

E-TAX, A SOLUTION TO TRADITIONAL TAX SYSTEM IN NIGERIA

CHAPTER ONE

1.0 Introduction

1.1 Background to the study

The political, economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure in that given country. According to AZUBIKE (2009), tax is a major player in every society of the world. The Nigerian tax system is lopsided and dominated by oil revenue. According to Statistics from the Central Bank of Nigeria (2000), oil and gas exports accounted for more than 98 percent of export earnings and about 83 percent of federal government revenue, as well as generating more than 40 percent of its GDP. It also provides 95 percent foreign exchange earnings. Therefore, a highly lucrative means of generating the amount of revenue needed for providing the necessary infrastructure for our country through tax is no doubt through a well-structured tax system.

According to the Presidential Committee on National tax policy (2008), the central objective of the Nigerian tax system is to contribute to the well-being of all Nigerians directly through improved policy formulation and indirectly through appropriate utilization of tax revenue generated for the benefit of the people. Over the years our tax system has not been able to reach these perceived objectives as a result of some setbacks and challenges some of which include lack of stewardship amongst tax payers, multiplicity of taxes, complex tax payment system and tax offsetting, lack of technological exposure, tax evasion, corruption, government instability

which instigates noncompliance with relevant tax laws, poor information base and record keeping etc.

Technology is influencing our lives and continues to change the way we do things from the simple day to day activities to the complex and less routine task. The impact of technology can be felt in every area of our lives such as education, entertainment, communication, commerce including taxation. Information Technology (IT) is a very crucial component of tax administration reform as it enables tax administrators to better gather and analyze information, to proactively manage workload and resources, to foster a co-operative engagement with taxpayers and to standardize the treatment of tax payers and thus facilitate the uniform application of the law (USAID leadership in public financial management). The use of IT to aid tax administration is the initiative that gave birth to the now popular E-tax system today

The integration of information technology in tax administration in the form of E-tax known as electronic taxation has proved to be a master tool in combatting the challenges of any tax system as it provides information, education and support to tax payers and facilitates compliance and administration. It basically involves the automation of core tax processes. The E-tax systems are often thought of solely as IT support to taxpayer services. It should be clear, however, that E-tax systems do more than provide information, education, and assistance to taxpayers due to its unique components such as electronic registration and filing, automatic updates of taxpayer information etc. It also guarantees reduced cost of administering taxes. According to the World Bank and PwC Paying Taxes Report 2013, sixty six economies had fully implemented electronic filing and payment of taxes as at 2010. Also, twenty of them adopted the system in the past seven years.

The Federal Inland Revenue board and state board of internal revenue as well as local government revenue committees are saddled with the responsibility of administering taxes at the federal, state and local levels respectively. The Nigerian government through these public boards has made efforts to restructure the tax system in a well-structured and coordinated manner. One of this is the implementation of an electronic tax system called the ‘integrated tax administration system’ which if implemented properly would enhance compliance and eliminate the problem of tax information and statistics. With this new reform, the government aims at capturing more companies and individuals in the tax net so as to increase revenue derived from taxes as well as stabilize the economy.

The E-tax system is however expected to promote efficiency, accountability, compliance and also curb leakages in the Nigerian tax system. The system will go a long way in lightening the work load of the tax payers and reducing operational cost .E-tax if adopted well have an overall positive impact on the tax system.

1.2. Statement of the Problem

The Nigerian tax system which is made up of tax policy, laws and administration has faced so many challenges over the years which have brought about inefficiency and increased administrative cost. The amount of revenue to be derived from taxation in every nation is completely dependent on the tax system put in place. This probably influenced the decision of the Federal Government of Nigeria (FGN), which in 1991 set up a Study Group on the Review of the Nigerian Tax System and Administration so as to optimize revenue from various tax sources.

In a FIRS press release, it was reported that approximately 12 billion naira traditionally vanishes into the pocket of individuals not to mention the problems of complexity of payment, unavailability of tax statistics and information, and also poor technological exposure on the part of both tax payers and tax authorities.

The introduction of E-tax has done more good than harm since its adoption into the tax system. The system as practiced by other countries such as Malaysia, Slovenia, Germany, America and so many others has helped reduce time to comply with the 3 main taxes (profit, labor and consumption) as well as provided reliable and accurate tax statistics. The Joint Tax Board, the Federal Inland Revenue Service and some State Internal Revenue Service have or are in the process of implementing electronic tax systems. Whilst the initiative is commendable it is important to note that there are expected challenges facing the adoption of this system that could put a strain on the already flawed tax system.

E-tax when if administered properly can be the solution to the irregular tax system in operation in Nigeria. Hence the aim of this study is to evaluate the benefits of e-tax and proffer it as a solution to the Nigerian tax system.

1.3 Research Objectives

The aim of this study is to analyze and evaluate the draw backs facing the legal tax system prevailing in our country and combat these challenges with a well-structured electronic tax system. The goals of this research work are as follows;

- To identify and understand the weaknesses of the traditional tax system in Nigeria
- To evaluate and analyze E-tax, its origin and benefits over the years and proffer it as a solution to the traditional tax system

- To highlight the challenges and risks of adopting an electronic tax system in the country
- To suggest ways to overcome these challenges so as to achieve positive changes in the traditional tax system which will lead to overall increased returns and tax efficiency.

