DFID Department for International Development

SITUATION ANALYSIS REPORT

SITUATION ANALYSIS OF INTERNALLY-GENERATED REVENUE IN THE STATES OF SOUTH-WEST NIGERIA

REPORT OF A SURVEY, REVIEW OF LEGAL PROVISIONS AND STAKEHOLDERS WORKSHOP ON INTERNALLY GENERATED REVENUE IN SOUTH-WEST NIGERIA AND KWARA STATE

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Commissioned by the Department for International Development – DFID South West Regional Office , Lagos

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PICTURES FROM THE WORKSHOP

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Executive summary

In a recent address to a meeting of auditors, the Auditor-General of the Federation revealed that Nigeria's federally collected revenue had dropped by 42% over the last three years. Revenues decreased from N4.14 trillion in 2007 to N3.96 trillion in 2008 and further down to N2.92 trillion in 2009. With this trend, the outlook for year 2010 is already raising concern. As a result of this drop, statutory allocations to various tiers of government have witnessed a sharp decline. In the words of the Auditor-General, "We must pay attention to internally generated revenue (IGR) at all levels. All leakages in revenue generation and administration must be blocked and failure to step up our internally generated revenue will negatively affect budgets and therefore execution of capital projects across the board, i.e. Federal, States and Local Government Councils and invariably the so-called dividends of democracy." The wake-up call from the Auditor-General only draws further attention to the need to reduce the over-dependence of the Nigerian economy on oil revenue.

Revenue generation, tax collection and service delivery are inter-connected elements of the social contract that are critical for assuring good governance and an enduring democracy. As Nigeria strives to deepen her young democracy, which is now in its twelfth year, there is a need to ensure that the country improves on its over-dependence on oil revenues, that currently averages more than 80% of receipts, while strengthening the service delivery capacity of government. Recognizing this, the Department for International Development (DFID) as part of its mandate in Nigeria, commissioned a situation analysis of IGR in South West Nigeria. The aim of the survey is to determine and establish benchmarks for internally generated revenue in the six states of the South West namely, Ekiti, Lagos, Ogun, Ondo, Osun and Oyo as well as Kwara. The output of the situation analysis was to form the background for presentations at a workshop for stakeholders. In addition to the surveys, a legal/statutory appraisal of the IGR situation in the region was carried out to identify possible areas of policy and legislative reforms that could aid the growth of IGR in the states.

This report presents the existing IGR profile, situation analysis, challenges and opportunities for the states covered by the survey. It examines the role of stakeholders: private sector, informal sector, civil society, local governments and the development partners in promoting the growth of IGR and makes recommendations on improving the operational framework as well as the policy and legislative environment relating to IGR.

State Governments in South West Nigeria and Kwara, like their counterparts in other parts of the country are confronted with the need to formulate strategies for increasing their revenue base due to the rising cost of running government and declining revenue from petroleum. According to the "Economic Independence Index", a minimum condition for the viability of a state is that its IGR should meet its recurrent expenditure needs. On this score, the report shows that apart from Lagos State, all the states covered by the survey feature low IGR, hovering around 40% of total revenues. The report however shows that all states have vast unexplored opportunities for raising their internally generated revenue profile.

A common thread that runs through the report is the huge role that States' Internal Revenue Services (IRS) play in IGR, contributing 80% of collected revenues. This raises the need to capacitate IRSs across the states for enhanced performance. Another common feature is the "capturing" of revenues that belong to the states by the Federal Government. This has been largely traced to a lack of assertiveness on the part of the states, possibly due to several years of military rule that impacted negatively on the development of Nigeria's federal system.

Local governments across the states covered by the survey also record very low performance in revenue generation. A multiplicity of factors is responsible for this, including shortage of qualified manpower, lack of necessary operational equipment as well as a policy environment that appears to encourage over-dependence on allocations from the Federation Accounts. There is, however, also the factor of a low level of citizen demand for optimal performance from their governments which should hopefully improve as democracy takes firmer root.

Tax is defined as a compulsory monetary charge imposed by government on persons, entities, transactions, or properties to yield public revenue. Tax therefore embraces all governmental impositions on the person, property, privileges, occupations, and enjoyment and includes duties, levies and imposts. Revenue is defined as "any income or return accruing to, or derived by the Government of the Federation from any source.....".

According to the Nigerian Constitution, sources of revenue at the state level are Pay-As-You-Earn (PAYE) taxes, Direct Assessment, Development Levy and Withholding Taxes. Others include Road Taxes, Stamp Duties, Pools, Betting and Lotteries fees. Sources of IGR at the Local Government level are Shop and Kiosk rate, Tenement rate, Liquor License fee, Slaughter Slab fee, Marriage Registration Fee, Naming of Street registration fee, Market Levies, Motor Park Levy, Radio/Television License fee, Signage/Signboard Permit fee, Registration of religious places permit and Sewage/Refuse Disposal fees. Aside from the identified sources of revenue, however, there is a continuing need to grow the economy as a way of expanding the tax base. Industrialisation, close monitoring of a growing service sector and an improved capturing of informal sector activities into the tax net are opportunities that easily suggest themselves in this regard.

Findings from the survey indicate that factors that could enhance IGR include availability of professional staff at the Board of Internal Revenue, use of tax consultants to enhance revenue collection, introduction of Direct Bank Lodgement system and collaboration between the Board of Internal Revenue and Local Government Councils with respect to collection of tenement rate.

The survey also shows that factors impeding IGR are: lack of executive capacity, inadequacy of official vehicles for tax monitoring and enforcement, poor communication strategy to raise public awareness on IGR, citizen apathy/hostility towards IGR due to weak demonstrable linkage between revenue generation and service delivery as well as low level of presence of industries in some of the States, among others.

Suggestions for improvement of the revenue profile include regular updating of the master register, expansion of the tax base, increased transparency and better public expenditure management as catalysts for generating a positive attitude towards IGR, linking IGR to improved service delivery, development of a purpose-driven communication strategy on IGR to enhance public awareness and trust as well as the need to present IGR as a means of bridging the gap between the government and the public. Others are automation of payment systems, cross-visits and exchange programme to enable under-performing States and LGAs to learn from high-achievers, capacity building in ICT for IRS staff and provision of vehicles to enhance mobility for tax monitoring and collection. Stakeholders, in particular civil society and the development partners have a role to play to ensure that States and Local Governments live up to expectation, especially through capacity building, civic empowerment and the sharing of experiences from more successful tax jurisdictions worldwide.

Introduction

Nigeria's economic and political fortunes sit on a precarious but potentially advantageous fiscal federalist system operating a three tier government: the Federal Government, 36 state Governments and 774 Local Governments. In theory, Nigeria operates on the principle of federalism and the constitution allocates varying revenue generation and spending powers.

Nigeria's economic fortunes have been based on a stable domestic oil production and increasing oil prices despite the numerous sources of revenue available to the various tiers of government as specified in the Nigeria 1999 Constitution. The country's dependence on oil makes it vulnerable to external economic shocks. With changing times and in addition to a crippling global economic crisis which started in 2008 coupled with developments in the Niger Delta, oil price has declined from about $145/barrel to about $87/barrel putting the future of the only significant export item of the country on a balance. The country's foreign reserves have also shrunk from about USD 67 billion before the economic crises, to about USD $40.48 billion as at March, 2010 and oil revenue has dropped from N6.5 Trillion in 2008 to N3.2 Trillion in 2009. This drastic drop in revenue has had a negative impact on the balance in the federation accounts and by extension the amount accruing to the three tiers of government during the year 2009.

The need for states and Local Governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. It is not only necessary for all tiers of government which had hitherto relied on sharing revenue from the Federation Account to increase their internally generated revenue (IGR) but also to firm up their fiscal prudence to ensure effective utilization of available resources. The South Western states need to emulate Lagos State by becoming more proactive in increasing IGR. They need to start looking inwards by formulating strategies to meet their full potentials with regard to IGR. Stakeholders, including the private sector, informal sector operators, civil society and the development community have a role to play in ensuring that this long overdue effort commences in earnest.

Survey Objectives

- Identify viable Ministries, Departments and Agencies (MDAs) for internal revenue generation within the government system in the various states.
- Examine their potentials or capacity for income generation
- Establish the current status with reference to IGR generation in the respective states.
- Determine the challenges that affect their optimal performance.
- Produce a draft report for presentation at the economic forum of the stakeholders.

Methodology

An integrated and consultative approach, involving desk research, assessments, visitations, meetings, and interviews with State/Local Government (LGAs) officials, opinion leaders, stakeholders' consultations, and memoranda from key public-private and civil society bodies was adopted for generating information and analysing data inputs into this report. The inputs were further reinforced by reviews of relevant literatures of primary and secondary sources. Please refer to Annex 3 for details of persons interviewed.

STATE REPORTS

EKITI STATE

Introduction

It has been argued that increasing revenue in the country does not require the introduction of new taxes and rates but rebuilding of tax collection machinery. The need to harmonise rates and levies being collected at State and Local Government levels to avoid double taxation and associated conflicts has also been recognized. There are several cases of innovative methods being used by some State Governments to enhance internally generated revenue. An opportunity for State Governments to discuss this important issue and to share information and ideas on best practices in internal revenue mobilization will go a long way to enhance the capacity of public sector officials to develop the IGR potentials of their respective States.

Ekiti State was created in 1996 with 16 LGAs. It has a population of 2,384,212 comprising of 1,212,609 or 51% male and 1,171,603 or 49% female. The population density of the state is 239 per km^2 with a land area of 5,435 km^2. The state had a GDP of N 97,551 million in 2007 while GDP per capita was N 39,833 for the same year. Farming is the major occupation of the people and the state is the fifth largest producer of Cocoa which is a major foreign income exchange earner apart from crude oil. Ekiti is rich in important mineral resources such as kaolin, bauxite, columbite and gemstones. These resources are yet to be fully utilized by the state. In 2008, the revenue profile of Ekiti state was N 38.382 billion comprising of N 21.187 billion or 55.20% from statutory federal government allocation and N 4.153 billion or 10.32% from internally generated revenue.

IGR Situation in Ekiti State

Ekiti State is heavily dependent on Federal allocation as only an average of 9.4% of its total revenue is derived from IGR. Tax Consultants are being used to enhance revenue collection. The industrial base of

Table 1: Profile of Total Revenue and IGR in Ekiti State (2000-2008)

Year	Total Revenue (Billion N)	IGR (Billion N)	IGR (% Of Total Revenue)
2000	6.124	0.535	8.74
2001	6.816	0.708	10.39
2002	8.058	0.831	10.31
2003	8.494	0.997	11.74
2004	15.933	1.340	8.41
2005	17.457	1.419	8.13
2006	17.103	0.680	3.98
2007	22.629	2.193	9.70
2008	29.196	4.154	14.23

There was an upward trend in IGR from 2003 to 2008 except when it dropped from N 1.419 billion in 2005 to N 0.68 billion in 2006 (Table 1). There was no consensus among stakeholders as to what might be responsible for this situation. The bulk of the State IGR is from the Board of Internal Revenue (BIR). There is no clear trend in the IGR performance of the State Board of Internal Revenue from 2004 to 2009. Sources of revenue at the BIR are PAYE, Direct Assessment, Development Levy and Withholding Taxes. Others include Road Taxes, Stamp Duties, Pools, Betting and Lotteries

Table 2: Ekiti State Board of Internal Revenue, IGR Performance (2004-2009)

Year	2004	2005	2006	2007	2008	2009
IGR (Million N)	0.909	1,025	1,017	1,342	1,810	1,554

Sources of IGR at the Local Government are Shop and Kiosk rate, Tenement rate, Liquor License fee, Slaughter Slab fee, Marriage Registration Fee, Naming of Street registration fee, Market Levies, Motor Park Levy, Radio/Television License fee, Signage/Signboard Permit fee, Registration of religious places permit and Sewage/Refuse Disposal fee. The major sources of revenue are Local Licenses, fees, taxes and rates. In 2009, IGR at Irepodun/Ifelodun LGA was N 3.894 million while total revenue was N 1.045 million. IGR was 0.37% of total revenue for the same year. Poor IGR was attributed to low level of commercial activities in the Local Government, poor infrastructure, shortage of professional staff and negative public attitude.

[1]National Population Commission 2006
[2]Nigeria Human Resource Development Report 2008-2009 UNDP

Table 3: IGR Status of Irepodun Ifelodun LGA in Ekiti State (2009)

Revenue (Million N)	2009	% of Total
Taxes	0.081	-
Rates	0.009	-
Local licenses, Fees and Fines	2.253	-
Works and Engineering Services	-	-
Earnings from commercial undertakings	-	-
Rent from LG property	-	-
Interest and Dividend payment	-	-
Miscellaneous	1.551	-
Statutory Allocation (Federal Account)	1.042	99.6
Sub-Total (IGR)	3.894	0.37
Total	1,045,894	100

Factors Enhancing IGR

The State Board of Internal Revenue is staffed by professionals, 17 of whom are members of the Chartered Institute of Taxation. This suggests that internal capacity is available to initiate and sustain the reform of the agency in line with the desire for increased IGR. The engagement of the services of private tax consultants has contributed to an increase in revenue collection. The consultants enforce payment while the tax officers carry out assessment and enumeration.

The use of Direct Bank Lodgment System has made it the payment of taxes relatively less stressful and seems to have addressed concerns that money paid directly to tax officers may not get to the government treasury.

There has been some collaboration between some LGAs and the Board of Internal Revenue with respect to collection of tenement rate. The LGAs, in most cases, lack the capacity to collect the rate adequately. Therefore, the LGAs now use the services of the Board for the collection of tenement rate in their councils while the board retains 10% of the amount collected as service charge.

Factors Impeding Internally Generated Revenue

There is a disconnection between IGR and service delivery. The government has not made sufficient effort to demonstrate that improvement in IGR will also lead to improvement in service delivery. So far, there appears to be no common understanding of this relationship among the stakeholders.

Tax Officers are incapacitated in carrying out duties outside the office due to lack of official vehicles. In many cases the officers use their personal vehicles or hired vehicles for official duties. This situation tends to aggravate the misconceptions that revenue collected manually by tax officers hardly gets to the treasury.

The process of growing the State's IGR is a partnership between the government and the people. So far, communication strategy to raise public awareness of IGR and to build trust remains poor. Information is not readily provided to the public about what has being achieved in the State through IGR. There is little or no information on what the government can achieve in the future through increased IGR. It is important for the government to recognize the need for improved communication and explore opportunities for regular dialogue with different stakeholder groups on the state of IGR. There is no record that the Board of Internal Revenue is holding meetings on a regular basis to interact with stakeholders and create opportunities for partnership between the people and the government.

The attitude of the public towards IGR is negative to a large extent. This is underpinned by lack of trust, poor public expenditure management, poor information dissemination and communication gap between the government and the people on the issue of IGR.

Ekiti has a very low presence of industries and this has implication for growing the revenue base. It is important for the government to create the enabling environment for investors to develop the mineral potential in the state for employment creation and wealth generation.

Suggestions for Improvement
The establishment of a link between IGR collection and service delivery will improve positive perception of government by the public. The government and the people have responsibilities towards growing the IGR base of the State. The government has a responsibility to demonstrate 'what is in IGR for the people' and not just to stress that improved IGR base will make more money available for the government to do more projects. It is important for the government to state clearly what will change in terms of service delivery every year when there is more money to spend from IGR. This forms the basis for the partnership between the government and the people. In addition to showing the relationship between IGR and service delivery it is equally important for the government to communicate clearly with the people on what they should expect from improved IGR. This will go a long way to enhance public awareness and trust.

The stakeholders in IGR include corporate bodies, individuals, artisans and civil society. It is necessary to develop appropriate communication strategy for each stakeholder group. The communication strategy should highlight the goal to be achieved by the government and the tangible benefit that will accrue to the people as a basis for the public to cooperate with the government by fulfilling their tax obligations. The Governor of Lagos State disclosed in a paper titled: "Re-Engineering State Tax Administration Strategies, Systems and Processes; Lesson from Lagos State" that the challenge of re-engineering the tax administration strategies and systems of any government is a multifaceted one which must be confronted with dedication. According to him, "It necessarily involves a huge outlay of financial and human resources, political will and adaptability to change. To be successfully accomplished, this task must keep the taxpayers constantly in view, treating them as valued customers to be cultivated and convinced."

A shift from manual issuance of tax clearance certificates to electronic processing of tax clearance will enhance efficiency and effectiveness of revenue collection and management. This will block revenue leakages considerably and increase the IGR coming to the State.Tax officers should be provided with vehicles to carry out official duties as this is related to staff motivation and capacity to carry out their responsibilities.

Cross visits and exchange programmes by low performing States and Local Government Councils to those that doing well will go a long way to facilitate capacity building and peer-based learning.

The government of Ekiti State should consider making the Board of Internal Revenue an autonomous and self-accounting body in line with the global trend. It is equally important for the government to establish platforms for engagement with stakeholders groups on IGR to create opportunities for interaction and information sharing. This will enhance better working relationship between the government and the stakeholders. It is necessary for stakeholders to have a common understanding of the goal of the government on IGR and to clarify roles and responsibilities of stakeholder groups. It is a good practice for the government to organize stakeholders' forum on periodic basis to facilitate interaction with stakeholders groups on IGR and develop an action plan together with the people. Monitoring of progress on IGR should not be the responsibility of the government alone, rather a task group comprising of government representatives, private sector, public servants, civil society and the informal sector should be established to monitor the implementation of action plan on IGR and to report back to the people at the stakeholders' forum.

KWARA STATE

Introduction

Kwara State, with a population of 2,371,089 (2006 estimates) was formed out of the former Northern Region on 27th May, 1967 with its capital in Ilorin. It is located in the North Central geo-political region and occupies 36,825 km^2. It is bounded in the north by Niger State, in the south by Oyo, Osun and Ekiti States, in the east by Kogi State and in the west by Benin Republic. Because of its unique geographical position, the State is often referred to as the "gateway" between the North and the South of Nigeria.

Agriculture is the main-stay of the State's economy and the principal cash-crops are cotton , cocoa, coffee, kola nuts, tobacco and palm produce, while industries in the State include Kwara Breweries Ltd., Liagbo Global Soap and Detergent Industry, United Match Co. Ltd., Resinoplast Plastic Industry, Kwara Textile Co. Ltd., Kwara Furniture Co., Bacita Sugar Co. Ltd., etc. The State is comprised of 16 Local Government Areas.

Existing IGR Profile

Over the last six years, Kwara State has embarked on an aggressive revenue drive and accordingly witnessed an impressive increase during the period. The increases have been achieved mostly as a result of the introduction of proactive revenue administration reforms which have enlarged the revenue base and consequently the collection ratios.

Kwara State Government's prime revenue sources comprise of Internally Generated Revenue as well as transfers. The IGR is made up of tax and non-tax revenue, e.g. PAYE, withholding tax, capital gains tax and all the items under Part II Schedule 1 of the Taxes and Levies (Approved List for Collection) Act 1998 as follows:-

- Personal Income Tax
- Pay As You Earn (PAYE)
- Direct Assessment (Self Assessment)
- Withholding Tax (individuals only)
- Capital gains tax
- Stamp duties on instruments executed by individuals
- Pools betting and lotteries, gaming and casino taxes
- Road taxes
- Business premises registration, fee in respect of urban areas defined by each State, maximum of N10,000.00 for registration and N5,000.00 per annum for renewal of registration; and rural areas N2,000.00 for registration and N1,000.00 per annum for renewal of registration
- Development levy (individuals only) not more than N100.00 per annum on all taxable individuals
- Naming of street registration fees in the State capital
- Right of occupancy fees on land owned by State government in urban areas of the State
- Market taxes and levies where State finance is involved.

Part I and III of schedule 1 of the said law specifies Taxes and Levies to be collected by Federal and Local Government Councils respectively.

The transfers are statutory allocations and VAT (Value Added Tax).

Whereas State Governments have mandate to collect taxes and levies specified in part II of schedule 1 of the Taxes and Levies Act, they do not have the same mandate to determine the policy or even the rate that will be applied in assessment of taxes except for pools betting and lotteries, gaming and casinos, naming of street registration fees, Right of Occupancy fees on State-owned land in urban areas as designated and market taxes. In addition, the State Government has absolute control of policy determination and collection of other non-tax IGR like Tenders fees, Consultancy fees, transactional services fees and related charges, registration and renewal fees for schools, hospitals, etc.

Revenue consultants

Kwara State has adopted a unique approach with respect to the appointment and utilisation of Revenue Consultants. While the practice in most States is for the adoption of single consultants to collect revenue, Kwara State has appointed eight. Seven of them with specific assignment and areas of jurisdiction are supervised by a lead consultant called Farmus Systems.com Enterprises. The consultant and their jurisdictions are as follows:-

-	Geveland Nig. Ltd.	-	for road taxes
-	Rabelat Nig. Ltd.	-	for road worthiness of vehicles
-	Zealtech Nig. Ltd.	-	for Artisans
-	Numero Digital Ltd.	-	land use charges
-	Resources Developer and Management Consultancy	-	Land regularisation
-	Benny Consultancy	-	Road Setbacks
-	Mojad Nig. Ltd.	-	Signages

The lead consultants were appointed in January 2009 with specific mandate to:-

1. Monitor collection of all IGR in the State.
2. Improve on existing IGR by developing new sources within confines of the law.
3. Plug all leakages in collection of revenue.
4. Build a comprehensive data-base of tax payers in the State.
5. Computerise/automate collection of revenue.
6. Train Government Staff.
7. Supervise all sub-consultants.

Since the appointment of Consultants, there has been a remarkable improvement in the IGR of the State. The Consultants have been able to trigger an increase in IGR from about N200 Million Naira monthly to about N400 Million Naira monthly since their appointment. They have to a very large extent plugged leakages, developed new sources and improved collection. They have also developed and continuously update the Tax payers data-base. Government Revenue Officers have also continued to be trained and retrained to make them more effective on the job. The Consultants have also, in collaboration with the State Government developed Unique Tax Identification Numbers [UTIN] for all Tax payers. Direct bank payment has also been introduced whereby taxes over and above N200.00 have to be paid into the bank. This is against the previous practice whereby collections were made manually, encouraging leakages in the process.

Challenges

Despite the giant strides so far achieved, there are problems on ground which require attention to enable the maximum actualisation of the mandate of the Consultants and therefore the overall goal of the government in its IGR drive.

a) Adaptation to changes

It has been a difficult task propelling revenue officials to adapt to changes brought about by the Consultants. Hitherto, posting of entries were made manually. With computerisation and automation, these officials (Civil Servants) have found it difficult to adapt to changes in the short run. They are however being trained and re-trained on a continuous basis.

b) Bureaucracy of government

In spite of the fact that the consultants have a very cordial working relationship with all arms of Government, instances exist where government intervention militates against their effective operation, particularly in areas of enforcement. Some high net-worth individuals who evade tax have had the protection of Government officials against prosecution. Similarly, political intervention has also been witnessed, to the extent which it has been difficult to exonerate Government from being protective of some citizens.

c) Location of banks

Efforts of the Consultants in conjunction with Government to encourage banks to locate their branches within the vicinity of the State Board of Internal Revenue to facilitate easy and convenient payment of taxes and levies by members of the public have not yielded fruits.

