THE INDISPENSABLE ROLE OF TAXATION FOR STATE DEVELOPMENT IN NIGERIA

Maria Chinecherem Uzonwanne

Department of Economics,

Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.

E-mail: mc.uzonwanne@unizik.edu.ng

ONYIIFISAYO@YAHOO.COM

ABSTRACT

A moment of reflection on the current situation of today’s development in Nigeria suggests that the acquisition of that power stated by a renowned economist Nicholas Kaldor, of post-war generation who was asked to say his view on the relationship that exist between taxation and state development, enumerated a lot of things but summarized his words in one line: “the heart of a state development lies on taxation”, cannot be taken for granted. This paper therefore described the situation of taxation in Nigeria and enumerated the indispensable role of taxation for state development. Primary and secondary data were used. The primary data were collected from the distributed questionnaires while the secondary data were collected from the World Bank Indicators. The data were analyzed and they showed that taxation contributes less to GDP of the Nigerian economy since the IMF threshold of tax revenue to GDP is 15% while the highest taxation was added to the Nigerian GDP is 2.3% in 2010. The paper therefore, concluded that taxation is indispensable for the development of a nation (there is a positive relationship between taxation and state development) and that the ability of tax to stimulate economic growth or development in Nigeria will result from the deliberately designed regimes that will encourage compliance of those who should pay this tax. Hence, the paper recommended that all Nigerians should endeavour to pay their taxes and while this is done, the government should be set to achieve promotion of fiscal responsibility through government transparency and judicious use of revenue generated, promote economic stabilization, and correct market failures or imperfection and to facilitate economic growth.

Key words: Taxation, Development, Indispensability, Nigeria

INTRODUCTION

Most of the researches already carried out in Nigeria today show that tax is taken for granted. While in other countries, there reflects a growing insight among policymakers that a better working tax system helps the state to support economic development/growth.

Governments in all parts of the world and at all points in history have faced similar challenges when it comes to funding their ambitions to develop their country or state and to give a good standard of living to the masses in their country or state. We do not believe that governments in the past or in today’s developing world are any less rational or farsighted compared to those in today’s developed world. For this reason, in most countries of the world, the primary objective and purpose of taxation is essentially to generate revenue or raise money for government expenditures on social welfare.

The importance of taxation lies primarily in its ability to raise capital formation for development and growth of the economy and also, in assisting in the regulation of consumption pattern resulting in economic stabilization and effective redistribution of income (ICAN, 2009).

According to Azubuike (2009), “tax is a major player in every society of the world. It is an opportunity for the government to collect additional revenue needed to discharge its pressing obligations.” Taxation is important in the planning of savings and investments by harmonizing it with development strategy and changing economic structure. The government uses taxation as a powerful fiscal weapon to plan and develop its country. The government
uses it to raise money to run the business of government but also, as an important fiscal tool for economic development and the alleviation of poverty (Soyode & Kajola, 2006). It is a burden which every citizen must bear to sustain his government (Nwezeaku, 2005) and it is a compulsory exaction of money by a public authority for public purposes (Soyode and Kojola, 2006).

If these are the main objectives of taxation, it is therefore highly important to have in place a strong and vibrant tax system, not only at the Federal level but also at the state and local government levels, so as to ensure that the objectives of tax system are achieved.

Over the years, it has been observed that Nigeria’s fiscal policies are dynamic and her expenditure increases in response to the needs of the society while her revenue does not increase in the same proportion as a result of poor tax administration (Philips, 1991).

There is an unwillingness of the people to pay tax in Nigeria. Most people totally avoid them, with the suspicion that what is imposed is too much or what is collected is embezzled by those in the government, or that people are unequally levied and assessed. Another cause for lack of tax payment is the limited number of people in the labor force, the ignorance of the citizens in knowing the indispensable role of tax in development, ignorance of the wealth and trade of the people, causing a needless repetition of the charge and the trouble of new additional levies in order to amend the mistakes done.

Now, the matter remains whether the Nigerian state has recognized this indispensable role of taxation for state development. These authors would like to see what possible means are open to attain economic development in the state through taxation; especially, exploring the indispensability of the citizens in achieving the desired economic growth/development in Nigeria.