1.4 Research Questions

- What are the events that led to the questioning of the prevailing tax system in Nigeria?
- What are the challenges that have been identified and traced to the traditional tax system on account of the events above?
- What is E-tax all about and to what extent has it benefited other economies on its adoption?
- What are the expected challenges of E-tax in its bid to eliminate the challenges observed in the traditional tax system in Nigeria?
- How can we overcome these challenges and create a good E-tax system that will improve the effectiveness and efficiency of the traditional tax system in Nigeria?

1.5 Research Hypothesis

The hypothesis on which this study is based is stated in the null and alternative form as follows;

- i. H_0 ; There are no problems with the traditional system of taxation in Nigeria
 H_1 ; there are problems with the traditional system of taxation in Nigeria
- ii. H_0 ; The adoption of E-tax will not provide significant solution to the identified problems with the traditional system of taxation in Nigeria

- H₁; the adoption of E-tax will provide significant solution to the identified problem with the traditional system of taxation in Nigeria
- iii. H₀; There are no expected challenges and risks in the adoption of a good E-tax system
- H₁; There are expected challenges and risks in the adoption of a good E-tax system
- iv. H₀; Strategic efforts are not required by the FIRS in overcoming these challenges for the smooth adoption and sustenance of a good E-tax system
- H₁; Strategic efforts are required by the FIRS in overcoming these challenges for the smooth adoption and sustenance of a good E-tax system

1.6 SIGNIFICANCE OF THE STUDY

This research will be a useful guide in the appraisal of the traditional tax system in Nigeria as related to the electronic system of taxation and therefore will be beneficial to the various existing tax authorities in Nigeria, policy making government officials at all level as well as tax payers and the general public. The work may also serve as knowledgeable information to other economies regarding evolution and changes in tax system, Also researchers who wish to undergo research work in this area will be interested in this research project.

1.7 SCOPE OF THE STUDY

The research will be centered on the Nigerian tax system, its strengths and weaknesses as well as the benefits and solutions an E-tax system could offer. It would contain a detailed analysis of

how to adopt and maintain a good E-tax system as a means of improving on the traditional tax system as well as encouraging tax compliance amongst tax payers.

1.8 LIMITATIONS TO THE STUDY

The research is centered on the Nigerian economy therefore it is limited to tax system in Nigeria. Several limiting factors such as a limited sample size, difficulty in attaining data from corporate bodies as well as unfriendly tax authority policies were encountered during the research process. However the process was completed. Also unawareness as regards the research topic was a hindrance to the researcher especially in obtaining data.

1.9 ORGANIZATION OF THE STUDY

This study is made up of five chapters. Chapter one gives the general introduction to the study. Chapter two deals with literature review of related works on the benefits of adopting E-tax. It also explains the theoretical framework of the study and definition of terms. Chapter three expresses the research methodology. Chapter four is use to present and analyze quantitatively the effects of adopting E- tax system, also in this chapter the result are interpreted. Chapter five gives the summary, conclusions and recommendation of the study

1.10 DEFINITION OF TERMS

The familiarization by users of this study with the following terms will facilitate understanding of the concept and body of the research work

TAXATION this refers to a compulsory levy imposed on a subject or upon his/her property by the government to provide security, social amenities and other amenities for the well-being of the society.

TAX SYSTEM: this refers to a system which consists of the laws, policies and administration of taxes put in place for effective tax assessment and collection

TRADITIONAL TAX SYSTEM: This refers to the legal system of assessing and collecting taxes manually without the use of Information communication technology

E-TAX: This can be defined as the information technology that allows for the automation of core tax processes.

TAX AUTHORITY: They are the bodies charged with the administration of taxes in Nigeria

REVENUE: This can be defined as the funds generated by government to meet their proposed expenditure and strategic targets for a given year.

FIRS: Acronym for Federal Inland Revenue Service. This is one of the federal ministries, departments and agencies charged with the responsibility of assessing, collecting, and accounting for the various taxes to the federal government.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter seeks to review the works of different authors who have written on this topic and also to effectively analyze the conceptual, theoretical, methodological and empirical framework as related to the topic. It seeks to discuss taxation as a major source of income to the government, the tax system in administration, the benefits derived so far as well as the challenges facing the system. It will also educate readers on the evolution of E-tax and its adoption into the Nigerian tax system, its benefits and drawbacks in order to ascertain whether or not the electronic fillings of tax has aided or otherwise abated tax benefits in Nigeria.

