

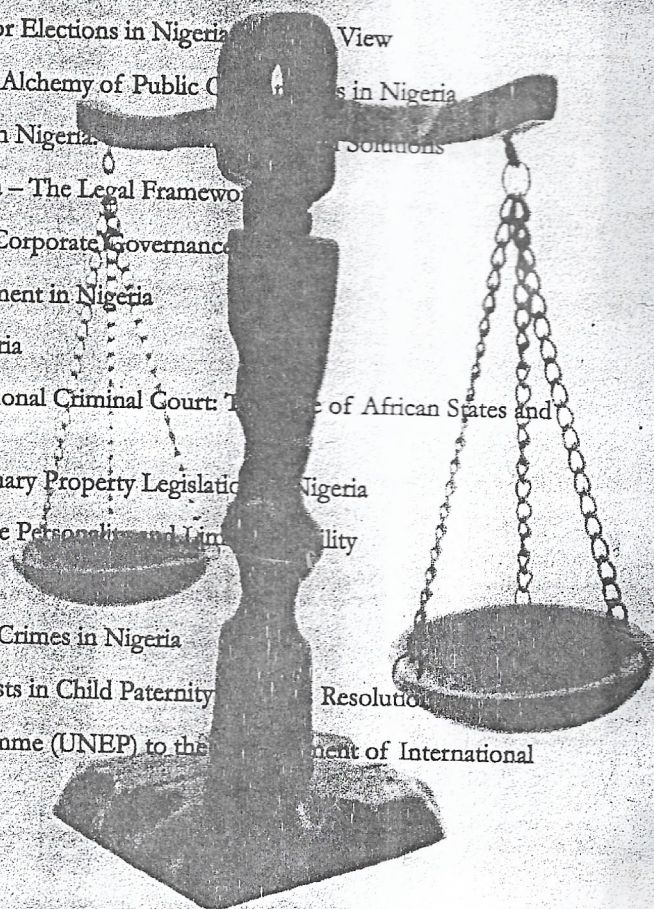


Knowledge for Advancement

JOURNAL

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# Tax Enforcing of the Self-Employed Persons Income in Nigeria: Issues, Challenges and Solutions

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## Abstract

Generating tax revenue from self-employed persons has been a herculean task even in the developed countries. This is because their profits and incomes can hardly be determined in full. In Nigeria, this problem persists. This paper therefore examines the challenges in the effort of generating revenue from self-employed persons in Nigeria. The result of the study reveals that the problem of revenue generation from self-employed persons through tax is endemic, ineffective and encourages tax evasion. In order to check this, the paper recommends that the Personal Income Tax Law be amended to provide for distinct manner by which self-employed persons should keep their book of account to ensure transparency, tax evasion should be viewed as a severe offence like homicide and armed robbery with severe punishment save death penalty. Special unit be created from the present Economic and Financial Crime Commission to handle cases related to tax offences and tax offenders only.

## 1.0 Introduction

Payment of income Tax is very important. It is the major yardstick in determining whether or not a person who is entitled to pay tax is a responsible citizen<sup>1</sup>. Unfortunately, the revenue generation through tax in Nigeria has always been a huge problem. Despite series of ways by which the Nigerian tax law tries to ensure compliance<sup>2</sup>, this problem is compounded when it comes to the issue of generating tax from self-employed persons. Generally, Tax revenue can be generated either directly or indirectly. Direct taxes are those borne by and collected from the income earners themselves, they include the Personal Income Tax, the Company Tax, the Petroleum Tax, etc. While indirect taxes are those levied on goods and services either fully or partially and paid by the final consumer without his knowledge. The most common of this type of tax include Value Added Tax, Customs Duties, Exercise Duties, and Stamp Duties etc<sup>3</sup>.

