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ABSTRACT

Several tax acts and decrees have been enacted in Nigeria over time to guide effective tax administration. yet the anticipated revenue of both the slates and Federal government from taxes have never reach the expected target. This study was aimed at investigating the lise of tax consultants and their impact on revenue profile of the government in Rivers State and Nigeria in general. The study was predicated on primary data. Responses from administered questionnaires on 25 respondents drawn from the State and Federal tax authorities and accounting officers from oil industry provided data for the analysis. The idea was to establish the extent ofimprovcment on tax revenue due 10 the usc of consultants in the areas of Tax assessment, collection and tax enforcement procedure through the use of soldiers. armed policemen and the implementation of the existing tax laws. It was discovered that the usc of tax consultant have not only succeeded in increasing the tax revenue in all tiers of government where they were applied but have also exposed the sharp practices of companies and other tax payers and the ineptitude of tax administrators in all tiers of governments. However, the operating modality of tax consultants has consultants has attracted negative reaction. which has to a great extent impeded the success of their operation. It was recommended that the appointment of tax consultants should be on adhoc basis and their functions restricted to the secondary roles of training. information gathering and computerization of tax records.

TAX ADMINISTRATION ANOTIIE IMPACT OF REVENUE CONSULTANTS IN NIGERIA.

INTRODUCTION

Taxation exists within a legal framework. In Nigeria several tax acts and decrees have been enacted to guide effective tax administration. The constitution of the Federal Republic of Nigeria (1979) as amended (1983) and (1995) provides the scope of taxes to be administered by the Federal Government. The Federal Government of Nigeria. is empowered by the constitution to exercise exclusive legislature powers over such tax mailers as taxation of incomes. profit and capital gains. value added tax, customs and excise duties, export duties (Part I. Second Schedule).

The scope of taxes to be administered by the State Government is provided for in concurrent legislative list

(Part II Second Schedule). It empowers the state (through a House of Assembly) to make provisions for the collection ofany tax fcc or rate or for the administration of the law providing for such collection by Local Government Council.

The scope of taxes to be administered by the Local Government is stipulated in the fourth Schedule (Section 7) oftile same constitution. It covers areas such as rates collection, radio and television Licenses as well as to assess privately owned houses or tenements for the purposes of levying such rates as many be prescribed by the Slate Ilouse al'assembly and registration ofall births, deaths and marriages etc. In the Pre-Colonial era, our ancestors paid taxes in land for the sustenance of their leaders and the development oftheir communities. Oral laws were used to enforce compliance – with the active support and approval ofthe Local Chiefs and elders. The penalty for uetaulr was seizure of properties from defaulters. Any property seized could only be reclaimed upon settlement of the relevant tax and the penalties for default.

It is Ironic that most taxpayers in Nigeria do not know how the various taxes arc determined. The most affected arc the employees of companies in the oil industry sector of our economy. These groups do 110t seem to understand how income taxes are administered in Nigeria under pay as you cam (PAYE SCHEME).

The various companies operating in Nigeria seem to have perfected the act of tax evasion and avoidance and are always poised to resist any arrangement aimed at offsetting the status quo. For example. under the accelerated revenue generation (ARG) programme some State Government also appointed Consultants/Monitoring agents on Value Added Tax (VAT) and Withholding Tax (\VIIT) monitoring in the oil industry. Also professional import duties administrators (PIDA) were appointed in 1996 by the Federal Government for the collection of import duties side by side with certain custom officials. These efforts of Government aimed at enhancing revenue generation through taxes were challenged at various times. In 1995 for example. fifty manufacturing companies in Rivers State went 10 court to challenge the appointment of Olusola Adekanola & Co (chartered Accot.ntarus & tax consultants) but lost the legal battle. The joint tax board had in various communique discouraged the usc of consultants in discharging the primary roles of tax Authorities and the sealing olTofbusiness premises in order to enforce lax recovery.

The argument for the lise of consultants had always been the perceived improvement on tax administration when handled by consultants but joint tax board posited that the modes of operation of the consultants do not make our tax administration system foreign investor friendly. They also alleged that the consultants often collude with taxpayers to commit fraud and other sharp practices and that such role tend to confuse the taxpayers. The worst crime of the consultants is that they rendered tax officials of the relevant tax Authorities redundant. The merit and demerit of these allegations can only be substantiated through a thorough empirical investigation of the impact of revenue consultants in Nigeria. This is what we set out to do in this study.

