

# The Roles of Service Delivery and Good Governance in Institutionalization of Taxation in Nigeria: An Analytical Perspective

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## Abstract

Nowadays, achieving to excellence in organization is necessary because, frequent changes in global markets, has faced organizations with different challenges. The secret of survival in organizations is paying attention to need and expectations of customers and stakeholders. Using of business excellence models is one of the effective methods in getting organization excellence and so, organizations have different approaches. Applying these models, which one of them is using available business excellence model and creating customized excellence models for organizations or specific complexes. Once of the most useful excellence models recently used is EFQM which has been created by European foundation for quality management. This model as a powerful tool for measuring establishment of systems in various organizations is used. A business excellence model is an answer to these questions: what does a lender organization like? What objectives does it have and what criteria is organization managed based on? By applying these models, organizations not only can have a self assessment for level of its success in execution of improvement programs in some periods of time but also can have a benchmark about its performance in comparison To other organizations especially the best. Now, majority of large organizations have gotten some state and national award upon EFQM model which have caused their maturity. In this article, basis and fundamentals and also elements of business excellence are discussed [1].

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**Index terms**— self assessment, European foundation for quality management, business excellence, EFQM.

## 1 INTRODUCTION

In 2007-2008, the world economy experienced the worst financial crisis since the Great Depression. The financial crisis prompted reassessment of certain principles and practices in financial sector policy making, and led to important changes in structure of financial systems worldwide.

To the developing countries, the era of cheap external loans for domestic development was truncated. The unfolding fiscal reality demanded carefully budget adjustment and fiscal management to avoid unnecessary cuts in essential public services. Hence, there was strong demand to revive taxation in the polity as a critical step towards addressing the fiscal challenges of the moment. While world economy is still struggling with the fragile economic recovery, especially in emerging and developing countries; some developed countries in Europe and America have had to battle with one form of sovereign debt crisis or the other.

To kick-start the discussion: What is taxation? How can it be institutionalized in the polity? To be very precise, taxes are compulsory payment imposed by legislation. Taxation is used to withdraw resources from the private sector of the economy for the government to cover the cost of providing public goods and services law and order (security), healthcare, education, among others. Revenue from taxation generally constitutes a substantial

part of the total revenue of governments; and so, taxation has occupied an important position in the specialised discipline of public finance.

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Taxation imposes a burden on the taxpayers with reduced welfare as a direct consequence. This raises the concern regarding the distribution of tax burden. On this, two dominant approaches are generally emphasized in the literature. First, is the benefit principle of taxation which says that tax obligation should be directly related to the benefits individuals derive from public goods and services. This is based on the price theory of public finance since it is in quid pro quo terms. The second one is the ability-to-pay principle which states that each individual should pay tax according to his/her ability. Both principles have attracted several weighty criticisms, however. There are problems of measurement of benefit and ability-to-pay. For instance, ability-to-pay refers to individual's economic well-being that could be measured by income, consumption and wealth. Even each of these indicators of welfare is beset with a myriad of problems.

From the foregoing, there are justifications for the sustained interest in taxation. When used properly, taxation can serve as a potent instrument for resource mobilization and allocation. In particular, it is through the tax system that revenue can be generated to finance democratic governance. It is also clear that taxation purses and hurts the taxpayers and, therefore, it is a burden. There is a third argument that is easily appreciated. Given the existing factor endowments and technology in a given society, the resultant income distribution may be Pareto-optimal, but not ethically and socially desirable. A good system of taxation is needed to promote social equity with respect to the distribution of income and wealth. As part of the budgetary policy of the government, taxation is an effective tool for promoting economic growth and macroeconomic stability.

The word 'institutionalize', derived from institution, has many connotations.

To keep the discussion simple, definition particularly relevant to the current discourse is adopted .

In this guise, 'institutionalize' refers to the act of initiating a new idea or culture into the custom of the society or polity. In other words, it means introducing something new that has not been in existence or have been lost in the course of time.

From the topic, what do we mean by institutionalizing taxation in the Nigerian polity? We are simply referring to the introduction of taxation as a new custom into the framework or the recognized principles which lie at the foundation of the state or nation. This would involve the introduction of taxation as a basic component of policy and the management of the state.