Taxes are said to be the most dependable source of revenue to any nation. Aguolu, (2004) mentioned that taxation is the most important source of revenue to the government, owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances. This is why a properly planned and effective tax system must be put in place in order to ensure that relevant revenue from tax sources is available to the government. A Tax system which consists of the laws, policies and administration of taxes refers to a system put in place for effective tax assessment and collection. The study group of Nigerian tax system in 1991 and 2003 highlighted the need to increase tax revenue and remove expenditure as the major fiscal issues to be addressed. As such, the primary objective of the committee was to optimize revenue from various sources within the country (Ayodele, 2006). According to Emmanuel (2010), many developed and developing economies around the world

had experimented and proven that no nation can truly develop without developing its tax system hence the efforts and reforms that have been put in place to improve tax administration. Due to the various challenges facing the Nigerian tax system, the E-tax system was launched in 2013 and although the project has not been fully implemented has brought about commendable changes to the traditional tax system.

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Taxation

Taxation is one of the oldest economic phenomena by which the cost of providing essential services for the generality of a given set of people within a geographical area is funded. According to black's law dictionary(1997) Tax can be defined as a monetary charge imposed by the government on persons, entities or property, levied by the state through the virtue of its sovereignty for the support of government and for all public needs. Oxford Advanced Learners Dictionary (1995) defined tax as money that has to be paid to the government according to people's income and it is often levied on goods and services.

Tax simply refers to a compulsory extraction of money by a public authority for public purposes and taxation is a system of raising money for the purpose of governance by means of contribution from individuals or corporate bodies (Sayode & Kajola, 2006). They further describe taxation as the levying and collection of tax from taxable persons. When taxes are levied directly on personal or corporate income, it is called a direct tax and if it is levied on the price of a good or service, then it is called an indirect tax. The main reason for taxation is to finance government expenditure and to redistribute wealth which translates to financing

development of the country (Ola, 2001, Jhingan, 2004, Musgrave and Musgrave, 2004, Bhartia, 2009). Whether the taxes collected are enough to finance the development of the country will depend on the needs of the country and, countries can seek alternative sources of revenue to finance sustainable development (Unegbu and Ireferin, 2011). Tax revenue simply refers to all receipts from tax structures. Revenues accruing to an economy, particularly Nigeria, can be divided into two main categories, which are; Oil Revenue which includes revenue from royalties, Petroleum Profit Tax (PPT), gas tax etc. and Non-Oil revenue which includes direct and indirect taxes paid by other sectors of the economy take agricultural sector for instance

2.1.2 History of taxation in Africa

Taxation in Nigeria and indeed some parts of Africa dates back to the pre-colonial era in more primitive forms. Our colonial masters were first introduced to tax in 1799 when William Riley introduced the income tax act 1799 which was put in place to raise money to finance government expenditure. Taxes in Africa were collected either by the colonial masters or emirs/chiefs in different names before independence. However, legislation of tax was first made in 1939 with the enactment of the Income Tax Ordinance of 1939. The second legislation was in 1940 due mainly to the inadequacies and ineffectiveness of the 1939 Ordinance. The 1940 Ordinance specified that both individuals and corporate organizations should be subjected to tax payment. Ever since, there has been one enactment or the other, as well as amendments. Some of the most outstanding tax laws are the Companies Income Tax Law of 1990, the Personal Income Tax Act of 1990, and the Value Added Tax Act 1993 (as amended) (Kibiel & Nwikipasi, 2001).

2.1.3 Objectives of Taxation

As established earlier, the primary concern of taxation in both developed and developing economies is with the raising of revenue to finance government infrastructure and the welfare of the populace. However, taxation in many countries also serves as an instrument of economic regulation mainly for the purpose of discouraging or encouraging certain forms of social behaviour. The following major objectives are often behind the formulation of tax policy

- a) To discourage the consumption of harmful goods such as alcohol, cigarettes, illegal drugs etc.
- b) To raise money for the provision of essential human services such as defense services, health care services, educational services, industrial services etc.
- c) To re-distribute income and wealth. That is, the rich paying more tax than the poor. This is achieved by the graduation or progressiveness of the rate at which tax is levied. It is a system of taxation that is often adopted to avoid extreme inequality within a nation.
- d) To harmonize diverse trade or economic objective of different countries so as to provide for the free movement of goods and services, capital and people conveniently between member states.
- e) For the overall management of the economy. Taxation serves as an important tool used for the purpose of planning of savings and investments. Also, in changing an economic structure, the government may use tax as a major fiscal weapon to plan and develop a country.

Additionally, some economies use taxation as part of their strategy in achieving the nations objective for instance, Nigerian government oftentimes introduce tax incentives and attractive

tax exemptions as an instrument to attract and retain local and foreign investors. It also is often regarded as a device to improve gross domestic product, induce economic development and influence favorable balance of payment with other countries.