Kwara State Board of Internal Revenue
The Board was set up by Government pursuant to an old law which is yet to be revised or updated. The Board, which is yet to be autonomous, is still an integral part of the State's Civil Service structure. The Chief Executive is a Permanent Secretary who also wears the cap of Chairman, conducting affairs of the establishment which has been structured along the following directorates:-

- Policy and Administration
- Enforcement and Collection
- Income Tax
- General Revenue

The general functions of the Board include but are not limited to the following:-
- Assessment of Tax payers
- Ensuring effective supervision and collection of all revenue, including levies and penalties due to the State Government under the relevant Federal and State Laws.
- Accounting for all amounts collected
- Monitoring, supervising and working in close co-operation with all the Consultants charged with the responsibility for revenue collection in the State. Doing all such things that may be deemed
- necessary and expedient for the assessment and collection of revenue
- As a member of the Joint Tax Board, attend their meetings and make Recommendations where appropriate on Tax Policy, reforms and Regulations and on issues/disputes of concern to the State.

Achievements
The Board has in the past five years achieved the following:-

- Significantly created an enabling environment on which efforts for revenue inflow is premised. This has been achieved in partnership with the specialist Consultants who have been assigned specific duties and areas of collection in.
- Expanded the revenue base of the State by exploring for new items of taxes and levies not hitherto taken into consideration, but within confines of the law.
- In conjunction with the Consultants, have developed a comprehensive data-base of the Tax payers
- In conjunction with the Consultants have developed and introduced the UTIN [Unique Tax Identification Number] for each tax payer
- Computerised/automated the State tax system
- In conjunction with the Consultants, introduced the Direct Bank Lodgement system of taxes by tax payers.

Challenges
The successes so far recorded by the Board are not without challenges. The major challenge stems from the fact that the Board is not autonomous. It is still tied to the apron-strings of the State's Civil Service structure. The effect of this is obvious as it, among others, militate against prompt and effective decision making, not to talk of implementation. Requests for work tools, vehicles, furniture, personnel, etc have to follow the due process of Government bureaucracy and consequently lethargic. Other challenges include-

- Lack of motivation for Board staff. Given their peculiar assignment and work schedule, a special salary structure could enhance optimal performance.
- Shortage of trained personnel. This is however being taken care of even though the results have a long gestation period.
- Government/Political intervention against enforcement. This has had the effect of shielding affluent individuals from paying proper taxes or not paying at all.
- Need to re-constitute the Board to make it autonomous.

Revenue Administration

Tax legislations and policies create potentials for raising tax revenues. However, the actual inflow of funds or revenue into Government treasury depends on the efficiency of the system put in place to monitor the sourcing, collection and preservation of the funds generated. Inadequacies and weakness in revenue generation lead to inadequate tax collection and inadequate tax collection in itself invariably leads to budget deficits which will subsequently call for borrowings to sustain or finance such deficits. The borrowings will also have the long term effect of increasing the debt profile of the State Government with consequent adverse effects which are many, the most critical being the inability to implement programmes and policies as well as provision of public services.

As at the second quarter of 2010, the State had recorded a total of N1.2 billion as IGR. This represents about 400 million Naira per month. A practical manifestation of the collection efforts is shown in appendix 3 which highlights the growth in revenue income.

Sources of Revenue

- Training institution Fees (ATC)
- Contract Documents Non-Refundable Fees
- Produce Inspection Charges
- Registration Fees: Produce buyers
- Registration of Artisans
- Trade Animal Licenses
- Hide and Skin Buyer Licenses
- Fisheries Licenses and permits
- Licensing & Renewal of Fish Cold Rooms
- Livestock input subsidy
- Mechanised Cultivation Charges
- Sales of Agricultural Products
- Sales of Chemicals
- Irrigation Scheme Water Rate
- Clinical Treatment
- Registration of Cattle markets
- Sales of Home Economics Extension products
- Registration and Renewal of Slaughter House and Meat Shop
- Fertiliser Sales
- Earning from Buffer Stock (Strategic Intervention)
- Land Clearing Charges
- Sales of Tractors under loan subsidy scheme
- Non-refundable contract documentation fees
- Examination application fees
- Hospital attendance fees
- Registration/renewal fees for private hospitals
- Trade-medical registration fees
- Student tuition fees
- Pharmacy inspection fees
- Patent medicine license fees
- Proceeds from lab test fees

- Contract documents non-refundable processing fees
- Material testing and evaluation fees
- Contract Basic Registration and Renewal fees
- Contract ID card fees
- Special Chargeable Fire Services
- Application Form fees
- Registration of Artisans
- Trade test charges
- Fire prevention Inspection of Industrial establishment
- Road worthiness of vehicle charges
- Plant Hiring Charges
- Sales of drums and Road crossing charges
- Unspecified revenue and others
- Administration charges.

Local Government Councils' Performance

Kwara State comprises of 16 Local Government Areas as follows;-

Local Government		-	Headquarter
1.	Asa	-	Afon
2.	Baruten	-	Kosobosu
3.	Edu	-	Lafiagi
4.	Ekiti	-	Araromi-Opin
5.	Ifelodun	-	Share
6.	Ilorin East	-	Ike-Oyi
7.	Ilorin South	-	Fufu
8.	Ilorin West	-	Ilorin
9.	Irepodun	-	Omu-Aran
10.	Isin	-	Owu-Isin
11.	Kaiama	-	Kaiama
12.	Moro	-	Bode-Saadu
13.	Offa	-	Offa
14.	Oke – Ero	-	Ilofa
15.	Oyun	-	Ilemona
16.	Patigi	-	Patigi

By virtue of the provisions of section 162(6) of the 1999 Constitution, State Joint Local Government Accounts are to be established by State Government into which all allocations to the Local Government Councils are to be paid from the Federation Account and from the government of the State.

In addition, each State must pay into this account such portion of its total revenue on terms and manners prescribed by the National Assembly. This has been manifested by the enactment of the Allocation of Revenue (Federation Account, etc) Act CAP F26 LFN 2004. Specifically, section 4 (1) of this Act mandates the State Governments in addition to the allocations from the Federation Account, to pay a sum representing 10% of the internally generated revenue to the State Joint Local Government Accounts every quarter.

Available IGR figures obtained from the State's Local Government Auditor shows a steady growth in performance in most of the Local Government Areas. Appendix 4 shows the trend from 2007 to 2009 with Baruten Local Government Council leading in performance alongside Offa, Ifelodun and Ilorin – West Local Government Councils, the reasons for their successes being largely the effect of urbanisation and/or proximity to the State Capital, out of which they benefit from commercial activities and taxation. Edu Local Government is the host Local Government Council to Shonga Farms Ltd and so explains the modest growth performance with a jump from N1.5million in 2008 to N12.8million in 2009. Evidentially, the gestation period is being achieved.

The four least performers are Ekiti, Isin, Oke – Ero and Patigi Local Government Councils. Reason being their rural settings and the paucity of economic/commercial activities in their areas. The State Government is however evolving a policy of siting projects in these localities to encourage enterprise.

Overview of Situation Analysis

Having examined the global picture of IGR in Kwara State, it is proper to take stock of its strengths, weaknesses, opportunities as well as threats against optimisation of IGR efforts in the State.

Strengths

- The current administration has left no one in doubt about its recognition of the need to boost the IGR because of the immense benefits derivable there from.
- The leadership of the State has encouraged and supported IGR drive and provided working tools for the drive, even though much still needs to be done.
- Consultants have been appointed with specific mandates over their various areas of specialisation.
- Various visible developments and viable projects have been embarked upon to encourage tax payers perform their civic responsibility of tax payment.
- Expansion of revenue base to propel higher inflow.
- Large population of the informal sector, particularly the Artisans who can form a strong and viable revenue source.
- Existence in abundance of agricultural resources and other natural resources that can be utilised for industrial revolution in the State.
- Peaceful nature of the State which has the potential of attracting visitors and investors alike.

Weaknesses

- High rate of tax evasion by high net-worth individuals and corporate bodies in -the State.
- Political intervention over enforcements. This weakens the zeal and resolve of Revenue Officials in the performances of their duties.
- The informal sector is yet to be fully sensitised on the need for them to perform their civic duties in taxation. A large percentage of them are still outside the tax net.
- There are still pockets of complaints from the MDAs about inadequate funding and logistics.
- Widespread poverty, hence the call from some groups for provisions of some services by Government free of charge.

Opportunities

- Growth of the informal sector. If properly sensitised, this is a valuable sector with great potentials.
- Government's current drive to make the State attractive to foreign investors, as well as opening up the State by air and road transportation will have positive effects on the economy. There are plans to set up an international cargo shed at the airport. The establishment of the College of Aviation will also no doubt boost revenue generation.
- Opportunities to improve on Government Finances through tax and other Government revenue which will present itself as the economy grows. This will also mean an opportunity for the State to harness more taxes without necessarily increasing the tax burden of firms and businesses.

Threats

- Absence of good road networks, particularly in the rural areas which would have facilitated a flourishing trade in farm products.
- Inadequate power, forcing enterprises to depend largely on generating sets with its attendant costs and dangers.

- Urban migration of people to centres considered to be greener pastures as Kwara State has the stigma of a Civil Service State.

Recommendations

- Constitution of an autonomous Board of Internal Revenue with powers to perform duties without limitations of the Civil Service bureaucracy.
- Effective supervision of all the Revenue Consultants to avoid unnecessary leakages and ensuring proper accountability of collections.
- Empower revenue officials sufficiently to enable them discharge their duties fearlessly.
- Provide logistic support and funding to aid revenue generation and administration.
- Train and re-train revenue officials.
- Adequately sensitise the informal sector on the need for performance of their civic responsibilities in payment of taxes.
- Sufficiently empower the MDAs by providing them with working tools for revenue generation.
- Review all laws, regulations and guidelines on revenue and make them conform with modern trends.
- Encourage the Local Government Councils to be more proactive in their quest for revenue generation.
- Empower the Revenue Court and all other enforcement agencies to enable them be effective.
- Increased transparency in revenue administration.

Conclusion

Kwara State has witnessed continuous improvement in IGR since the return to democratic rule. The current administration has done a lot to expand the revenue base, improve on collection and ensured judicial application/utilisation of the funds in providing social services which have in themselves impacted on the citizenry in a positive way. IGR growth is medicine for development, fiscal independence and above all poverty reduction/eradication.

- The State Government is doing all it can to reduce over-dependence on proceeds of the Federation Accounts. Its proficient and effective management of funds earned it the high rating from FITCH.
- Efforts should however be made to supervise and encourage the MDAs who are presently complaining of all sorts of inadequacies with negative impacts on their zeal and enthusiasm in IGR performance.
- In all, political will, determination and proper focus is the passport to an expanded vision and improved IGR that can transform Kwara from its present status of a 'Civil Service' State into the 'Mega State' of the people's dreams.

LAGOS STATE

Executive Summary

The cumulative Revenue Budget performance for the Lagos State Internal Revenue Service (LIRS) as at end of third quarter of 2010 stood at approximately 90%, that is, of the N123 billion set by the State Government, it collected tax income of about N111.033 billion. The cumulative Recurrent Expenditure for the same period stood at N108.776 percent of a budget of N123.761 billion which is about 88%. This represents an improvement over the 2009 final performance of 77% and it shows that the State is able to pay its recurrent expenditure out of IGR. Total IGR of Lagos State increased by about 350.5% from N48.15 billion in 2005 to N168.76 billion in Dec 2009. Total revenue for 2008 and 2009 stood at N216 billion (a 91% of budget performance) and N239 billion (83% of budget revenue) respectively. The major contributors to total IGR over the last five years are: i) LIRS over 70% - 80%; ii) Lands Bureau about 10% and Physical Planning. Local Governments do not keep proper records of their IGR from levies and where they do, they are not accurate.

Some of the main factors affecting IGR are: informal sector which is about 70% of the taxable population and other tax payers are not fully captured in the tax net; human capacity, though better than most states needs to be addressed specifically understanding the laws and interpreting them appropriately; uncooperative Federal government in paying its taxes, remittances and arrears; inaccurate record keeping of revenue generated by LGAs; high level of poverty (not within tax net); sprawling and increasing population within limited space which stretches the infrastructure and service delivery and these need money for maintenance and new ones; and economic need to transform Lagos to a mega city by 2010.

Recommendations are to ensure increased transparency in and linkage between revenue generation and the provision of public goods and services. Recommendations include need for continuity of governance and political support from the incoming administration in 2011; continue to be innovative in widening the tax net and updating various databanks while simultaneously ensuring transparency and efficiency; continue to focus on improving service delivery and providing an enabling environment for private sector-led economic growth and public private partnerships; continue to review legal and regulatory framework for tax and enforce the tax laws specifically, tax evasion which is a criminal offence; continue to review tax payment remittance organization within the tax net; encourage LGAs to set up tax committee that will regularly meet with the state committee and to keep proper and accurate records of IGR; continue to negotiate with the Federal Government to pay arrears of taxes, fees and charges and to pay current ones as they fall due; continue to train, re-train and develop capacities (institutional, organizational and human); continue to keep employees motivated and provide other resources required; further improve the work environment; improve on the complaints and feedback mechanism and share experiences and disseminate lessons learned with other states.

Introduction

Nigeria's economic and political fortunes sit on a precarious but potentially advantageous fiscal federalist system operating on three tiers of government: the Federal Government, 36 States and 774 Local Governments. In theory, Nigeria operates on the principle of federalism and the constitution allocates varying revenue generation and spending powers.

Nigeria's economic fortunes have been based on a stable domestic oil production and increasing oil prices despite the numerous sources of revenue available to the various tiers of government as specified in the Nigeria 1999 Constitution. The country's dependence on oil makes it vulnerable to external shocks. With changing times and in addition to a crippling global economic crisis which started in 2008 coupled with internal developments in the Niger Delta, oil price has declined from about $145 / barrel to about $87/barrel putting the future of the only significant export item of the country on a balance. The country's foreign reserves have also shrunk from about USD 67 billion before the economic crises, to about USD $40.48 billion as at March, 2010 and oil revenue has dropped from N6.5 Trillion in 2008 to N3.2 Trillion in 2009. This drastic drop in revenue has had a negative impact on the balance in the Federated accounts and by extension the amount accruing to the three tiers of government. The need for states and LGs to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. It is not only necessary for all tiers of government which had hitherto relied on sharing revenue from the Federated account to increase their internally generated revenue (IGR) but also increase their fiscal prudence to ensure effective utilization of available resources. The South Western states and Kwara, except Lagos State that has been proactive in increasing its IGR, have started looking inwards by formulating strategies to meet their full potentials with regard to IGR.

Existing IGR profile of the State

Historical Background

Lagos State was created on May 27, 1967 by virtue of Decree No. 14 of 1967, which restructured the Nigerian Federation into 12 States. Lagos State comprises Lagos, Ikeja (the Capital), Ikorodu, Badagry and Epe. Lagos State encompasses an area of 358,862 hectares or 3,577 square kilometers and is located in the south-western part of Nigeria. It is bounded by Ogun State in the North and East; by the Republic of Benin in the west and by the Atlantic Ocean in the South. Lagos State is made up of 20 local governments and 37 local council development areas. Lagos State by various international assessments is a mega city with over 75% of its current population living in metropolitan Lagos. It has a population estimate of about 18 million and is the largest urban agglomeration in Africa and the black world.

Lagos State is ECOWAS and Sub-Saharan Africa's (and certainly Nigeria's) economic and commercial hub. It contributes over 35 percent to the national GDP and is the lead contributor in the non-oil sector, currently contributing an average of 19 percent equal to the contributions of some 13 Nigerian States put together. Lagos accounts for about 80 percent manufacturing value-added in Nigeria and about 65 percent of the country's commerce and industries. Lagos Sate has over 2000 industries and over 250 financial and allied institutions and the second most active stock exchange in sub-Sahara Africa. The natural attributes of the State are its 180 km of palm fringed Atlantic water front and large areas of suitable land for commercial farming, fishery development and wildlife conservation. Despite the limitations placed by the availability of land, Lagos State has sufficient land to support industry.

Lagos State remains at the forefront of economic growth and social development in Nigeria with a focus to becoming one of the top mega cities in the world by 2015. Notwithstanding its dominant economic status in Nigeria's non-oil economy, Lagos still has poor social indicators. Although annual budgets dramatically increased in the last five years by over 350 percent, it remains small relative to the resources necessary for adequate service delivery and infrastructure. The State is executing programmes to alleviate poverty, develop infrastructure, improve service delivery and grow the economy through the implementation of good policies.

Sources of Revenue

Total Revenue is made up the two broad divisions of i) Ordinary Revenue, and ii) Federal Transfers. The Federal Transfers is made up of Statutory Allocations (from Federal Accounts Allocation Committee) and the State's shares of the Value Added Tax (VAT). Ordinary Revenue is further comprised of income from taxes (LIRS); other internally generated revenue (IGR); Dedicated Revenue and Extra Ordinary Revenue (from sources such as the State's share of the Excess Crude Account). The IGR is made up of taxes and non-tax revenue which are allowed by Part II, Schedule 1 of the Taxes and Levied (Approved List for Collection) Act 1998.

In Nigeria, the Federal taxes are provided for on the Exclusive list of the 1999 Constitution and any tax not included can be legislated upon by state governments for example the Hotel Occupancy and Restaurant Consumption Law 2009. The state government has autonomy as it is authorized to impose the full set of taxes. Local governments pass by-laws and levy residents. Lagos State Government however controls the most potentially productive revenues some of which should be the responsibility of local governments, for example, Land Use Charges (combination of ground rent which the responsibility of the State, and tenement rate which is the responsibility of the LGAs) and advertisement charges (responsibility of LGAs). The reason for this is that the LGAs have limited capacity and resources to collect. Sharing arrangements have been agreed between the State and LGAs. Please refer to Annex 3 for a full list of taxes and levies collected by each tier of government.

Internally Generated Revenue

The growth of Lagos State in the last decade has mirrored increases in the price of oil and in the last five years increases in IGR. These have fuelled consumption, commerce and increase in demand for financial services. Despite the increases in the rate of economic growth anchored on increased fuel price, the economy failed to establish a platform for sustainable economic growth. In order to achieve development goals as stated in the various development policies and plans contained in different documents, the revenue profile of the State which has increased by over 350 percent in the last 5 years must continue to improve. To this end, the State is committed to maximizing revenue generation by collecting taxes and ensuring that there is no revenue leakage while providing an enabling environment for businesses to grow so they are able to generate more employment and produce more for consumption thereby increasing State revenue without necessarily increasing their tax burden.

The LIRS has taken on the challenge of increasing the IGR of the State through the adoption and implementation of various strategies which have impacted positively on revenue generation and collection. The cumulative Revenue Budget performance for LIRS as at end of third Quarter of 2010 stood at approximately 90 percent, that is, of the N123 billion set by the State Government, it collected tax income of about N111.033 billion. The cumulative Recurrent expenditure for the same period stood at N108.776 percent of a budget of N123.761 billion which is about 88 percent. This represents an improvement over the 2009 final performance of 77 percent and it shows that the State is able to pay its

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[3] 18 million is estimates by Lagos State. The World Urbanisation prospects (2003) estimated the population as 11 million but the 2006 Nigeria census put the population of Lagos State at 9 million.

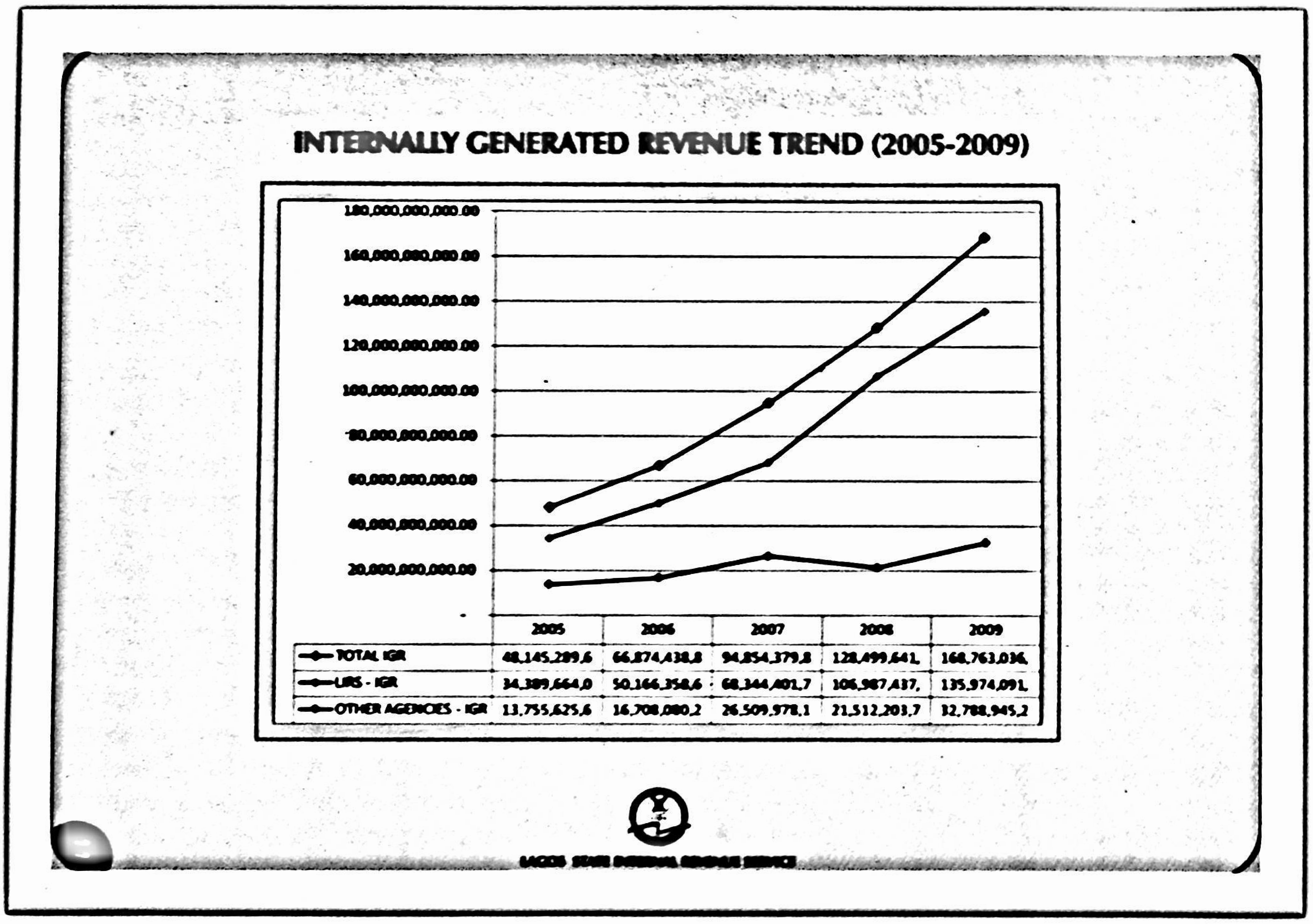
[4] 1999 UNCH

recurrent expenditure out of IGR.