The concept of taxation may not look altogether new to the country, in fact, it is entrenched in the constitution of the Federal Republic of Nigeria. Borrowing from historical facts, taxation is nothing new to the various groups recognized together as the nationstate Nigeria.

In the pre-colonial era, the effort to finance war and the military led to varying patterns of bargains between the traditional government (representing the state) and the people. Various cultural practices recognized the power of the traditional rulers to tax the people either in kind or cash. The power to tax entailed the power to create and consolidate political communities. It created the financial basis for the provision of public goods and services to all citizens, and enabled the redistribution of economic resources. In this sense, taxes were not only the price of civilization, but indeed, the first and strongest component of the financial powers of any political community (see Menendez, 2001).

The custom of taxation was not eroded by advent of colonialism. The colonial administration raised revenue through taxes, both direct and indirect taxes, in all the regions of the country. Depending on the cultural background of the people, direct and indirect methods were more effective in mobilization of tax revenue for the supply of public services. Even after political independence, tax revenue continued to emerge as source of funding for public projects in the country though in decreasing proportion with passage of time.

However, presently this practice or behavioral pattern seems to be lacking in the life of the Nigerian society. The discovery of petroleum in the 1970s and the enormous revenue generated by the sector seem to have dealt a heavy blow on taxation and service delivery in the country. The abundance of oil resources has in retrospect subverted concerns for increased efficiency in government, while also expanding the public sector beyond sustainable levels.

Perhaps the most important outcome of the combination of oil riches and ineffective government was the emergence of an informal economy in Nigeria. This hidden economy accounts for a large share of the national output and is both difficult to document and tax. Free-riding behaviour of this informal economy results in sub-optimal provision of some essential public services and deterioration in economic inequality beginning from the late 1970s. Since then, the customary practice of taxation has not enjoyed full acceptance. And its centrality in the life of the nation has also been undermined in recent years.

For the past two decades or so, the stability of the political community, called Nigeria, has been under severe threat. The political and legal order have tilted in favour of the powerful few to the detriment of the masses, who are deprived of a fair access to essential public services and of public insurance against unemployment, sickness, old age and bad luck.

There is no other time that the issue of institutionalizing taxation could have been more appropriate than now. With the uncovering of the 'oil revenue veil' by the global economic crisis, reality demands that taxation be institutionalized in our polity, as the only sustainable means of financing government developmental activities.

In this exposition, we examine the role of service delivery, good governance and enforcement mechanism in

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ensuring that tax payment is revived in Nigeria. The rest of the paper is organized in three sections. Following this introduction is an overview of the Nigerian tax system. The next section dwells on the strategies for institutionalizing taxation in Nigeria.

Section four provides some concluding remarks.

## 2 II.

### 3 OVERVIEW OF THE NIGERIAN TAX SYSTEM a) Essential Features

The dominant motivation for taxation in developing countries, Nigeria inclusive, is to generate revenue with which to finance public administration and publicly provide economic and social services. Additional motivations are incomes redistribution and correction of market imperfections. The success of a country's tax policy in achieving these objectives depends largely upon its tax structure and the tax administration machinery in place. In this section of the paper we present an overview of Nigeria's tax system.

Nigeria currently operates a federal system comprising three levels of government at the federal, state and local. The major types of taxes in Nigeria are indicated in table 1. These taxes differ in terms of the level of government that legislates or collects and administers the taxes. As the table portrays, most tax legislation is done by the federal government. These taxes are generally classified into two: those relating to income and capital gains earned by corporate bodies and those on the income and capital gains accruing to individuals. The federal government makes the laws and also collects all taxes accruing from corporate bodies, such as quoted and unquoted limited liability companies. While the federal government makes laws for personal income and capital gains taxes accruing from individuals, the actual collection is done by the government of the tax payer's usual place of domicile. Source: The Nigerian Constitutions and the VAT Decree of 1993 (and as Amended in 1996).

However, the legislation, administration and collection of personal income taxes from personnel of the armed forces as well as those of the external affairs and the federal capital territory are exclusively carried out by the federal government.