**BASIC PROBLEM**

Nigeria is richly blessed with oil and gas among other mineral resources, but the over dependence on oil revenue for the economic development of the country has left much to be deserved. The inability of the tax system to generate revenue affects the services offered by the government. The Nigerian tax system has not been able to perform the expected role of revenue generation and regulation of income distribution. This stemmed from the structural and administrative defects of the tax system. The machinery and procedures for implementing tax systems are inadequate, resulting into tax evasion and avoidance by most individuals and institutions and the resultant effect of this, is low revenue yield for the development of the country or state.

Odusola (2006) observed that the Nigerian tax system is lopsided and dominated by oil revenue. He argued that over the past decades, oil revenue has accounted for at least 70% of the Nigeria’s revenue base, thus, indicating that additional tax revenue has never assumed a strong role in the country’s management of fiscal policy. Instead of transforming the existing revenue base, fiscal management has merely transited from one primary product based revenue to another, making the economy susceptible to the fluctuations of the international market.

According to Ariyo (1997), the proportion of the self-employed relative to the working population is substantial, yet tax authorities have not devised appropriate means of collecting effective personal income tax from this group. In fact, income from the self-employed or the informal sector activities is grossly untapped. This situation applies equally to excise tax and VAT retail trade in Nigeria which is incredibly large but substantially informal.
Underground Economy is one of the most cancerous problems affecting the Nigerian tax system. An underground economy is taken to mean any undeclared economic activity such as; (a) Non-registration of business that should be registered to pay tax, (b) people who work in the hidden economy such as the rural areas with difficult terrain and pay no tax at all on their earnings, (c) people who pay tax on some earnings but fail to declare other additional sources of income.

Corruption is another impressing problem that is confronting Nigerian tax system. Political corruption is at least, as serious as corruption of the tax bureaucracy. Low salaries for tax officials, political protection of prominent tax evaders, poor monitoring of tax officials, high tax rates, and high level of discretion for tax officials, and poor information have generally dominated Nigerian tax system. Evaders prefer to bribe officials rather than pay taxes, tax assessors collude with taxpayers, particularly with regard to access to the assessment. The multiple processes of clearing imported goods are not only a source of administrative delay, but also an avenue for entrenching corruption. This attitude however has eroded tax consciousness on the part of many Nigerians.

The Nigerian tax laws are complex and difficult to understand for common taxpayers. Many taxpayers are unaware of the existence of certain taxes; there are poor tax education and weak fulfillment by tax authorities of their responsibilities with regard to public awareness.

Again, it is difficult to create an efficient tax administration without a well-educated and well-trained staff. Many tax officials are not well paid and lack the ability of computerizing their official activities by keeping accurate account, thus the Nigerian government uses that opportunity to take the path of least resistance, by developing tax system that allows them to exploit whatever options that are available rather than establishing rational, modern and efficient tax system.

Nigeria tax rates changes frequently in the country. Ariyo (1997) pointed out that these frequent changes can inhibit purposeful planning and investment decisions, especially by corporate agencies and foreign investors. For example, the existing tax rates are as follows:

**Personal Income Tax Rates (in Naira)**

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Lower Limit</th>
<th>Upper Limit</th>
<th>Rate 1</th>
<th>Rate 2</th>
<th>Rate 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1st</td>
<td>300,000</td>
<td>500,000</td>
<td>21,000</td>
<td>300,000</td>
<td>21,000</td>
</tr>
<tr>
<td>2. Next</td>
<td>500,000</td>
<td>1,000,000</td>
<td>33,000</td>
<td>600,000</td>
<td>54,000</td>
</tr>
<tr>
<td>3. Next</td>
<td>1,000,000</td>
<td>1,500,000</td>
<td>75,000</td>
<td>1,100,000</td>
<td>129,000</td>
</tr>
<tr>
<td>4. Next</td>
<td>1,500,000</td>
<td>5,000,000</td>
<td>95,000</td>
<td>1,600,000</td>
<td>224,000</td>
</tr>
<tr>
<td>5. Next</td>
<td>5,000,000</td>
<td>Above</td>
<td>336,000</td>
<td>3,200,000</td>
<td>560,000</td>
</tr>
<tr>
<td>6. Above</td>
<td>3,200,000</td>
<td>6,400,000</td>
<td>768,000</td>
<td>6,400,000</td>
<td>1,328,000</td>
</tr>
</tbody>
</table>

Source: Federal Republic of Nigeria Official Gazette (Government Notice no.175 Published 24/06/2011)

These above mentioned problems have, in no small measure, hindered the effective implementation and goal-congruence of the nation’s tax system. Consequently, these inhibitions affect the development of the Nigerian state.