TIIEORETICAL FRAMEWORK

Scholars have offered valuable definitions oftaxation. (Ariwodola J.A 1988, Ola, C. S.) (1988), Obcni. J. E. (1998). The consensus of the definitions of taxation can be seen as a mandatory contribution from individuals and corporate bodies to enable the Government defray the cost of providing public goods and services.

Taxation, apart from being a source of revenue to the Government, remains a very useful tool for economic policy. In the various State Government budgets and that of the Federal Government, taxes constitute one of till' major sources of revenue. The taxes collected caine back to the tax payers in the form of social amenities (a la, C. S. (1981). Income tax has encouraged or discouraged some activities in the private sector. depending on whether the policy of the Government is towards discouraging or encouraging such companies.

Some Scholars have also tried to define taxation based on the perspective of the major participants to taxations. When viewed from this perspective it is clear that taxation involves two principal parties - the Government and the Governed. It could therefore be defined as compulsory transfer or payment of money (or occasionally of goods and services) from private individuals, institutions or groups to the Government (Anyanwu, J. C. 1997: 81) the Government relics on the taxes paid by companies and the populace in order to defray the cost of providing the social amenities.

The various taxes in Nigeria fall into two broad categories. These are direct and indirect taxes. Direct taxes are taxes levied on the income or property of individuals and companies. They include: Personal income tax, Companies' income tax, Capital gains tax and Petroleum profit tax. Indirect taxes on the other hand. are taxes levied on the consumption of specific goods and services. Good examples of this fonn of taxation in igeria include: the Value Added tax (VAT), Entertainment tax (on cinema and Theatre activities) Airport tax (on traveling), Excise duty. Export duties and Import duties.

RELEVANT TAX AlHIIOIUTIF . AND THE JOINT TAX BOARD

In Nigeria we have two relevant tax authorit ies. These arc: the State Board ofInternal Revenue. (SBIR) and the Federal Board ofI nland Revenue. The former deals with personal income tax matters and other collectible taxes by the States as clearly stated by the joint tax board. The later is concerned only with companies tax including petroleum profit lax, It also handles the personal income taxes relating to members of the military. Nigeria Police. Officers of the igeria Foreign services. residents of Abuja and persons resident abroad who derive profit from Nigeria Apart from these 1\\0 authorities there is also thejoint tax board. The board is made lip of experienced tax officers, one from each of the thirty-six States and a member from the Federal Inland Revenue who becomes the Chairman. \While the secretary is appointed by the Federal Public service commission. The joint tax board Co-Ordinates and Links the State taxation Authorities with one another and Federal taxation Authorities.

THE APPOINTMENT AND USE OF **REVENUE CONSULTANTS.**

The lise of revenue consultants has often been seen as illegal. In 1995 Fifty manufacturing companies in Rivers State Challenged the Legality of the appointment of Olusola Adckanola & Co but lost the Legal battle, The opposition against tax consultants is based on their modes of operations. Some tax experts believed that the usc of police and soldiers to enforce recovery of tax debt is barbaric. Tax avoidance and evasion are known phenomena worldwide. Appropriate penalties arc enshrined in the constitution and could be enforced by resort to the court of law rather than the lise of soldiers and police to terrorize the offenders, as is the case with the lise of tax consultants.

Despite the criticisms of the usc of tax consultants, both State and Federal Government arc constantly using them for enhanced tJX revenue. This is so because the law also supports their activities. Section 85 (A) to 85 (1:) of the amended decree give room for the constitution of proper State boards with a Technical Committee. With this development, State Governments can still usc consultants but in the secondary functions of the tax authorities. Rivers State Government terminated her contract with Olusola Adckanola & Co and engaged the services of another consultant. Oforiokuma & Associates for the secondary function of effective inspection and monitoring processes of revenue generation in the State. The consultants were engaged to do the following:

1. Identify the tax evaders who have no records with the tax authorities.
2. Identify areas of cost reduction and waste.
3. Design a good internal control system for the State internal Revenue that will make it difficult for employccs tu perpetrate fraud except by collusion.
4. Identity ways and means of ensuring that the employees of State board of internal revenue are of the right caliber. who can be trained and well remunerated for the job they have to perform.
5. To set periodic Annual pcrfonnance target and the reward system for staffthat have met the target.