The history of direct taxation in Nigeria can be traced back to 1904, when the system of personal taxation was introduced by Lord Lugard in the Northern Nigeria<sup>4</sup>. In 1917, the Native Ordinances in Nigeria was signed into law. This was extended to the Eastern Nigeria in 1928<sup>5</sup>. The

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<sup>1</sup> Ijaodola R. 'The Tax Certificate in Nigeria: The Current Problems' in Abifarin F. (ed.) *Modern Trend in Tax, Law, Administration and Practice in Nigeria*, (Juniper Publications, Makurdi, 2013), p. 137. See also *Dr Nnamdi Azikiwe v. Fedeco* (1979)3 L.R.N 286

<sup>2</sup> For instance, any person willing to do or engage in any business with the government establishment is expected to obtain tax clearance, which means such a person must have been paying his tax regularly for the past three years. Similarly, any person vying for elective post in Nigeria is required to produce evidence of having paid tax for at least 3 years preceding the year of election. This is provided for in section 15(h) Kwara State Local Government Electoral Law, 2004 (as amended). Other instances as cited in Ijaodola R. *ibid*, p. 137 are, section 83 (1) (a) Decree 50 of 1991, Paragraph 5 (2)(a) of schedule 3 to Decree No 18 of 1992, Section 4(1)(f) of Decree 6 of 1996 and Section 50 of Decree No 7 of 1997

<sup>3</sup> For details explanation on these categories of tax, see Olokooba S.M, *Law of Taxation II* (National Open University, Lagos), pp.59-69

<sup>4</sup> Jaiyeola O., 'An assessment of Tax Avoidance and Tax Evasion in Lagos State', *Trans Campus Journal of Research in National Development*, Vol. 8 No. 1, June 2010)

<sup>5</sup> *Ibid*



Income Tax Management Act of 1961 was repealed and replaced with Personal Income Tax Decree (PITD), No. 104 of 1993 (now Personal Income Tax Act). The current law that governs the administering of Personal Income Tax (PIT) is the Personal Income Tax Act Cap P8 LFN 2004 which imposes tax on incomes of individuals and corporations<sup>6</sup>. The task of tax revenue generation is carried out by the Federal Inland Revenue Service (FIRS), various State Board of Internal Revenue (SBIR) and the Local Government revenue Committee as tax authorities. Section 3 of the Act<sup>7</sup> specifies among others that tax is payable on:

- a) Gains or profits from any trade, business or vocation for whatever period of time such trade, businesses, profession or vocation may have been carried out or exercised.
- b) Any salary, wages, fees, allowance or other gains or profits from an employment which are paid or payable in money by the employer to the employee including gratuities, compensation, bonuses or premiums, benefits or other perquisites allowed, given or granted by any to an employee subject to some exceptions.
- c) Gains or profits including any premiums arising from a right granted to any other persons for use or occupation of any property.
- d) Dividends, interests or discounts.
- e) Any pensions, charge or annuity.
- f) Any profit or gains not falling within the preceding categories.

Even though the personal income tax had remained the most unsatisfactory and disappointing tax system in Nigeria<sup>8</sup>, it is still the Act governing taxes with respect to persons who are either self-employed, in paid employment or both. Whilst tax revenue from persons in paid employment in Nigeria are derived through the Pay As You Earn (PAYE) system, the case is not the same for the self-employed, who are taxed under the direct assessment system<sup>9</sup>. Self-employed persons include professionals, traders, businessmen, artisans, sole-proprietors and partnerships whether registered or not, so long as they are not regarded as corporate bodies or liable to tax under the Company Income Tax Act. The unpredictable nature of the income, profit and capital of these categories of people couple with dearth of accurate data on them in Nigeria makes them so elusive and blur under the macroscopic watch of tax law in Nigeria with the resultant effect of loss of revenue from their end.

Structured into five sections, an examination of who is a self employed person, challenges and reward of being a self-employed person constitute the second section. Section three is on legal regime of taxation of self employed person's income in Nigeria. In the fourth section, the paper examines the challenges in tax enforcing of the self-employed persons income in Nigeria. Section five ends the paper with conclusion and recommendations.