**THEORETICAL AND EMPIRICAL LITERATURE**

A taxation theory may be based on a link between tax liability and state activities. This reasoning justifies the imposition of taxes for financing state activities and also providing a
basis from apportioning the tax burden between members of the society. Hence, this work employs the Physiocratic and the Socio Political Theory of Taxation.

**Physiocratic Theory of Taxation**
The physiocratic theory of taxation is connected with net product. The proponents of this theory believe that only land produces a surplus, as a result of that taxes should be paid from the surplus or net product. *Net product* according to them, was conceived as an excess of output over the inputs. They are of the opinion that the state has to be maintained, therefore, some revenue is needed for its maintenance but the total revenue demand from the government should not be exorbitant. And so, from where should the state collect its revenue for the maintenance of the state and cure the ills of the society as a whole? Hence according to this theory, the final incidence of any tax must rest upon net product since that is the only source from which it can finally come.

**Socio Political Theory of Taxation**
The theory advocates that tax system should not be designed to serve individuals, but should be used to cure the ills of a society as a whole. Hence, they stated that social and political objectives should be the major factors in selecting taxes and each economic problem should be looked at in its social and political context and appropriate solution found thereof. This theory maintained that the essence of tax is to bridge the gap between national development needs and funding of the needs. Besides, taxes are found to be unable to achieve macro objectives except when re-engineered. This implies that taxes are designed as a strategic option to cure the ills of the society thereby improving the economic development of the state and the whole nation at large.

Many scholars have used a lot of theories to explain taxation and its role, but none has employed the physiocratic theory of taxation in relation to socio political theory of taxation to explain the role taxation plays in the development of the Nigerian society. Apart from this, it is also observed that many of the studies already carried out collected their data from just a state but this study used primary data collected from more than ten (10) different states. This population represents the entire Nigeria. It is based on the existence of these lacunae that the researchers embarked on this study so as to filling them.

**Conceptual and Empirical Issues**
Many empirical studies provided different revelations and explanations of taxes and state development. Hence, this section of the paper takes care of that through the definition some important key terms.

**Development**
Development may mean different things to different people; therefore, it is important that we have a working definition or core perspective of its meaning.

Development in this paper is strictly understood as an economic term meaning the capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its gross national income (GNI) at rates of 5% to 7% or more. After a long experience, when many nations did not reach their economic growth targets as statistics revealed, and most levels of the masses of people remained for the most part unchanged, that signaled that something was very wrong with the traditional definition of development (Todaro & Smith, 2006)
Then in 1970s-1990s, some economists such as Amartya Sen came to re-define development as that which must be conceived as a “multidimensional process involving major changes in social structures, popular attitudes, acceleration of economic growth, the reduction of inequality, and the eradication of poverty.” It must represent a whole gamut of change by which an entire social system turns to the diverse basic needs and desires of individuals and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory towards a situation or condition of life regarded as materially and spiritually better (Todaro & Smith, 2006).

It has also come to mean the progress of the economy which constitutes the road for development of a nation. It was from this perspective that Pope Paul VI in his encyclical letter _Populorum Progresso_ noted that, “economic development has to be integral and promoting to all men.” For Pope Paul VI (1967) therefore, “every development is a passage, for everyone and for all, from the condition of life more or less human.” From this perspective, economic development should be seen as the process of social transformation of the conditions of the life of people within a given population.

Karl Marx on his own part focused his critique of development on the capitalist system. According to him, the social, political and spiritual life of a given society is determined by the mode of production. Neo-classical economists, on the other hand, advocated that competitive market conditions, which ensure more efficient allocation of resources, result in greater national income. From the above analysis, it follows that all development theories must take into account, capital stock, the stock of human agents, land and natural resources, and technology (Uzonwanne, 2008).

Economic development, among other things, means the attainment of a number of ideas of modernization such as a rise in productivity, social and economic equalization, improved institutions and values. It involves something more than economic growth. In short, development means growth plus change (Aderinto & Abdullahi, 2007). Such qualitative changes include improved performance of factors of production. It also includes increasing man’s control over nature. It may also reflect in the development of institutions and a change in the attitudes and values.