The monitoring.exercise conducted by Cowrie consultants. P. A. on the performance of tax consultants in Rivers State shows the following effects:
Increased payment of taxes by the oil producing companies.
Increased rate of Voluntary registration by companies dealing with the oil industry.
Back - duty requests for payment of out put VAT by the servicing companies to the producing ones as the monitor closes in on them.
Remittance back to the country of VAT collected in foreign currencies and with held by offshore companies.
Increased awareness of the scope of the decree. especially the recent amendments and healthy exchange of view between us and the taxpayers on the legal and practical interpretation of the decree as amended.
Recognition by a wider spectrum of tax payers of the relevant tax laws and their increased compliance with them.

ENACTMENT OF TAX LAWS ANDTIIE **PRINCIPLES** OFTAXATION.

Any tax or levy raised on the populace without a legal backing stands resisted and its administration will be almost impossible. Tax administration involves the application of the various tax laws by the tax authorities in the day to-day performance of their duties of assessment, collection and accounting of the taxes and levies. within their areas of jurisdiction. the whole process of tax law and administration is guided by certain principles of taxation. In he distant past taxes were levied by those In power against those out of power, purely in terms of expediency. A nobleman at Louis XIV'S court might go Scot-free, while a merchant in Lyons or a peasant in Normandy may be heavily burdened. (Hockey 1965).

When Scholars try to fonn rational guides to taxation. two major accepted principles emerged. These arc (a) the benefit principles and (b) the ability to pay principle.

The ability to pay principle is an argument for contribution based on economic capacity to pay measured hy income, assets or spending. Most people would accept this general principle. but it is difficult to apply in practice. Does twice as much income, far example imply twice as much in taxes? Do we have to make adjustment for family' size, illness, or other special circumstances? Income is used as the measure arability to pay. The question is, what form of a tax system - proportional regressive or progressive is consistent with ability to pay and to what extent should unequal be treated unequally. Equal treat is usually regarded in terms of equal sacrifice. or equal welfare loss. The rationalization behind the rule is the assumption that welfare is a function of income and / or wealth and that the marginal utility of income is the same for all taxpayers. Given these assumptions it follows that people in equal positions should be called upon to pay equal taxes (and receive equal-benefits) and that people in unequal positions should pay different taxes (and receive unequal benefit). It is doubtful if this position has been applied in our various tax administration hence the high rate of tax evasion Another principle of taxation is the benefit principle. This is that idea that people should pay taxes in relation to the benefits they receive from government programs. Here, the tax become the fcc or price of the goods being supplied by government. Instances abound were this principal has worked remarkably well. Few examples include tollgates imposed on motorists for the usc of high ways, paring fees on Airport etc. Government has built bridges, tunnels. and highways by charging users a toll on every trip. But when certain taxes and rates do not reflect direct benefits the public will normally try to avoid their payments. Several rates charged by Local Governments for shops. even in residential apartments are few examples.

Tax rates imposed by various tiers of government are far in excess of what the taxpayers can afford. This is because of lack of adequate statistics on the revenue profile of the taxpayers. Author Laffer (1981: 13 - 14) had posited that when tax rate imposed by government is too high it creates disincentives to work and invest. consequently the tax revenue declines. Apparently because, most people may not be able to sustain their business at such high rate of taxes, and some may decide to evade taxes. \While the usc of consultants can play a vital role in investigating the revenue profile of potential taxpayers with the view to recommending the appropriate taxes. their role as enforcer of taxes may appear misplaced. This underscores the need to investigate the impact of the usc of consultants in tax administration.

METHODOLOGY

This study aimed at investigating if the usc of tax consultants have impacted positively on revenue profile of the Government in Rivers State and Nigeria in general. To guide our investigation we formulated the following null hypothesis.

There is no significant relationship between the usc of consultant in tax collection and enhancement of tax revenue in the State.

We collected data from the tax authorities (State and Federal) and tax payers mostly in the oil industry. A sample size of 25 respondents was used and data were obtained through questionnaire and interview. Three Critical areas of impacts were identified. The ideal was to establish the extent of improvement on tax revenue due to the use of consultants in the following area:

Tax assessment, Collection and Account.

Enforcement Procedure through the usc of soldiers and armed Policemen and

Implement of existing tax laws.

DATA ANALYSIS

Questionnaires responses from tax authorities in the State and Federal level and accounting offices from oil industry on the extent of improvement on tax revenue due to the use of tax consultants were used for the analysis. Below we present the summary of these responses.

TABLE 1.1
THE RELATIONSHIP BETWEEN THE USE OF CONSULTANTS IN TAX COLLECTION AND ENHANCEMENT OF TAX REVENUE IN RIVERS STATE.