Total IGR has increased by over 350 percent, that is, from N48.14 billion in 2005 to N168.76 billion in December 2009. Also total revenue for 2008 stood at N216 billion (91 percent of budget performance) and in 2009 it stood at N239 billion (83 percent of budget performance). The percentage contributions of LIRS to total revenue in the same periods are 47 percent and 56.8 percent respectively. The major contributors to IGR over last 5 years in Lagos State are:

- LIRS between 70 and 80 percent of Total IGR
- Lands Bureau about 10 percent of Total IGR
- Physical Planning and others contribute between 10 and 20 percent

Diagram 1: Internally Generated Revenue Trend (2005-2009)



In 2005 LIRS contributed about N34.4 billion to the N48.15 (70 percent) total IGR of the State. However, by the end of 2009, out of a total IGR of N168.8 billion LIRS contributed N136 billion (over 80 percent) while all other agencies contributed N32.9 billion (less than 20 percent) making LIRS the highest contributor to total IGR.

Tables 1 to 5 below tell the full story of impact of IGR on economic and social development in Lagos State in the last 10 years.

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[5] The Report from the 2010 Ehingbeti Summit; Strategic Management Framework 2009; Vision 20: 2020; Lagos State Economic Empowerment Development Plan (LASEEDS) 2005-2007; the Ten Point Agenda (TPA) 2003 –2007,

Table 1: IGR and Budget Size

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Incr 2000-09
BUDGET SIZE	42.94	48.91	58.23	62.65	77.40	112.72	224.23	274.76	403.40	405.00	943%
I.G.R	11.60	17.88	20.77	27.53	33.99	42.283	61.68	83.02	129.56	178.10	1534%
IGR as % of budget size	27%	37%	36%	44%	44%	38%	28%	30%	32%	44%	

Table 1 above clearly shows that the increase in IGR has a correlation to the budget size which also has increased. However, annual IGR as a percentage of annual budget size has been consistent. The highest percentage was 44 percent recorded in 2003, 2004 and 2009; and the lowest percentages were recorded in 2000 and 2006 with 27 and 28 percent respectively.

Table 2: IGR and Statutory Allocation

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Incr 2000-09
Statutory Allocation	10.36	13.99	13.75	16.06	22.63	27.38	33.42	35.75	41.18	41.53	401%
IGR (B ₦)	11.60	17.88	20.77	27.53	33.99	42.28	61.68	83.02	129.56	178.10	1534%
IGR as % of Allocation	112%	128%	151%	171%	150%	154%	185%	232%	315%	429%	

Lagos is the only state where IGR exceeds Statutory Allocations from the Federated Account. Table 2 above shows the trend from 2000 where IGR as a percentage of Statutory Allocation stood at 112 percent and has grown in percentage terms to 429 percent in 2009 except for 2004 and 2005 that witnessed declines. Nonetheless, both Statutory Allocations and IGR grew steadily between 2000 and 2009. While statutory allocation to Lagos State increased steadily by about 401 percent, IGR has increased substantially by about 1534 percent in the same period.

Table 3: IGR and Total Expenditure

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Incr 2000-09
Total Exp (B₦)	26.21	39.42	60.08	47.22	58.13	70.76	146.85	192.72	276.5	354.88	1354%
IGR (B ₦)	11.60	17.88	20.77	27.53	33.99	42.28	61.68	83.02	129.56	178.10	1534%
IGR as %of Exp	44%	55%	47%	67%	49%	51%	46%	40%	45%	54%	

Table 3 above shows that IGR profile has increased from N11.0 billion in 2000 to N178 billion Naira while the expenditure profile increased from about N26 billion in 2000 to N354.88 billion in the same period. This shows that the difference in expenditure was funded by revenue from other sources.

Table 4: IGR and Recurrent Expenditure

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Incr 2000-09
Recurrent Expenditure (B ₦)	18.11	35.50	54.01	38.70	43.20	54.80	100.38	109.06	122.58	119.16	658%
IGR (B ₦)	11.60	17.88	20.77	27.53	33.99	42.28	61.68	83.02	129.56	178.10	1534%
IGR as % Recurrent Exp	64%	50%	38%	71%	79%	77%	61%	76%	106%	149%	

Table 4 above shows the relationship between IGR and recurrent expenditure for Lagos State. Up until 2007, the State's revenue did not cover its recurrent expenditure. However in 2008 IGR surpassed recurrent expenditure by 6 percent and in 2009, IGR as a percentage of recurrent expenditure was 149 percent. Also, Eti Osa LGA in Lagos State is the only LGA out of the 774 in Nigeria that has recorded a higher IGR than its recurrent expenditure. This means that only Lagos State and Eti Osa local government are able to keep government going from IGR and retain the excess for capital expenditure.

Table 5: IGR and Capital Expenditure

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Incr 2000-09
Capital Expenditure	8.09	3.91	6.07	8.518	14.92	15.96	46.47	83.65	153.98	235.72	2913%
I.G.R	11.60	17.88	20.77	27.53	33.99	42.28	61.68	83.02	129.56	178.10	1534%
IGR as % of Capital Exp	143%	456%	342%	323%	228%	265%	133%	99%	84%	76%	

From Table 5 above, IGR as a percentage of capital expenditure stood at a healthy 76 percent in 2009.

As shown in Diagram 1 above, with LIRS contributing between 70 and 80 percent to total IGR of the State, it is important to highlight how this was achieved by Lagos State.

Lagos State Internal Revenue Service (LIRS)

The Lagos State Internal Revenue Service (LIRS) is the operational arm of the Lagos State Board of Internal Revenue (LSBIR) which formulates policies. The Executive Chairman of the board was upgraded to the position of permanent secretary, reporting directly to the State Governor. The LSBIR came into being as a corporate body with perpetual succession through the passage of the Lagos State Revenue Law on March 13, 2006 which provides for the administration and collection of taxes due to the State and local government councils.

Lagos State Government had been proactive by focusing on developing its IGR through taxation in anticipation of the increasing cost of running its government and the possibility of dwindling oil revenue which would affect receipts from the Federation account. Lagos State had therefore formulated strategies to improve its IGR since 2003 with the restructuring and re-organisation of the Board of Inland Revenue and more specifically, the Lagos Inland Revenue Services to drive tax as the main contributor to IGR. This is given the large taxable population size, its focus on improving on service delivery and providing an enabling environment for private sector led economic growth through infrastructure development.

It is known globally that the payment of taxes on income is a first principle of the social contract between the government and the governed and as the former US President, Franklin D. Roosevelt, puts it, "taxes, after all, are dues that we pay for the privileges of membership in an organized society." It is the price that citizens must pay for a civilized society.

Tax is defined as a compulsory monetary charge imposed by government on persons, entities, transactions, or properties to yield public revenue. Tax therefore embraces all governmental impositions on the person, property, privileges, occupations, and enjoyment and includes duties, levies and imposts. Revenue is defined as "any income or return accruing to, or derived by the Government of the Federation from any source….."

Success of LIRS

To ensure that revenue generation through taxes are maximized, general revenue leakages are being blocked by LIRS, which has full implemented the use of Electronic Tax Clearance Certificate (E-TCC), direct bank lodgment by tax payers and issuance of automated revenue receipts. Today, no tax officer or consultant collects cash from tax payers in Lagos State. Simultaneously, accelerated tax audits of back years were undertaken, leading to the recovery of substantial unpaid taxes. Lagos State Government has aggressively pursued revenue generation with a human face as they have sometimes negotiated tax arrears so as to reduce the burden on businesses especially in these times of economic downturn for example, the Central Bank of Nigeria paid a negotiated lower amount in settlement of outstanding taxes. To ensure accelerated and full coverage of the State's tax jurisdiction, LIRS developed a comprehensive communication strategy which is being implemented through the print (including banners, fliers, and news papers publications) and electronic (radio and television) media, road shows etc for example the Tax Education and Enlightenment Team (TEET) initiative with visits to corporate (large, medium and small) and the informal sector tax payers educating and checking tax compliance. Also in place is a good feedback mechanism (including town hall meetings with the Governor). TEET has been very effective with a fleet of 40 buses. Also, the State has since 2007 embarked on an aggressive enlightenment and awareness campaign programme by hosting:

a. the first interactive Lagos State Taxation Stakeholders' Conference on December 3, 2007 which was attended by the Governor and his Executive Council and non-government stakeholders (including Chambers Of Commerce, professional groups, financial institutions, traditional rulers, trade and market associations, civil society organisations and the media); special awards are given to individual and corporate organizations in recognition of their level of personal income tax compliance. This has become an annual event.

b. Various stakeholders' conferences for: a) professionals as part of its public-private sector partnership (PPP), b) Nigeria Employers' Consultative Association (NECA) with representatives of the Organised Private Sector, c) interactive sessions with members of the Market Associations, general merchants (importers and exporters) and skilled technicians, d) operators of the hospitality industry, e) religious leaders, and f) prominent members and leaders of the legal and pharmaceutical professions. There is also the annual essay competition for secondary school students to inculcate the culture of tax compliance at a young age.

Also the State Government has been implementing the relevant sections of the Personal Income Tax Act by levying warrant of distrain on tax defaulters and pursuing criminal provisions of the law with a view to prosecuting tax evaders.

In order to make tax assessment and payment convenient for tax payers, the State commenced the establishment of mini tax offices in markets in 2006 and raising the profiles (staff and offices) of existing mini tax offices and to date, 37 of such offices are in operation. Furthermore, in January 2008, the LIRS

[6]1999 Nigerian Constitution

introduced the self assessment filing system for individuals, the first of its kind in Nigeria; in 2008 the State Government established a Revenue Complaints and Information Unit under the Office of the Special Adviser (Taxation and Revenue) as part of its feedback mechanism. The Unit gives taxpayers an opportunity to access information on revenue and related matters and have their complaints reviewed and resolved speedily at no cost.

In addition to the above, some other successful efforts of LIRS to boost revenue of the State include:

- New payment process which ensures transparency and convenience
- Introduction of Self Assessment for individuals
- Creation of New Operational Units
- Enforcement to ensure compliance with tax payments
- LIRS collaborations with other Ministries, Departments and Agencies (MDAs)
- Review of tax payment remittance of organizations within the tax net
- Regularly updating data bases of tax payers
- Use of 200 consultants to assist with the collation of data, and Alpha Beta Company the State consultant that tracks all revenue payments to the State (consultants and staff do not collect cash from tax payers). All payments are made directly to banks and where there are no banks, tax officers take machines with them which automatically dispenses receipts
- Deployment of automation
- Capacity (institutional and organizational) development, and human resources which included training, handholding by tax consultants etc
- Complaints and feedback mechanism in place in LIRS.

The Bureau of Lands

The Bureau of Lands, like the LIRS, is under the leadership of a permanent secretary who reports directly to the Governor. The Bureau is the second highest generator of revenue for the State. Revenue comes from land administration which includes land allocation and subsequent documentation as well as land services (application fees, subsequent transaction fees, neighbourhood improvement charges, private development, etc) Land registry (of conveyance), Land Use and Allocation, Finance and Administration and Land Regularization (the highest contributor). All the rates for land matters are published from time to time to keep the public informed. Undoubtedly, more revenue could be obtained from consent fees specifically from mortgages if Nigeria had a mortgage culture instead in place. Lagos State has since started to encourage a mortgage culture by getting a consortium of banks in 2007 to syndicate N12 billion as mortgage sums for Lagosians to benefit from. The scheme started with lending to public managers to buy government residences they inhabited and is presently being rolled out to Lagosians. Various land charges from such mortgages will boost revenue from Lands. To ensure a smooth running of this programme, a Mortgage Unit was created within the Lands Bureau.

Table 6: Actual Revenue from Lands against Budgets

	2006 (Bn)	2007 (Bn)	2008 (Bn)	2009 (Bn)	Jan Oct 2010
Actual Revenue	6.49	8.79	17.35	18.77	11.00
Budgeted Provision	7.75	9.30	12.25	28.40	15.82

In order to maximize revenue generation from lands, reforms to ensure quick and seamless transfers of titles have been put in place. These include the computerization of the Lands Registry and title searches take about 1 hour instead of the 1 day it took in 2004 and consent to some transactions have been reduced from over 8 months in 2000 to 30 days.

Local Governments

Major problems have been identified with tax and levy collection, especially at the local government level where there were illegal levies and fake tax collectors. Also identified is the limitation of institutional, organizational and human capacities to collect levies and the fact that LGAs do not keep proper records of collections, and where they do, the records are mostly inaccurate. Where the levies could be genuinely supported by legislation, some unscrupulous revenue officers habitually collect levies including unauthorized heads of charges, varying the amounts payable to facilitate unlawful negotiations and extorting bribes from taxpayers. Stricter controls were therefore required which led to the State House of Assembly taking charge by first enacting appropriate legislation and secondly, exercising oversight functions over the Local Government Councils within the State, functions exclusively reserved for the State Legislature in the 1999 Constitution.

On April 10, 2010, the Governor signed into law the Local Government Levies (Approved List for Collection) Bill. This Law prescribes the levies (contained in the schedule) that may be collected by Local Government Authorities in Lagos State, and makes explicit provisions for the publication and administration of such levies. Section 1(3) of the Law provides that "no levy shall be collected by or on behalf of any Local Government Authorities in Lagos State unless it is specified in the Schedule to this Law." Other provisions of the Law include the regulation of the appointment of revenue agents, prohibition of roadblocks or other obstructions for purposes of tax collection, and required use of identification badges by revenue officials of local governments. Furthermore, section 4 of the Law provides that: "Each Local Government Revenue Committee shall ensure that a chart showing the approved list of levies, the applicable rates and the expected time of payment is pasted at a conspicuous place in all revenue offices of the Local Government Authority." This is to ensure more transparency and accountability in the system.

Most of the items on the local government levies apply to individuals in particular trades or businesses, for example, liquor license fee, abattoir levy, shops and kiosk levy, radio/TV license, wharf landing fee, birth and death registration, street naming, bicycle, wheel barrow and canoe registration etc. Nevertheless, the House of Assembly has been exploring the possibility of consolidating some of the charges to avoid multiple charges and this has been successfully accomplished in the area of property taxation. Tenement Rates, Neighbourhood Improvement Charges and Ground Rents are now consolidated into one Land Use Charge payable annually and collected by the State and shared with LGAs using an acceptable sharing formula. Also, levies hitherto collected by local government councils on consignment of goods passing through their respective territories are all consolidated into one Wharf Landing Fee chargeable at a single point near the port of entry and collected by a single agent whose receipt is tenable throughout the State. Finally, section 2(2) of the Taxes and Levies Law now provides that where an individual or corporate body is liable to two or more of the scheduled levies at the same time, in any year of assessment, the relevant Local Government Authority may issue and serve a single Demand Notice indicating the amount due on each of the levies. This is intended to reduce the impact of the levies and lower the cost of compliance.

Situation analysis

Lagos State occupies a unique place in Africa's urban sustainability and regional development given its mega-city status (sixth global city in the world) and economic hub for West Africa which attracts diverse agglomeration of people and activities. However, the mix of economy, environment and equity (society) offer tremendous challenges for development. Thus, transforming these challenges to opportunities for growth and development is the kernel of the various development policies, strategies and plans which can be funded by total State revenue of which IGR forms a substantial part.

Lagos possesses a high concentration of business people and entrepreneurs and is likely to continue to see new manufacturing firms of large, medium and small scales emerge, foreign direct investments and also tremendous growth in the informal sector. All these will be serviced by the quantity and quality of labour required in the industries and sectors which are readily available in the State. Also the development of a tourism industry (largely ignored in the past) and the branding of Lagos will attract visitors in large numbers which will facilitate socio-economic growth and therefore employment generation. Increase in employment will result in increases in State revenue from taxes, fees, charges and levies.

It is estimated that over the next two decades, Lagos State will need the following sums to fund development in the State and Lagos as a mega city:

- Water development $3 billion
- Road & drainage $20 billion
- Power $10 billion
- ICT $5 billion
- Transportation $9.3 billion
- Others $2.7 billion (waste, sewage etc)

There is therefore a need to transform the challenges of Lagos as a mega-city into opportunities for growth and development. Embedded in socio-economic growth and development are potential tax payers. It is therefore necessary to identify areas of State strengths for leveraging its performance in the reform process; the weaknesses, which ought to be improved upon; opportunities to be taken advantage of to enjoy the gains of economic hub, and threats that the State must mitigate vis-à-vis variables in the operating environment.

Strengths

- Successive administrations have displayed right leadership, continuity in governance and policies, and focus on service delivery and provision of public goods by the implementation of visible development projects. These have inspired confidence in the public and encouraged tax payers.
- The past and present administrations have supported the tax drive with tax being the main source of the State's revenue; tax has seen a 350% increase in the last five years.
- Good complaint mechanism in LIRS and the Office of the Special Adviser to the Governor on Taxation.
- The location and gateway status of Lagos State has been effective linkages to the ECOWAS sub-region, rest of Africa and the international community for foreign direct investment, tourism etc
- Through infrastructure development and maintenance, the State continues to focus on providing an enabling environment for private sector led growth as large, medium and small scale industries continue to operate and the informal sector, estimated at about 75% continues to grow. Embedded in growth are potential tax payers.
- Lagos remains Nigeria's economic and financial (stock exchange) hub with 70% of Country's total commercial ventures and 65% of total industrial complex, the Lekki Free Trade Zone and houses several infrastructures that support socio-economic growth: 5 sea ports, 1 international and 2 local airports, waterways, growing network of roads, schools, universities, etc.
- Modernised, automated and very well resourced (trained staff) revenue generating MDAs. With clearly displayed vision, mission statements and lists of rates, fees and charges; all the MDAs in Lagos State are linked to Oracle for financial management.
- Necessary legal and regulatory frameworks for revenue generation are in place for example, the collection of Land Use charge (including tenement rate, which is the responsibility of Lgs) resides with the State with an acceptable sharing formula for LGAs and collection of bill board advertising fees by the State (the responsibility of the LGAs), Hotel Occupancy and Restaurant Consumption Law 2009.
- Clear goals (5nos) in the State Vision 2020: i) create and sustain culture of excellence in everything, ii) be Africa's economic hub, iii) have a strong cultural identity, iv) be a driver of social and political trends in the region, and v) become one of the top ten mega-cities in terms of urban indices.

Weaknesses

- Election period and concerns over change in government which might result in changes in policies and political will
- Current level of IGR despite substantial increases still inadequate for meeting the immediate socio-economic needs of the State and transforming Lagos into a mega city by 2020. Poor

[7] Lagos State Economic Empowerment Development Strategy 2005-2007; The Ten Point Agenda 2003-2007 and the Millennium Development Goals

infrastructure requires high maintenance.
- Several tax payers are still outside the tax net (especially in the informal sector which represents about 70 percent of tax payers).
- Poor interpretation of tax laws, understanding responsibilities of the 3 tiers of government in the provision of goods and services on the one hand and for collection of revenue on the other hand. This has resulted in the often used but loosely defined phrase of "multiple taxation" for example, the VAT (Federal) versus Sales tax (State) especially as both are consumption taxes.
- Local Governments have too many sundry levies, limited capacity, do not keep good records or publish their IGR.
- Federal Government does not remit PAYE of federal civil servants in the State and do not pay fees and charges as and when due.
- Sprawling and growing population within limited land space.
- Tax Audit Directorate's aggressive drive towards revenue generation (assessments).
- Limited capacity, even though better than other states): tax payers, tax collectors, consultants, and civil servants: poor understanding and interpretation of relevant laws.

Opportunities
- Economic growth from trade, commerce, finance and telecoms creating employment opportunities and bringing more people into the tax net though income tax and PAYE.
- Private sector led growth will lead to wealth creation and increase in profits by firms, and employment creation.
- Continued growth of informal sector.
- Economic growth which will improve government finances through tax and other revenue (more taxes without necessarily increasing the tax burden of tax payers).
- Enforcement of provisions of tax laws for example, instituting criminal case against tax evaders and publicizing it could have a good demonstration effect.

Threats
- Sprawling population with limited land space (the State must manage movement of people by ensuring migration does not result in additional slums or blighted areas).
- Increase in poverty levels due to migration into Lagos State.
- The topographical landscape of the State raises the threat of flooding which further limits use of land and encourages big factories to move out of the State.
- Absence of true fiscal federalism.
- Overstretched financial resources and debt profile

Stakeholders' perspectives

Multiple taxation was stated by most of the stakeholders as the biggest issue in revenue generation drive in the State. This is where a tax payer (organization or individual) is subjected to two or more different types of taxes and it does not seem to matter that the taxes in question have different bases and are charged by different tiers of government or different organizations and are for different purposes. Although multiple taxation has different definitions, it is agreed to mean that the same income is subjected to more than one taxation and when a taxable person or transaction involving goods and services are subjected to the same type of tax more than once. There are several tax laws and levies in Nigeria: eight at the Federal level, 11 at the state level and 20 at the local government level. Some of these create two levels of taxes on the tax payers for example; VAT, a Federal tax on the Exclusive list of the 1999 Constitution, and Sales tax (not on the Exclusive list) which Lagos State has legislated on. We shall examine the role of specific groups of stakeholders:

Organized private sector

Private sector contributes over 35% to the national GDP and is the lead contributor in the non-oil sector, currently contributing an average of 19 percent. Lagos accounts for about 80% of manufacturing value-added in Nigeria and about 65% of the country's commerce and industries. Lagos Sate has over 2000 industries and over 250 financial and allied institutions and the most active stock exchange.

Major Taxes due from this sector are Personal Income Tax of the Proprietors, PAYE of employees or paid apprentices, Withholding taxes, Stamp Duties, Capital Gains Tax, Value Added Tax on vat-able transactions and Companies Income Tax. Local governments also impose levies sundry levies. The roles of the organized private sector shall include:

- Continuing to update the electronic databases of member companies.
- Continuing to enlighten and clarify the various tax laws & responsibilities of three tiers of government in revenue collection.
- Cooperating with State Government to block leakages.
- Getting more involved in stakeholders forums/enlightenment programs.

Informal sector/artisan groups

Informal sector is referred to as "the non-structured sector that has emerged in the urban centres as a result of the incapacity of the modern sector to absorb new entrants". In other words, the informal sector relates to all economic activities that fall outside the formal economy regulated by the state. The taxes due from the informal sector are same as with the organised private sector. The roles of the informal sector/artisan and other groups include:

- Updating the register/electronic database of members of trade groups, associations and individuals.
- Continuing to deploy massive enlightenment campaign to ensure tax compliance and cooperation with tax authorities.
- Blocking leakages using unions and associations to monitor tax/levy payments to appropriate authorities and curb leakages for example through the use of fake receipts.

Civil society

Respondents highlighted the very low allowable deductions, reliefs and allowances from personal income tax, which they say should be adjusted upwards thereby making it more relevant to the current situation. For details of deductions, reliefs and allowances, please refer to Annex 4 attached to this report. Donations to charity should be deductible from taxable income to allow for more philanthropy. The roles of the civil society include:

- Supporting government enlightenment and sensitization efforts on the need for tax compliance.
- Serving as independent watchdog on government tax activities.
- Monitoring use of tax payers money for example projects.
- Providing information on best practices on tax.
- Providing advice on necessary legal and regulatory frameworks for tax.

Local governments

Major problems have been identified with tax and levy collection at the local government level where there are illegal levies and fake tax collectors using fake receipts. Where the levies could be genuinely supported by legislation, resources have been limited making collection and management of levies difficult. Institutional, organizational and human capacities are limited and there are not enough resources. The roles of the LGAs include:

- Reviewing institutional and organisational arrangements including HR for delivering on their mandates.
- Maintaining accurate records for master register and revenue generated.
- Working with traditional rulers to block leakages in revenue collection to improve tax returns.
- Deploying levies collected in visible projects for example rural roads to further encourage tax payers to pay up.
- Focusing more on enlightenment and sensitizations of the civil society on tax/levy compliance.
- Working with the informal and private sectors to improve tax collection.

