INSTITUTION: ATLATIC INTERNATIONAL UNIVERSITY

SCHOOL: SCIENCE AND ENGINEERING

DEPARTMENT: ARCHITECTURE

COURSE: TAXATION

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Introduction

Taxation

Taxation is the term for when a taxing authority, usually a government, levies or imposes a financial obligation on its citizens or residents. Paying taxes to government has been a mainstay of civilization since ancient times. - Taxation. By Julia kagan updated April 05 2022, Reviewed by Gordon scott, Fact checked by Suzanne Kvilvaug

The term “taxation” applies to all types of involuntary levies, from income to capital gains to estate taxes.

Key fact about taxation

. Taxation occurs when a government or other authority requires that a fee be paid by citizens and corporation, to that authority.

. The fee is involuntary, and as opposed to other payments, not linked to any specific services that has been or will be provided.

. Tax occurs on physical assets, including property and transactions, such as a sale of stock, or a home.

. Types of taxes include income, corporate, capital gain gains, property, inheritance, and sales. - Taxation. By Julia kagan updated April 05 2022, Reviewed by Gordon scott, Fact checked by Suzanne Kvilvaug

How taxation works

Taxation is differed from other forms of payment, such as market exchanges. Taxation does not require consent and is not directly to any service rendered. The government compels taxation through an implicit or explicit threat of force. – Taxation, -By Julia kagan updated April 05 2022, Reviewed by Gordon scott, Fact checked by Suzanne Kvilvaug

Purpose of taxation

The most basic function of taxation is to fund government expenditures. The role of taxes is to help governments fund various undertakings such as public works, infrastructure, and wars. Taxation, By Julia kagan updated April 05 2022, Reviewed by Gordon scott, Fact checked by Suzanne Kvilvaug

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Types of taxation

. Income tax: Governments impose income taxes on financial income generated by all entities within their jurisdiction, including individuals and businesses.

. Corporate gains: this type of tax is imposed on the profit of a business.

. Capital gains: A tax on capital gains is imposed on any capital gains or profits made by people or businesses from the sale of a certain asset including stocks, bonds, or real estate.

. Property tax. A property tax is asses by a local government and paid by owner of the property. This tax is calculated based on property and land values.

. Inheritance: A type of tax levied on individuals who inherit the estate of a deceased person.

Sales tax: a consumption tax imposed by government on the sale of goods and services. This can take the form of a value added tax [vat], a goods and services tax [GST], a state or provincial sales tax, or an excise tax. - Taxation. By Julia kagan updated April 05 2022, Reviewed by Gordon scott, Fact checked by Suzanne Kvilvaug

Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan.

Purposes/ objectives of taxation

In Nigeria, taxation is targeted towards alleviation and social welfare

1. Revenue generation: the primary objective of tax is the generation of revenue to help the government to run the administration and provide basic facilities for the citizen of Nigeria.

2. Provision of merit goods: Merits goods include health and education. This must not be left entirely to private organization, though private system should encourage to participate.

3. Control the level of inflation: this function is performed in situation where people are taxed heavily, their disposable income will reduced, and they have less purchasing power, therefore reducing the level of inflation

4. Redistribution of income: tax system is a means of ensuring the redistribution of income and wealth in order to reduce poverty and promote social welfare. This can be achieved whereby people earning more will pay higher tax than those earning less.

5. To solve balance of payments problems: where the import is more than the export, the government can raise taxes to take care of the deficit that rises.

6. To discourage businesses and consumption of “harmful goods”: taxes can be used to discourage businesses that are harmful to the growth of the economy of the country and also discourage consumption of harmful goods such as cigarette and alcohol, by imposing heavy taxes on them. -Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan -

Principles of taxation

Adam smith in 1776 sets out the canon or principle of taxation “the wealth of nation”. These are principles otherwise called characteristic imperative for every government to put in place to ensure an efficient, effective, just and equitable tax system. These are:

1. Canon of equity: this principle states that those in the same income bracket should pay the same tax. This can be horizontal equity or vertical equity. Horizontal equity refers to people in the same bracket/income group to pay the same tax. While vertical equity refers to people with different income to pay different tax.

2. Canon of certainty: this principle state that the scope of the tax must be clear and ascertainable that is crucial tax to be paid, how it was computed, when and where to pay it.

3. Canon of convenience: this states that the timing and modality of tax payment must be convenient to the taxpayer

4. Canon of neutrality: it states that the tax system must be neutral as not to affect work, savings, and investment negatively

5. Canon of economy: it states that the administrative costs of collecting tax should be reasonable enough to contribute meaningfully to the revenue pool of the government.

6. Canon of flexibility: this principle states that the tax system must not be static but should be subject to change, so as to suit what obtains at any moment of time.