Taxes in Nigeria can be broadly grouped into three for the purpose of noting their broad features. These are:

Taxes that derive from income and wealth; Taxes related to expenditure or consumption; and Production-based taxes. This grouping of taxes follows the general distinction usually made between direct and indirect taxes. Generally, direct taxes are associated with income and wealth rather than consumption and expenditure. Income tax is payable by both physical persons and juristic or legal entities including associations of persons, etc. The rates, exemptions and rebates are all determined for each year of assessment and are prescribed in the annual budgets.

A company, being a legal entity distinct and separate from individual share-holders comprising it, also pays income tax (called corporation or company income tax). However, companies enjoy various tax concessions for encouraging investment in general and in specific areas and industries in particular. These tax concessions have changed quite frequently in coverage and rates causing a good deal of uncertainty.

Other direct taxes include provisions for taxation of capital gains and gifts, an annual tax on wealth and estate duties. Direct taxes of states and local bodies include taxation of agricultural incomes, land revenue, taxes on buildings etc. Indirect taxes of the federal government include taxation of capital transactions, taxation of advertisements, customs duties and excise duties. Indirect taxes of states and local bodies include sales tax, certain excise duties, entertainments tax, taxation of motor vehicles, registration and stamp duties, etc.

In general, therefore, income and wealth-related taxes are direct taxes, while expenditure or consumption and production-based taxes are indirect taxes. The direct taxes, unlike the indirect taxes, are avoidable.

Thus, income and wealth-related taxes are personal income tax, company income tax, petroleum profit tax, capital transfer tax, capital gains tax and property tax. Among the expenditure or consumption-related taxes are sales tax and customs duties. Sales tax applies to expenditure on locally manufactured goods while customs duties apply to imported consumption goods. In this category also is the value Added Tax (VAT). Production-based taxes are excise duties charged on local manufactures, and landing duties imposed on imported intermediate inputs.

Contributions to total tax revenue of the Federal Government by direct and indirect taxes from 1990 to 2009 are shown in table 2. The increasing importance of direct tax revenue relative to indirect taxes is very obvious. This may be explained by the dominance of the oil sector in the economy. There was, however, a March decreasing share of direct tax revenue in the total government revenue between 1995 and 1999. This is mainly due to declining revenue from petroleum profit tax following the reversal of fortunes in the oil sector. withholding tax on bank deposits, casino tax, airport tax, stamp duties and penalties). In recent years, the total contribution of this source of revenue has averaged about 8% of total direct tax revenue (see also Figure 1). A salient feature of the Nigeria Tax system is its heavy dependence on a single commodity -petroleum. This is clearly evident from table 3 and figure 1. As shown in table 4, tax revenue in Nigeria also seems to depend largely on foreign-oriented activities. For example, bulk of federal revenue was derived from import duties which are based on foreign-oriented consumption. To this end also, the rising contribution to total revenue by VAT is noteworthy (see Figure ??).

Tax collection constituted a paltry 7.1% of the GDP in 1996, the smallest in the 90s. However, tax revenue remained consistently below 20 % of GDP since the 90s. The relative low tax share of GDP is certainly consistent with the belief in a market -dominated economy. Non-tax revenue did not do any better during the period. As a percentage of GDP, it also stayed below 20 %, except in 1992 and 2000 when it stood, respectively, at 21 and 22.6 percent (see table ??). The volatility of revenue from oil is also obvious from the table. Although this was as high as 30.

## 4 March

Tax revenues from traditional income-based services, such as company income tax and personal income tax, are still very low. Besides, tax from domestic outlay is also far from developed. Company income tax, which is the most valuable source of all income related taxes, constitutes only minimally to total federal government revenue. Its share of total federal government revenue from 1990 to 2009 is also shown in table 3. The table also shows that the federal government's independent revenue (a revenue item under which is grouped all revenues collected from capital gains tax (of all sources), dividend tax, PPT 76% CIT 16% FIR 8% Tax system of a country is an integral part of the overall economic system of the country and is expected to contribute to the achievement of chosen social and economic objectives. An appropriate tax policy brings about the required tax system and manifests itself in the rate structure, tax deterrents and incentives and the like. The federal tax system is a progressive tax rate system. This is because it meets the ability-to-pay principle of taxation and is generally a fair and equitable tax system and the distance of income after taxes is more equally distributed. What may still be in doubt is whether the country's tax structure is equally guided by the Benefit-Received Principle. However, over the years the preponderance of payroll taxes at the federal level and of income taxes at the state level has tended to make the federal tax custom less progressive.