Although the increase in the real income per head is one of the primary objectives or goals of economic development, it has also become common to interpret economic development in terms of a number of other sub goals such as a certain distribution of income policy objective, a diminution in economic inequality among the citizens, avoidance of marked disparities in the prosperity and growth of different regions within a country.

Narrowing it down to the state, we will then define state development, as the capacity of a state economy, whose initial economic condition has been more or less static for a long time to generate and sustain an annual increase in its gross domestic product (GDP) at 5% to 7% or more. It is the capacity of increasing the standard of living of the citizens, applying structural and infrastructural change in the state or nation. It is the freedom for operation as well as greater choice for the general well-being of the people in the economy.

**Taxation**

It is simply a levy imposed by the government on the income, wealth and capital gains of individuals and businesses, on spending goods and services, and on properties. Taxation involves compulsion. The taxpayers are required to make payment regardless of their feelings
or willingness. Once the tax has been levied, no individual has the choice of paying or not paying unless, of course, doing it illegally like tax evasion (Aderinto & Abdullahi, 2007).

Taxation as an instrument of fiscal policy, performs four economic roles for the development of a nation and state: (i) it helps to allocate resources from private to public needs (ii) taxation is very often used as part of the general public policy instrument to control inflation in a country, (iii) taxation can be used as a promoter of economic growth. In most of the less developed countries, where the level of private saving is poor, taxation can be used to provide necessary funds for investment, (iv) taxation can be, and is often, used as an instrument to promote social equity by redistributing wealth and income. Through varying systems of taxes and subsidies, a country can promote a more egalitarian society.

Taxes are endogenous and it is dependent on one's income. It can be divided into two forms; **Direct Taxes**: These are those levied on private individuals, corporations, and property; and **Indirect Taxes**: These include; import and export duties. In a country such as Nigeria, the indirect taxes constitute the primary source of fiscal revenue. Both direct and indirect taxes are far from progressive in Nigeria. Taxation has undergone a lot of emotional factors despite its important role in the state development (Aderinto & Abdullahi, 2007).

Fasoranti (2013) ascertains that essentially, tax constitutes a means by which the government appropriates part of the private sector's income. The revenue so derived is used to finance government expenditures. Among other things, taxation is an important instrument of fiscal policy in the economy. It generates income for the government for the funding of economic activities capable of raising the growth rate. Among other things, it is a means of redistributing income and wealth among consumers. Again, national rulers have always been interested in an income concept that can be used as a yardstick for taxation (Musgrave, 1989). More importantly, it is noted that the tax revenue collected in any economy depends on the level of income.

There is a positive correlation between tax revenue and national income. Taxable income in Nigeria is expected to determine the tax revenue being collected by the Federal Revenue Service (FIRS). But this is not so in Nigerian tax system which is characterized with high level of tax evasion and avoidance (Okpara, 2010). It is evident in the part of the rich class of the Nigerian economy, where they do not subject their income for tax assessment and their companies tactically do not declare their full profits and the section of the economy being taxed is only people of low income.

To enhance the level of the income of poorer section of the Nigerian society, sufficient investment is also required in sectors like education, health, and others that can generate employment. The government can successfully implement all these projects if only it can raise the required revenue whose major source is tax.

Consequently, the usefulness (effectiveness and efficiency) of taxes can be measured by several parameters, some which are its revenue generating capacity and its impact on the consumption and savings pattern in the economy. Even if the totality of tax system cannot be comprehensively measured, the various types of tax can be subjected to this measurement.

Taxation has an important role in an ideal economy such as: **Instrument of Revenue Generation to Cover Expenditure** (Dalton, 1964): It is used to raise income revenue for the government to cover its own expenditure and to provide services and infrastructural facilities such as schools, hospitals, roads and social security payments made to individuals in respect of unemployment, sickness etc. **Instrument of Stabilization**: It is used as an instrument of
stabilization such as inflation and to stimulate economic growth. For example (a) if a country or state is experiencing inflation, one way to deal with the situation is to raise direct taxes on individual income as well as business profits made by individuals and this will reduce demand for consumption of goods and at the same time lower the investments by business men. (b) When an economy of a country or state is experiencing depression, the overall level of taxes may be lowered in the economy. **Instrument of Income and Wealth Distribution:** By levying taxes in a progressive manner, the gap of income is somewhat reduced and this may be the prime reason of levying taxes in some cases. **Instrument of Regulation:** It helps to regulate the consumption and production of certain goods in a country or state. (Suppose the government wishes to discourage the consumption of certain type of imported goods, it may impose higher import duties on them to raise the price of those goods which may reduce the demand for them. Therefore, it controls the volume of imports into the country. **Instrument of Payment:** The government uses taxation in the payment of teaching and non-teaching staff’s salaries, to those in medical areas such as hospitals and, for poverty alleviation, for building of social amenities like, hospitals, schools, and provision of irrigation for the development of agriculture. It is used in the provision of ammunitions for defense, for the armies, police force and force workers, construction of barracks and their uniforms. **Instrument of Mobilization** (Asada, 2005): it helps in the mobilization of resources to pay gratuity, for the payment of public debts and loans and finally, to maintain the well being of the people in the state.