## 2.0 Who is a Self-Employed Person?

A self employed person is a person working independently for customers or clients and not for an employer<sup>10</sup>. The European Commission defines a self-employed person as someone 'pursuing a

<sup>6</sup> Angahar, P.A. and Alfred, S.I., 'Personal income tax administration in Nigeria: challenges and prospects for increased revenue generation from self employed persons in the society', *Global Business and Economics Research Journal*, p.1

<sup>7</sup> Personal Income Tax Act Cap P8 LFN 2004

<sup>8</sup> Asuquo R.G 'Tax System in Nigeria: Issues and Challenges', available at <<http://www.vanguard.com/2014.03.tax-system-in-nigeria-issues-challenges>>, accessed on 20 September, 2014.

<sup>9</sup> Chudi-Oji C., 'Impact of Taxation on National Development', <<http://www.doublelist.com/impact-taxation-national-development/>> accessed on 02 February 2014

<sup>10</sup> Hornby A.S *Oxford Advanced Learners Dictionary of Current English*, (Oxford University Press, London, 2004), p.1066



gainful activity for their own account,<sup>11</sup> under the conditions laid down by national law<sup>11</sup>. This is in contrast to an employee who is subordinate to and dependent on an employer. It is important to note that some self-employed workers perform work as entrepreneurs while being in a dependent or subordinate position to their client's, customer etc and as such may not always make profit.

A person is therefore self-employed if he/she is the owner of a business or an individual who earns a living by working for himself/herself and not as an employee of someone else. For the purposes of this work, a self-employed person is defined as a person who generates income directly from clients, customers or other organisation by working for himself. A self employed person is a person that has the total control of his business. He is the one that enjoys the dividend as well as bearing the effect of liabilities or loss solely.

### **2.1 Challenges and Reward of Self-Employment in Developing Economy**

In a developing economy like Nigeria, self-employed persons always face a number of challenges in the course of their business. The first and foremost challenge that faces most self-employed is that of finance or capital to start up business and keep the business in a competitive status. A self-employed therefore would need a lot of savings in order to sustain his business. Unpredictable incomes as well as the unmitigated liability are part of the challenges that a self-employed person may face. However despite this, there are some benefits.<sup>12</sup>

Amongst the benefit of self employment are independency, this is possibly the biggest advantage of being self-employed. A self-employed person decides how to work, when to work and where to work. He/She doesn't have to answer or report to anybody, or be ordered around and is not under threat or fear of job loss. A self-employed person is in control and in charge – he is the ultimate decision maker and enjoys independence and freedom from routine. Self income earning is also advantage of self employment. A self-employed person enjoys primarily all the profits and income that comes into the business and all resources expended is for one's benefit.

Similarly, a self-employed person has the opportunity to follow his/her passion and still make money from it. He/she is also able not only to create his/her own success following set goals and targets but enjoys the maximum satisfaction attached to such success. Finally, a self-employed person not only enjoys flexibility in work times but also doesn't have to work under a routine or fixed schedule. There is variety as per clientele or customers you meet, problems or challenges you face daily and projects to tackle etc.<sup>13</sup>

### **3.0 The Legal Regimes of Taxation of Self-Employed Persons Income in Nigeria**

All persons who earn income on a temporal or permanent basis; whether employees or individuals that carry out business activities are required to pay personal income tax<sup>14</sup>. Tax due and payable by employees by reason of their employment, otherwise known as PAYE, should be deducted by their

<sup>11</sup>Neuro 'Found, Self-employed Persons'

<<http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/selfemployedperson.htm>> accessed on 04 February 2014

<sup>12</sup> For details see Alberta 'Employment and Immigration Career and Workplace Resources, Self-Employment: Is It for Me?' <<https://alis.alberta.ca/pdf/cshop/Self-Employment.pdf>> accessed on 04 February 2014

<sup>13</sup> *Ibid*

<sup>14</sup> By the provision of section 1 (a) of PITA Cap. P.8 tax is imposed on individuals, communities and families. See also Abubakar M.L., 'What you should know about Personal Income Tax'

<<http://www.vanguardngr.com/2012/04/what-you-should-know-about-personal-income-tax-1/>> accessed on 02 February 2014. On income chargeable, see section 3 PITA.



employers and remitted to the relevant tax authorities<sup>15</sup>. In fact, there is a bonus for this<sup>16</sup>. On the other hand, the self-employed person is required to assess him/herself, file their returns and make payment on annual basis to the relevant tax authorities.