7. Canon of simplicity: this states that tax should not be too complex where tax laws are implied ones and subject to change to different interpretation. Also its computation must be simple to understand by the tax payer and others. -Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan

Classification of tax

A. Classification by method/tax burden: this class is subdivided to three forms of tax. These are:

. Proportion tax: it has a fixed rate that is applied to a tax payers’ assessable income to obtain the tax liability. The tax payable is proportional to the tax payer’s income.

. Progressive tax: this applies higher rate as income increases. Its sole objective is to redistribute income in the economy. It is also called “pay as you earn”

. Regressive tax: formerly used in Britain, the concept is the higher you earn, the lower the tax you pay.

B. classification by incidence/ tax subject: this is further classified into two. These are:

. Direct tax: this is assessable directly on the tax payer who is required to pay on his property, income or profit. Direct tax include: personal income tax, companies income tax, capital gains tax, petroleum profit tax, education tax.

. Indirect tax: indirect tax is imposed on commodities before they reach the consumer, and are paid upon whom they ultimately fall. They are paid as part of the selling price of the commodity. Examples are: customs and excise duties, value added tax, stamp duties, import and export duties.

C. classification by perspective of tax base: taxes can also be classified according to what is being taxed. In Nigeria the following bases are:

. Capital base: this includes capital gains tax. This is on the sale of capital goods [non-current asset]

.income base: this include: personal income tax, petroleum income tax, as the name implies the income of the government is being taxed upon

. Consumption base – The examples of the case of consumption are value added tax, stamp duties and excise duties. -Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan

Tax law in Nigeria

The Nigeria tax system is a three tie system made of the federal, state and local government. Section 4 and 150 item D of part II of the second of the Nigeria 1999 constitution, gives the government the right to levy taxes on individuals and organization.

Taxies and levies to be collected by the federal government

1. Company income tax
2. Withholding tax – on companies, residents of the federal capital territory. And non-resident individual
3. Petroleum profits tax
4. Value added tax
5. Education tax
6. Capital gains of the federal capital territory, Abuja, bodies, corporate and non-resident individuals
7. Stamp duties on bodies corporate and residents of the federal capital territory, Abuja.
8. Personal income tax in respect of:
9. Members of the armed forces of the federation;
10. Members of the police force
11. Residence of the federal capital territory, Abuja
12. Staff of the ministry of foreign affairs and non-resident individuals
13. National and information technology levy. -Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan

Taxies and levies to be collected by the state government

1. Personal income tax in respect of;
2. Pay as you earn
3. Direct taxation [self-assessment]
4. Withholding tax [individuals only]
5. Stamp duties on instruments executed by individual
6. Pools betting and lotteries, gaming and casinos taxes
7. Road taxes
8. Business premises registration fees in respect of urban and rural areas which include registration fees and per annum renewals As fixed by each state
9. Development levy [individuals only]
10. Naming of registration fees in the state
11. Market taxes and levies where state finance is involved
12. Right of occupancy on lands owned by the state government in the urban area of the state
13. Land use charge where applicable
14. Hotel, restaurant or event consumption center consumption tax, where applicable
15. Entertainment tax
16. Environment fee or levy
17. Mining , milling and quarrying fee,
18. Animal trade tax
19. Produce sales tax
20. Slaughter or abattoir fees, where state finance is involved
21. Infrastructure maintenance charge
22. Fire service charge
23. Property tax
24. Economic development levy
25. Social services contribution levy
26. Signage’s and mobile advertisement, jointly collected by states and local government

Taxes and levies to be collected by local government

1. Shops and kiosks rate
2. Tenement rates
3. On and off liquor license fees
4. Marriage, birth, and death registration fees
5. Naming of street registration fees, excluding any street in the state capital
6. Rights of occupancy fees on lands in rural areas, excluding those collectables by the federal and state government
7. Market taxes and levies excluding any market where state finance is involved
8. Motor park levies
9. Domestic animals license fees
10. Slaughter slab fees
11. Bicycle, truck, canoe, wheel barrow, and cart fees.
12. Cattle tax payable by cattle farmers only
13. Merriment and road closure levy
14. Radio and television license fees
15. Vehicle radio license fees [to be imposed by the local government of the state in which the car is registered]
16. Wrong parking charges
17. Public convenience, sewage and refuse disposal fees
18. Customary burial ground permit fees
19. Religious establish permit fees
20. Wharf landing charge, where applicable

According to Agbonika, Agbonike, and muhammed [2018], the above list was to avoid tax replication and disputes among the three tiers of government. . -Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan

Original assessment /Aggrieved tax payer

This may be amended after the determination of tax payable and this is due to appeal.

An aggrieved tax payer upon receipt of notice of refusal may issue a notice of appeal to the tax appeal tribunal within 30 days after the receipt of notice.