Use of tax r-.	Extent of Improvement on tax Revenue			
	Great Extent	Moderate extent	Negligible extent	Total number of respondents
In tax Assessment Collection and Accounts	IS	3	4	25
In enforcement Through the usc Of Soldiers and armed Policemen	7	S	10	25
In Implementation and Administration of existing tax laws	14	6	5	25
Total	39	17	19	75

Source: questionnaire Survey 2001

A close look at table 1.1 shows that IS out of 25 or 7 percent of the respondent claimed that the usc of consultants in tax assessment. collection and Accounts had improved tax revenue of the State to a great extent. 3 out of 25 or 12 percent of the respondents claimed the usc of tax collectors had contributed to enhancement of tax revenue of the State to a moderate extent. 10 out of 25 or 40 percent of the respondents also claimed that the usc soldiers and armed policemen had only succeeded in enhancement of the State tax revenue to a negligible extent. While 8 out of25 or32 percent of the respondents claimed the usc of tax consultants had contributed to a moderate extent in enhancement of the State tax revenue. Only 7 out of25 or28 percent of the respondents claimed it had contributed to a great extent in the enhancement of thc tax revenue

On the issue of tax administration and implementation of existing tax laws. 14 out of 25 or 56 percent of the respondents claimed that thc use of lax consultants had contributed to a great extent in enhancement of the State tax revenue. Only 5 out of 25 or 20 percent of the respondents claimed the usc of tax consultant had contributed to a negligible extent.

To confirm if the assertion of the respondents are significant or whether they were due to sampling error. we apply the Chi-square statistics

This is given as $X^2 = \frac{\sum(fo - fe)^2}{Fe}$

Where fo = Observed Frequency
Where fe = Expected Frequency

Using the data in table 1.1. we calculated the expected frequency and chi-square statistic as shown in table 1.2

Table 1.2
CALC LATION OF CII I-SQUARE STATISTIC OF TIlE RELATIONSIIII' IIETWEEN TIlE USE OF **CONSULTANTS** IN TAX **COLLECTION AND ENHANCEMENT OF TAX** REVE 'UE IN **RIVER STATE.**

Usc of Tax Consultant	Extent of imprcvcrncn Tax Revenue	fo	fe	(fo-fc)	(fo-fe)'	(fo-fe)2 fc
In lax Assessment Collection And Accounts	irca: extent	18	13	5	25	192
In tax Assessment Collection And Accounts	Moderate extent	3	5.67	-2.67	7.13	126
In tax Assessment Collection And Accounts	Negligible extent	4	6.33	-2.33	5.43	0.85
Enforcement Through the Usc of soldiers Ipolice	Great extent	7	13	-6	36	2.7
Enforcement Through the Usc of soldiers Ipolicemen	Moderate extent	8	5,67	2.33	5.43	0.96
Enforcement Through the Usc of soldiers /oolice	Nealiaible extent	10	6.33	3.67	13.47	2.13
Implementation And Administration Of existing Tax law	Great extent	14	13	I	I	0.08
Implementation and Administration of Existing Taw Jaw	Moderate extent	6	5.67	0.33	0.11	0.02
Implementation and Administration of Existing Taw law	Negligible extent	5	6.33	- 1.3	1.77	0.28
		75	75	0		1027

The calculated chi-square value of 10.27 j< greater than the tabulated value of 9.488 at 0.05 levels of significance and 4 de-·-e of freedom. Based on the result we reject the null hypothesis and accept the alternative hypothesis that there is a significance relationship between the usc of consultants in tax collections and enhancement of tax revenue in the State.

CONCUJIII NG **REMARKS**

Tax consultants operate on the basis of existing tax laws. which have been severally flawed by taxpayers. and those saddled with the responsibility to administer them. The activities of the consultants have exposed the sharp pracuces of companies and other taxpayers and the ineptitude of tax administrators in all tiers of'govcrnmcnt.

1 ,lC:use of tax consultants have succeeded in improving tax revenue in all the tiers of government. where they arc ısed.

The operating modality of tax consultants especially the use of armed policemen and soldier to enforce compliance have attracted negative reaction. which has impeded the sllccess of their operation to some extent.

RECOMMENDATION

Based on the conclusion of this study. we recommend as follows:

Our tax laws should be reviewed annually to keep them in line with the realities of the day. eliminate ambiguities and plug legal loopholes.

Government should employ only competent and efficient persons as revenue officials

The Appointment of the lax consultants should be on ad-hoc basis and their functions should be restricted to the secondary roles of training, information gathering and computerization.

Where the board of internal revenue is weak and unable to meet targets. which they were involved in setting. the tax consultants should be contacted for training and development of personnel.

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