A salient feature of the Nigerian Tax System is its heavy dependence on a single commodity petroleum. This is clearly evident from figure 3 which shows the average percentage shares of oil and non-oil revenue in total government receipts from 1994 -2009.

Source: Computations by the authors On the structure of the tax system, we note that the shift from indirect tax to direct tax as the main source of government revenue is not, in any way, a true reflection of Musgrave's (1969) thesis that as nations develop the tax base shifts from indirect to direct tax. The case in Nigeria is caused by the dominance of petroleum profit tax. Tax revenues from traditional income-based services, such as company income tax and personal income tax, are still very low. Besides, tax from domestic outlay is also far from developed. Company income tax, which is the most valuable source of all income related taxes, constitutes only an annual average of about 16% of total direct tax revenue. Its share of total federal government revenue is shown in table 6. The table also shows that the federal governments independent revenue (a revenue item under which is grouped all revenues collected from capital gains tax (of all sources), dividend tax, withholding tax on bank deposits, casino tax, airport tax, stamp duties and penalties). In recent years, the total contribution of this source of revenue amounts to about 2.68% of federal government revenue. The overall picture of the tax system and federal government shows that the contribution of income related tax to total government revenue is quite small. Whenever tax revenues are altered by introducing new or abolishing existing taxes, raising or lowering tax rates, or abiding or eliminating deductions, exemptions, or exclusions, particular group of persons either benefit or are hurt, and the existing pattern of income distribution is altered. However, it would seem that changes in the country's tax structure were mostly occasioned by revenue needs and other objectives of government rather than by distributional considerations. Nevertheless, these changes had distributional side effects which tended to be regressive in the sense of reducing the progressivity of existing tax structure.

## 5 Oil

Starting with the criterion of adequacy, we find that over the years, tax revenue as a percentage of total federally collected revenue has not increased fast enough. The tax system has not exhibited a good deal of buoyancy. It has not also exhibited elasticity when we note that year after year the tax revenue has not increased substantially in spite of variations in coverage and rates of taxation. That tax revenue has not been able to yield enough resources for the government explains the latter's resort repeatedly to market borrowings and deficit financing to meet its increasing requirements. Our tax policy has aimed at raising tax revenue through upward revision of tax rates and, wherever possible, extending the coverage of the taxes. Since the scope for revision of rates and coverage is limited in direct taxes, our tax policy has concentrated upon tapping indirect taxes to a disproportionate extent. This has made our tax system inequitable and regressive. Even the direct taxes have suffered some inequity, especially on account of tax evasion. The large scale tax evasion (both in the direct and indirect taxes) means that the proportionate burden upon those who are paying the taxes has increased very much. Such large scale tax evasion not only causes loss of revenue to the government, it also distorts the consumption pattern in the economy and diverts its productive resources to a wasteful end.

The system is not doing any better on the criterion of efficiency. On account of complicated laws and rapid changes in their provisions, our tax system scores low in respect of the qualities of simplicity and certainty. In the process of providing a tax incentive or a tax deterrent for several economic and other objectives, has led to a very complicated system of tax laws. Complexity of the tax system works against its efficiency.

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The system of indirect taxation also contributes to inequalities. In terms of rate and coverage, the system is highly progressive. While necessities are exempted from taxation or are being taxed at quite low rates, luxuries are subjected to higher rates. But the evil of large scale tax evasion is prevalent in this case as well. In certain cases while indirect taxes are collected from consumers by way of excise duties or sales tax, the same is evaded and misappropriated by the producer or seller. Similarly, taxation of inputs and intermediate goods is itself regressive. This is because such taxes have cost-cascading effects.