Development partners

- Supporting capacity building for tax assessment, compliance and enforcement.
- Advising on international good practices on tax assessment and collection.
- Advising on reforms of legal and regulatory frameworks, institutional and organisational arrangements for improved IGR.
- Supporting strengthening of government capacity in the collection and usage of taxes.
- Supporting the collation and dissemination of lessons learned across governments.

Recommendations

It is hoped that there will be continuity of policies and the necessary political backing to the revenue generating MDAs after the coming elections. All the recommendations are to ensure the revenue generating MDAs are better capacitated to carry out their respective mandates and that the State government has the resources to provide public goods and services for the residents. The recommendations are:

- Develop a good communication strategy using print, electronic and below-the-line media, and in different languages. Implement the strategy by continuing with the various stakeholders fora (inclusive governance).
- Develop a good complaints and feedback mechanism.
- Continue to train and retrain tax staff/officers.
- Continue to develop the capacities of the tax institutions and tax organizations (including updating the various data banks and master register).
- Further enable the revenue agencies with the resources – equipment, vehicles, etc – that they require to carry out their mandates.
- Continue to be innovative and creative in ways and means of widening the tax net especially capturing the informal sector players.
- Deploy technology across revenue generating MDAs with the objectives of ensuring more transparency, blocking leakages and improving efficiency thereby enhancing the provision of public goods and services.
- Develop an industrial policy which will focus on providing an enabling environment for private sector led growth.
- Continue to reinvent the revenue generating MDAs by modernizing them, motivating staff and through periodic strategic management.
- Leadership of revenue generating MDAs should be stable and innovative and should enjoy political backing for the revenue drive.
- Review of legal and regulatory frameworks to empower revenue generating MDAs to carry out their mandates.
- Enforcement of tax laws especially to tackle tax evasion.
- Continue to review the tax payment remittance systems to block leakages.
- Encourage local governments to set up Revenue Committees that will periodically meet with the State's Joint Revenue Committee and to publish IGR and keep proper and accurate records.
- Continue to negotiate with the Federal Government to pay its arrears on remittances from its workers in the State.
- Share experiences and disseminate lessons learned with other states in the South Western States and nationally.

Conclusion

Lagos State has witnessed phenomenal increase in IGR which has been used to run government as the State's IGR is higher than recurrent expenditure. The substantial increase of 350.50 percent in IGR over the last five years also is key to promoting sustainable socio-economic growth, improving service delivery and therefore reducing poverty. Increased IGR has provided Lagos State with a stable and predictable fiscal environment to promote growth and to finance social and physical infrastructural needs. The challenge of judicious and transparent use of the increased revenues however remains and it is hoped that enhanced citizen vigilance, improved legislative oversight and greater stakeholder interest in the affairs of the State will help in addressing this challenge.

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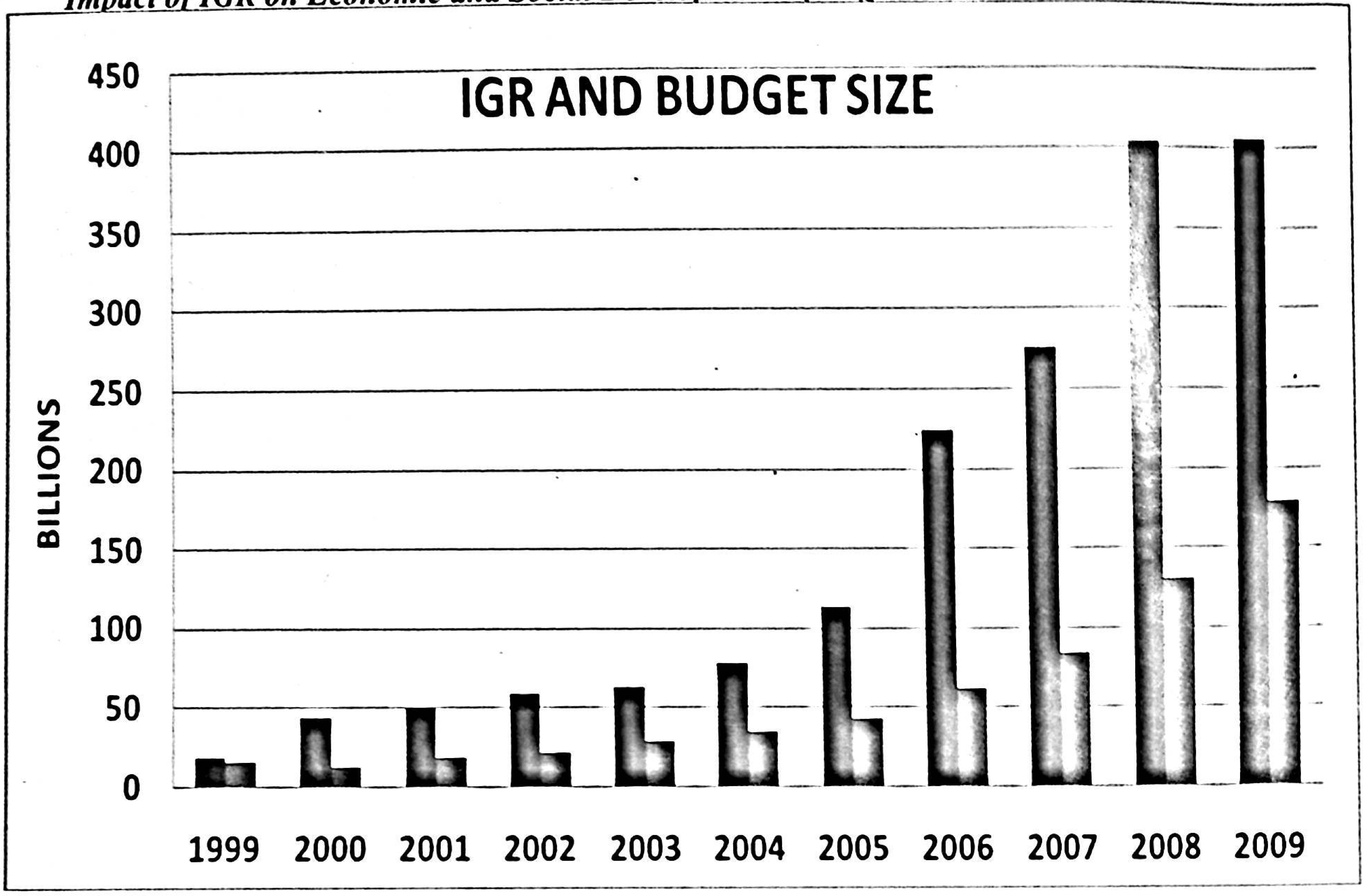
[8] International Labour Oganisation, 1972



Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Incr (2000-09)
BUDGET SIZE	17.884	42.942	48.915	58.235	62.653	77.407	112.729	224.232	274.762	403.401	405.000	943%
I.G.R	14.636	11.607	17.885	20.776	27.537	33.998	42.283	61.684	83.020	129.563	178.100	1534%
IGR AS A % OF BUDGET SIZE	82%	27%	37%	36%	44%	44%	38%	28%	30%	32%	44%	

OGUN STATE

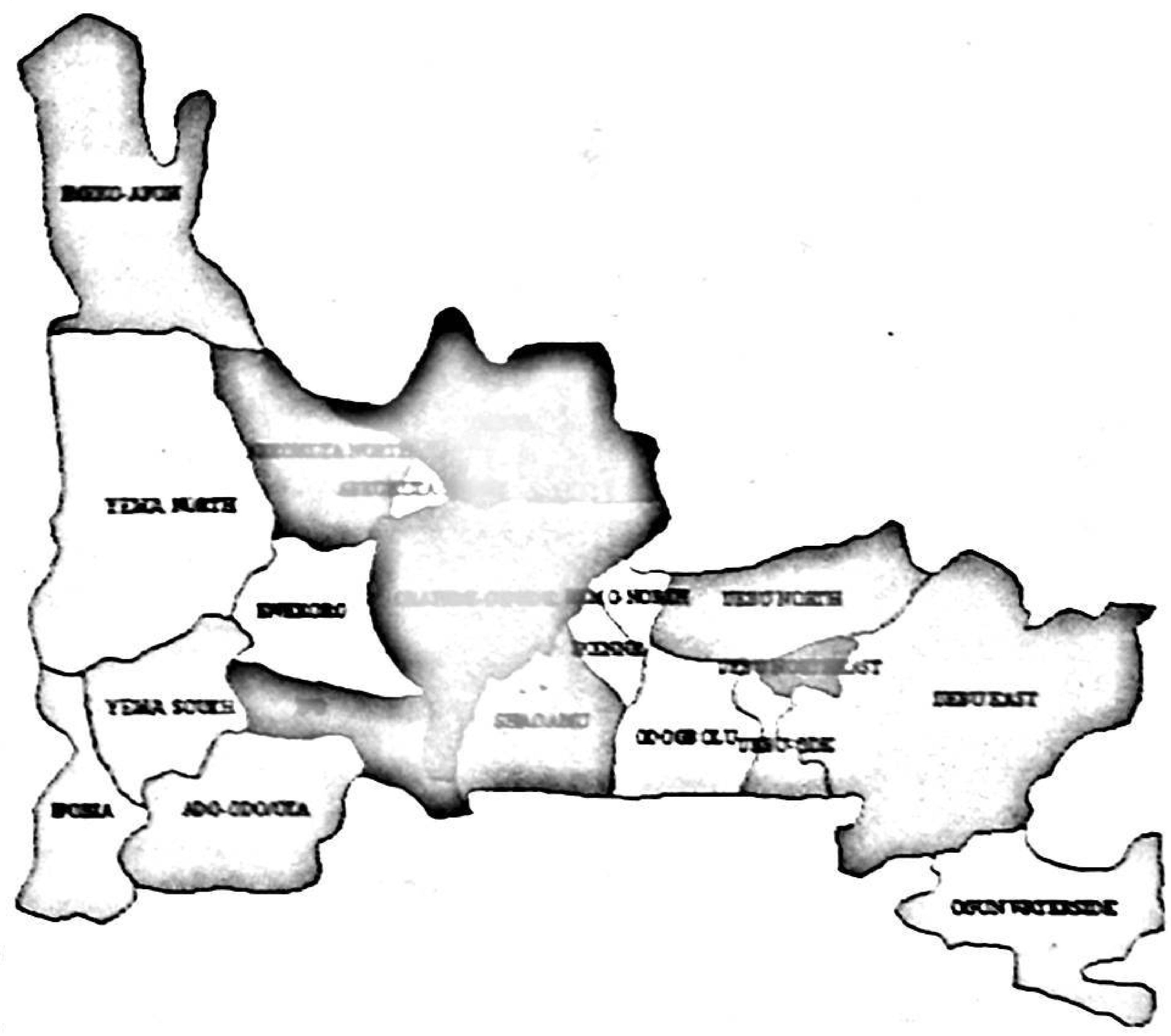
Executive Summary

The global Revenue Budget for 2009 was N37.39 billion while the actual revenue performance as at 31st December, 2009 was N12.73 billion representing a 34.04% performance. Monthly IGR increased from N150 million in 2003 to N1.2 billion but in 2010 monthly IGR dropped to about N900 million. Budget proposal for 2009 was N12 billion and actual was N6.25 billion representing 52% performance. The high revenue earners in Ogun State are: Board of Inland Revenue, Bureau of Lands & Survey, Urban and Regional Planning Board and Bureau of Urban and Physical Planning. Ministry of Education had a budget performance of 84.15%. Ogun State has over a dozen tertiary institutions, the largest number in Nigeria.

Some factors affecting IGR are: prevalence of fake receipts and illegal tax collectors and unlawful methods of collection especially at the LGA level; procedural loopholes which include poor internal control process in revenue generating agencies, resulting in leakages; obsolete rates and limitations of extent to which rates can be reviewed upwards; manually-driven processes at most revenue agencies which result in manipulations and time wastage; incongruent adoption of revenue collection processes/apparatus. Different platforms/tools are used which do not synchronize i.e. – e-tranzact, interswitch, VVS, POP; limited capacities at the levels of institutions, organizations and human resources; limited resources of the 3ms (money, materials and men); small population and transactions; large public service population and high level of poverty resulting in incremental and not exponential economic growth; tax payers have ability but are very unwilling to pay (prevalence of sacred cows); inability to enforce (tax evasion); poor data banks of tax payers; lack of understanding of laws and responsibilities of the three tiers of government; Federal Government's centralised payroll results in poor remittance of PAYE and non-payment of Land charges and fees; and small tax net (informal Sector).

Recommendations are to ensure increased transparency in and linkage between revenue generation and the provision of public goods and services. Recommendations include: grow the tax net through i) industrialization and good agriculture policies, ii) capturing the informal sector, and iii) land use of land in GRA and City Centre Abeokuta and Isheri; developing electronic data banks; improve monthly PAYE remittances and benefits; introduce e-assessment for more transparency and better efficiency; review back duty assessment process; develop a detailed communication strategy (using print and electronic media); introduce Student Personal Identification Number and Payment Enforcement Special Team (PEST); naming rights for government buildings; improve on the complaints and feedback mechanism and share experiences and disseminate lessons learned; and train and motivate staff.

Existing IGR profile of Ogun State



Ogun State was created in February 1976, from the old Western State. The State has a population of 3,728 million with a growth rate of 2.83 percent per annum. It encompasses an area of 16,409.26 km^2 and is bounded on the West by Benin Republic, on the South by Lagos State, on the East by Ondo State, and on the North by Oyo and Osun States. The geographical landscape of the State comprises extensive fertile soil suitable for agriculture, and savannah land in the north western part of the State, suitable for cattle rearing. There are also vast forest reserves, rivers, lagoons, rocks, mineral deposits and an oceanfront. Ogun State is made up of 20 Local Government Areas (LGAs) and divided into four geo-political Zones, three Senatorial Districts, nine Federal and 26 State Constituencies. Ogun State has over 12 tertiary institutions (federal, state and private owned).

Ogun State is known as the Gateway State. This is in recognition of its pioneering role in education, medicine, law and divinity, on the one hand, and its strategic position as the link by road and rail to the rest of the country and proximity to Lagos on the other hand as well as its location on the country's border with ECOWAS. Apart from Abeokuta, the capital, which is an important market centre and a terminus of the roads and railways coming from Lagos and other parts of the country, there are major towns and communities like Ota, Sagamu, Ijebu-Ode, Ilaro that serve as good markets for products of the mining industry. Agriculture is the main occupation of the people of Ogun State, providing income and employment for a large percentage of the population. The State is a major producer of cocoa, kolanut, rubber as well as timber of various species. Out of the total land area of about 16,409 square kilometres, about 20 per cent is preserved as forest reserves. Ogun State is endowed with many mineral deposits in commercial quantity. These include bitumen, kaolin, phosphate, bauxite, granite, limestone, crude oil and such others.

Sources of Revenue

Total Revenue is made up the two broad divisions of i) Ordinary Revenue, and ii) Federal Transfers. The Federal Transfers is made up of Statutory Allocations (from Federal Accounts Allocation Committee) and the State's shares of the Value Added Tax (VAT). Ordinary Revenue is further comprised of income from taxes; other internally generated revenue (IGR); Dedicated Revenue and Extra Ordinary Revenue (from sources such as the State's share of the Excess Crude Account). The IGR is made up of taxes and non-tax revenue which are the taxes allowed by Part II, Schedule 1 of the Taxes and Levied (Approved List for Collection) Act 1998 which are set out in Annex 4.

The state government has autonomy as it is authorized to impose the full set of taxes. Local governments pass by-laws and levy residents. Ogun State Government has however started to control the some potentially productive revenues some of which should be the responsibility of local governments, for example, advertisement charges (responsibility of LGAs). The reason for this is that the LGAs have limited capacity and resources to collect. Sharing arrangements have been agreed between the State and LGAs.

Internally Generated Revenue

The growth of Ogun State in the last decade has mirrored increases in the price of oil. This has fuelled consumption, commerce and agriculture. However the economy has failed to establish a platform for sustainable economic growth. In order to achieve its development goals, the revenue profile of the State which has increased by over 247 percent in the last 5 years must continue to improve substantially. To this end, the State is committed to maximizing revenue generation and providing an enabling environment for new industries coming into the state. In this economic growth will be embedded more taxable population.

Table 1: Total Revenue

Agency	2005	2006	2007	2008	2009	2010 August	Total	%
Board of Internal Revenue	2,871,741	3,066,328	3,806,262	5,361,248	6,350,290	5,405,997	**26,861,868**	**55.96**
Bureau of Lands & Survey	1,117,943	1,626,204	2,019,224	2,197,876	3,862,578	1,180,497	**12,004,325**	**25.00**
OURPB	105.934	153.779	235,101	405,590	339.666	148,909	**1,388,983**	**2.89**
Gateway Holdings	0	184,297.00	373,551.	500,000	0	0	**1,057,848**	**2.18**
BUPP	27,863	102,754	176,332	304,193	254,800	197,710	**1,063,657**	**2.21**

The BIR has taken on the challenge of increasing the IGR of the State through the adoption and implementation of various strategies that have impacted positively on revenue generation and collection. Total Revenue has increased by about 247 percent that is, from N4.89 billion in 2005 to N12.11 billion in December 2009. Also total IGR for the same period increased by 221 percent, from N2.87 billion to N6.35 million. BIR contributed about 50.40 percent to total revenue in 2009.

Table 1 above shows the major contributors to total revenue over last 5 years but up to August 2010:

- BIRS: 55%
- Bureau of Lands: 25%
- Ogun State Urban and Regional Planning Bureau: 2.89%
- Gateway Holdings: 2.18%
- Bureau of Urban and Physical Planning: 2.21%

IGR is divided into two areas:

1. IGR paid into the Consolidated account
2. Retained IGR which represents about 50 percent of State revenue (tertiary institutions, five state hospitals were recently added on, and some quasi-government corporations.)

Table 2: Review of Revenue Performance

S/N	Agencies	2009 BUDGET PROPOSAL	ACTUAL COLLECTION TO 31ST DEC 2009	% FOR THE YEAR	2010 REVENUE BUDGET-
1	Board of Internal Revenue	12,000,000,000.00	6,250,472,575.19	52.08	13,500,000,000.00
2	Bureau of Lands & Survey	6,000,000,000.00	3,549,404,453.86	59.16	7,500,000,000.00
3	Urban & Regional Planning Board	600,000,000.00	818,033,571.30	136.34	1,100,000,000.00
4	Ministry of Education	231,680,000.00	194,968,910.96	84.15	400,000,000.00
5	Ministry of Agriculture	213,675,800.00	50,295,623.05	23.53	200,275,846.00
6	Ministry of Forestry	120,000,000.00	80,726,904.18	67.30	100,000,000.00
7	BUPP	250,000,000.00	224,506,098.04	89.8	350,000,000.00
8	Ministry of Works	120,000,000.00	79,906,545.15	66.58	150,000,000.00
9	Ministry of Commerce & Ind.	250,000,000.00	38,414,270.72	15.36	250,000,000.00
10	Ministry of Environment	15,000,000.00	22,307,366.14	148.71	215,000,000.00
11	Ministry of Finance	28,000,000.00	76,559,049.79	273.42	508,000,000.00

The Total Revenue Budget for 2009 was N37.39Bn while the actual revenue performance as at 31st December, 2009 was N12.73Bn representing a 34.04 percentage performance. Monthly IGR has increased from N150 million in 2003 to N1.2 billion, but has since declined to about N900 million with the global crisis. 2009 Revenue Budget proposal was N12 Billion and actual was N6.25 Billion, that is, a 52 percent performance. Ministry of Environment had a budget performance of 148.71% and Ministry of Education had a performance of 84.15%.

Despite the sharp drop in oil revenue, statutory allocation to Ogun State is still higher than its IGR. More important is the fact that Ogun State has still not met its Economic Independence Index which is the relationship between IGR and recurrent expenditure, that is, the ability of the State Government to fully pay for all recurrent expenditure out of its IGR. As at September 2010, IGR covered only about 54 percent of recurrent expenditure, up from about 11 percent in 2003.

Ogun State Board of Internal Revenue

The Ogun State Board of Internal Revenue (BIR) is charged with the responsibility for policy making, administration, collection of taxes and enforcement. The position of the Executive Chairman of the new board which hitherto was filled by a civil servant is now filled by a professional from the private sector. The Board is not autonomous yet but the process is well underway as the Inland Revenue Services Autonomy Bill has been passed by the State House of Assembly and awaiting the Governor's assent. With the law coming into force, the BIR will have: i) financial autonomy, ii) operational autonomy, and iii) administrative autonomy (ability to hire and fire staff).

Ogun State Government had been proactive by focusing on developing its IGR in anticipation of the increasing cost of running its government and the possibility of dwindling oil revenue which would affect its share of the National Revenue from the Federation account. This growth is driven by its industrialization policy which is providing an enabling environment to attract new industries to the State. The idea behind the drive to attract industries to the State includes: i) economic growth, ii) employment opportunities for 40,000 graduates of tertiary institutions in the State, iii) need to widen the tax net made up largely of civil servants.

Success of BIR

- Some technology/automation has been deployed with over 100 computers in use
- More capable and trained staff have been recruited

- Leadership of BIR has changed from the civil service to professionals
- Ability to widen the tax net to include the employees of new industries and businesses
- Ability to widen tax net by capturing those who are buying up assets in the State for example, land,
- houses, big cars, shares in companies
- Developing an electronic database of tax payers
- Collected revenue from three Federal Agencies to date: FIRS, NNPC and Customs while still negotiating with others

Weaknesses

- Prevalence of fake receipts and illegal tax collectors
- Procedural loopholes which include poor internal control process in revenue generating agencies. These sometimes result in revenue leakages
- Obsolete rates which have been discussed at the 2010 pre-budget session
- Manually-driven processes at most revenue agencies which result in manipulations and time wasting.
- Incongruent adoption of revenue collection processes/apparatus. Different platforms and tools are used which do not synchronize i.e. – e-tranzact, interswitch, VVS, POP
- Limited capacities: institutional, organizational and human
- Limited resources of the 3ms (money, materials and men), especially vehicles for coverage.

Opportunities

- Review back duty assessment process;
- Introduce Student Personal Identification Number and Payment Enforcement Special Team (PEST);
- Naming rights for public buildings;
- Bring tax offices closer to tax payers through creation of more operational units
- Continue use of tax consultants to develop systems and processes and to monitor collection of revenue;
- Energise Intelligence and Tax Investigation Unit for better performance;
- Strengthen border area tax collection

Bureau of Lands and Survey

Ogun State has a land area 16,409.26 square kilometers, which is five times the size of Lagos State. The State is focusing on more profitable land use through the better use of prime land specifically in the following locations:

- Relocating government offices from the Abeokuta Central Business District to the newly constructed State secretariat, thereby freeing prime land for lease or sale to private developers. This will generate revenue and also create jobs which will bring in more tax revenue under personal income taxes and PAYE
- Isheri City Centre for business development through the private sector
- GRA Abeokuta where properties have been sold to public servants while others were relocated to free prime land for development by private sector.