In Nigeria, there are at least some types of taxes that are commonly applied to qualifying citizens and items. These are the Personal Income Tax, the Company Income Tax, Petroleum Profit Tax, Custom and Excise Duties and the Value Added Tax. The assessment of these forms of tax independently or otherwise becomes more necessary given the multiplicity of taxes in Nigeria, together with the problems of tax evasion and avoidance. Nigerian tax system somehow, is structured purely towards revenue generation without minding its effects to other macroeconomic variables, which have negative effect on the economy.

**METHODOLOGY**
The study employed descriptive statistical method to enable the authors to have a systematic and descriptive approach towards the country of study. The secondary data collected cover the tax revenue contribution in Nigeria from 2010 to 2012. Data were collected from World Bank Statistical Bulletin describing the rate of tax contribution in the Nigeria GDP. In the primary data, a population of 500 people was chosen from different parts of the State. A probabilistic random sampling method was also used where by each sample selected was representative of the population, while all the members of the population have equal opportunity of being selected as a sample. A questionnaire was constructed, which contained closed questions.

**DATA PRESENTATION AND ANALYSIS**
The data analysis of the secondary data collected is presented in tabular form using simple percentage. This is to facilitate clarity of interpretation and to show the contribution of tax revenue to the Nigerian GDP and hence the negative implication of tax evasion.

<table>
<thead>
<tr>
<th>Tax Revenue (% of GDP)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.3</td>
<td>1.8</td>
<td>1.6</td>
<td>1.7*</td>
</tr>
</tbody>
</table>

* By way of estimation
Source: www.world bank.org/indicator/GC.TAX.TOTL.GD
According to Okonjo-Iweala (2013), the generally accepted threshold of tax revenue to any country GDP is 15 per cent in IMF estimation. Hence, looking at the above data, one can easily see that Nigeria is still far below the estimation. The 2.3 percent highest contribution of taxation in GDP from 2010-2013 is said not sufficient to build a strong economy.

In 2010, taxation revenue was just 2.3% and in 2011 it came down to 1.8 and while in 2012 it depreciated more to 1.6, these can be said to have been contributed by the tax evasion of many Nigerians. The data also shows that in 2013 it stepped up a little bit to 1.7%. Yet, all these figures lay far below the estimation of IMF.

This result shows that tax evasion results in the loss of revenue for the Nigeria GDP. Not only does it contribute less funds for the GDP, it also generates more and more black money - money that is acquired through illegal means that people try and offload as quickly as possible by purchasing real estate, jewellery, gold, automobiles, expensive clothes and accessories, and so on. This distressed purchasing artificially inflates prices and therefore the market. Hence, tax evasion/resistance is not only detrimental to the progress of the economy but also, harmful to the individual and the community at large.

Consequently, the above data supports what the Nigerian coordinating minister of the economy, Okonjo-Iweala (2013) says that about 65 percent of registered firms were not in the tax system and the estimated tax leakages due to unpaid real estate rentals in the country amounted to about $250m per annum. Quoting the minister, “When we looked more closely at our tax payers’ database, we discovered that about 65 percent of registered tax payers had not filed their tax returns in the past two years, as a result the main culprits tend to be this intermediate group of medium-sized professional service providers, contractors and landlords. This non-compliant group falls in the grey area between the informal sector and large companies, and I think, from an enforcement viewpoint, we can get a good bang for the buck by focusing on this sector.

Some of the primary data collected from the sampled population are presented and analyzed below.