This enables manufacturers and sellers to mark up prices by margins far in excess of the taxes imposed. Moreover, the system breeds a process of taxation of taxes and this pushes up costs and prices still further, and inflation worsens inequalities. Tax provisions are expected to be of help to the economy in achieving a quicker rate of capital accumulation and economic growth. But they are concerned more with provision for investment and less with those to encourage savings.

The incentives provided to attract people towards savings are limited and grossly inadequate in view of rising prices and falling purchasing power of money. However for this purpose our direct taxes are studded with a large number of exemptions, rebates and the like for encouraging saving, and channelling of investment into particular sectors. Priority industries get a more favorable treatment.

Incomes from particular investments are exempted from income taxation up to a certain extent. To the extent these incentives go, they are good. But we find that in some cases there are too many provisions relating to these objectives and the tax laws have lost simplicity and probably even effectiveness. Instead they tend to provide certain loopholes to the tax dodgers. All told, our tax policy seems to have failed in curbing consumption and diverting savings into selected lines of investment. Also, the rate of growth of the economy also has not been fast enough.

## 6 III.

## 7 STRATEGIES FOR TAXATION

In the introductory part of this paper, the point was made that the issue of taxation is pivoted around bargaining between the state and its citizens as it involves a quid pro quo. That is, the state provides public goods and services -examples are security, education, water and sanitation, and roads -from the revenue collected from taxes. Apparently, this social contract means that the citizens have accepted the moral obligation to pay tax because of the benefits derived from public goods and services provided (by the way, paying tax is an important requirement of a good citizen). This reciprocity between the state and the citizens may not always balance for the simple reason that one of the parties could fail to deliver on its promises or bargains. The bargaining position depends on the balance of power between the state and taxpayers. In turn, the balance of power is influenced by the degree of organisation of the taxpayers in a given society i an effective state -i.e. one that possesses an enabling political and legal environment for economic growth and equitable distribution . On the part of government, creation of incentive-based schemes linking tax payment with service delivery seems the best bait. In particular, turning the tide of public sector inefficiency and corruption or in present day language 'good governance' is an imperative.

As a policy framework, 'good governance' imposes demands on policy makers in their exercise of power. It encompasses: civil societies and communities that are represented in the policy making process with the state facilitating political and social interaction and social interaction and fostering societal cohesion and stability A private sector that is allowed to play an independent and productive role in the economy All three elements, singly and in combination, together with sound economic management are essential for sustained development as emphasized in the African Development Bank (ADB) assessments

ii An example of imbalance between tax-service exchange is easily appreciated from the findings of the monumental empirical enquiry by the Centre for Tax System Integrity in Australia iii In Nigeria, the ruling elites are patently selfserving, unprogressive and non-developmental . Surveyed results showed that most Australians were generally disillusioned with the poor democratic governance in the country during the period covered. In part, this was because of the belief that the rich and powerful were those that controlled the decision making, while the poor had very little to say. However, only 15 per cent of the respondents expressed satisfaction in the manner the government spent tax revenue. In spite of this, it was revealed that most Australians still want to pay their taxes. The basic reasoning here is that in a society where the taxpayers are relatively satisfied with public service delivery, there is greater compliance with tax payment. Therefore, it stands to reason that a government that wants to maximise tax revenue must have the incentives to develop the institutional capacity with which to provide public services to the people. iv . It is not surprising therefore that the country is littered with leaders who made promises but failed to deliver. So, government expenditure has been largely wasteful. With little doubt, if any, this partly explains why the citizens could be defiant about taxation. Digging further on defiance will certainly be beneficial.