2.1.4 Principles of a Good tax system

A good tax system refers to a tax system that is relatively easy to administer with the tax burden shared justly. Adam Smith (1910) maintained in his book “The Wealth of Nations” the most important set of principles, which are also known as the “cannon of taxation” which are still accepted generally by tax administrators all over the world. The cannons of taxation which a good tax system should display are;

a) Equity/Equality of sacrifices:

Adam smith’s principle of equality maintains that each tax payer should contribute to the support of government as nearly as possible in proportion to his ability to pay. The principle therefore recommends a progressive tax system where taxable persons are taxed according to his/her ability to pay. In the same view, Prest and Barr (1985) said, equal amount per head should be levied. It is obviously much easier to run a system under which everybody pays say ten pounds per head than one which the amount due varies according to economic circumstance.

b) Certainty:

This principle demands that the amount of tax to be paid, the time of payment and the manner of payment should be certain and clear to both taxpayers and tax official. Such information should

be adequately accurate and clearly stated by the tax regulations. Thus, neither the amount nor the time of payment should be the subject of arbitrary decisions by the tax officials.

b) Convenience:

Convenience as a principle of tax refers to how taxes are enforced and administered in an efficient manner. Adam Smith has pointed out that every tax ought to be levied at the time or in the manner in which it is likely to be convenient for the contributor to pay it. Using this principle as an example, one can argue that the convenient time for payment of tax for West African farmers is during the harvest time.

c) Administrative efficiency:

This principle holds that the process of levying and collecting taxes must be administratively efficient, transparent and economical without any distortion that is the cost of collecting a tax should be small in relation to the revenue so collected For example, if the expenses incurred in the course of collecting a tax exceed even 50 percent of the yield, then such taxes do not conform to the principle of economy.

d) Productivity:

A tax system should be structured with tax policies aimed at increasing government revenue and sustaining government expenditure. The principle demands that a tax must be productive in the sense that it should bring large revenue which should be adequate for the government. This is the major reason why governments in all parts of the globe continuously employ tax reform.

e) Simplicity:

The simplicity principle states that the tax should be plain, simple and intelligible to common tax payer. Anyanfo (1996) argue that there should be no hidden agenda in the tax law.

2.1.5 Overview of the Nigerian Tax System

Taxation in Nigeria dates back to 1904 when late Lord Lugard introduced income tax act in Nigeria. It actually started as a community tax which later culminated in the Native Revenue Ordinance in 1917. An amendment ordinance extended the provisions of 1917 ordinance to southern Nigeria the following year. The first ordinance applied to Abeokuta in Ogun state and to Benin City in Edo state and in 1928, it was further extended to the east of Nigeria. In 1940 following the incorporation of the Native revenue ordinance of 1917 and 1918 the personal income tax was introduced in the direct taxation under ordinance No.4 of 1940 cap.54. This ordinance was however discriminatory as it applied to natives in Nigeria elsewhere, that is, other than in the township of Lagos. However a more comprehensive Income Tax Ordinance No.29 of 1943 came into effect on 1 April 1943, there was no significant change in the tax system until 1956. The enactment of the personal income tax (Lagos) act in 1961 by the federal government gave birth to separate laws on income and profit of both individuals and companies namely income tax management act (ITMA) and companies income tax act (CITA). Also, the petroleum profit ordinance was passed in 1959 but took effect from 1 January 1958. So many laws have been passed to date on taxation in Nigeria. The major tax laws which that regulate the tax system

which are referred to as acts under a democratically elected government and decree under a military rule are listed below;

i) Personal income tax decree 104 1993 as amended by (PITA) Cap.P8 LFG 2004, amended again 2011

ii) Company income tax act of 1979 as amended by (CITA) Cap.C21 LFN 2004

iii) Petroleum profit tax act of 1959 as amended by (PPTA) Cap.P13 LFN 2004

iv) Capital gain Tax of 1967 as amended by (CGT) Cap.C1 LFN 2004

v) Education tax act as amended by (ETA) Cap.E4 LFN 2004

vi) Value added tax as amended by (VAT) Cap.VI LFN 2004

vii) Stamp duties act of 1999 as amended by (SDA) Cap.58 LFN 2004

viii) Information technology tax

ix) 1999 constitution of the Federal Republic of Nigeria

Nigeria operates what is generally known as a federal tax system which therefore centers the present structure of taxation within the three tiers of government as stipulated by the constitution of the federal republic of Nigeria. The 1999 constitution spells out the responsibility of each tier of government in the legislation and administering of taxes; the federal government however bears the main burden and is responsible for the legislating and administering of income, capital gain and stamp duty tax as stipulated in the executive legislative list. It however places collection of taxes on the concurrent legislative list, enabling the Federal Government to delegate administration or collection of taxes as it pertains to taxation or duty on

(a) Documents or transactions by way of stamp duties to the state government and

(b) Capital gains, incomes or profits of persons other than companies;

Other than that specifically stated in the exclusive legislative list, activities that would ordinarily attract taxes, fees and charges (forms of levies) are placed squarely as part of the responsibilities of the Local Government Council – in the 4th schedule. A summary of the provision of the constitution which clearly indicates that taxation is meant to be a collective responsibility of each tier of Government is displayed below:

Table: 1 Decree No 21 of 1998

| Federal Government | State Government | Local Government |
|---|---|--|
| <ul style="list-style-type: none"> • Company income tax | <ul style="list-style-type: none"> • Personal income tax (applies to residents of the state) | <ul style="list-style-type: none"> • Tenancy rate |
| <ul style="list-style-type: none"> • Petroleum profit tax | <ul style="list-style-type: none"> • Withholding tax (individuals only) | <ul style="list-style-type: none"> • Shop and kiosk rate |
| <ul style="list-style-type: none"> • Value added tax (applies to companies, residents of the federal capital territory and non-resident individuals) | <ul style="list-style-type: none"> • Capital gain tax (individuals only) | <ul style="list-style-type: none"> • Fees for on-off liquor license |
| <ul style="list-style-type: none"> • Capital gains tax | <ul style="list-style-type: none"> • Stamp duties applies | <ul style="list-style-type: none"> • Fees for butcher slabs |

| | | |
|--|--|--|
| (applies to corporate bodies and Abuja residents) | to instruments executed by individuals only) | |
| <ul style="list-style-type: none"> Stamp duties (applies to corporate bodies) | <ul style="list-style-type: none"> Road taxes (e.g. vehicle license) | <ul style="list-style-type: none"> Fees for marriage, birth and death registration |
| <ul style="list-style-type: none"> Withholding tax (applies to companies) | <ul style="list-style-type: none"> Taxes on pools, bets, lotteries and casinos wins | <ul style="list-style-type: none"> Fees for street name registration (except those of federal and state governments) |
| <ul style="list-style-type: none"> Personal income tax (applies to personnel of the armed forces, police, external affairs ministry and residents of Abuja) | <ul style="list-style-type: none"> Business premises and registration fees in urban and rural areas | <ul style="list-style-type: none"> Cattle tax which applies to cattle farmers only |
| | <ul style="list-style-type: none"> Development levy (maximum of 100 per annum, applies to taxable individuals only) | <ul style="list-style-type: none"> Entertainment and road closure levy Fees for radio and television license Vehicle parking and radio license fees |
| | <ul style="list-style-type: none"> Street name | <ul style="list-style-type: none"> Charges for wrongful |

| | | |
|--|---|---|
| | registration fees (state capital only) | parking, fees for public convenience, sewage and refuse disposal |
| | <ul style="list-style-type: none"> Fees for right of occupancy on urban land owned by the state government | <ul style="list-style-type: none"> Customary ground permit fees |
| | <ul style="list-style-type: none"> Market taxes and levies where states finance is involved | <ul style="list-style-type: none"> Fees for permit for signboards, billboards and advertisements |
| | <ul style="list-style-type: none"> Miscellaneous revenue (e.g. rent on property) | <ul style="list-style-type: none"> Fees for permit for religious establishment |

Each tier of Government of has its own administrative structures for collection and administration of taxes. At the apex you have the Federal Inland Revenue Service, which is the primary revenue generating agency of the Federal Government as it has responsibility for administration of all federally collected revenue, including those shared by all tiers of Government. The unique feature of the FIRS is that it collects taxes on behalf of all tiers of Government and has presence in every State of the Federation. At the State level you have the States Board of Internal Revenue for each state, while Local Government revenue issues are handled by the Local Government Councils and any matters of difference are referred to the Joint Tax Board or the Board of Appeal commissioners.

2.1.6 Challenges facing tax system in Nigeria

The broad objectives of a tax system is to guarantee the long-run fiscal soundness of the policies and programs of government through the effective administration of taxes and ensuring that tax payers comply with the provisions of tax laws and that the funds derived from tax sources are paid into the government purse. Unfortunately the Nigeria tax system is beset by a myriad of challenges, some of which are highlighted below; (PWC report 2010, FRN i1997, 2002; Ariyo 1997; Ola 2001; Odusola 2002, 2003; study group on tax reform 200, Ariwodola 2000);

1. Multiplicity of taxes:

This means paying similar taxes on the same or substantially similar tax base. Individual and corporate bodies are burdened with the ripple effects brought about by duplication of taxes for example the charging of Companies Income Tax, Information Technology Tax (NITDA Levy), Education Tax, Nigerian Content Development Levy all of which are based on income or profits of a particular tax payer. To control multiple taxation, the joint tax board started to publish a list of approved taxes and levies and to declare all other unspecified taxes illegal which has gone a long way in creating a degree of harmony within the tax laws and has helped checked the rampant multi taxing practice that had made the business environment in Nigeria so tedious.

2) Non availability of tax statistics:

Taxation being the oldest governmental activity since the country's unification in 1914, is expected to have readily available tax statistics at all times. However, most states in Nigeria fall short of this expectation as they do not have a comprehensive data base of all the tax payers and businesses in the country which is a far cry from taxation in other developed nations. People and organizations can therefore afford to take every slightest opportunity to evade tax obligation. With the exception of the states like Delta, Lagos, Kaduna, Katsina and the Nigerian Customs Services, other agencies of the states and relevant federal tax offices are mostly characterized by poor data management in general. Moreover, there are no efforts to have the limited data that are available collated or analyzed on a routine basis, not to mention, having it stored, or made more easily assessable or retrievable. This situation hinders progressive and accurate tax administration and monitoring thereby affecting compliance.