The relevant tax authority to collect personal income tax of the self-employed person is dependent on the residence of the self-employed person. For individuals or self-employed persons in the Federal Capital Territory, Abuja, it is the Federal Inland Revenue Service, for those resident in the state, self assessment should be submitted to the States Board of Inland Revenue, they are also to pay business premises registration fees, and development levy on individuals only, the Local Governments collect levies from the self-employed on shops and kiosks rates<sup>17</sup>.

As mentioned earlier, tax revenue from persons in paid employment in Nigeria are derived through the Pay As You Earn (PAYE) system, while for the self-employed, it is through the direct assessment system<sup>18</sup>. The Pay As You Earn (PAYE) system is a form of personal income tax payable by those in paid employment or engaged in full-time employment. Personal income tax is deducted by the employer from the employee's salary or wages monthly and then paid to the relevant tax authorities. Every taxable person shall file a return of income in the prescribed form with the relevant tax authority within 90 days from the commencement of every year of assessment.<sup>19</sup>

All individuals, business entities, communities, families, executors, trustees and the self employed who receive or derive income in form of gain or profit either from trade, business profession or vocation within or outside Nigeria shall be liable to direct assessment<sup>20</sup>. All tax payers falling within this category should file the returns of their income and claims for reliefs and allowances relating to the preceding year within 90 days from the beginning of every year<sup>21</sup>. It is obvious that every other individual not classified as employees or in paid employment and specifically self-employed persons are required to carry out self assessment or direct assessment of their yearly income and file a return with the relevant tax authorities which will in turn calculate how much is to be paid as tax<sup>22</sup>.

In a country such as Nigeria where the rate of unemployment is very high, it is un-debatable that a greater percentage of the populace both educated and uneducated belong to the classes of self-employed individual as they are compelled to fend for themselves. Self employed persons outnumbered those in paid employment by a ten to one ratio, yet the revenue yielded from personal income tax by direct assessment on the whole is less than 10% of the yield from the PAYE system and this is despite the fact that self-employed persons earn four times more than others<sup>23</sup>.

Despite the existence of the law on personal income tax, it has been seen that most self-employed persons still do not pay their taxes as some are totally unaware that they should pay or they are just not convince<sup>24</sup> of the need to pay tax. One can only imagine how much revenue should

<sup>15</sup> See Section 44 Personal Income Tax Act

<sup>16</sup> Going by the provision of section 45 of Personal Income Tax Act, a person who files a return under section 41 and section 44 of this Act within the time specified for filing of the return shall, if there is no default in the payment arrangement, be granted a bonus of 1% of the tax payable.

<sup>17</sup> (Taxes and Levies Approved List for Collection) Decree 21 of 1998

<sup>18</sup> Chudi-Oji C, *op.cit*, note 9

<sup>19</sup> S. 41 (3) Personal Income Tax Act, 2004. Section 2(1) of PITA also makes it mandatory for every taxable persons to pay except those exempted from doing so.

<sup>20</sup> Lagos State Internal Revenue Service, 'Tax Types: Direct Assessment' <<http://www.irs.lg.gov.ng/tax-types/direct-assessment/>> accessed on 21 February 2014

<sup>21</sup> *Ibid*

<sup>22</sup> Section 44 Personal Income Tax Act, 2004

<sup>23</sup> Ade Ipaye, 'Tax Collection and Government's Responsibility Under an International Economic Recession' (Being a paper presented at the 1<sup>st</sup> Akwa-Ibom State Revenue Summit, April 6 & 7, 2009)



and can be generated from the self-employed person(s) but in reality this is not the case.<sup>24</sup> Experience has shown that even the few who pay tax do so out of necessity or compulsion or selfishness. For instance, if there is a requirement or need for a Tax Clearance Certificate especially for the politicians, they tend to use all means to get one<sup>25</sup>.