Braithwaite's discussion of defiance with respect to Australia is used as a guide. Braithwaite identified two types of defiance, namely, resistant and dismissive defiance in Australia. According to him, the citizens that exhibit resistant defiance do not oppose the authority in exercising its power, for they are concerned about how the authority uses its power. He posits that resistant defiance does not threaten the existence of the authority but it might be "noisy, irritating, embarrassing and disruptive to an authority"; and that it could be managed

through listening and improving service delivery. But, dismissive Global Journal of Management and Business Research Volume XII Issue V Version I defiance threatens the existence of the authority. This is because, those dismissively defiant do not respect the authority since they do not believe it would ever transform into a public institution that would be beneficial to the society. It is further argued that the authority must battle for its survival when the citizens are defiant. In the context of taxation, Braithwaite expressed that while taxation might be a threat to taxpayers, but those dismissively defiant threaten the existence of the tax authority. Both types of defiance were reported for Australia. This suggests that there should be constructive state-society dialogue on the issue of taxation. Good governance can establish the confidence of the people about the state and facilitates the taxservice exchange process.

Second issue which must be tackled, though not altogether unrelated with governance in a way, is corruption in tax administration. Corruption affects the quality of governance and is reinforced by poor governance. It forces officials to make decisions that do not serve the public interest but promote the interests of corrupt individuals. Administrative efficiency is at a low level because patronage and nepotism tend to encourage the recruitment of incompetent people. As a consequence public service may not be optimally delivered.

A variety of factors contribute to corruption in tax administration. First, complexity of tax laws and procedures creates ambiguities in their interpretation and opens avenue for officials and tax-payers to manoeuvre the laws the way it suits them. Second, lack of adequate monitoring and supervision of the tax system is another factor that creates room for sharp practices on the part of the taxpayers and the collectors. Third, when political leaders themselves are not committed to the process of taxation and transparency, it leads to corrupt practices in the administration of taxes. Lastly, corruption in tax administration may just be a part of the overall corruption in the public sector. When the general environment in the public sector is characterised by corruption, the tax system may not be an exception.

The cost of corruption to the society is extremely high. It can lead to loss of trust in democracy, in leaders and fundamental institutions. Further, it can provoke social unrest and threaten macroeconomic stabilization. Hence, it is quite necessary to find solution to tax corruption in the polity.

To tackle this issue of corruption in tax administration, some rational measures have to be taken. First, a rational tax system with simplified tax laws should be established. Second, corruption should be rebuffed at all level. It should be classified a national crime. Agencies such as the Economic and Financial Crime Commission (EFCC) and Independent Corrupt Practices and Other related Offences Commission (ICPC) should be well empowered to stamp out corruption in the polity. Third, sanction for corrupt officials should be severe. Lastly, the use of information technology to combat corruption should be adopted. The use of technology in tax administration will reduce the distortionary power of local officials, cut cost and increase transparency. It will automate government actions and procedures, hence reducing delays and face to face contact. This will build transparency and trust.

Finally, to institutionalize taxation in the polity a good enforcement mechanism is required. Human beings, generally, prefer to take and would not like to give. Without appropriate enforcement mechanism most taxpayers will not voluntarily pay their taxes. Tax, as defined in this study, is a compulsory not voluntary levy and some compulsion is needed to ensure prompt payment.

IV.

## 8 CONCLUSION

To conclude this paper, it is useful to summarize the key issues. First, the fiscal challenges emanating from the economic meltdown provides the justification to institutionalize taxation in the polity as a way of escape. Second, a critical assessment of the historical facts shows that the willingness to pay tax is customary to the people of Nigeria. However, over the years failure to focus on the benefit-principle has dampened the enthusiasm towards taxation. Third, this situation was further worsened by the failure of the tax system to meet certain criteria of an efficient tax system. Ambiguous tax laws, inconsistent rates and coverage provided opportunities for tax evasion and sharp practices on the part of the tax collectors. The result is poor service delivery and unequal distribution of wealth and income.

This scenario of a partial break down in the taxservice exchange process calls for a re-institution of the state-citizens bargaining process.

The two stakeholders, the state and the citizens must be willing to take up their responsibilities. A participatory state, in which the citizens take part in all decisions, including taxation, is recommended. Our democracy should strengthen the masses not the political elites in power to exploit the citizens.

Government should develop adequate capacity to provide public services. In a state where the citizen provides the entire public infrastructure, the government has no moral justification to demand for taxes from the citizens.

In the paper, it was also observed that failure to develop our tax system has been the result of over dependence on oil revenue. Removal of emphasis on oil revenue as the basis of fiscal action would lead to a more responsible government and better service delivery.