Opportunities

- Implement Geography Information System (GIS) to achieve the desired result.
- Use of PPP in the area of infrastructural development of existing and proposed development schemes (residential, industrial, free trade zones etc).
- Review of operational processes to block revenue leakages and ensure transparency and accountability.
- Revenue templates of land values across the State to be established and made public to remove ambiguity in valuation and ensure more transparency.
- Review the survey fee sharing policy and management.
- Mop-up outstanding ground rent. As at 31st October, 2008 N343 million was outstanding for residential, industrial, farming & commercial Ground Rent Classifications.

- Modernise working environment and deploy more automation.
- Train and develop institutional, organizational and human capacities to carry out their mandates.

Urban and Regional Planning Bureau
Opportunities
- Ensure all properties have building approvals and are captured in an electronic data bank.
- Review operational system to block revenue leakages for example.
- Establish a standing task force to collect outstanding fees which is in multiples of million and to ensure current assessments are paid promptly as the PEST of IRS.
- Modernise working environment and deploy more automation.
- Train and develop institutional, organizational and human capacities to carry out their mandates.

Bureau of Urban and Physical Planning
Opportunities
- Focus on revenue collection from layout fees, land use, clearance and change of use. Illegal conversion of properties is prevalent in the state capital and Ota.
- Automation of the operational systems to block revenue leakages.
- Modernise working environment and deploy more automation.
- Train and develop institutional, organizational and human capacities to carry out their mandates.

Ministry of Finance
Opportunities
- Ensure total disclosure of revenue collection by agencies for accurate global reporting and transparency.
- Ensure revenue congruence by revenue generating MDAs.
- Implement a system that will ensure total revenue reporting by tertiary institutions.
- Introduce Property Tax which will entail physical property enumeration and evaluation State-wide.
- Tax administration by an agency of the Ministry of Finance.
- Work out details of logistics, implementation and computation of the tax.

ICT as Revenue Driver
- Deploy ICT to all revenue generating MDAs to ensure efficiency, accuracy and transparency.
- Deploy e-solution for more efficient revenue collection.
- Connectivity of Central Revenue Database with all revenue generating MDAs by TAMC (consultant who provides systems and processes and monitors revenue collection State-wide).

State Government
Opportunities
- Improve accountability to tax payers through efficient administration of taxes, rates and fees.
- Provide improved services to residents with taxes and revenue generated.
- Simplify laws and processes in order to promote maximum voluntary compliance at minimal cost to the residents.
- Reduce multiplicity of agencies and tax offices at zones and introduce complaint and feedback mechanisms.
- Give revenue generating MDAs the political backing to assess and collect taxes, charges and levies.

Local Governments
Major challenges have been identified with charges and levy collection, especially at the local government level where there were illegal levies and fake tax collectors. Also identified is the limitation of institutional, organizational and human capacities to collect levies and the fact that LGAs do not keep proper records of collections. Other resources are also not readily available for example, transportation (vehicles and motorcycles) for tax collection especially in the rural areas. Where the levies could be genuinely supported by legislation, some unscrupulous revenue officers habitually collect levies

including unauthorized heads of charges, varying the amounts payable to facilitate unlawful negotiations and extortion of bribes from taxpayers, and using unapproved methods for example, mounting road blocks. Also sanitary inspectors at the LG levels resort to unauthorized means of collecting levies thereby increasing the cost of business to taxpayers. Stricter controls are required from the State House of Assembly which should enact relevant legislation and have tighter over sight.

There is lack of clear understanding of the provisions of the 1999 Constitution as it relates to taxes, levies and charges by the three tiers of government and responsibility of the three tiers of government. Also, LGAs have all fallen into the system of collecting Statutory Allocation rather than focusing on generating their revenue, keeping proper and accurate records. However Ado Odo Ota, Ifo and Abeokuta South LGAs have maintained some records.

Most of the items on the local government levies apply to individuals in particular trades or businesses, for example, liquor license fee, abattoir levy, shops and kiosk levy, radio/TV license, wharf landing fee, birth and death registration, street naming, bicycle, wheel barrow and canoe registration.

Situation analysis

Ogun State occupies a unique place in Nigeria as the State through which to access the nation's commercial centre, Lagos, which has an International Airport, two domestic airports, two major sea ports and access to the West African sub-region. Agriculture is the main occupation of the people of Ogun State, providing income and employment for a large percentage of the population. The agricultural policy of the State is to increase output substantially as a weapon against malnutrition and a means of improving the standard of living of the people, as well as producing for export. Out of the total land area of about 16,409 square kilometres, about 20 per cent is preserved as forest reserves.

There are some large-scale industries in the State, both privately and state owned, and some small scale industries. Ogun State is pursuing its industrialization and tourism policy. It is also pursuing other creative revenue generation strategies such as naming of government buildings. These efforts will increase employment which will result in increases in State revenue from taxes, fees, charges and levies.

It is therefore necessary to identify areas of State strengths for leveraging its performance in the reform process; the weaknesses, which ought to be improved upon; opportunities to be taken advantage of to enjoy the gains from its next-door neighbour, and threats that the State must mitigate vis-à-vis variables in the operating environment.

Strengths

- Some technology/automation has been deployed to revenue generating MDAs (about 100 computers)
- Leadership of BIR and other revenue generating MDAs has changed from civil servants to professionals.
- Proximity to Lagos will ensure it captures the spill-over population from Lagos; The Gateway City company is at the heart of this drive.
- Industrialization policy: with about 200 industries and businesses located in Ogun State in last 2 years and easier for manufacturers to distribute from Ogun State.
- Large expanse of land (more than 5 times that of Lagos) and quick development of infrastructure (New City Centre and GRA Abeokuta, and Isheri Gateway City) for private sector to drive economic growth
- Investment friendly government.
- Over 12 tertiary institutions with over 40,000 graduates a year.

Weaknesses

- Prevalence of fake receipts and illegal tax collectors.
- Procedural loopholes which include poor internal control process in revenue generating agencies. These sometimes result in revenue leakages.
- Obsolete rates which have been discussed at the 2010 pre-budget session.

- Manually-driven processes at most revenue agencies which result in manipulations and time wasting.
- Incongruent adoption of revenue collection processes. Different platforms/tools are used which do not synchronize i.e. – e-tranzact, interswitch, VVS, POP.
- Limited capacities at sub-national levels: institutional, organizational and human.
- Limited resources of money, materials and men, especially vehicles for tax coverage.
- Finite population and transactions, undeveloped economy.
- Limitation of extent to which rates can be reviewed upwards and new levies included.
- Large public service population and high level of poverty results in incremental and not exponential growth.
- Tax payers have ability but are very unwilling to pay tax (sacred cow syndrome).
- Inability to enforce (tax evasion).
- Lack of update electronic databases of tax payers.
- Multiple taxation arising from lack of understanding of laws and responsibilities of the three tiers of government.
- Local Governments: too many sundry levies, limited capacity.
- Federal Government: centralised payroll and State unable to determine adequacy of tax; non-payment of Land charges & fees.
- Informal Sector and agriculture largely outside tax net.
- Election period and concerns over change in government which might result in changes in policies and decline in political will.
- Current level of IGR despite substantial increases still inadequate for meeting the immediate socio-economic needs of the State.

Opportunities

- New City at two locations (Isheri Gateway City and new Abeokuta city centre) to be developed by the private sector
- GRA Abeokuta to be redeveloped through PPP.
- Promoting Gateway International Airport in Remo.
- Granted licences by the Federal Government for 3 free trade zones: Olokola, Kajola and Ogun-Guandong (in partnership with the Chinese and operational).
- Promoting deep sea port at Ode Omi as trans-shipment zone in West Africa.
- Developing industrial parks with PPP e.g. Sagamu with the food giant Nestle building its largest factory in West Africa.
- Expanding economic horizon with creation of "growth poles" i.e. education as a vehicle for providing economic centres through 4 ICT polytechnics.
- Industrialization for economic growth therefore creating employment opportunities and bringing more people into the tax net through income tax and PAYE.
- Continued growth of informal sector.

Some of the opportunities identified above are capital intensive therefore sourcing the capital for the projects may be challenging especially as oil prices have dropped and the economic crisis worldwide limits access to international capital.

Threats

- Funding because present level of revenue is inadequate.
- Ability of private sector to raise funds to execute projects may be challenging.
- Elections, transition/successor government and continuity of policies.
- Technocrats are increasingly more involved in politics instead of governance.
- High poverty levels.
- Absence of true fiscal federalism.
- Overstretched financial resources and debt profile.

Stakeholders' perspectives

Multiple taxation was stated by most of the stakeholders as the biggest issue in revenue generation drive in the State. This is where a tax payer (organization or individual) is subjected to two or more different types of taxes and it does not seem to matter that the taxes in question have different bases and are charged by different tiers of government or different organizations and are for different purposes. There are several tax laws and levies in Nigeria: eight at the Federal level, 11 at the state level and 20 at the local government level. We shall examine the role of specific groups of stakeholders:

Organized private sector

This sector is growing with the State Government's industrialization and agricultural policies. Businesses on the Lagos-Ibadan Expressway have grown from about five in 2003 to over 200 in 2010 and they are still growing. This growth will create job opportunities and therefore revenue opportunities. Major taxes due from this sector are Personal Income Tax, PAYE of employees or paid apprentices, Withholding taxes, Stamp Duties, Capital Gains Tax, Value Added Tax on vat able transactions and Companies Income Tax. Local governments also impose levies sundry levies. The roles of the organized private sector shall include:

- Developing the electronic databases of member companies and enterprises.
- Implementing enlightenment programmes, and clarifying the various tax laws and responsibilities of three tiers of government in revenue collection to members.
- Cooperating with State Government in blocking revenue leakages.
- Holding the government more accountable.
- Getting more involved in stakeholders forums / enlightenment programs.

Informal sector/artisan groups

Informal sector is referred to as "the non-structured sector that has emerged in the urban centres as a result of the incapacity of the modern sector to absorb new entrants". The informal sector relates to all economic activities that fall outside the formal economy regulated by the state. The taxes due from the informal sector are same as with the organised private sector. The roles of the informal sector / artisan and other groups include:

- Developing lists of members of trade groups, associations and individuals.
- Supporting massive enlightenment campaign to ensure members' tax compliance and cooperation with tax authorities.
- Blocking leakages using unions and associations to monitor tax/levy payments to appropriate authorities and curb leakages for example through the use of fake receipts.

Civil society

Civil Society includes Non-Governmental Organisations, Community Based Organisations, Faith Based Organisations, etc. The roles of civil society include:

- Supporting government enlightenment and sensitization efforts on the need for tax compliance including religious leaders, traditional leaders, and unions.
- Supporting capacity development of tax authorities.
- Serving as independent watchdog on government tax activities.
- Monitoring use of tax payers money for example projects and holding government accountable.
- Providing information on best practices on tax.
- Providing advice on necessary legal and regulatory frameworks for tax.

Local governments

Major problems have been identified with tax and levy collection at the local government level where there are illegal levies and fake tax collectors using fake receipts, tax collectors using illegal methods and several cases of sundry levies. Where the levies could be genuinely supported by legislation, resources (men, money and materials) have been limited making collection and management of levies difficult. Institutional, organizational and human capacities are limited. The roles of the LGAs include:

- Reviewing institutional and organisational arrangements including HR for delivering on their mandates.
- Maintaining accurate records for master register and revenue generated.
- Working with traditional rulers to block leakages in revenue collection to improve tax returns.
- Deploying levies collected in visible projects, for example rural roads, encourages tax payers.

- Focusing on enlightenment and sensitization of civil society on tax/levy compliance.
- Working with the informal & private sectors to improve tax collection.

Development partners

- Supporting capacity building for tax assessment, compliance and enforcement.
- Advising on international good practices on tax assessment and collection.
- Advising on reforms of legal and regulatory frameworks, institutional and organisational arrangements for improved IGR.
- Strengthening of government capacity in the collection and usage of taxes.
- Supporting the collation and dissemination of lessons learned across governments.

Recommendations

As Nigeria approaches the 2011 elections, it is hoped that there will be continuity of policies and the necessary political backing for revenue generation. There is a need for increased transparency in and linkage between revenue generation and the provision of public goods and services. Other recommendations are:

- Grow the tax base through i) industrialization and agriculture policies, ii) capturing the informal sector, and iii) use of land in GRA and City Centre Abeokuta and Isheri.
- Develop an industrial policy which will focus on providing an enabling environment for private sector led growth.
- Develop a good communication strategy using various media, and implement the strategy by continuing with the various stakeholders fora (inclusive governance).
- Develop a good complaints and feedback mechanism in all revenue generating MDAs.
- Continue to train and retrain tax staff/officers.
- Continue to develop the capacities of the revenue generating institutions and tax organizations.
- Develop a State-wide revenue generating strategy which will be innovative and will include resources required to carry out their mandates.
- Develop innovative and creative ways and means of collecting tax and widening the tax net especially capturing the informal sector players.
- Deploy technology across revenue generating MDAs to ensure more transparency, block leakages and improve efficiency thereby enhancing the provision of public goods and services; e-assessment and tax officers should not collect cash.
- Modernise the revenue generating MDAs through automation, staff motivation and periodic strategic management retreats.
- Leadership of revenue generating MDAs should be stable and innovative and should enjoy political backing for the revenue drive.
- Review of legal and regulatory frameworks to empower revenue generating MDAs to carry out their mandates. Where necessary, streamline and/or harmonise tax collection between tiers of government to address complaints of multiple taxation
- Enforcement of tax laws especially on tax evasion.
- Review tax payment remittance systems.
- Encourage local governments to set up Revenue committee that will periodically meet with the State's Joint Revenue Committee and to publish and keep proper and accurate records.
- Continue to negotiate with the Federal government to pay arrears on staff PAYE, etc.
- Learn from and share experiences with other states.
- Develop electronic data banks; improve monthly PAYE remittances and benefits.
- State House of Assembly should apply stricter controls by enacting appropriate legislations to consolidate some of the charges with the State's and have tighter over sight functions over LGAs.

Conclusions

Ogun State has witnessed 247 percent increase in IGR over the last five years which has been used to promote industrialization and agriculture, and improving service delivery and therefore reducing poverty. Increased IGR has provided the State with some stability and predictability in fiscal environment to provide an enabling environment for private sector led growth. IGR reduces long term dependence on oil and aid, and ensures good governance by promoting accountability of governments to their citizens. However, despite the increase in IGR, Ogun State has not been able to pay for its recurrent expenditure from its IGR (not met the Economic Independence Index).

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[9] International Labour Oganisation, 1972

Executive Summary

In 2008, total revenue was N 85.635. IGR was N 3.985 million or 4.65% of total revenue. IGR is expected to contribute 5.66% to the total projected revenue of N 124.371 in the current year. This shows that the State is still heavily dependent on allocations from the federal government. There is an increasing need for the state to diversify its income base. Exploring and developing IGR potential of the State provides an opportunity to reduce dependence on federal allocations.

There was a decline in IGR from N 3.985 billion in 2008 to N 3.751 in 2009. In 20[illegible] to 2007, actual IGR was below potential IGR ranging from 58.4% to 94.6%. Actual IGR exceeded potential IGR in 2008 by 6%. There was a steady growth in IGR from 2003 to 2008. However, the value for 2009 was below the figure recorded in 2008.

The highest IGR was realized from the Ondo State Board of Internal Revenue followed by Ministry of Finance, Internal Revenue of Parastatals, Ministry of Lands and Housing and Ministry of Agriculture. The revenue items under the Ondo State Board of Internal Revenue are Pay and You Earn, Direct Assessment, Development Levy, Withholding Taxes, Stamp Duties, Business Premises and Road Taxes. The highest amount of revenue was obtained from Pay As You Earn

Factors enhancing IGR are (1) Automation of the receipt system through Accelerated Revenue Collection and Accounting System (2) Development of e-Vehicle License by the State Information Technology Agency (3) Presence of professional staff at the Board of Internal Revenue.

Factors militating against IGR or challenges for improved IGR base include: (1) Lack of vehicles for tax officers to carry out official duties outside the office (2) Poor or absence of communication strategy to raise public awareness of IGR (3) Leakages of revenue through counterfeit/manual issuance of receipts (4) Outdated assessment and collection methods (5) Weak enforcement procedure (6) Tax payers apathy (7) Communication gap between the government and the public on IGR (8) Absence of network facility (9) Lack of cooperation among Ministries, Department and Agencies (9) Poor public expenditure and its attendant effect on attitude of the public towards IGR.

Suggestions for improvement articulated by stakeholders are: (1) Establishment of a link between IGR collection and better service delivery will enhance positive perception of the public towards IGR (2) Development of a communication strategy to enhance public awareness and trust (3) A shift from issuing Tax Clearance Certificates manually to Electronic Processing of Tax Clearance Certificate will enhance efficiency and effectiveness of revenue collection process (4) Inter-ministerial networking among MDAs will allow tax implications of all transactions to be captured and processed electronically (5) Extension of electronic receipt system currently being used in Akure to other Local Government Areas in the State (6) The development of a robust a database on individual and corporate tax payers for proper functioning of the Board of Internal Revenue (7) Capacity Building in ICT for staff of the Board (8) Availability of official vehicles for tax officers to carry out official duties outside the office

Introduction

Ondo State was created in 1976. It has 18 Local Governments and a land area of 14,788 km2. The State is bounded in the North by Ekiti and Kogi States; in the east by Edo State; in the West by Oyo and Ogun States, and in the South by the Atlantic Ocean. It has a population of 3,441,024 comprising of 1,761,263 males and 1,679,761 females. The GDP of the state was N 762 million in 2007 while per capita income for the same period was N 212,444. The revenue profile of the state for the current year shows that 124.371 billion Naira is expected to be spent with statutory allocation from the federal government contributing about 21% or 26 billion Naira and 5.56% or 6.916 billion Naira from internally generated revenue.

IGR Situation in Ondo State

In 2008, total revenue was N 85.635. IGR was N 3.985 million or 4.65% of total revenue. IGR is expected to contribute 5.66% to the total projected revenue of N 124.371billion in the current year. This shows that the State is still heavily dependent on allocations from the federal government. There is an increasing need for the state to diversify its income base. Exploring and developing IGR potential of the State provides an opportunity to reduce dependence on federal allocations.

Table 1: Profile of Ondo State Total Revenue for 2008

Revenue	Amount in Billion ₦	% of Total IGR	% of Total Revenue
Taxes	2.068	46.30	2.40
Fines and Fees	0.323	7.25	0.38
Licenses	0.071	1.59	0.08
Earnings and Sales	0.303	6.79	0.35
Rents on Govt. Property	0.455	10.21	0.53
Interest and Dividends	0.986	22.12	1.15
Miscellaneous	0.248	5.56	0.29
Sub-Total (IGR)	4.457	100.00	5.18
Receipt from Federal Account	81.650	-	94.82
Total Revenue	86.107		100.00

Adapted from: Ondo State 2010 Approved Revenue Proposal

Table 2 shows the major sources of IGR from ministries, departments and agencies. The highest IGR was realized from the Ondo State Board of Internal Revenue followed by Ministry of Finance, Internal Revenue of Parastatals, Ministry of Lands and Housing and Ministry of Agriculture.

Table 2: Major Sources of Internally Generated Revenue in Ondo State (2008)

MDA	IGR	% Of Total
Board of Internal Revenue	2,217,328,000.00	50.20
Ministry of Finance	1,337,156,051.56	30.27
Internal Revenue of Parastatals	248,484,690.53	5.63
Ministry of Lands and Housing	64,107,163.30	1.45
Ministry of Justice	61,628,690.32	1.40
Ministry of Agriculture	30,968,840.00	0.70
Ministry of Education	18,232,921.00	0.41
Ministry of Works	10,316,490.00	0.23
Government Printing Press	8,634,074.96	0.20
Judiciary	7,807,962.28	0.18
State Universal Education Board	5,815,000.00	0.13
General Administration Department	4,936,660.00	0.11
Agricultural Development Project	3,744,505.00	0.08
Others	397,973,526.00	9.01
Total	4,417,134,574.95	100.00

Source: Ondo State 2010 Approved Summary of IGR

The revenue items under the Ondo State Board of Internal Revenue are Pay and You Earn, Direct Assessment, Development Levy, Withholding Taxes, Stamp Duties, Business Premises and Road Taxes. The highest amount of revenue was obtained from Pay As You Earn (Table 3). The items for revenue collection in the Ministry of Justice include Oath Fees, Administrative charges on estate of deceased persons, Legal fees for vetting and Drafting of contract, Registration fees paid by Justice of Peace and Tender fees. Legal fees for vetting and Drafting of contracts account for 87% of the total IGR in the Ministry of Justice. In the Ministry of Lands and Housing, IGR is realized from Certificate of Occupancy Fee, Approval of Buildings and Development Plans, Premium on State Land Use and Rent on Government Quarters. The highest amount of revenue in the Ministry of Lands and Housing was obtained from Approval of Building and Development plans and this accounts for 24.6% of IGR followed by Certificate of Occupancy and Premium on State Land Use both with 21%.

There was a decline in IGR from N 3.985 billion in 2008 to N 3.751 in 2009. From 2003 to 2007, actual IGR was below potential IGR ranging from 58.4% to 94.6%. Actual IGR exceeded potential IGR in 2008 by 6%. There was a steady growth in IGR from 2003 to 2008. However, the value for 2009 was below the figure recorded in 2008.

Table 3: Ondo State Board of Internal Revenue, Revenue Collection By Type 2008-2009

Type of Revenue	Amount in Million N (2008)	% of Total	Amount in Million N (2009)	% of Total
Pay As You Earn	1,498.859	37.59	1,307.630	34.85
Direct Assessment	35.840	0.90	46.118	1.23
Development Levy	12.546	0.31	14.849	0.40
Withholding Taxes	522.646	13.12	501.742	13.37
Stamp Duties	9.211	0.23	8.205	0.22
Business Premises	12.395	0.31	6.969	0.19
Road Taxes	126.833	3.18	115.272	3.07
Sub-Total	2,217.333			
Other MDAs	1,767.346	44.35	2,000.787	46.67
Total	3,984.679	100	3,751.817	100

Source: Ondo State Board of Internal Revenue

Factors Enabling Internally Generated Revenue

Automation of the receipt system through Accelerated Revenue Collection and Accounting System (ARCAS) in Ondo State has been implemented by the Board of Internal Revenue. This has made revenue collection more effective and efficient and reduced time wasted in issuing receipts manually. Members of the public are more confident in the new arrangement thus removing the misconceptions that money paid directly to Tax Officers may not end up in the treasury of the government. However, the new arrangement is operational in Akure alone and there is a need to make it state-wide.

The development of electronic vehicle license by Ondo State Information Technology Agency is another strategy to enhance IGR potential of the State. The overall idea is to ensure that public agencies serve the people better and the IGR potential of the State is enhanced at the same time.

The Automated Revenue-generation, Collection-administration and Accounting System is a medium enterprise planning and management system that incorporates collection administration, generation and automated reconciliation of book of accounts. It utilizes modern online technology for a Direct Real-time Bank Lodgment Scheme (DR-T BLS) in managing collections in the state revenue collection processes. It provides information for tax administration and planning while monitoring and coordinating all revenue generation activities concurrently. ARCAS is the first application tailored to meet the specific needs of revenue generation agencies in the public sector and its modular nature makes the various components deployable as a single entity or phased into segments. Some of the modules are Easy Registration of vehicles and driver's licence automation.