The tax authority may either accept the notice of appeal and issue revised assessment or reject the appeal and issue notice of refusal. Many of the cases above, one is certain. The tax payer must pay a certain amount. The agreed amount in either the revised assessment or the original assessment, best of assessment must be paid within two month.

If the tax payer refuses to pay within the two month, a sum of 10% of the tax shall be added and a demand notice will be served on the tax payer through a demand notice. If the payment is not made within one month from the date of the service of the demand notice, the tax authority may proceed to enforce payment. . -Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan

Challenges of tax administration and collection in Nigeria

According to Eze [2012], in discussing an efficient and effective system of tax administration, there must always be consideration of the challenges which militate against the creation and maintenance of such system.

The major challenges faced in tax administration in Nigeria include:

1. Lack of an overall understanding of the role of taxation in National development.
2. Dependence on oil revenue leading to a neglect of taxation as a source of revenue
3. Lack of sufficient political support for the tax administration
4. Level of business activity in the economy
5. Large informal sector outside the tax net
6. Poor attitude to taxation, lack of tax culture, low awareness amongst tax payers
7. Low level of voluntary compliance
8. Deliberate evasion and non-compliance
9. Multiple taxation
10. Corruption, leakage and diversion of tax revenue by tax officials before and during collection by government officials.
11. Lack of accountability for tax revenue
12. Lack of inter government collaboration, co-operation and co-ordination between tiers and agencies of government
13. Lack of sufficient government impact on citizens. -Overview of taxation and Nigeria tax system – Prof. Godwin Emmanuel oyedokun- leads city university, Ibadan

My experience with tax officials

When we open our plumbing shop newly, some tax officials came and ask us to pay our yearly tax. As someone who was new in the business, we plead with them that our business is a new business they should try and understand with us, but they insist that we must pay. So when the day came for the payment, I was not in the shop because at that time we don’t have the needed capital, so paying tax from the little we have will bring a financial burden into our business.

That first year of our business which was 2017, we didn’t pay tax. The reason for not paying was not deliberate, but it was as a result of little capital that we have.

In 2018 the tax collector came to notify us that we are to pay our tax in the next two weeks. When the two week reaches, we beg them to add additional two weeks again because of the way things were moving at that time. So they agreed and said this is last time they will add days to us, that when next they come, they will lock our shops.

Corruption among tax officials

In the first notice that the tax officials gave to us, there was an account number written on it. Despite the fact that the government account to pay into was boldly written on the notice. The officials insist that we should pay cash to them not into the account. What the government want the type of our business to pay was N5000 and what the officials want us to pay in cash was N2000 per shop. When we compare the two prices, we found out that there is a difference of N3000. So we decide to negotiate to N1000 per shop and pay to the officials.

We paid the tax of 2018 to the tax officials. We don’t know if it was taken to government account or not. Our reason for paying to them was because their charge was lower than what the government wants us to pay into government account.

The next year

In 2019, the tax officials where changed, so different tax officials came to us with the same behavior. They came just like the way the previous officials use to come. In 2019 some of us decide not to pay the tax despite all the notice and warning, it got to a point that they start locking our shops. When they lock our shops they told us that they will take us to the court because we are not paying tax. After much negotiation, we resolve everything and they open our shops.

In the year 2021, they said since our business is a small business, we should be paying collectively. So that year we gathered the money and pay to them collectively which we discover that it was cheaper. And it was someone that paid my tax for me.

Tax paid into the wrong hand

In 2020 tax officials came to our block industry, they gave a notice and in the notice, block industry are to pay N50, 000. At that time even if they will close the business we don’t have that huge amount to pay. We pleaded for additional time. So when the time reach, the tax officials came to our block industry and met no one, so they left and later came back several times without meeting us.

The next year which was 2021, the tax official came and met us working. They said since we didn’t pay last year, we should stop working. But we didn’t stop rather we pleaded for more additional days. They added the days to us and left. When the day we agreed reaches, they came and said that we must pay a certain amount of money, which we don’t have at that time. We negotiated and paid N2000. When we paid the N2000 they insist that we should add something so that they can pay into government account. But we insist and paid only N2000; we thought it was business as usually.

After some months, other tax officials came that same year with someone who was among the people we paid N2,000 to. So these new tax officials came with a police and a POS in their hand. They said if we don’t pay our tax this time around, they will lock the business. After much negotiation, we paid N5000 which was recorded into their POS and a receipt was issued to us. So that year we paid N7000 instead of N5,000 because of illegal way that we wanted to follow

Conclusion

Through this course, I learnt that government income is also taxed. There are many reasons why every citizen is supposed to pay tax but the corruption we see from some tax collectors discourage some of us not to pay always.

Finally this course has shown me reasons why I need to always pay my tax to legal tax collectors. Thanks.

Reference

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