3) Poor tax administration:

This one of the key challenges facing the Nigerian tax system as it has a direct impact on the activities of both tax payers and tax officials which in turn affects the amount of revenue obtained from taxes. In Nigeria, tax administration and individual agencies suffer from limitations in manpower, money, tools and machinery to meet to meet the ever increasing challenges and difficulties. In fact, the negative attitude of most tax collectors toward taxpayers can be linked to poor remuneration and motivation. Also, negativity from the tax agency and officials can only result to negativity from the tax payers hence low revenue generation. Philips (1997) considers the paucity of administrative capacity as a major impediment to the government in its attempts to raise revenue in Nigeria. As of March 2003, the federal Inland Revenue service (FIRS) had 7,643 staff members throughout the country; of these a mere 12.6 percent, or 645

employees, were tax professionals/officers. The predominance of support staff in a professionally inclined agency like the FIRS could only mean bad news for the country. The situation at the local government level is more precarious as anecdotal evidence shows that staffs are not provided with regular training to keep them abreast of developments in tax related matters. This makes the administration of taxes in terms of total coverage and accurate assessment very weak

4) **Poor funding:**

One of the essential principles of a good tax system is economy which implies that the cost of collecting a tax should be small in relation to the revenue so collected, however cost still has to be incurred in order to achieve maximum result from tax collection. The lack of funds in the tax system has led to the employment of below average manpower as well as the use of poor and outdated tools which make it impossible to maintain a database for taxpayers. The manpower employed lack knowledge of the job and even for the knowledgeable among them, there is no periodic training. There is the need to move focus from employment of rent seeking personnel to those who are knowledgeable in the field of taxation no matter the cost (Garde 2004). Also their salary should be handsome to help curb activities of bribery and corruption that have so jeopardized the tax administration in Nigeria and the loss of confidence of the people on the revenue officers and the government in general. More funds should also be committed to electronically enhanced tools for easier and quicker tax administration.

5) Inability of government to prioritize tax efforts:

The political economy of revenue allocation in Nigeria does not prioritize tax efforts. It is, instead anchored on such factors as equality of states (40 percent), pollution (30percent) landmass and terrain (10percent), social development needs (10 percent), and internal revenue effort (10percent). The approach discourages a proactive revenue drive, particularly for internally generated revenue and makes all government tiers heavily reliant on unstable oil revenues which are affected by the volatility of the international oil markets. The instability and volatility of oil revenue should have created an opportunity for improved tax efforts within the provisions on taxation ratified in the 1999 constitution. Although some state governments have initiated measures to enhance their tax generation, the outcome has not reflected any level of serious effort since the efforts are mainly feeble attempts by state government to increase internally generated revenue. If only the federal government can focus on ways to improve the tax system and stabilize revenue generated thereof for the benefit of the entire nation as a motivational standard for the local and state government to follow up.

6) Complexity of payment and tax laws:

The procedure for paying certain taxes in Nigeria are too cumbersome and do not encourage prompt payment of tax by payers. In some instances they go Scot free by bribing tax officials. A simple tax system increases transparency and reduces—as far as possible—the points of contact between businesses and tax authorities. Such a system lowers the uncertainty of businesses that comply with the tax system and rewards good behavior. Frequently, tax procedures are made increasingly complicated by vested interests who want to increase their opportunities for rent

seeking and bribes. Also, tax laws in Nigeria are complex and difficult for the common taxpayer to understand and some cases are problematic even for literate officials. In addition to lack of understanding, many tax payers are often unaware of the existence of certain taxes.

7) Poor enlightenment and Technological exposure:

Most of the self-employed tax payers do not know what tax to pay, when to pay, who to pay to, where to pay and what relieve allowance they are entitled to. Tax payers also lack technical exposure and hence are unable to keep adequate records of their businesses making the work of the revenue authority tedious and thereby leaving room for tax evasion. Illiteracy is indeed a predominant factor that stampedes growth and development in any sector of the economy nevertheless, government is still faulted in here because a good tax system should be certain and easy to administer. It is the duty of government at all levels to constantly educate the public on their responsibilities with respect to tax at all times and also to embark on aggressive public enlightenment and education of tax payers on the various tax payable by all individuals in the society. Revenue authorities in all states should make sure their staffs are fully equipped to carry out this duty.

8) Poor compliance hence the issue of tax evasion and avoidance

The problem of poor compliance to tax laws and payments is as a result of Nigerians not wanting to pay tax or file return which brings about the concept of tax evasion and avoidance usually referred to as “Twin devils”. According to Soyode and Kajola (2006), tax evasion is defined as a deliberate and willful practice of not disclosing full taxable income in order to pay less tax. On the other hand, Kay (1980) opined that tax avoidance takes place when facts of the

transaction are admitted but they have been arranged or presented in such a way that the resulting tax treatment differs from that intended by the relevant legislation. In essence, tax evasion is illegal while tax avoidance is not illegal under the ambience of the law. The problem of tax evasion and avoidance on its own is not a problem associated with the tax system but the causes are definitely attributed to tax administration. In Nigeria some of the causes of tax evasion as identified by Onuigbo (1986) include: inequitable distribution of amenities, misuse or mismanagement of tax revenue, remoteness of taxpayers from the government, absence of spirit of civic responsibility. Other factors include; lack of tax education and enlightenment, corruption in public office and lack of accountability among others, inadequate accounting records maintained by traders, mistaken belief on the part of some illiterate taxpayers that only wages and salaries represent taxable income (Orewa, 1957). A more accountable corruption free tax system will increase compliance and reduce the alarming rate of tax evasion and avoidance in Nigeria.