Despite this, it has been evident that PIT in Nigeria had remained the most unsatisfactory and disappointing tax system in Nigeria. The problems associated with PIT have invariably influenced the spate of its amendment as deliberate efforts towards addressing the problems identified with it from time to time. The latest of such amendment is that contained in the PIT (Amendment) Act 2011.<sup>26</sup>

### 3.1 Personal Taxation and Income Chargeable Outlined

The Personal Income Tax Act 2004 is now amended by the Personal Income Tax (Amendment) Act, 2011. Personal Income tax is a tax imposed on the incomes of individuals, communities and families. It is also charged on the incomes due to a trustee or an estate.<sup>27</sup>

Section 1 of the Personal Income Tax act, 2011 states:

There is hereby imposed a tax on the income

- a) Of individuals, Communities and families; and
- b) Arising or due to a trustee or estate, which shall be determined under and be subject to the provisions of this Act

Income Tax is payable on anything that can be described as an income. There is nowhere in the Act where the definition of income has been given though the various sources of income that are chargeable are stated<sup>28</sup>. According to the Act, income tax shall be payable for each year of assessment on the total income of:

- a) Every individual other than persons covered under paragraph (b) of this subsection or corporation sole or body of individuals deemed to be resident for that year in the relevant state under the provisions of this Act and
- b) (iv) The following other persons, that is a person resident outside Nigeria who derives income or profit from Nigeria<sup>29</sup>

An individual (not an itinerant worker) can only be assessed to income tax if he is deemed to be resident in a state for the year of assessment. The residence factor is very gamine in determining whether or not an individual is liable to income tax. In short, the basis of imposing taxes include habitual, residence, nationality, domicile, location of property, head office of corporations, place of business activities, country of derivation of income, and so on.<sup>30</sup>

<sup>24</sup> Angahar, P.A. and Alfred, S.I., *op.cit*, note 6

<sup>25</sup> Some of the tricks politician use in getting the tax clearance certificate was, 'obtaining on credit' this is a situation where in actual fact, the tax payer did not pay, but issued a tax certificate to be paid for after winning election; Collection of contradictory tax certificate. In this instance, same authority issued different tax receipt with different dates. According to Ijaodola, *op.cit* note 1, at p. 138-139 the two instances was what happened in the cases of *Hajia Amudalat Adebake Badamosi v Muda Ade Lawal and ors* (unreported) suit No. KWS/LG/EP/4/96, Judgement delivered on 1/6/96) and *Wahab Femi Agbaje v. Tajudeen Folaranmi Aro* (unreported) suit No. KWS/LG/EP/20/04, Judgement delivered on 25/10/04).

<sup>26</sup> Luqman Z.K 'Challenges of Tax Enforcing of Legal Practitioners Professional Fee in Nigeria' citing Asquo R.G 'Tax System in Nigeria: Issues and Challenges' *Vanguard Newspaper* 24 March 2014, p.1

<sup>27</sup> See section 1 Personal Income Tax Act, 2011

<sup>28</sup> See section 3 (1)(a-e) of PITA, 2011

<sup>29</sup> See section 2(1)(a,b)(i-iv) PITA, Cap. P.8 LFN, 2011

<sup>30</sup> 'Double Taxation Agreements' *West's Encyclopedia of American*



### 3.1.1 Income Chargeable

Income chargeable on business profits however, before doing this, it is essential to determine whether actually there is a trade carried on or not. After confirming that a business is carried on, then, accessibility of the profit or gains arising from such trade follows. The income Decree in Nigeria did not draw dichotomy between profits from illegal and legal businesses<sup>31</sup>. Tax is payable for each year of assessment on the aggregate amounts each of which is the income of every taxable person for the year from a source inside or outside Nigeria including, without restricting the generally of the forgoing<sup>32</sup>. Amongst the various sources of income on which tax is payable are gains or profit from any trade, business, profession or vacation for whatever period of time such trade, business have been carried on or exercised<sup>33</sup>.