ARCAS is an information network system (INS) linking Tax Stations and other Revenue Agencies to lodgment banks. It has inbuilt capacity for integrated messaging system, whistle blowing alerts via SMS and eReceipting. It creates and maintains a secured database of all revenue collection activities thus allowing for on-line real-time tracking. It is expected that this arrangement will increase the internally generated revenue base of Ondo State and provide easy administration, monitoring and co-ordination of all the state's revenue activities.

Presence of professional staff at the Board of Internal Revenue is another factor that is enhancing IGR in the State. However, there is a need for tax officers to be exposed to regular training related to their work so that they can cope with the novelty of automation of revenue collection and tax administration.

Factors Impeding Internally Generated Revenue

Tax Officers are being incapacitated in carrying out duties outside the office due to lack of official vehicles. This is more prevalent in areas where automation of revenue collection is yet to be implemented. This situation tends to aggravate the misconceptions that revenue collected manually by tax officers hardly gets to the treasury.

There is poor or absence of communication strategy to raise public awareness of IGR and to build trust. Information is not readily provided to the public about what has being achieved in the State through IGR. There is little or no information on what the government can achieve in the future through increased IGR. The whole idea is to see the process of growing the State IGR as a partnership between the government and the people.

While appreciable effort has been made by the State Government to curb revenue leakages from counterfeit and manual issuance of receipts through the automation of revenue collection in Akure there is still a lot that is yet to be done to address the issue of revenue leakages in other parts of the State. In some LGAs direct lodgment of revenue in banks cannot be operationalised due to absence of banks. Leakage of revenue is still a problem.

Outdated Assessment and Collection methods often make a mockery of the process of encouraging the public to honour their obligations to the government by way of regular payment of taxes especially in the informal sector. For instance, in arriving at taxable income it is very difficult to explain the rational for N 2,500 tax allowance per annum for a child.
Weak enforcement procedure is a challenge to improvement in IGR as the response of the public is still low. Generally people do not want to pay because they do not see the need for them to do so.

There is communication gap between the government and the public on the issue of IGR. It is important for the government to deploy improved communication and explore opportunities for regular dialogue with different stakeholder groups on the state of IGR. There is no record that the Board of Internal Revenue is holding meetings on a regular basis to interact with stakeholders and create opportunities for partnership between the people and the government.

Several MDAs are involved in one form of revenue collection or the other. The MDAs are yet to be linked in a network arrangement that can easily facilitate sharing of information and harmonizing of revenue collection methods and approaches. This is making it very difficult for the Board of Internal Revenue to collate and harmonise revenue collected by the MDAs.

Poor public expenditure management is often related to negative attitude towards IGR by the people. The expenditure profile of the government has a way of sending a signal to the people on the importance being attached to public expenditure management or lack of it. Where the government demonstrates clearly that it is keen on getting value for public expenditure, it may not be too difficult to get support from the people for increased IGR.

Suggestions for Improvement
There is a disconnect between IGR and service delivery in the current situation. The establishment of a link between IGR collection and service delivery will enhance positive perception of the public on taxes. The government and the people have responsibilities towards growing the IGR base of the State. The government has a responsibility to demonstrate 'what is in IGR for the people' and not just to keep saying that improved IGR base will make more money available for the government to do more projects. It is important for the government to state clearly what will change in terms of service delivery every year when there is more money to spend from IGR. This forms the basis for the partnership between the government and the people.

As a follow up to the relationship between IGR and service delivery it is equally important for the government to communicate clearly with the people on what they should expect from improved IGR. This will go a long way to enhance public awareness and trust. The stakeholders in IGR include corporate bodies, individuals, artisans and civil society. It may be necessary to develop appropriate communication strategy for each stakeholder group. The communication strategy should highlight the goal to be achieved by the government and the tangible benefit that will accrue to the people as a basis for the public to cooperate with the government by fulfilling their obligations in terms of IGR.
A shift from manual issuing of tax clearance certificates to electronic processes will enhance efficiency

and effectiveness of the revenue collection and management. The extension of electronic receipt system currently being implemented in Akure to other parts of the State will block revenue leakages considerably and increase the IGR base of the State.

Inter-ministerial networking arrangement among MDAs and Board of Internal Revenue will allow tax implications of all transactions to be captured and processed electronically thus boosting the IGR purse.

Following the adoption of electronic payment by the Federal Government; which makes it mandatory for Federal MDAs to pay revenue due to States electronically, it is important to link the Board of Internal Revenue with the websites of the Central Bank and Federal Accountant General to capture State revenues.

Development of a database on property owners and rental income from properties will enhance the capacity of the Board of Internal Revenue to collect revenue from that source. Availability of a database of all properties in the Ministry of Lands, Housing and Environment will facilitate assessment and collection of withholding and property taxes. Apart from this, there is also a need for a robust database on individual and corporate tax payers for proper functioning of the Board of Internal Revenue.

By virtue of the automation of the revenue collection process it is necessary to build the capacity of staff of the Board of Internal Revenue and other MDAs generating revenue in ICT and also to facilitate their access to computer with necessary accessories to enhance their ability to cope with current revenue challenges of the State.

Tax Officers should have access to vehicles for official duties as this is related to staff motivation and capacity to carry out their responsibilities

It is important for the government to establish platforms for engagement with stakeholders groups on IGR to create opportunities for interaction and information sharing. This will enhance better working relationship between the government and the stakeholders. It is necessary for stakeholders to have a common understanding of the goal of the government on IGR and to clarify roles and responsibilities of stakeholder groups. It is a good practice for the government to organize stakeholders' forum probably on an annual basis to interact with stakeholders groups on IGR and develop an action plan together with the people. Monitoring of progress on IGR should not be the responsibility of the government alone rather a task group comprising of government representatives, private sector, public servants, civil society and the informal sector should be established to monitor the implementation of action plan on IGR and to report back to the people at the stakeholders' forum.

OSUN STATE

Executive Summary

Tax collection, revenue generation and service delivery have a connection that is crucial for assuring good governance and putting in place an enduring democracy. For many states in Nigeria, this nexus is still proving unachievable. In his 2010 Budget speech, the former Governor of Osun State Prince Olagunsoye Oyinlola noted that "the performance of our annual budget has never been this low since we assumed office". The detailed analysis of the implementation of the 2009 Budget as at the end of September 2009 showed that actual revenue fell short of projected revenue for the period. The average monthly statutory allocation that came into the coffers of the State government was N1.435 billion while an average sum of N1.3 billion was spent monthly on the payment of salaries and allowances for public officials. Dire as this might have sounded, it only told half of the story.

By September 2009, the pro-rata Revenue Budget for Osun State was N73.570 billion while the actual revenue performance for the same period was N30.598 billion representing a 41.59% performance. Out of this amount, IGR contributed a meager N5.418 billion or 17.71%. This is against a total recurrent expenditure estimate of N40.001 billion. Therefore, going by the Economic Independence benchmark, Osun State is not generating enough revenue internally to meet its basic needs. This is a major challenge that needs to be vigorously addressed.

Major sources of IGR in Osun State include PAYE deductions from government workers, produce fees, and taxes and levies on private sector operations such as schools, hospitals, banks, insurance companies, petrol stations, hotels, etc in addition to levies and fees from a largely unorganized informal sector. The highest revenue earner for the State is the Board of Internal Revenue, which delivers about 80% of the State's IGR. Other high revenue earners are the Ministry of Environment, the Ministry of Lands, Urban and Physical Planning, Ministry of Agriculture, Ministry of Justice, Ministry of Health and the Office of the Governor (through rent on government property).

Osun State faces the twin challenge of tapping its already identified sources of tax revenues while also vigorously pursuing the growing of its tax base through the identification and exploitation of new revenue sources. Industrialisation remains low in the state and this means that the number of taxable income earners in the organized private sector is few. It is curious that given the State's position as a citadel of Yoruba culture, tourism does not feature yet as a major source of revenue for the State. Tourism is therefore a growth opportunity that needs to be further pursued through innovative methods that deliver increased revenue. The State Ministry of Tourism, which was created in 2007 should be strengthened to enable it optimize the huge potentials of the tourism sector.

Factors affecting IGR in Osun State are low level of industrialization, apathetic and hostile attitude to the payment of taxes by the public, lack of political will to pursue tax offenders, a largely unmapped and uncharted informal sector many of whose operators are yet to be captured into the tax net, loss of payments on taxable allowances of public officials, the confiscation of revenues that should belong to the State government by non-State entities, (especially traditional rulers and political chieftains), non-remittance of PAYE deductions on salaries of Federal Government workers in the State as well as fees charged on tax incomes by revenue consultants retained by the State government.

Overview of Osun State

Osun State was created in 1991 from the old Oyo State. The State has a population of 3,423,535 according to estimates from the 2006 Census. It encompasses an area of 9,251 square kilometers and has boundaries with Kwara (north), Oyo and Ogun (south), Ondo and Ekiti (east) and Oyo State (west) The geographical landscape of the State comprises extensive fertile soil suitable for agriculture, and savannah land in the northern parts of the State, suitable for cattle rearing. The state has 30 Local Government Areas (LGAs) and one Area Office. Its land area, coupled with a poor road network poses serious challenge to the movement of tax officers to hard-to-reach parts of the state.

Osun State is home to Ile Ife, the cradle of the Yoruba people. Its major towns include Osogbo, Ile Ife, Ikirun, Iwo, Ede, Ila Orangun and Ikire, all of which are old towns with rich histories that could with a little effort be converted into tourism growth-poles. The major occupation of the people is subsistence farming as there are very few large-scale industries or plantation-size farms. Trading, artisan vocations and service sector operations are prevalent in the major towns and Osun State has a large number of transport operators spread across major cities in Nigeria. The State also boasts of a huge diaspora across the West African sub-region who usually return home for festive occasions. However, there is no evidence that the state has started to tap into the opportunities that this diaspora population offer to boost its tax base. The major tourist attractions include the Osun Osogbo shrine (site of the internationally renowned Osun Festival), the Oranmiyan staff and the Centre for Black Culture and International Understanding, a UNESCO-supported project. The state also large deposits of gold, bitumen and granite which are yet to be fully exploited. The development of these solid minerals will help to boost the state's economy and broaden its tax base.

IGR situation report

Like virtually all states in Nigeria, Osun State has a high dependence on allocations from the Federation Account. In 2009, out of a total revenue of N30.598 billion, N20.724 billion (66.58%) came from the Federation Account while only N5.418 billion (17.71%) came from IGR. The State's Board of Internal Revenue, which contributes a huge proportion (80%) of IGR still largely operates from the civil service structure and is headed by a main-line civil servant, with the attendant effects. The State Government has however retained the services of revenue consultants to play supplementary roles especially in tax auditing, training of IRS staff, computerization of the revenue service and to act as a task force to monitor revenue compliance. Three of the consultants handle signage and advertisement as well as emission control. There are however concerns that the consultants are yet to deliver the desired results and that their charges may be unsustainable in the long run. For example, it is claimed that the consultants charge a commission of 15% even on PAYE deductions which are automatic deductions from the emolument of government workers.

The attitude to IGR in government is at best lethargic. For example, lack of sufficient manpower has led to persistently porous operations in the forestry department, which should be a high revenue earner. Many respondents hold the view that if the IRS is repositioned with the necessary wherewithal in terms of up-to-date equipment, qualified officers, adequate vehicles, etc there will be a remarkable improvement in its operations. However, there is a need for value re-orientation of the populace.

Artisans, traders and other operators in the informal sector exhibit a hostility to the payment of taxes that is variously put down to lack of awareness, lack of visible government presence and lack of transparency in public spending. It is also alleged that the reluctance to prosecute tax evaders may be due to an unwillingness on the part of government to "offend" the electorate. Even though most artisan groups in the state are well organized, there has been no visible effort to tap into their database to boost the state's tax base.

Another area of revenue loss is the non-remittance of PAYE taxes on the salaries of Federal Government workers in the State. This appears to be a nation-wide problem as some states have instituted a court action to compel the Federal Government to release the deducted monies to the states. Also of concern is the issue of withholding taxes paid on contracts given to limited liability companies by the state government. The Federal Government is said to be collecting these taxes which many state officials believe should rightly belong to the state. A concerted effort on the part of the states will go a long way to correct this situation.

The IGR challenge is perhaps most acute at the local government level. Local Governments in the State have limited capacity and resources to collect taxes, levies and fees. However, some state officials hold that local government functionaries just do not take revenue collection seriously and may have entered a comfort zone with revenues coming from the Federation Account, which appear to have killed the initiative for tax drive. It is also claimed that many local government executives may be too beholden to traditional rulers, some of whom allegedly collect fees for the erection of GSM communication masts that should accrue to the government. Even those rates for which local governments have a clear constitutional mandate such as tenement rates, radio and television licences are often not collected. Table 1 below provides a vivid picture of the level of performance of local governments vis-à-vis IGR.

Table 1: Osun State Local Government Councils IGR Performance (Jan – August 2010)

S/N	LOCAL GOVERNMENT	%GENERATED (Out of 100% target)	POSITION
1.	Isokan Local Government	11.23%	19th
2.	Osogbo	22.34%	5th
3.	Ede South	42.50%	1st
4.	Irewole	11.37%	17th
5.	Odo-Otin	10.20%	20th
6.	Ola-Oluwa	2.93%	28th
7.	Ilesa-East	13.56%	14th
8.	Atakunmosa-East	6.91%	25th
9.	Obokun	11.34	18th
10.	Irepodun	10.00%	21st
11.	Ife-North	3.35%	27th
12.	Ila	12.38%	15th
13.	Ejigbo	21.04%	6th
14.	Ife-South	14.19%	13th
15.	Egbedore	25.41%	4th
16.	Ifelodun	18.83%	9th
17.	Ede-North	26.53%	2nd
18.	Boripe	16.18%	11th
19.	Boluwaduro	——	29th
20.	Ayedaade	19.54%	8th
21.	Atakunmosa-West	17.67%	10th
22.	Ifedayo	14.72%	12th
23.	Aiyedire	11.58%	16th
24.	Ilesa-West	5.40%	26th
25.	Iwo	26.41%	3rd
26.	Olorunda	20.30%	7th
27.	Ife-Central	9.27%	23rd
28.	Ife-East	——	29th
29.	Oriade	9.60%	22nd
30.	Orolu	8.62%	24th

Source: Osun State Internal Revenue Service

Table 1 shows that no local government met 50% of its revenue target. This is an alarming result that shows the seriousness of the challenge to raise IGR in the State. The uniformly low performance of some of the urban local governments, especially in the Ilesa and Ile Ife axis suggests that very urgent measures need to be put in place to harvest huge revenues which are obviously either not being collected or are being diverted.

Challenges

- Taxable allowances of public officials are not fully captured due to a lack of political will and the indiscriminate issuance of executive waivers
- IRS does not perform optimally due to paucity of professional staff, lack of vehicles, etc.
- Local governments do not exhibit sufficient seriousness on tax enforcement
- Local government executives are not willing to sanction erring political chieftains on tax matters
- Lack of drive in the pursuit of revenue sources such as tenement rates, radio and television licences, motor park fees, etc.
- Illegal collection of revenues by unrecognized entities, e.g. payment of fees on the erection of GSM masts to traditional rulers
- Use of revenue consultants has so far delivered results that do not meet targets and which sometimes eat into the meager resources of the state, for example the consultants charge 15% commission on proceeds from PAYE deductions.
- There are challenges in the area of direct assessment leading to artisans, traders and other operators in the informal sector not paying the correct taxes
- Poor tax enforcement in the forestry department has resulted in loss of revenue to the State from this potentially lucrative sector
- Conflicts still exist on signage and advertisement fees and sanitation fees between the state and

local governments

- Federation account allocations appear to have become a disincentive to robust revenue drive by the state and local governments
- The Federal Government still captures a lot of revenues that rightfully should belong to the state, e.g. withholding taxes on contracts and PAYE on salaries of Federal Government staff working in the state

Opportunities

- Build up and regularly update the master register to ensure that all collectible revenues are captured into the tax net
- Robust engagement with groups in the informal sector to ensure that their members pay the correct taxes
- Streamline tax collection between the two tiers of government (state and local) to address complaints of multiple taxation
- Massive public enlightenment campaigns using various media, including popular theatre to re-attune the public mind to the payment of taxes
- Use the opportunity of the new administration in the state to develop greater political will to tackle tax evasion and address the lethargy in the public service on tax collection and enforcement.
- Build on the tourism potentials of the State to broaden the tax base through the development of revenue-yielding initiatives in the tourism sector
- Make tax assessment, collection and remittance more automated and customer-friendly
- Better policing of private schools, hospitals, hotels, petrol stations, etc to ensure tax compliance
- Capture haulage and inter-state transport operators fully into the tax net
- Devise means of deriving tax revenues from the state's huge diaspora population beginning with an accurate census of people in this category
- Liaise with other state governments to ensure a review of legal provisions guiding the issue of withholding taxes currently being paid to the Federal Government on contracts awarded by the state government.
- Consider the introduction of a one-off poll tax
- Work with other state governments and the state's representatives in the National Assembly to push for a review of the current revenue allocation formula.

Stakeholders' perspectives

Private sector

The presence of the organised private sector in Osun State is still quite low. Therefore, the state government should put in place policies that will encourage businesses to locate in the state while the business firms should support the state in the following ways:

- Develop and regularly update register of firms operating in the state
- Engage constantly with the state government to address areas of concern to businesses that could affect their meeting tax obligations
- Ensure accurate reporting of the activities of firms for tax purposes
- Encourage the use of local addresses as corporate headquarters of companies so that their taxes go to the state government
- Cooperate with the tax authorities for prompt and correct tax assessment and compliance

Informal sector/artisan groups

The informal sector relates to all economic activities that fall outside the formal economy regulated by the state. In Osun State, these activities constitute a large and mostly untapped source of revenue. The roles of the informal sector/artisan and other groups include:

- Developing accurate registers of members of trade groups and associations as well as individual operators.
- Supporting massive public enlightenment campaign to ensure members' tax compliance and cooperation with tax authorities.

- Blocking leakages using unions and associations to monitor tax/levy payments to appropriate authorities and curb leakages for example through the use of fake receipts.
- Unions in the transport sector should help to block revenue leakages resulting from the unscrupulous activities of some of their executives

Civil society

Civil Society includes non-Governmental Organisations, Community-Based Organisations, Faith-Based Organisations, etc. The roles of civil society include:

- Supporting government enlightenment and sensitization efforts on the need for tax compliance including religious leaders, traditional leaders, and unions.
- Supporting capacity development of tax authorities.
- Serving as independent watchdog on government tax activities.
- Monitoring use of tax payers money for example projects and holding government accountable.
- Providing information on best practices on tax.
- Providing advice on necessary legal and regulatory frameworks for tax.
- Encourage religious leaders to exhort their congregations on the need to pay taxes

Local governments

- Reviewing institutional and organisational arrangements including HR for delivering on their mandates.
- Maintaining accurate records for master register and revenue generated.
- Working with traditional rulers to block leakages in revenue collection to improve tax returns.
- Deploying levies collected in visible projects, for example rural roads, encourages tax payers.
- Focusing on enlightenment and sensitization of civil society on tax/levy compliance.
- Working with the informal and private sectors to improve tax collection.

Development partners

- Supporting capacity building for tax assessment, compliance and enforcement.
- Advising on international good practices on tax assessment and collection.
- Advising on reforms of legal and regulatory frameworks, institutional and organisational arrangements for improved IGR.
- Strengthening of government capacity in the collection and usage of taxes.
- Supporting the collation and dissemination of lessons learned across governments.

Recommendations

A lot of room still exists for the improvement of the IGR profile of Osun State. There is a need to build up political will for tax enforcement and it is hoped that the recent change in the administration of the state will impart a new urgency and zeal to the drive to grow the IGR of the state. But the government needs to put its best foot forwards by ensuring increased transparency in and linkage between revenue generation and the provision of public goods and services. Also, beyond addressing the operational issues that hamper the collection of already identified revenues, there is a need to grow the state's tax base through an aggressive industrialization policy that leads to job creation and a quantum leap in the number of taxable individuals and entities. Tourism remains a potential cash cow for Osun State and the government should leverage on the cultural, intellectual and emotional attachments that people worldwide have to aspects of the heritage of the state to drive a profitable tourism sector that will deliver revenue to its coffers. Also, the state should work with other states to ensure that tax revenues currently being captured by the Federal Government are restored to the states.

OYO STATE

Executive Summary

As the end of September 2009, Oyo State realized a sum of N49.689 billion as revenue out of a pro-rated figure of N95.307 billion representing an achievement of 52.13%. Out of this sum, internally generated revenue (IGR) was N14.402 billion, which represented a 60.76% achievement against the pro-rated estimate of N23.701 billion. In spite of this seemingly commendable achievement rate, however, the recurrent expenditure for the same period was N27.872 billion, which meant that IGR stood at barely 50% of recurrent expenditure. In the current year, IGR stands at N34.939 billion out of a total recurrent revenue of N111.989 billion while total recurrent expenditure for the year stands at N55.926 billion. Therefore, going by the Economic Independence Index, Oyo State is only able to pay for just over half of its sustenance from its own earnings. This is an uncomfortable position that should be redressed.

The major sources of IGR in Oyo State include PAYE deductions from government workers, produce fees, taxes and levies on firms operating in the state, land charges and fees accruing to the state government from legal transactions. Like other states in the South West, the highest revenue earner for the State is the Board of Internal Revenue. This is followed by the Ministry of Lands and Housing, Ministry of Commerce and Cooperatives, the Ministry of Lands, Urban and Physical Planning, Ministry of Agriculture Natural Resources and Rural Development, Ministry of Education and Ministry of Justice. Huge investments in real estate development, especially in Ibadan the capital city, by the government of the old Western Region and former administrations of Oyo State continue to yield handsome dividends into the State's coffers both in terms of rents paid and on the secondary market.

However, Oyo State confronts the challenge of rapid urbanization which continues to put a strain on the ability of government to deliver social services. The systems put in place by past administrations have ensured that the state has passably comprehensive tax base data to guide its IGR drive. But there is still a shortfall in terms of the realization of the IGR potentials of the state, which officials put at around N1.5 billion per month as current earnings usually hover around N1 billion. Also, it would appear that the state has not kept up with the high tempo of industrialization that it boasted of in years gone by. This has affected the growth of its tax base as Ibadan, which used to be an industrial hub second only to Lagos appears to have been overtaken by other cities such as Port Harcourt, Kano and the industrial enclaves of the South East.

Factors militating against the matching of potential with reality in IGR proceeds include what officials described as the recalcitrant posture of Federal Government agencies in the state, especially tertiary institutions and research agencies on the PAYE deductions of their staff. Also alleged to be culpable are the banks that serve as revenue collection agents to the state government, which state officials accuse of insincerity especially with regard to the under-declaring of their actual collection. Equally cited as a factor affecting IGR is the uncooperative attitude of operators in the informal sector. Oyo State has a sprawling land mass and given the relatively low quality of its road infrastructure, it is to be expected that capturing informal sector operations in far-flung lands should be a herculean task indeed. However, yet another factor affecting IGR appears to be the state's unfavourable business environment as evidenced in dilapidated infrastructure, insanitary environment and political turbulence which have all conspired to foist a situation of de-industrialisation on the state. Percentage difference in IGR between 2009 and 2010 stood at a mere 3.95%

Overview of Oyo State

Oyo State was created in February 1976 from the old Western State. The 2006 Census puts its population at 5,591,589 although some observers believe that this is a gross under-estimation. The state sits on a total area of 28,454 square kilometers, making it the 14th largest state in the Federation. Oyo has boundaries with Kwara to the north, Ogun to the south, Ondo and Ekiti to the east and the Republic of Benin to the west. The climate of the state favours the cultivation of food and cash crops, especially maize, yam, cassava, millet, rice, cocoa, plantain, palm tree and cashew as well as a vast savanna belt that support livestock. Vast ranches are to be found in Saki, Moniya, Fashola and Ibadan. Also, the state has clay, kaolin, aquamarine and marble deposits in abundance.