2.1.7 Tax reforms in Nigeria

Tax reform involves improving the existing trade-offs between revenue generation equity, efficiency, and tax administration and compliance. It assumes the existence of a robust tax system and entrenched practices. According to Alli (2009), the objectives of tax reforms in Nigeria include: to bridge the gap between the National Development needs and the funding of the needs; to ensure taxation, as a fiscal policy instrument, to achieving improved service delivery to the public; to improve on the level of tax derivable from non-oil activities, vis-à-vis

revenue from oil activities; efforts at constantly reviewing the tax laws to reduce/ manage tax evasion and avoidance; and to improve the tax administration to make it more responsive, reliable , skillful and taxpayers friendly and to achieve other fiscal objectives. Nigeria did not consider taxation as a sustainable source of revenue during the 1970s and late 80s as a lot of attention was focused on oil revenue hence during this period all states in the country relied earnestly on the proceeds from the federation account. In 2008 at the turn of the global recession which saw a sharp fall in oil prices and by extension reduced the federation account. The overdependence on the above stated revenue created an imbalance in the implementation of certain physical policies. This forced government to look inwards putting their focus on internally generated revenue as a sustainable means of funding. So far the tax reforms put in place have led to the Federal Inland Revenue establishment, personal income tax (amendment), company's income tax (amendment), value added tax (amendment), education tax, petroleum profit tax (amendment) and some relevant others. The first attempt to implement the provisions of the federal Inland Revenue service act was met with heavy resistance especially by the civil service commission and it took the intervention of the presidency to facilitate the partial autonomy currency being enjoyed by FIRS. A study group was inaugurated in 2002 headed by Professor Dotun Phillips which then led to the development of the national tax policy centered on national development. Also one of the major suggestions of the committee was the implementation of an integrated tax administrative system for the benefit of both tax payers and tax authorities which they pointed out in their report is the best way forward for the modernization and simplification of tax administration in Nigeria.

The FIRS accepted the recommendation and decided to embark on a two phase approach to realize its objective;

- Re-engineer and evaluate its core-tax processes starting with the collection function. This phase was aimed at curbing the leakages that characterized the manual system of collecting taxes through commercial banks
- Acquire and implement a commercially available off-the-shelf integrated tax administration software solution and linkage with selected third party organizations whose operations are complimentary to the FIRS mandate.

2.1.8 The Evolution of E-tax

Earlier in this study, we defined tax administration as the department of the government responsible for the management of tax obligations specified by the tax law. Its primary task is to ensure that the right amount of tax is paid by the right taxpayer at the right time, providing the government with the needed revenue to deliver goods and services as planned meaning that an administration that achieves this task is effective. An administration that does so at a reasonable, minimal cost to the government is efficient. However modern tax administration seeks to focus on three key objectives: facilitating voluntary compliance, providing adequate tax records for easy communication of information, and efficiently minimizes cost of collection. This served as the main function which led to the most prevalent use of IT systems in tax administrations through the undertaken of the core tax administration tasks and collecting relevant information. The adaptation of information technology in the enforcement of core tax processes such as registration, filling of returns, payments and general maintenance of database brought about what is now known as an “**electronic based tax system**” popularly referred to as e-tax.

E-tax can then be defined as the automation of core tax processes. It offers electronic registration, filing, and payment, as well as education and information to taxpayers. Broadly, the e-tax system is a comprehensive internet portal that forms a suite of secure self-service options to taxpayers, may provide a single point for information and action, is typically available 24 hours a day and 7 days a week, and does not require intervention from tax administration staff.

The U.S.A introduced e-fillings in 1986 although only 52% of its taxpayers were making use of the system as at 2007. Since 1996 the system has been adopted by 20 other countries in various geographical regions namely Eastern Europe, Middle East, Asia, the Caribbean and Africa. Some countries don't just use the E-tax system alone but make use of other information technology support systems such as the core-processing system which helps with compliance management and provides support, automation, workflow management, and authorization management to tax administration functions and also the management information systems which facilitates the collection and dissemination of performance information to staff and management.

2.1.8.1 E-Tax System in Nigeria

The Federal Inland Revenue service adopted the tax automation process in 2013 with the introduction of the **integrated tax administration system (ITAS)**. The system comprises of a set of programs that would enhance simplification of tax administration and encourage voluntary compliance while ensuring linkages with other stakeholders through the use of technology. The software is generally designed to meet the needs of developing countries who wish to increase their control over state revenue by equipping themselves with computerized systems. Although the FIRS is working towards full implementation of the platform before the end of 2015, the system is already being used by a few taxpayers registered with the large tax offices in Lagos

and Abuja and some recently some other states. The system operates in three different languages which makes it possible for tax agents to perform operations in the language of their choice and facilitate correspondence with taxpayers. The type of taxes supported by ITAS include income tax, VAT, sales tax and other indirect taxes, licenses and permits (alcohol, professional etc.), pay as you earn, excise duty, driving licenses and motor vehicle registration, general income, property taxes, withholding taxes and others.