Further, on income chargeable, the law requires the taxpayer to declare true income as well as gains. However, where a tax authority is of the opinion that any disposition is not in fact given effect to, or that any transaction which reduces the amount of any tax payable is artificial or fictitious, the tax authority may disregard such disposition or direct that such adjustments shall be made as respects the income of an individual, or an executor, or a trustee, as the authority considers appropriate so as to counter the reduction of liability to tax effected, or reduction which would otherwise be effected by the transaction<sup>34</sup>.

### 4.0 Tax Enforcing of Self-Employed Persons Income in Nigeria

It is evident that most self-employed persons evade, avoid or resist payment of tax. Tax avoidance is a term used to describe the attempt by a tax payer to reduce the amount of tax that is payable by means that are within the law whilst making a full disclosure of the material information to the tax authorities<sup>35</sup>. Examples of tax avoidance involve using tax deductions, changing one's business structure through incorporation or establishing an offshore company in a tax haven. Tax Evasion on the other hand is the general term for efforts by individuals, firms, trusts and other entities to evade the payment of taxes by illegal means<sup>36</sup>.

Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability, and includes, in particular, dishonest tax reporting (such as under declaring income, profits or gains; or overstating deductions). Tax resistance is the refusal to pay the tax for conscientious reasons like the government doesn't provide basic amenities even after collecting tax or they do not want to support the government or some of its activities.

#### *i. The Issues*

The major issue that arises from tax enforcing of the self employed persons income in Nigeria is the reliance on and employment of direct assessment or self assessment system or mechanism in

Law<<http://www.encyclopedia.com/doc/1G2.3437701504.htm>>accessed on June 2014. See also, M.K. Adebayo and Olokooba S.M' The MoU on Double Taxation Agreement between Nigeria and Kenya: An Appraisal', ANULJ Vol. 3(1) 2015, p. 105

<sup>31</sup> Ariwodola J.A, *Personal Taxation in Nigeria* (4<sup>th</sup> edition, Jaa Nigeria Limited, 2001), p.43

<sup>32</sup> See section 3(1)(a-e) PITA. 2011

<sup>33</sup> Section 3(1)PITA, 2011. For those in paid employment, see, section 3(1)(b). and for when an employment could be said to be derived from Nigeria, see, section 10(1)PITA and for employment income, see section 10 (a & b) PITA

<sup>34</sup> Section 17 PITA, 2011

<sup>35</sup> Albinet Media & Business Consulting Services, 'Differences between Tax Avoidance and Tax Evasion', <<http://albinet.com/articles/offshore-company/taxes>> accessed on 21 February 2014

<sup>36</sup> Ibid



determining self-employed persons chargeable income. The germane question to ask here is, is this strategy effective and adequate? The answer to this is clearly in the negative. This is because the direct assessment or self assessment system is subjective. A system that allows a tax payer specifically the self-employed person to decide how much to declare in the form of income for the year surely encourages tax avoidance and a times outright tax evasion because of lack of specific measurable or paraphernalia to measure or determine self-employed persons profit in PITA presently. A system that doesn't have a parameter for verifying facts or information provided by the tax payer as per his/her income would not expect nor have any other returns but one marred by ineffectiveness and failure. A situation where tax officials are in experience and lack expertise skill in determining the capital base on which tax is to be impose will result into only a presumption of figure which with ultimately be less or higher but not accurate; hence the challenges.