The state has 33 Local Government Areas. The people of Oyo State are mainly agrarian but with a predilection for living in high density urban centres. Some of its notable cities are Ibadan, Oyo, Ogbomoso, Iseyin, Kishi, Okeho, Saki, Eruwa, Lanlate, Sepeteri, Ilora, Awe, Ilero, Igbeti and Igbo Ora. The state is populated majorly by people of the Yoruba stock although settlers from other parts of Nigeria live in most parts of the state. Its major indigenous sub-groups are the Oke-Ogun, Oyo, Ogbomoso, Ibadan and Ibarapa.

Oyo State was the seat of the old Western Region and a major beneficiary of the path-breaking initiatives of the region's first Premier, Chief Obafemi Awolowo. It is home to several major cultural and intellectual centres, including the nation's first university, the first teaching hospital, the Cocoa Reasearch Institute of Nigeria (CRIN), the Nigerian Institute of Social and Economic Research (NISER), the International Institute for Tropical Agriculture (IITA) the Forestry Institute all in Ibadan and the School of Survey in Oyo. Ibadan is also the location of Africa's first sport stadium and the first television station.

The state also has many notable tourist attractions, including the Agodi Botanical Gardens, the Suspended Lake at Ado Awaye, Mapo Hall, the University of Ibadan Zoo, the Ido Cenotaph and the Old Oyo National

IGR situation report

Table 1: IGR as percentage of total revenue in Oyo State

Source	Amount (in Naira)	%age of Total
IGR	34,939,879,000.00	31.20
Total Revenue	111,989,879,999.00	100.00

Source: Oyo State Board of Internal Revenue

Table 1 above shows that the current size of the IGR of Oyo State is N34.939 billion which represents 31.20% of the state's total revenue of N111.989 billion. This is despite the fall in allocations from the Federation Account over the past three years. While this should raise much concern, it is the size of IGR vis-à-vis recurrent expenditure that should provide cause for a lot of worry. This is presented in Table 2 below.

Table 2: IGR as percentage of total recurrent expenditure in Oyo State

Source	Amount (in Naira)	%age of Total
IGR	34,939,879,000.00	62.47
Total Recurrent Expenditure	55,926,732,564.00	100.00

Source: Oyo State Board of Internal Revenue

Table 2 above shows the total IGR of Oyo State for the current year, which stands at N34.939 billion. This is against the state's total recurrent expenditure which is N55.926 billion. What these figures translate to is that Oyo State is only able to cover less than two-thirds of its most basic needs from its IGR. This falls quite short of the Economic Independence Index which stipulates that an entity should strive to cover its recurrent expenditure from IGR. Several factors have been adduced for this low performance and these are examined under "challenges" below.

Local governments

Ibadan North and Ibadan South West are reported to be the two top performing local government areas in terms of revenue generation while Ogo Oluwa and Iwajowa are the two least performing local government areas. No data of revenue collection was however made available to support a critical analysis of their performance and determine the pattern that the figures might show in terms of the overall contribution of local governments to IGR.

Challenges

- The size of the state and the distance between urban centres coupled with the deterioration of public infrastructure present peculiar challenges for effective coverage of the state by revenue officials
- The recalcitrant posture of Federal Government agencies in the state, especially tertiary institutions on the remittance of PAYE deductions on their worker' salaries means that the state is losing huge sums of money to the Federal Government. It is conservatively estimated that under-remittance of Federal staff deductions stood at about N2 billion between 2004 and 2009.
- Lack of sincerity on the part of revenue collecting banks to declare their actual collections also contributes to the bleeding of tax revenues
- Insufficient political will to tackle the uncooperative attitude of informal sector operators means that the state is losing revenues that should come from its huge informal sector
- Tension between the state government and local governments on the collection of signage fees costs the state huge revenues. While there is a collection arrangement between the two tiers of government on signage fees, it is alleged that some local governments arbitrarily collect mobile advert fees and road taxes which is the exclusive responsibility of the state government
- There is also the challenge posed by officials of the Federal Inland Revenue Service (FIRS) which compel local governments to remit all deductions from withholding taxes on contracts to its coffers even where the law stipulates that proceeds from withholding taxes on non-limited liability companies belong to the state government
- Lack of infrastructure ins some of the housing estates owned by the state government has led to a decline in the uptake of houses, leading to revenue loss for the state
- The slow take-off of the automated land management and registration (Digital Deed Records) has led to loss of huge sums in ground rents and associated revenues
- Slow progress in the reform of the environmental sanitation sub-sector to institute a full fee-for-service model has also led to a high incidence of uncaptured revenue in this area.
- The continuing tussle for control between Oyo and Osun states over the jointly-owned Ladoke Akintola University has resulted in the less than optimal performance of this institutions, which should ordinarily be a cash cow.

Opportunities

- Ibadan and other cities across the state are ripe for a properly managed sanitation and waste disposal system which would yield revenues to government coffers
- The untapped solid mineral resources of the state have a potential for boosting the revenue of the state government. The state needs to work with relevant stakeholders towards a review of the extant laws on mining which limit states involvement in this lucrative sector
- Haulage and other heavy duty commercial vehicles that move across the state en route other parts of the country should be made to pay taxes to the government
- The tourism potentials of the state need to be creatively exploited, possibly through private sector participation so that they will deliver more tax revenue to government
- There is a need to effectively bring the booming commercial activities along the state's international border within the tax net through a well coordinated strategy

Recent strides

The Board of Internal Revenue has in recent times recorded some commendable strides towards the improvement of its service delivery capacity. There appears to be a renewed commitment to the training of staff to bring them up-to-date with current methods of tax assessment, collection and enforcement. Also, the Board has embarked on the renovation of existing IRS offices across the state while ten new IRS offices have been constructed. Vehicles and motorcycles have been purchased to enhance the movement of IRS personnel and improve their coverage of the state. The introduction of E-Direct payment system is in its early stages while the introduction of private sector participation in waste disposal is being pushed through gradually.

The role of Stakeholders

Private sector

- Regularly update register of firms operating in the state
- Engage constantly with the state government to address areas of concern to businesses that could affect their meeting tax obligations
- Ensure accurate reporting of the activities of firms for tax purposes
- Encourage the use of local addresses as corporate headquarters of companies so that their taxes go to the state government
- Cooperate with the tax authorities for prompt and correct tax assessment and compliance

Informal sector/artisan groups

- Developing accurate registers of members of trade groups and associations as well as individual operators.
- Supporting massive public enlightenment campaign to ensure members' tax compliance and cooperation with tax authorities.
- Blocking leakages using unions and associations to monitor tax/levy payments to appropriate authorities and curb leakages for example through the use of fake receipts.
- Unions in the transport sector should help to block revenue leakages resulting from the unscrupulous activities of some of their executives

Civil society

- Supporting government's public enlightenment and sensitization efforts on the need for tax compliance especially by the informal sector/artisan groups.
- Supporting capacity development of tax authorities.
- Serving as independent watchdog on government tax activities and public spending.
- Providing information on best practices on taxation worldwide.
- Providing advice on necessary legal and regulatory frameworks for tax.
- Encouraging religious leaders to exhort their congregations on the need to pay taxes

Local governments

- Providing up-to-date information on their revenue performance
- Reviewing institutional and organisational arrangements including HR for delivering on their mandates.
- Maintaining accurate records for communities for the master register.
- Working with traditional rulers to block leakages in revenue collection to improve tax returns.
- Deploying levies collected in visible projects, for example rural roads, encourages tax payers.
- Focusing on enlightenment and sensitization of civil society on tax/levy compliance.
- Working with the informal and private sectors to improve tax collection.

Development partners

- Supporting capacity building for tax assessment, compliance and enforcement.
- Advising on international good practices on tax assessment and collection.
- Advising on reforms of relevant legal and regulatory frameworks, institutional and organisational arrangements for improved IGR.
- Strengthening of government capacity in the collection and usage of taxes.
- Supporting the collation and dissemination of lessons learned across governments.

Recommendations

There is a need for more openness on revenue matters on the part of government officials as this would help in presenting an accurate picture and foster improvements in tax returns. Also, the state should creatively explore how it can bring its indigenes in the diaspora into the tax net. The state should work with other states to devise methods for retrieving tax revenues that are currently being captured into the federal purse. Oyo State has established a reputation as the home of high-flying educational institutions in the secondary and tertiary sectors. There is a need to convert this reputation into a source of revenue through creative approaches that add value to education. Also, the state is a major staging post for commerce between Nigeria's business capital (Lagos) and various parts of the country. There is a need for innovative thinking to ensure that the state captures some of the value that passes through its territory.

CONSTITUTIONAL OVERVIEW OF INTERNALLY GENERATED REVENUE

By Steven Ameh Esq.

Introduction

Nigeria and other less developed nations are plagued with widespread poverty, decaying and inadequate infrastructure, environmental deterioration, inadequate social services as well as a rapid population growth. In order to achieve the UN Millennium Development Goals [MDGs] or a remarkable change in the direction of an improved human development evidenced by the provision of good health, education, power and other public infrastructure, colossal resources are required by all the tiers of Government to address the funding challenges in these developing nations, with particular reference to Nigeria.

The Auditor-General of the Federation, Mr. Samuel Okura said, while addressing auditors in Abuja recently that Nigeria's Federally Collected Revenue had dropped by a whopping 42% over the last three years. He said the collection dropped from 4.136 trillion Naira in 2007 to 3.96 trillion Naira in 2008 and further down to 2.919 trillion Naira in year 2009. Considering the trend, it is obvious, with effects from the global economy impacting on Nigeria, the result for the year 2010 will be a source for concern. The Auditor-General added that the statutory allocation to the various tiers of Government had consequently dropped and had been on a steady decline. He went on to say, "We must pay attention to internally generated revenue at all levels. All leakages in revenue generation and administration must be blocked and failure to step up our internally generated revenue will negatively affect budgets and therefore execution of capital projects across the board, i.e. Federal, States and Local Government Councils and invariably the so-called dividends of democracy." Furthermore, THISDAY newspaper publication of Friday 5th November, 2010 reported the Minister of Finance Dr Segun Aganga, while addressing participants at a workshop on internally generated revenue as stating that Nigeria recorded over N122.2billion shortfall from an estimated N194.491billion Internally Generated Revenue targeted within eight months in the 2010 Appropriation Act. Estimated revenue from January to August 2010 for IGR was N194.491billion while the actual came to N72.195 billion, a variance of N122.2 billion. He added that as stakeholders in building our national revenue base, sound and uninterrupted sources of funding government budget must be sought.

From the wake up calls made by the Minister and the Auditor-General, it is clear that we have little or no option but to work hard to accord IGR the importance it deserves as it could, if properly harnessed, be the effective panacea for robust national economic development and a springboard for attainment of the Millennium Development Goals.

The basic sources of revenue for all the tiers of Government are the statutory allocations from the Federation Accounts and the internally generated revenue. But we know that the issues of revenue allocation from the Federation Accounts have continued to be thorny within Federal, States and Local Government Councils. The general view is that having taken 56% allocation from the Federation Account with 2% earmarked for general ecological problems, 1% for the Federal Capital Territory, 1.5% for Stabilisation Account and 3% for development of natural resources, the Federal Government has been unfair. The States and Local government councils are left with a combined total of 48%. [See section 1 and 2 of the Allocation of Revenue (Federation account, etc) Act]. These tiers of Government have serious challenges for sustaining development since they are closer to the grassroots. The consequences of this distribution have compelled the States and Local government councils to rely on Internally Generated Revenue to bridge the resource gap.

Internally Generated Revenue vis-a-vis The Constitution

A proper starting point to my mind is to have a clear definition and understanding of the word REVENUE within the context of our discussion. Section 162 (10) of the 1999 Nigerian Constitution stipulates that the term "revenue" means any income or return accruing to, or derived by the Government of the Federation from any source and includes:-

a) Any receipt, however described, arising from the operation of any law;
b) Any return, however described, arising from or in respect of any property held by the Government of the Federation;
c) Any return by way of interest on loans and dividends in respect of shares or interest held by the Government of the Federation in any company or statutory body.

The operative words here are "income" and "return". The 7th edition of Black's Law Dictionary defines "income" as money or other form of payment that is received periodically from employment, business, investments, royalties, gifts and the like while "return" is defined as a yield or profit from ventures. The summary of both definitions is the effect of harnessing of resources into a pool, and in this case, into the Federation Account, and since these resources are generated within the territorial jurisdiction of the three tiers of government, they are aptly referred to as "Internally Generated Revenue".

Public Revenue
Section 162 (1) of the Nigerian constitution provides for the establishment of a distributive pool account referred to as the "Federation Account" into which shall be paid all the revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the federation, the Nigerian Police Force, the ministry or department of Government charged with the responsibility for foreign affairs and the residents of the FCT, Abuja.

Subsection 2 of the same section 162 of the constitution authorises the President, upon receipt of advice from the Revenue Mobilisation and Fiscal Commission, to table before the National Assembly proposals for revenue allocation form the Federation Account. In determining the formula, the National Assembly is to take into account the following allocation principles:-

a) Equality of the states
b) Population
c) Internal Revenue Generation
d) Land mass/terrain

There is also the proviso that the principle of derivation shall be constantly reflected in any approved formula as being not less than 13% of the revenue accruing to the Federation Account directly from natural resources. This proviso clearly caters for the intakes from the oil prospecting sectors. The terms of distribution of the funds from the Federation Account to the various tiers of government – Federal, States and Local Government Councils are to be effected in a manner to be prescribed by the National Assembly (subsection 3,4 and 5), hence the Allocation of Revenue (Federation Account, etc) Act which spells out the modalities for distribution.
Subsection 6 mandates each State to maintain a special account to be called "State Joint Local Government Account" into which shall be paid all the allocations to the Local Government Councils of the State from the Federation Account and from the Government of the State. In addition, each State must pay into this account such portion of its total revenue on terms and manners prescribed by the National Assembly. This has been manifested by the enactment of the Allocation of Revenue (Federation Account, etc) Act. CAP F26LFN 2004.
Specifically, section 4 (1) of the Act mandates the State Government in addition to the allocation made from the Federation Account under section 1, to Local Government Councils to pay a sum representing 10% of their internally generated revenue to the State Joint Local Government Account every quarter of the financial year.

Sources of Internally Generated Revenue
In the exercise of its legislative functions, the National Assembly enacted the Taxes and Levies (Approved List for Collection) Act 1998 which specifies the various taxes to be collected by the various tiers of government. Part I contains the list of taxes to be collected by the Federal Government, part II contains the list of taxes to be collected by the State government and part III contains the list of taxes to be collected by the Local government. The details are as follows:-

PART I:

TAXES TO BE COLLECTED BY THE FEDERAL GOVERNMENT

(a) Company Income Tax
(b) Withholding Tax on compounds, residents of the Federal Capital Territory, Abuja and non – resident individuals
(c) Petroleum Profit Tax
(d) Education Tax
(e) Capital Gains Tax on residents of the Federal Capital Territory, Abuja, bodies cooperate and non-resident individuals.
(f) Stamp duties on bodies cooperate and residents of the Federal Capital Territory, Abuja.
(g) Personal Income Tax in respect of:-
 i. members of the armed forces of the Federation.
 ii. members of the Nigerian police force
 iii. residents of the Federal Capital Territory, Abuja.
 iv. staff of the Ministry of Foreign Affairs and non-resident individuals.

PART II:

TAXES TO BE COLLECTED BY THE STATE GOVERNMENT

(a) Personal Income Tax in respect of:-
 i. Pay – As - You – Earn (PAYE) and
 ii. Direct Taxation (self assessment)
(b) Withholding Tax (individuals only)
(c) Capital Gains Tax (individuals only)
(d) Stamp duties on instruments executed by individuals
(e) Pools betting and lotteries, gaming and casino taxes
(f) Road Taxes
(g) Business premises registration fee in respect of:-
 1. Urban areas as defined by each State, maximum of
  i. N10, 000.00 (Ten Thousand Naira) per registration and
  ii. N5, 000.00 (Five Thousand Naira) per annum for renewal of registration and
 2. Rural areas:-
  i. N2, 000.00 (Two Thousand Naira) for registration; and
  ii. N1, 000.00 (One Thousand Naira) per annum for renewal of registration
(h) Development levy (individuals only) not more than N100.00 (One Hundred Naira) per annum on all taxable individuals.
(i) Naming of street registration fees in the state capital
(j) Right of Occupancy fees on lands owned by the state government in urban areas of the state.
(k) Market Taxes and levies where state finance is involved

PART III:

TAXES TO BE COLLECTED BY THE LOCAL GOVERNMENT

(a) Shops and Kiosks rates.
(b) Tenements rates
(c) On or off liquor licence
(d) Slaughter slabs
(e) Marriage, birth and death registration fees
(f) Naming of street fees excluding any street in the state capital
(g) Rights of Occupancy fees on lands in rural areas excluding those collected by Federal and State Governments
(h) Market taxes and levies excluding any market where state finance is involved.
(i) Motor park levies
(j) Domestic animals licence fees
(k) Bicycle, Truck, Canoe, Wheelbarrow and Cart fees other than a mechanically propelled truck
(l) Cattle tax payable by cattle farmers only.

(m) Merriment and road closure levy
(n) Radio and televising licence fees (other than radio and T.V. transmitter)
(o) Vehicle radio licence fees (to be imposed by the Local Government of the State in which the car is registered)
(p) Wrong parking charges
(q) Public convenience, sewage and refuse disposal fees
(r) Customary burial ground permit fees
(s) Religious places establishment fees
(t) Signboards and advertisement permit fees

Having defined Internally Generated Revenue within the context of Nigerian Constitution and the various sources thereof, it is safe to now examine some of the core elements that make up these sources as well as legal problems that have arisen and will continue to arise as a result of operation of the laws governing IGR.

1. Taxes and Taxation

In order to promote uniformity, the 1999 constitution of Nigeria vested the legislative power for Income Tax, individual or co-operate, on the Federal Government. It only delegates the administration of the various taxes to the three tiers of Government. It is clear that the Nigerian Tax system is essentially structured as a tool for Revenue collection. The need to tax personal incomes throughout the country prompted the enactment of Income Tax Management Act (ITMA) 1961. Personal Income Tax (PIT) for salaried employment is based on a "pay as you earn" system. Several amendments have been made to the 1961 ITMA Act. For instance, in 1985 PIT was increased from N 600.00 or 10% of earned income to N2,000.00 plus 12.5% of income exceeding N 6,000.00. Also in 1989, a 15% withholding tax was applied to savings deposits of N 50,000.00 or more while tax on rental income was extended to cover chattered vessels, ship or aircraft. In addition, tax on director's fees was pegged at 15%. These measures were aimed principally at generating increased government revenue among others. As at date, in a bid towards enhancing tax administration in the country, the following legislation among others are in place:-

I. The Federal Inland Revenue Act – which has established the agency as an autonomous body and guarantee its funding from a percentage of retained tax collection;
ii. PITA and amendments thereto
Income Tax [Authorised Communication Act]
iii. Companies Income Tax Act
iv. Capital Gains Tax Act 1990
v. VAT Act
vi. Stamp Duties Act
vii. National Road Traffic Regulations Act 2004

The Federal Board of Inland Revenue [FBIR] through its operational arm, the Federal Inland Revenue Service [FIRS] deals with corporate bodies as well as personal income tax for certain categories of individuals as prescribed in section 162 (1)of the constitution. All such collection by the FIRS go to the Federal Government. The Board of Internal Revenue, through its operating arm, the State Internal Revenue service, collects taxes from individuals and partnerships residents in the States. Such taxes or a portion thereof go to the State Government, but there are complains of non-remittance to the State Government by the Federal Government in many States. The Local Government Revenue Committee collects specified rates, levies and fees from individuals and businesses located in the Local Government area as mandated by the fourth schedule of the 1999 Constitution.

Since each State has its Internal Revenue Board to oversee personal and general tax administration and collection, in recognition of the desirability for the existence of a central body to resolve conflicts which may arise between States as to residence of individuals and therefore income tax claims, a body called the Joint Tax Board (JTB) was established by the Federal Government [section 86 of the PITA Act – LFN 2004], by the Federal Government. This board is the apex unifying body for all tax authorities in Nigeria.

Problems common to and disputes arising among tax authorities are dealt with by this Board as an adjudicating body. Its prime functions are to ensure uniformity, harmony and efficiency in the administration of PITA and provide advice on general tax matters in Nigeria.

Challenges Militating against Efficient Revenue Generation and Collection

1. Agitations

The fact that our laws have made strict provisions as to the generation, collection and distribution of revenue presupposes that conflicts are bound to arise as a result of the application and interpretation of these laws. The courts have been inundated with suits or actions aimed at not only interpreting the purport of those legislations, but also to out rightly challenge them as either being unfair or inappropriate. A case in point which stands out is the famous suit instituted by the Attorneys General of the thirty-six States of the Federation against the Attorney-General of the Federation, i.e. ATTORNEY-GENERAL ABIA STATE & 35ORS VS. ATTORNEY GENERAL OF THE FEDERATION (2002)6NWLR (PT.763)264 seeking a resolution of the on-shore-off-shore dichotomy in determining the quantity or sums due to the littoral States as forming a part of the 13% derivation principle of sharing enshrined in section 162 (2) of the Nigerian Constitution. The effect of the judgement in this matter is reflected in section 5(3) of the Allocation of Revenue (Federation Account, etc). Act, which says "for the purposes of subsection (2) of this section, and for the avoidance of any doubt, the distinction hitherto made between on-shore and off-shore oil mineral revenue for the purpose of revenue sharing and the administration of the Fund for the development of the oil mineral producing areas, is hereby abolished". The most acrimonious issue in our country today involves the increasingly strident campaign for economic restitution and ecological rehabilitation by the country's oil-producing ethnic minority communities around the Niger Delta region. There has been an upsurge of economic nationalism in the oil-areas involving rigorous demand for wide-ranging institutional and distributional reforms including the amendments of the Nigerian Constitution to make mining and minerals a joint Federal-State rather than exclusively Federal responsibility. The vesting of mineral land rents and perhaps oil royalties in the communities or States of derivation rather than in the Federal Government, the payment of a significant proportion of a federally collected petroleum profit tax to the oil producing areas in consonance with the principle of derivation. However, the Federal Government has risen to the challenges by making concerted efforts towards compensating the oil-bearing areas for ecological problems of mineral exploration. There has been the establishment of OMPADEC [Oil Mineral Producing Areas Commission], NDDC [Niger Delta Development Commission] as well as the recently established Ministry for Niger Delta Affairs. But whether or not these institutions will achieve the desired impact and therefore quell or assuage the resentments, bitterness and the consequent militancy in the region is left to be seen.