Lastly, restructuring of the tax system for efficiency and effectiveness is necessary. Tax rates  
ENDNOTES  
I Institution may refer to an organization founded and united for a specific purpose, a group of people who work together, express belief in a divine power etc. For instance, we have educational institutions, religious institutions and so on. In another context, institution connotes a custom that for a long time has been an

important feature of some group or society, or a specific practice of long standing, example, the institution of marriage, the institution of slavery and so forth. Lastly, institution could also refer to the act of initiating a new idea, introducing something new or starting something for the first time.

ii Brautigam (2006).

iii See ADB (1993; 1998; 1999) iv This is reported in Braithwaite (2007)



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Figure 1: Figure 1 :

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Figure 2: Figur 3 :

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1

	F Federal		S State	L Local
1. Import Duties		1. Football Pools and Other Betting Taxes		1. Rates
2. Excise Duties		2. Entertainment Taxes and		2. Tenement Rate
3. Export Duties		Estate Duties		
		3. Gift Tax	3. Market and Trading Licenses and Fees	
4. Mining Rents and Royalties		4. Land Tax other than on		4. Motor Park Duties
		Agricultural Land		
5. Petroleum Profit Tax		5. Land Registration and		5. Advertisement Fees
		Survey Fees		
6. Companies Income Tax		6.	Capital Gains Tax	6. Entertainment Tax
		(Administration)		
7.	Capital Gains Tax	7. Personal Income Tax		7. Radio/Television License Fees
(Administration)		(Administration)		
8.	Personal Income Tax	8. Stamp Duties	8. Property Tax (Administration)	
(Legislation)				
9. Value Added Tax		9. Property Tax (Legislation )		
10. Stamp Duties (Legislation)		10. Motor Vehicle and Drivers License Fees		
11. Dividend Tax		11. (Administration)	Stamp Duties	

Figure 3: Table 1 :



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			60.00	
			40.00	
			20.00	45.32 37.64
			-	13.31
				CustomsVATOthers
Year	Customs and excise duties	VAT	Others	
1990	40.20	n.a	59.80	
1994	71.59	28.41	0.00	
1995	40.12	22.29	37.58	
1996	61.52	34.67	3.81	
1997	6.22	33.56	4.24	
1998	54.43	34.81	10.75	
1999	55.46	29.72	14.83	
2000	45.05	25.97	28.98	
2001	41.51	22.34	36.16	
2002	52.76	31.59	15.65	
2003	58.90	41.10	0.00	
2004	57.66	42.34	0.00	
2005	56.66	43.34	0.00	
2006	38.07	47.47	14.46	
2007	39.89	47.86	12.25	
2008	37.11	53.36	9.53	
2009	34.42	54.19	11.39	

Figure 7: Figure 2: Average Percentage Contributions to total Indirect Tax Revenue, 1995-2009

Y Year	Federal government Revenue		
	P Petroleum P Profit tax	C Company I Income t tax	F Fed Govt I Independent R Revenue
1990	27.43	3.06	1.76
1991	38.24	3.79	3.01
1992	27.03	2.84	2.57
1993	30.71	4.96	2.92
1994	21.20	6.08	1.93
1995	9.32	4.76	4.44
1996	14.64	4.20	0.65
1997	17.53	6.65	2.13
1998	14.67	7.18	2.46
1999	17.31	4.87	2.12
2000	27.55	2.68	2.00
2001	28.64	3.08	1.99
2002	22.65	5.14	3.93
2003	26.54	4.46	2.10
2004	30.19	3.32	1.50
2005	34.34	2.92	3.82
2006	33.63	4.04	0.55
2007	26.25	4.82	4.70
2008	35.75	5.30	1.45
2009	25.94	11.73	5.07
A Average	23.98	4.79	2.68

Source: Computations by the authors

Figure 8: Table 6 :



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should be reviewed to discourage evasion. Usually a taxpayer will balance the penalty of tax evasion if caught against the amount of taxes. If the difference is significant he/she will prefer to pay the tax but where the difference is small he will take the risk.

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