## *ii. Challenges*

One of the biggest challenges to tax revenue generation from self-employed persons in Nigeria is the lack of willingness on the part of the self-employed person to voluntarily pay tax. Simply because of the fact that most Nigerian don't see what the tax collected are being used for. In short, most Nigerians especially the self-employed does not appreciate the need to pay tax because they are of the opinion that the services provided by the government i.e basic amenities such as power, good road, water etc that enable them carry out their businesses effectively are not commensurate with tax collected. Most time many tax payers have to source and substitute for these basic amenities on their own. Therefore, to them, since government cannot be sued on this failure, it amounted to double jeopardy on tax payers part.

Furthermore, most Nigerians and especially self-employed persons don't understand the concept of tax, why they should pay tax, and what tax to pay, when to pay, who to pay to, where to pay and what relief and allowance they are entitled to<sup>37</sup>. The resultant effect of this ignorance is that average Nigerian tax payer's belief that payment of tax is a waste of personal fund. Failure of government to educate the public on their responsibility with respect to tax at all times also account for this ignorance.

Poor Economy situation in Nigeria is also a challenge. The dearth in the nation's economy is a huge challenge for tax revenue generation especially among the self-employed. Bearing in mind that the self-employed persons include traders' especially petty traders, hawkers, vendors and subsistent farmers who barely have enough to feed and/or live on daily, it would be most difficult to expect such persons to pay tax.

Lack of proper documentation and accurate Records in the Nigerian tax offices is also a bane of tax enforcing of self-employed persons in come in Nigeria. Most self-employed persons do not keep records of their income and expenditure, profit and loss and basic financial statements. This is more so the case for the uneducated and illiterates. Even some educated ones, literates and professionals do not keep adequate records as their knowledge of book keeping and financial management is very minimal. This makes it difficult to determine easily the taxable income of the self-employed persons in Nigeria.

In Nigeria, there is no statistics or database for the self-employed persons. This challenge is very serious because a good and accurate data bank would form the basis for determination of the number of persons from whom direct tax assessment is expected and hence revenue<sup>38</sup>. Data

<sup>37</sup> Angahar, P.A. and Alfred, S. I., *op. Cit*, note 6

<sup>38</sup> Leyira C.M., Chukwuma E. and Asian A.U., 'Tax System in Nigeria: Challenges and the Way Forward', *Research Journal on Finance and Accounting*, Vol. 3, No. 5, 2012



management should ordinarily assist the tax authorities to retrieve, collate, and reconcile information on the self-employed tax payers within a locality and their compliance with payment of tax.

Corruption is another cankerworm that has eaten deep into Nigerian system. This problem in tax can be seen from two angles. First, the self-employed resistance to payment tax and secondly, some corrupt tax officials that normally colluded with tax evaders to defraud the Government of her taxes by encouraging the self-employed person to under declare and pay less tax while being "settled for the assistance".<sup>39</sup> Unfortunately, in Nigeria, the penalties for non-compliance with relevant tax provisions are not strict enough to compel the self-employed to pay tax. Going by the provision of PITA, failure to pay tax as at when due only attracts fine and not so severe punishment from the authority<sup>40</sup>.

Lastly, lack of qualified personnel in the various tax offices also constitute a great clog in the tax enforcing of the self-employed person's income in Nigeria. This problem had in the past compelled some tax offices to employ the services of tax consultants to help recover tax from the masses especially the self-employed. Even the few tax officers that the tax offices have are inadequately equipped, experienced or lack the technical know-how in the area of tax policies, laws and its enforcement to empower them to carry out their jobs as per generating tax revenue from the self-employed persons effectively and efficiently.