**Frequency and Percentage Distribution of Gender**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
<th>Valid Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>280</td>
<td>56.0</td>
<td>56.0</td>
<td>56</td>
</tr>
<tr>
<td>Female</td>
<td>220</td>
<td>44.0</td>
<td>44.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The data collected shows that 280 males responded to the question representing 56% and 220 females returned their questionnaire representing 44%. It shows that men understood the implication of paying tax than women.

**Frequency and Percentage Distribution of Respondent Age**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-39</td>
<td>235</td>
<td>47.0</td>
<td>47.0</td>
<td>47.0</td>
</tr>
<tr>
<td>40-49</td>
<td>115</td>
<td>23.0</td>
<td>23.0</td>
<td>70.0</td>
</tr>
<tr>
<td>50-59</td>
<td>105</td>
<td>21.0</td>
<td>21.0</td>
<td>91.0</td>
</tr>
<tr>
<td>60-69</td>
<td>35</td>
<td>7.0</td>
<td>7.0</td>
<td>98.0</td>
</tr>
<tr>
<td>70-100</td>
<td>10</td>
<td>2.0</td>
<td>2.0</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As shown in the above that the greatest number of participants in our survey were within the age bracket of 30-39 years with 235 (47.0%) and the least were within the age bracket of 70-100 years with (2.0%). 115 were within the age of 40-49 years, taking the percentage of (23.0%), 50-59 years were 105 (21.0%) and 60-69 years were 35 representing (7%) of the population. It is interesting to notice that the greatest number of participants in the survey fell within the active working age while the least number were found within the age of 70-100 years. This has something strong to say of taxation in Nigeria.

### Frequency and Percentage Distribution of Respondents Livelihood Information

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal Employment</td>
<td>380</td>
<td>76.0</td>
<td>76.0</td>
<td>76.0</td>
</tr>
<tr>
<td>Farming/Agriculture</td>
<td>55</td>
<td>11.0</td>
<td>11.0</td>
<td>87.0</td>
</tr>
<tr>
<td>Business</td>
<td>50</td>
<td>10.0</td>
<td>10.0</td>
<td>97.0</td>
</tr>
<tr>
<td>Petty Trading</td>
<td>15</td>
<td>3.0</td>
<td>3.0</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Occupation or livelihood information has always played a significant role in the way taxes are paid and their possible roles. Our survey shows the distribution in the table above according to the 500 participants that responded to the question. Our questionnaire made provision for formal employment workers, business workers, farming/agriculture workers, and those who do petty trading. As the table illustrates, the respondents cut across only three levels. This is understandable as petty traders in Nigeria may not have understood what tax is and why it must be paid. Their income can be said to play an important role here too. The data also shows that the majority of the respondents were formal employment workers with 76%. The reason is evident as many of those who understand the importance of taxation in development are government employed workers as this is automatically taken from their respective salaries.

### Frequency and Percentage Distribution of Respondents Participation in Taxation

<table>
<thead>
<tr>
<th>Participation</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>380</td>
<td>76.0</td>
<td>76.0</td>
<td>76.0</td>
</tr>
<tr>
<td>No</td>
<td>120</td>
<td>24.0</td>
<td>24.0</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

As we tried to explain the important role of taxation for state development, we posed some questions which helped us to achieve the aim of the paper, that is, knowing how many people really pays their tax. From our investigation, we notice that those really pay their taxes were only those who are employed by the government with the percentage rate of 76% as the table above shows. This is to say that if this taxation was not automatically deducted from their salary, they may not have deemed it necessary to pay that. Hence, they will be like other self employed workers.

### Frequency and Percentage Distribution of Supervision by Tax Officials

<table>
<thead>
<tr>
<th>Supervision</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once a Month</td>
<td>184</td>
<td>37.0</td>
<td>37.0</td>
<td>37.0</td>
</tr>
<tr>
<td>Once a Year</td>
<td>262</td>
<td>52.0</td>
<td>52.0</td>
<td>89.0</td>
</tr>
<tr>
<td>Never</td>
<td>54</td>
<td>11.0</td>
<td>11.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
One of the factors we discovered in our literature review is that supervision by tax officials helps to create awareness and opportunity for people to pay their tax. Our investigation shows that many of our respondents (52%) were supervised once a year, this can lead to laxity and (37%) said once a month, while some (11%) are not even supervised at all. Hence it can be said that tax officials’ laxity in tax supervision may have contributed to tax evasion/resistance in Nigeria. This as well known, is not only detrimental to the progress of the economy but also, harmful to the individual and the community at large.