2. Compliance

A recurring problem with Personal Income Tax collection in Nigeria is the reluctance or non-compliance of employers to register their employees with the appropriate tax authorities for PAYE, and to remit due taxes to such authorities. To curtail this issue, the Federal Government in 2002 amended the 1993 PIT Act to make non-complaint employers liable to penalties up to N 25,000.00 as well as being liable to pay all tax arrears. Employers failing to keep proper records would face a penalty of N5,000.00. But whether or not this sanction is adequate or effective to curb this infraction is another matter for consideration.

3. Absence of Equality

Various governments are yet to develop the political will to effectively tax the affluent in our society by empowering the tax administrators appropriately, the reason being because many high net-worth individuals are still outside the tax net. It is not unusual for this group of people to pay just what they have assessed themselves, or nothing at all. The bulk of PIT in Nigeria today is paid by employees whose salaries are deducted at source.

4. Multiplicity of Taxes

This is a major problem affecting efficient revenue generation. The Joint Tax Board has recently stepped up its approach towards minimising or eliminating this syndrome. At a meeting held on 26th – 28th April, 2010, an item in their communiqué issued after the meeting stated "the Board joined the National

Economic Council in condemning multiple taxation, and reiterated that in accordance with the Taxes and Levies Act Cap T2 LFN 2004, it is illegal to mount road blocks for the purpose of collecting any form of levy or tax. On uniformity of PIT laws in Nigeria, the Board re-affirmed that there are no new laws on taxes in the country and called on all tax payers to comply fully with provisions of existing tax laws. Tax payers justifiably resist payment if doubts exist as to whether or not they will not be confronted by the same tax within or outside the State. The roles of States and Local Government in order to eliminate multiple taxation are yet to be harmonised properly. A closer look at the items highlighted in the constitution may be quite necessary with a view to reducing a number of taxes in force. This of course has to be by way of a constitutional amendment.

5. Poor Taxation Drive from Tiers of Government

The political economy of revenue allocation in Nigeria does not prioritise tax efforts, rather, it is premised on such factors as equality of states, population, land mass and terrain, social development needs and internal revenue efforts (10%). This approach discourages a proactive revenue drive, especially for internally generated revenue. It makes all tiers of government reliant on unstable oil revenue which are affected by the volatility of the international oil market. The constant instability of international oil market should have created an opportunity for improved tax efforts within the provisions on taxation as enshrined in the 1999 Constitution. What is more, section 5(7) of the Allocation of Revenue [Federation Account, etc] Act provides an armchair to the States that suffer so called "absolute decline" in its revenue arising from factors outside its control as a result of the implementation of the Act. It states that "the stabilisation fund shall be used to initially augment the allocation to that State in accordance with the acceptable threshold to be worked out by the Revenue Mobilisation and Fiscal Commission, at which recourse can be had to the fund and for how long." Surely, this provision allows States the liberty to make declarations that will ultimately qualify them with little effort for drawings from this account as part of the "cake-sharing-syndrome".

6. Insufficient Available Information Enabling Inclusion of the Self-Employed in the Tax-Payer Database

There exist a large population of the self-employed and the informal sector who are yet to be captured into the data-base for purpose of taxation. The general public is yet to be fully and adequately sensitized towards inculcating in them, the need to be patriotically disposed to voluntary submission to taxation in spite of the immense long term benefits derivable from it. In some dispensations, it would appear that governments either lack the will to take the initiative, or are simply non-challant mainly because capacity building and records management in tax administration efforts in this regard are still very low. Training and re-training of tax officials especially on automation and related matters are yet to be fully accomplished in many States.

7. Government/Political Intervention Against Enforcements

Political intervention over enforcement proceedings against tax defaulters, especially high net-worth individuals or corporate bodies is rampant in our society. This is counter productive and has the effect of giving undue protection to the evaders. There has to exist the political will to be firm and transparent in tax administration. The band-wagon effect of this lapse invariably encourages others to also evade.

8. Tensions Between States and Federal Government

Nearly, if not all the all the States of the Federation have one axe or the other to grind with the Federal Government over collection or distribution of revenue in whatever form. The primary source of such tension stems from the derivation principle in revenue sharing. As stated earlier, the littoral states are still unsatisfied with the 13% derivation. Lagos State is still unhappy with VAT distribution, asserting that it receives very little in spite of the fact that it generates over 80% of total VAT in the country. There has been pockets of agitations from various States or combination of states that seek to be recognised as contributors to the national treasury as a result of the exploitation of their natural resources for the benefit of the Federation, and as such should qualify for the 13% derivation principle. The latest of such group is the Middlebelt Youth Forum which recently came up with a cry for the North-Central geopolitical area comprising of Niger, Kwara, Benue, Plateau, Nasarawa and the FCT to be categorised as such derivative areas on the grounds that various mineral deposits, hydro-electric power, etc are exploited from the area for the benefit of the nation. Furthermore, States cry foul over non –refund monies expended on behalf of the Federal Government without reimbursements or very late reimbursements which always negatively impact on the State's budget or finances.

9. Tension Between States and Local Government Councils

This syndrome is rampant in all the States of the Federation. Clashes exist over who has authority/jurisdiction over collection of some taxes or levies. Typical examples are levies on signages. Most State Government has had to go into arbitration to agree on who has the authority. In most cases, settlements are reached to split the revenue on an agreed ratio.

10. Operation of the Land Use Act 1978

Unfortunately, the land use Act 1978 is by virtue of section 315(5) (d) a part and parcel of the 1999 Constitution and cannot therefore be amended except as provided in the Constitution in spite of calls for such amendment. The Niger Delta Indigenes, and indeed indigenes of mineral producing areas assert that the Act was enacted specifically to deprive them of the right to participate actively in the oil industry, that the Act obstructs their rights to environmental justice and direct benefits of the revenue from their land. This is the fundamental cause of the violence in the region with the consequent negative impact on oil revenue. Furthermore the Act has contributed to confusion and disagreements between States and their Local Government Councils in numerous areas, one of which is in the collection of Tenement Rates. Both tiers of Government assume authority of collection even though the Constitution clearly provides that the Local Government Councils are to collect.

CONCLUSION

It is obvious that the Nigerian Tax system is basically structured as a tool for revenue collection – a legacy from the pre-independence government. There is now a gradual awareness on part of stakeholders – Government and the people on the need to accord the IGR the importance it deserves, taking into cognisance the dwindling oil revenue and the consequent negative impact on the national economy. The country's foreign reserves dropped from USD67 billion before the global economic crises to USD 40.48 billion as at March, 2010. There is therefore no option but to significantly boost IGR as well as fiscal prudence to ensure effective utilisation of resources which are becoming difficult to come by.

The 1999 Nigerian Constitution has highlighted numerous sources of revenue available to all the tiers of Government but majority of the States and Local Government Councils still depend largely on transfers from the Federation Account. There is no State in the Federation that can as yet boast of fiscal autonomy, not even Lagos State with its impressive track record on IGR. There is an urgent need for our law makers to heed the call for Constitutional amendments that will in the long run meet the yearnings and aspirations of Nigerians, particularly those that feel short-changed by some of the provision particularly the Land Use Act of 1978. There exist areas of conflict in revenue collection among tiers of Government as highlighted, not to mention effect of transferring "ownership" of land from traditional/customary owners to Government who now hold it in trust for the people. Revenue from such lands automatically goes first to the Government as against the land owners who would have been consulted or reckoned with before exploitation of the resources of their lands.

There is also a need for the Government to embark on a grand sensitisation of the populace on the need to imbibe the culture of paying taxes in order for it to be able to meet with their expectations in the provision of social services. Enforcement agents on taxation must be properly equipped to enable them discharge their duties/functions fearlessly.

REPORT OF THE WORKSHOP/ECONOMIC FORUM FOR STAKEHOLDERS

The workshop opened with introductory remarks by Mr. Sina Fagbenro-Byron of DFID who set out the objectives of the survey. Thereafter, a presentation of the IGR story of Lagos State was given by Mr. Tunde Fowler, Chairman of the Lagos State Internal Revenue Service see Appendix 4). Mr. Ade Ipaye, Special Adviser to the Governor of Lagos State on Taxation gave some remarks on the policy and operational issues of IGR in Lagos. This was followed by the presentation of survey. Thereafter, a presentation of the IGR story of Lagos State was given by Mr. Tunde Fowler, Chairman of the Lagos State Internal Revenue Service see Appendix 4). Mr. Ade Ipaye, Special Adviser to the Governor of Lagos State on Taxation gave some remarks on the policy and operational issues of IGR in Lagos. This was followed by the presentation of survey reports from the states by the consultants. Mr. Kayode Samuel, the Lead Consultant presented the reports from Osun and Oyo States while Mrs. Oshuwa Gbadebo-Smith presented for Lagos and Ogun States. Mr. Yemi Adeleye presented for Ekiti and Ondo States while Steven Ameh Esq. presented the report for Kwara State as well as the legal overview on internally generated revenue.

Plenary

Mr. Kehinde Sogunle, Ogun State Commissioner for Finance who was also the chairman of the plenary session opened with some prefatory statements: What revenue rights do the states have and how do they ensure that all revenues are captured into the distributable pool? He stressed the need to progress the IGR debate beyond the operational issues of tax collection to matters of policy, framework and context of revenue. How can the contributions of stakeholders support legislation and the overall drive for economic development? Is revenue just about taxes or are there other elements, such as fees on service? What should be the tax base – income or consumption? What kind of assistance can the stakeholders give? What kind of cooperation should there be among the states to address their common problems?

Beyond the routine display of infrastructure as is currently being done in Lagos State, what is the service delivery pay-off of revenues collected. Service delivery is the other side of the social contract between government and the governed. In this regard, accountability is key. Therefore, there is a need to state clearly what tax revenues translate to in terms of the day-to-day lives of the people, e.g. traffic time saved by a new road construction project, man-hours shortened by a new water project, etc. The Lagos State Government has commenced impact assessment of its projects – how the people benefit directly, number of people employed, etc.

There is also a need to strengthen feedback. To raise IGR, the people need to be convinced that the taxes collected previously have been judiciously spent. This raises the issue of accountability and transparency in the use of public monies.

The need for a network of South West states on IGR to promote experience sharing was emphasised. How do we scientifically determine who is a high net worth individual (HNWI) for tax purposes? It was advised that high net-worth individuals be tracked not just through declared income/wealth but also through hard to quantify indices such as perception of influence, shareholding in companies, the kinds of parties that people throw, the vehicles they ride, etc.

How can electronic systems be deployed for tax collection in hard-to-reach areas with low or poor infrastructure? Bankers should be encouraged to provide dedicated officers for hard-to-reach areas where no bank branches exist while tax officers should be provided with pre-loaded machines.

On the problem of capturing of state revenues by the Federal Government, participants advised that correct auditing and the political will to act on the part of the states is key. The use of consultants could become necessary and there are also groups such as the Governors Forum, the Forum of Commissioners for Finance and the Joint Tax Board that can serve as agents of influence in this regard. It was advised that tax issues tie in with other issues that border on the hang-over from the unitary mode of operation of past military regimes and so should be made intrinsic to the on-going push for "true" federalism. The workshop proposed a network of South West states to serve as a pad for challenging unacceptable practices by the Federal Government on matters of revenue and fiscal federalism. The workshop also recommended an amendment to the revenue allocation formula to give more revenue to the states and local governments. The Tax and Approved Levies for Collection Act should also be amended. It was stressed that the location from which profits are derived should weigh heavily as a consideration in the sharing of tax revenue. It was stressed that the Federal Government has no business in the setting of local government revenues, which is the constitutional responsibility of the states.

The workshop recognized that political legitimacy is a strong leverage for political will. A government whose legitimacy is in doubt will have challenges convincing the people to live up to their tax obligations. But should the payment of tax be conditional on government's performance? Mr. Ipaye said that under the law tax payment is not optional and is without condition. The benefits of living in a safe and ordered society cannot be quantified only in terms of roads tarred, drainage cleared etc but must be seen in the larger context of citizen well being.

In conclusion, the workshop advised that to achieve the Vision 20:20:20 of the Federal Government, Nigeria needs to do in the coming ten years some of the things it failed to do in the past 50 years. Participants recognized that the top twenty economies of the world derive 70-80% of their revenues from taxation. A situation where Nigeria catches cold whenever there are unfavourable fluctuations in world oil prices is neither acceptable nor sustainable. In essence, there is no alternative to diversifying the economy to grow the tax base. Citizen activism was also identified as crucial. The people must be ready and willing to hold government accountable on government performance and to demand judicious use of their tax revenues. Civil society and development partners have a role to play in conscientising the citizenry in this direction.

Closing

The workshop ended with closing remarks from Mr. Ade Ipaye and a vote of thanks given by Margaret Fagboyo of DFID.

APPENDX 1

Questions for the Survey

1. Which are the high revenue-earning departments of government?
2. Does the State keep and update a master register?
3. What is the size of the State's IGR - actual vs. budgeted?
4. What explains the difference between actual and budgeted IGR?
5. What is the percentage difference of IGR from the last fiscal year
6. What is the size of IGR relative to total government revenue?
7. What is the size of IGR relative to State's recurrent expenditure?
8. What are the areas of tension between the State and LGAs in IGR collection?
9. What are the areas of tension between the Federal and State Governments
10. What are the identifiable untapped sources of IGR. Impediments to tapping them.
11. Name the top two LGAs in terms of revenue performance
12. Least performing LGAs in terms of revenue performance

APPENDIX 2: LIST OF PERSONS INTERVIEWED BY STATE

Kwara State

Chief (Dr.) F. M. Olaleye	Commissioner for Commerce and Cooperatives
Mr. A. M. Oladapo	Permanent Secretary/Chairman, BIR
Mr. A. O. Oyeniyi	Permanent Secretary, Ministry of Agriculture
Mr. L. O. Alabi	Director of Planning, Ministry of Econ. Devt.
Mr. Usman N. Isiaku	Director, Ministry of Health
A.A. Nallah	Director, Ministry of Agriculture
J. A. Fabiyi	Director, Ministry of Agriculture
A. S. Abdulkadir	Asst. Director, Local Government Audit
Akintola Mudashiru	AGM, Lead Revenue Consulting Firm

Ogun State

Kehinde Sogunle	Commissioner Ministry of Finance
A. Adegbite	Permanent Secretary, Ministry of Finance
Dapo Odojukan	Group Managing Director, Gateway Holdings
Prince W. Olukoya	Chairman, Internal Revenue Services
Kayode Sunmola	Director General, Budget Office
A. O. Ogundipe	Managing Director, Tam & C, Consultants
Prince Adeyanju Lipede	Chairman. Abeokuta South LGA
K. Soyoye	Bureau of Lands and Survey
I. A. Akogun	Bureau of Lands and Survey
S. A. Rasheed	Bureau of Lands and Survey
A. S. Adewolu	Urban and Regional Planning Board
Tola Adenekan	Ministry of Finance
E. N. Ofor	Ministry of Finance
Sojo Adewuyi	Ministry of Finance
J. O. Oduntan	Ministry of Finance
R. O. Eleyowo	Ministry of Finance
A. A. Okuntola	Ministry of Finance
H. O. Adelekan	Ministry of Finance
O. O. Oloyede	Ministry of Finance
I. A. Adewunmi	Bureau of Lands and Surveys
HRM Oba Adedotun Aremu Gbadebo CFR,	Alake of Egbaland
Chief Ogo-Oluwa Bankole	Past Chairman, MAN, Ogun State

Lagos State

Mr. Rotimi Oyekan	Commissioner for Finance
William Babatunde Fowler	Chairman BIR/CEO IRS
Ade Ipaye	Special Adviser to the Governor on Taxation

Kayode Opeifa	Special Adviser on Transportation
Faramade Ogunsanya	Director, LIRS
K. O. Keshinro	Director Accounts, Bureau of Lands
Abayomi Kadiri,	Ministry of Economic Planning & Budget
Alade Taiwo	Alpha Beta Consulting
Debola Hassan	Secretary, Ikoyi Obalende LCDA
Mrs H. A. Biliaminu	Budget Dept, Ikoyi Obalende LCDA
Mrs Foluke Oloniyo	Lagos Chamber of Commerce
Mrs Bimpe Balogun	Ex-President, Chartered Institute of Taxation
Duro Kuteyi	Ex-Chairman, Small Scale Industries
Femi Ashiwaju	Member, Ikeja Business Club
Ms Rhere Omo-Eboh	Development Initiatives (NGO)
Dr E. O. Williams	Member of Civil Society
Mrs. Yetunde Obembe	Member of Civil Society
Ekiti State	
Mr. Wole Jawolusi	Ekiti State Board of Internal Revenue
Pastor Folorunso	Ekiti State Planning Commission
Mr. Owajoba	Accountant, Oye LGA
Chief Esan	Director of Finance, Ifelodun/Irepodun LGA
Ondo State	
Mr. Alade	Ondo State Board of Internal Revenue
Mr. Biodun Oyeleye	New Initiative for Social Development
Osun State	
Elder Simeon Akinyemi Abidoye	Commissioner for Finance
Mr. A. A. Akintaro	Permanent Secretary, Finance Ministry
Mr. M. I. T. Adenipekun	Permanent Secretary, Local Govt. Service Commission
Mr. Bayo Adeyeye	Chairman, Internal Revenue Service
Mr. S. O. Olayode	Ministry of Local Government
Princess Funmi Lamuye	fmr. Legal Adviser to the Governor
Oyo State	
Chief Bayo Bankole	Commissioner for Finance
Chief Diran Odeyemi	Special Adviser to the Governor
Mr. Toyin Akanmu	Permanent Secretary, Ministry of Finance
Mr. Isiaka Zakariyau	Chairman, Board of Internal Revenue
Mr. S. Oyejide	Chief Budget Officer
Mr. Dimeji Owofemi	Businessman
Other	
Dr. Adhiambo Odaga	Representative, Ford Foundation-West Africa

TAXES & LEVIES COLLECTED BY EACH TIER OF GOVERNMENT

(a) Federal Taxes and Levies

1. Companies Income Tax
2. Withholding Tax on companies, residents of the Federal Capital Territory and non-resident individuals
3. Petroleum Profit Tax
4. Value Added Tax
5. Education Tax
6. Capital Gains Tax on the residence of the Federal Capital Territory, bodies corporate and non-resident individuals.
7. Stamp Duties on bodies corporate and residents of the Federal Capital Territory
8. Personal Income Tax in Respect of :
    1. members of the Armed Forces of the Federation,
    2. members of the Nigerian Police Force;
    3. residents of The Federal Capital Territory; and
    4. staff of the Ministry of Foreign Affairs and non-resident individuals

(b) State Taxes and Levies

1. Personal Income Tax in respect of individuals resident in the State.
2. Withholding Tax (Individuals only)
3. Capital Gains Tax (Individuals only)
4. Stamp Duties on instrument executed by individuals
5. Pools betting, lotteries gaming and casino taxes.
6. Road Taxes
7. Business premises registration fee in respect of –
    1. Urban areas as defined by each state maximum of :
        a. N 10,000 for registration,
        b. N5, 000 per annum for renewal of registration and
    2. rural areas-
        i. N 2,000 for registration, and
        ii. N1,000 per annum for the renewal of registration
8. Development Levy(individuals only) not more than N100 per annum on all taxable individuals
9. Naming of street registration fees in the State Capital
10. Right of Occupancy fees on lands owned by the State Government in urban areas of the State
11. Market Taxes and Levies where State finance is involved.

(c) Local Government Taxes and Levies

1. Shops and Kiosks rates
2. Tenement rates
3. On and Off Liquor License fees
4. Slaughter slab fees
5. Marriage, birth and death registration fees
6. Naming of street registration fees, excluding any street in the State Capital
7. Right of Occupancy fees on lands in the rural areas, excluding those collectible by the Federal and State Governments.
8. Markets taxes and levies excluding any market where State finance is involved
9. Motor park levies
10. Domestic animal license fees
11. Bicycle, truck canoe wheelbarrow and cart fees , other than a mechanically propelled truck
12. Cattle tax payable by cattle farmers only
13. Merriment and road closure
14. Radio and television license fees(other than radio and television transmitter)
15. Vehicle radio license
16. Wrong parking charges
17. Public convenience, sewage and refuse disposal fees.
18. Customary burial grounds permit fees
19. Religious places establishment permit fees.
20. Signboard and Advertisement permit fees.

TAX RATES, RELIEFS & ALLOWANCES

Personal Income Tax Rate Structure

The tax rates in the table below are applicable to an individual's taxable income with effect from 1st January, 2001 after all relieves have been deducted. The minimum tax rate payable is 0.5% for any emolument below N30,000 per annum while the maximum tax rate 25%.

Personal Income Tax Rate

Taxable Income	Tax Rate	Tax Payable	Cumulative Taxable Income	Cumulative Tax Payable
First 30,000	5%	1,500	30,000	1,[illegible]0
Next 30,000	10%	3,000	60,000	4,[illegible]0
Next 50,000	15%	7,500	110,000	12[illegible]0
Next 50,000	20%	10,000	160,000	22[illegible]00
Above 160,000	25%			

Type	Relief	Remarks
1. Personal Relief	20% of earned income +N5,000	
2. Children Relief	N2,500 per child to a maximum of 4 children	Attach Evidence
3. Dependant's Relative relief	N2,000 per dependant subject to a maximum of two(2) dependants	
4. Life Assurance	100% of sum paid	Attach Evidence
5. Pension Contribution	100% sum paid	
6. Rent Allowance	Where the employer pays directly to the Employee, the law allows what is paid to the Employee up to the maximum of N150,000 per annum with effect from 1/1/2001	Where free accommodation is provided by the Employer to the employee the ratable value of the property will continue to be used to in arriving at the benefit in kind of the kind of the employee for tax purposes
7. Transport Allowance	The maximum non taxable with effect from 1st Jan. 2001 is N[illegible] per annum	
8. Leave Allowance	A maximum sum of 10% annual basic salary	Any excess is taxable
9. Meal Subsidy Allowance	Meal subsidy per annum is N[illegible] per annum with effect from 1/1/99	Any excess is taxable
10. Utility Allowances	N[illegible] per annum with effect from 1/1/99	Any excess is taxable
11. Entertainment Allowance	N[illegible] per annum with effect from 1/1/99	Any excess is taxable
12. Interest of Loan in respect of owner occupier premises	100% subject to the approval of Board and relevant tax authority	
13. Meal in the employer canteen or no taxable luncheon vouchers	100%	
14. Disability Allowance	N3,000 for the disabled	Limited to 10% of earned income if it is less than N3,000
15. Compensation for loss	100% subject to the approval of the Board	Effective from January 1,1996
16. Retirement gratuities	100% subject to the approval of the Board	Effective from January 1,1996
17. All other allowances paid to any		All are taxable

Withholding Tax Table

	Activities	Rates: Individuals	Rates: Company
1	Dividend, Interest, Rent, Director's Fees	10%	10%
2	Royalties	10%	15%
3	Commission, Professional Services, Consultancy Services	5%	5%
4	Contract Supplies	5%	5%
5	Construction	5%	5%

LAGOS STATE INTERNAL REVENUE SERVICE

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Appendix 4: Presentation by Chairman, Lagos State Board of Internal Revenue

Appendix 5: Attendance at the Workshop/Economic Forum for Stakeholders

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