

1 The Roles of Service Delivery and Good Governance in 2 Institutionalization of Taxation in Nigeria: An Analytical 3 Perspective

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7

8 **Abstract**

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

26

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

28 **1 INTRODUCTION**

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

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

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

1 INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

108 Section four provides some concluding remarks.

109 **2 II.**

110 **3 OVERVIEW OF THE NIGERIAN TAX SYSTEM a) Essen- 111 tial Features**

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

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

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

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

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

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

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

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

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

153 Contributions to total tax revenue of the Federal Government by direct and indirect taxes from 1990 to
154 2009 are shown in table 2. The increasing importance of direct tax revenue relative to indirect taxes is very
155 obvious. This may be explained by the dominance of the oil sector in the economy. There was, however, a
156 March decreasing share of direct tax revenue in the total government revenue between 1995 and 1999. This is
157 mainly due to declining revenue from petroleum profit tax following the reversal of fortunes in the oil sector.
158 withholding tax on bank deposits, casino tax, airport tax, stamp duties and penalties). In recent years, the total
159 contribution of this source of revenue has averaged about 8% of total direct tax revenue (see also Figure 1). A
160 salient feature of the Nigeria Tax system is its heavy dependence on a single commodity -petroleum. This is
161 clearly evident from table 3 and figure 1. As shown in table 4, tax revenue in Nigeria also seems to depend
162 largely on foreign-oriented activities. For example, bulk of federal revenue was derived from import duties which
163 are based on foreign-oriented consumption. To this end also, the rising contribution to total revenue by VAT is
164 noteworthy (see Figure ??).

165 Tax collection constituted a paltry 7.1% of the GDP in 1996, the smallest in the 90s. However, tax revenue
166 remained consistently below 20 % of GDP since the 90s. The relative low tax share of GDP is certainly consistent
167 with the belief in a market -dominated economy. Non-tax revenue did not do any better during the period. As
168 a percentage of GDP, it also stayed below 20 %, except in 1992 and 2000 when it stood, respectively, at 21 and
169 22.6 percent (see table ??). The volatility of revenue from oil is also obvious from the table. Although this was
170 as high as 30.

171 4 March

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

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

189 Source: Computations by the authors On the structure of the tax system, we note that the shift from indirect
190 tax to direct tax as the main source of government revenue is not, in any way, a true reflection of Musgrave's
191 (1969) thesis that as nations develop the tax base shifts from indirect to direct tax. The case in Nigeria is
192 caused by the dominance of petroleum profit tax. Tax revenues from traditional income-based services, such as
193 company income tax and personal income tax, are still very low. Besides, tax from domestic outlay is also far
194 from developed. Company income tax, which is the most valuable source of all income related taxes, constitutes
195 only an annual average of about 16% of total direct tax revenue. Its share of total federal government revenue is
196 shown in table 6. The table also shows that the federal governments independent revenue (a revenue item under
197 which is grouped all revenues collected from capital gains tax (of all sources), dividend tax, withholding tax on
198 bank deposits, casino tax, airport tax, stamp duties and penalties). In recent years, the total contribution of this
199 source of revenue amounts to about 2.68% of federal government revenue. The overall picture of the tax system
200 and federal government shows that the contribution of income related tax to total government revenue is quite
201 small. Whenever tax revenues are altered by introducing new or abolishing existing taxes, raising or lowering tax
202 rates, or abiding or eliminating deductions, exemptions, or exclusions, particular group of persons either benefit
203 or are hurt, and the existing pattern of income distribution is altered. However, it would seem that changes in
204 the country's tax structure were mostly occasioned by revenue needs and other objectives of government rather
205 than by distributional considerations. Nevertheless, these changes had distributional side effects which tended to
206 be regressive in the sense of reducing the progressivity of existing tax structure.

207 5 Oil

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

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

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

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

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

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

246 **6 III.**

247 **7 STRATEGIES FOR TAXATION**

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

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

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

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

8 CONCLUSION

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

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

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

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

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

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

324 IV.

325 8 CONCLUSION

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

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

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

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

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

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

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

351 ii Brautigam (2006).

iii See ADB ??1993; 1998; 1999) iv This is reported in Braithwaite (2007) ^{1 2 3}



1

Figure 1: Figure 1 :

3 •

Figure 2: Figur 3 :

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8 CONCLUSION

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 Estate Duties	2. Tene- ment Rate
3. Export Duties		3. Gift Tax	3. Market and Trading Li- censes and Fees
4. Mining Rents and Royalties		4. Land Tax other than on Agricultural Land	4. Motor Park Du- ties
5. Petroleum Profit Tax		5. Land Registration and Survey Fees	5. Adver- tisement Fees
6. Companies Income Tax		6. Capital Gains Tax	6. En- ter- tain- ment Tax
7.	Capital Gains Tax	7. Personal Income Tax	7. Ra- dio/Television License Fees
(Administration)			
8.	(Administration)	8. Stamp Duties	8. Prop- erty Tax (Ad- minis- tration)
(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 :

Figure 4: Table 3

38

Global Journal of Management and Business Research Volume XII Issue V Version I	Year 1991 1993 1995 1997 1999 2001 2003 2005	1990 1992 1994 1996 1998 2000 2002 2004	Petroleum tax (PPT) 84.90 72.59 66.63 85.48 80.18 86.23	Profit 85.07 83.30 79.59 75.11 71.25 71.39 83.58	Company tax (CIT) 8.42 8.77 12.84 20.82 25.69 21.55 25.26 29.55 20.03	Income 9.48 12.84 5.45 5.68 7.93 7.56 6.59 3.34 8.10	Fed. Independent Revenue (FIR) 10.12 8.72 6.20 5.90 12.40 6.36 4.29 9.31 23.99	Govt
			87.99		10.57		1.44	
			71.58		15.60		12.82	
			84.12		12.47		3.41	
			60.69		27.44		11.86	

[Note: Source: CBN Statistical Bulletin, 2007 and Annual Report and Statement of Account, 2008 and 2009.]

Figure 5: Table 3 :

Figure 6: Table 4 :

Year	Customs and excise duties	VAT	Others	Customs	VAT	Others
1990	40.20	n.a	59.80	60.00		
1994	71.59	28.41	0.00	40.00		
1995	40.12	22.29	37.58	20.00	45.32	37.64
1996	61.52	34.67	3.81	-	13.31	
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	C Company	F Fed Govt
	P Profit tax	I Income	I Independent
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 :

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

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