Participants Readiness to Change and Pay their Tax in the Light of Understanding and Government Transparency and Judicious use of Revenue Generated

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>384</td>
<td>77.0</td>
<td>77.0</td>
<td>77.0</td>
</tr>
<tr>
<td>No</td>
<td>116</td>
<td>23.0</td>
<td>23.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

As one would expect, many Nigerians are ready to pay their tax as far as the Nigerian government are also ready to be transparent with the fund collected as well as using judiciously the revenue generated from the taxation. The data above reveals that 384 (77%) participants are willing to pay their tax and116 (23%) are not willing to pay their tax even when there is transparency and judicious use of the fund by the government. However, in comparison with 384 participants who strongly answered positively, we will suggest that transparency and judicious use of the fund will have a positive impact in the life of many Nigerians.

RECOMMENDATION

Since the Nigerian tax system is set to achieve promotion of fiscal responsibility through government transparency and judicious use of revenue generated, promote economic stabilization, and correct market failures or imperfection and to facilitate economic growth. Thus, the following suggested tax system approaches and principles can help in the accomplishment of this social life for state development in Nigeria. The basic practical approaches include:

- Tax systems in Nigeria have to depend not only on the enactment of appropriate tax legislation but also in the provision of **really efficient, integral and honest tax authorities or agency** who must implement these laws or policy.

- To limit the forces of ignorance about the role of tax, government should enrich its educational programmes with the benefits of taxation so as to let Nigerian citizens understand that taxation has a great role to play in development of our state. This is so because it is the only practical means of raising the revenue to finance government’s spending on the goods and services that most of us demand.

- It is difficult to create an efficient tax administration without a well-educated and well-trained staff. Hence, Nigerian government should endeavour to provide intermittently courses, capacity building, training and re-training for those whose duty it is to collect and administer tax in Nigeria.

- The Nigerian government should have the ability to use properly and sincerely the funds collected through this tax for the development of the state and to enhance the well-being
of the people in the state by increasing the availability of and widening the distribution of basic life-sustaining goods such as food, shelter, health, protection, provision of more jobs, better education and freeing the citizens from the servitude and dependency from human misery.

- As a result of financial limitations in Nigeria, statistical and tax offices have difficulty in generating reliable statistics for fund collected. This lack of data prevents policymakers from assessing the potential impact of major changes to the tax system and perpetuates inefficiency of tax system. Therefore, there is need for proper coordination and implementation policy in the Nigerian tax system.

- Income tends to be unevenly distributed in the Nigerian tax system; hence, we recommend that Proportional Taxes policy should be implemented in Nigeria: this is where the rich in Nigeria pays more than the poor or paying the same fraction or proportion of one’s income as tax. Thus, if the tax is 20%, Mr A. Who earns N5, 000 a year will pay N1, 000 while Mr. B, who earns N2, 500 a year, will pay N500. What each pays bears the same proportion to their income. We also advocate Progressive Tax policy: this is where a richer person pays proportionately more than the poorer person. Paying more here means paying a higher rate or proportion income as tax. In the example above, if Mr A, pays 20% and Mr. B pays 10%, the tax is progressive. Simply put, the tax burden falls more heavily on the rich than on the poor.

CONCLUSION
The Nigerian tax system is expected to contribute to the well-being of all Nigerians, and taxes which are collected by government should directly impact on the lives of the citizens. This can be accomplished through proper and judicious utilization of the revenues collected by governments. Hence, we conclude by saying that paying of tax is an Obligation that each and every one of us has towards our country Nigeria and towards our state in particular. When we pay our taxes as good citizens, we then have the audacity to hold duty bearers accountable when they do not do their expected duties. We also have the audacity to demand for our right such as gratuity, social amenities like water, when such needs are not met by the Nigerian government. It is also good to know that the tax we pay come back to us in form of social services such as development of educational sectors, health service sectors, agricultural food production, external and internal defense of the state, poverty alleviation programme, electricity supply for urban and rural areas, pipe-pone-water supply etc. It is therefore, clear that there is no other alternative than for us to turn over a new leaf and pay our taxes for the development of our state since taxation and development are correlated and our development as a nation or state is highly dependent on our payment of taxation. We also recommend that the Nigerian government should set up an efficient and fair tax system that will convince the citizens that taxation is the only practical means of raising the revenue to finance government spending on the goods and services that most of us demand.

REFERENCES