### 5.0 Conclusion and Recommendations

Even in the sight of God, failure to pay tax is an offence<sup>41</sup>. For this it is trite to say categorically that, being a self-employed person does not exempt one from performing his/her civic responsibility of paying tax. Unfortunately, as could be gleaned from the discussion in this paper, due to the weakness and loop hole in the personal Income tax Act with regard to self assessment mode of tax declaration, most self employed persons are found of exploiting this by declaring less amount that they suppose to declare. This couple with other challenges tax enforcing of the self employed person's income in Nigeria is now a mirage, an uneasy task and a problem that needs an urgent solution. Against this background, this paper recommends

- **Public Enlightenment and Education:** Tax authorities should embark on massive and aggressive public enlightenment and education of tax payers on the various taxes payable by all self-employed individuals in the society, its importance and penalties for defaulters. In addition, Civic education especially as per importance of payment of tax should be incorporated into primary and secondary schools curriculum as this would create sufficient awareness and solicit more voluntary compliance from Nigerians at an early age.
- **Stiffer Penalties for Non-Compliance:** Although there is a lot of publicity going on from the Federal Inland Revenue Service (FIRS) about penalty for defaulters, the self-employed group are yet to take same seriously and this is because the tax authorities are yet to send their wrath on the self-employed. Tax evasion should be seen as a serious offence just like the offence of homicide and armed robbery and for that, severe punishment save death penalty should apply.

<sup>39</sup> Angahar, P.A. and Alfred, S.I., *op.cit*, note 6

<sup>40</sup> See section 17 PITA, 2011

<sup>41</sup> That is why Quran 9; 29 decree every Muslim to pay *Zakat*. So also in the Holy Bible, Jesus said of tax in Matthew 22:17-21 that 'give to Caesar what is Caesars, and God what is God's'.



- **Effective Utilization of Tax Revenue:** Provision and improvement of basic infrastructural facilities like power, good roads, cheaper transport systems, water etc would go a long way encourage voluntary compliance by the self-employed who currently have very high cost of doing business because of the unavailability of these basic infrastructures. Concentration by the Government on proper and effective use of tax revenues would definitely solicit more cooperation from the self-employed persons as to paying taxes.
- **Engagement of Experienced and Qualified Personnel:** Experienced and qualified personnel who are tax experts should be engaged. These set of people should also be paid very attractive remuneration as this will reduce the incidence of corruption between the tax officers and tax payers and will further increase devotion to duty and hence increased tax revenue generation especially from the self-employed persons.
- **Empowerment of Investigation and Intelligence Unit:** Empowering the investigation and intelligence unit of the Tax authorities by provision of equipments, like vehicles, monitoring gadgets, computers with constant internet supply and sophisticated software that can keep track of statistics of the self-employed and tax status would make this unit vibrant and effective. The Investigation and Intelligence Unit shall have the responsibility of tracing self-employed persons in the society who have not been paying their taxes and ensuring that they do. This can be done by going through the Corporate Affairs Commission, Land Registry, Vehicle licensing offices, Banks, Community meetings and even going down to the grassroots like the market places, mechanic workshops etc.
- **Regular Amendment to the Tax Laws/Regulations:** The Tax laws should be regularly up-dated and Tax Authorities should be given the power to make regulations to ease effective and efficient performance of their duties of getting the self-employed to pay tax. For instance, a law that requires all self-employed to acquire knowledge of book keeping and keep adequate records of their income and expenditure and makes it an offence for failure to keep same would assist the tax authorities to confirm information provided by the self-employed persons under the Direct Assessment system. Also a law/regulation that empowers the tax authorities to monitor incomes of the self-employed by keeping tabs on their bank accounts would aid the efficiency of the tax authorities and reduce the incidence of tax avoidance and evasion.
- **Enforcing Strict Sanctions for Tax Defaulters and Corrupt Tax Officers:** Creation and enforcement of existing sanctions for corrupt politicians and contractors who fail to use tax revenue judiciously for provision of amenities will encourage self-employed persons to pay tax. Likewise penalising corrupt tax officers would reduce the incidence of corruption within the tax offices and the self-employed will have no option than cooperate in paying their taxes as and when due. In a nut shell, a specialised Unit should be created from the Economic and Financial Crimes Commission to handle and deal with cases related to tax offences and offenders. This unit should be headed by a tax law expert.