques to communicate.
- Many Tax inspectors tend to be very aggressive, thereby putting the taxpayer on the defensive.
- High level of leakage associated with the collection of cash and politicization of the tax business.

Recommendations

Based on the above, one will be quick to recommend that we all take the following seriously, if we must turn around the fortunes of our states:

- Continuous & Intensive Tax Research and Data Gathering
- Continuous & Intensive Tax Education
- Continuous & Intensive Staff Training
- Automation & Simplification of Tax Processes
- Stakeholders Engagement for Voluntary Compliance
- Autonomy and Reform of IRS to Deepen IGR Collection Beyond PIT

Conclusion

Let, me close by stating that for us to move away from the concentration on personal income tax to other forms of indirect taxes that could be derived from the abundant resources of our nation, a lot of work is required and what is required is a deliberate and conscious effort that will be focused on taking us out of the concentration on PIT taxes/revenues to non-PIT taxes/revenues in our various states.

Thank You.

KWARA STATE GOVERNMENT

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