2.1.8.2 Objectives of the system

According to several press releases by the FIRS the main objective of the ITAS is to change the current manual system of filling tax returns there by simplifying tax compliance, ease of access to tax services and payment processes. In summary of recent FIRS press releases through Vanguard 2013, This Day Live 2013 and Punch 2015, the objectives underlying the adoption of e-taxation into the tax system are;

- i) To provide a solution to the problems of the traditional manual system of taxation in Nigeria
- ii) To provide streamlined, efficient processes that makes it easier for taxpayers and other stakeholders to interact with the service and in turn make the FIRS more responsive to taxpayers needs.
- iii) To improve voluntary tax compliance and create a more welcoming environment for tax payers in Nigeria.
- iv) To ensure better transparency in the actions and practice of tax authorities for the sake of accountability and good stewardship

- v) To re-engineer tax administration service delivery, eliminate gaps and redundancies in the current administrative systems and increasing contribution to national development
- vi) To minimize the general cost of administration in the midst of higher tax returns.
- vii) To provide consistent quality service to all taxpayers across all FIRS offices across in the nation
- viii) To provide a comprehensive repository of taxpayers information that makes it easier for FIRS to support and monitor the taxpayer base throughout the lifecycle of each taxpayer.
- ix) To reduce tax erosion

2.1.8.3 Key features of Integrated Tax Administration Systems

As established earlier, the aim of the ITAS project is to automate all core processes around registration, payment, assessment, debt and credit management and returns filling. Although the a few of the tax payers in Nigeria are already using the system the FIRS is still working towards full implementation of the platform across the country. According to PWC Nigeria (2015) the basic features of the e-filing system include the following:

- i) Online submission of tax returns: The system consists of an online portal through which tax payers submit returns for different taxes such as companies income tax, capital gains tax, value added tax, petroleum profit tax etc. Once the taxpayer registers, an e-tax filling account will then be created based on the type of taxes the company or individual is liable to pay. A taxpayer will however only be able to file returns based on the tax it registered for

- ii) Electronic tax clearance certificate (e-TCC): Under the manual system, a tax clearance certificate (TCC) is usually issued by the board to the taxpayer whenever the board feels that that tax assessed on profits or income of a taxable person has been fully paid or no tax is due on such profit. With the introduction of ITAS, taxpayers can now apply for a TCC online which would be generated by the system that will be just as tenable as the hard copy handed out. The system allows for TCC validation so that a TCC can be verified by third parties online using the TCC number when doing business. It also provides temporal TCC where there is an unresolved dispute concerning taxes so that the taxpayer does not suffer unduly for the delay. A full TCC can be obtained after the dispute is settled.
- iii) Validation of Tax Identification Number (TIN): This feature is specifically useful in verifying the tax identification number for withholding tax purposes amongst a group of other taxes. The process ensures accountability as well as validation of tax transaction with the tax payer.
- iv) Online correspondence with FIRS: The portal has a message center feature that allows for communication between the taxpayer and FIRS. The tax account manager in the FIRS will be responsible for correspondence with the tax payer and the FIRS can also issue assessments which taxpayers can object to using the message center.
- v) Electronic tax payment: Following the adoption of e- system of taxation, returns or payments are made online from the taxpayers corporate bank account .This application which was developed in conjunction with the Nigeria Inter-Bank settlement system (NIBBS) is hosted on the respective commercial bank's internet –banking platform. The process can be done in various ways including;

- Through the atm/debit/credit card; here the taxpayer simply logs into the website of the relevant tax authority with his TIN and then completes the form choosing atm/credit card as a means of payment based on the selected tax levy. After entering pin and authorizing payment, a printable e-receipt is then made available to the taxpayer.
- Directly through bank accounts; Here the tax payer pays in the relevant collecting bank by cash or cheque and then enters the transaction password or teller number online logging on with his TIN. After confirmation, a printable e-receipt is made available to him.
- National electronic fund transfer; Here the tax payer instructs his bank to make payments into the relevant collecting bank which when done provides the taxpayer the relevant transaction codes for the payment. He then enters the code online and is furnished with an e-receipt as prove of payment.

Tax payers who have not migrated to the ITAS system can still participate in electronic payment of taxes which is a more direct and corruption free approach to paying taxes.

- vi) Automatic imposition of late filling penalties and interests: The system has been designed to automatically compute and impose interest and penalty for late submissions of tax returns or late payment of taxes
- vii) Automatic allocation of withholding tax credit (WHT) to taxpayers: although this feature is not yet functional, it is designed to automatically credit taxpayers for WHT deductions they have suffered which have already been remitted to FIRS by their customer(s).

- viii) Offers the possibility of developing interfaces to share data with external systems such as customs, government financial software or other government divisions.
- ix) Document management, objection case management, objections (appeals) and payment agreements handling.

Here is an illustration of the modules of a Standard Integrated Tax Administration System covering the core processes involved in tax administration.

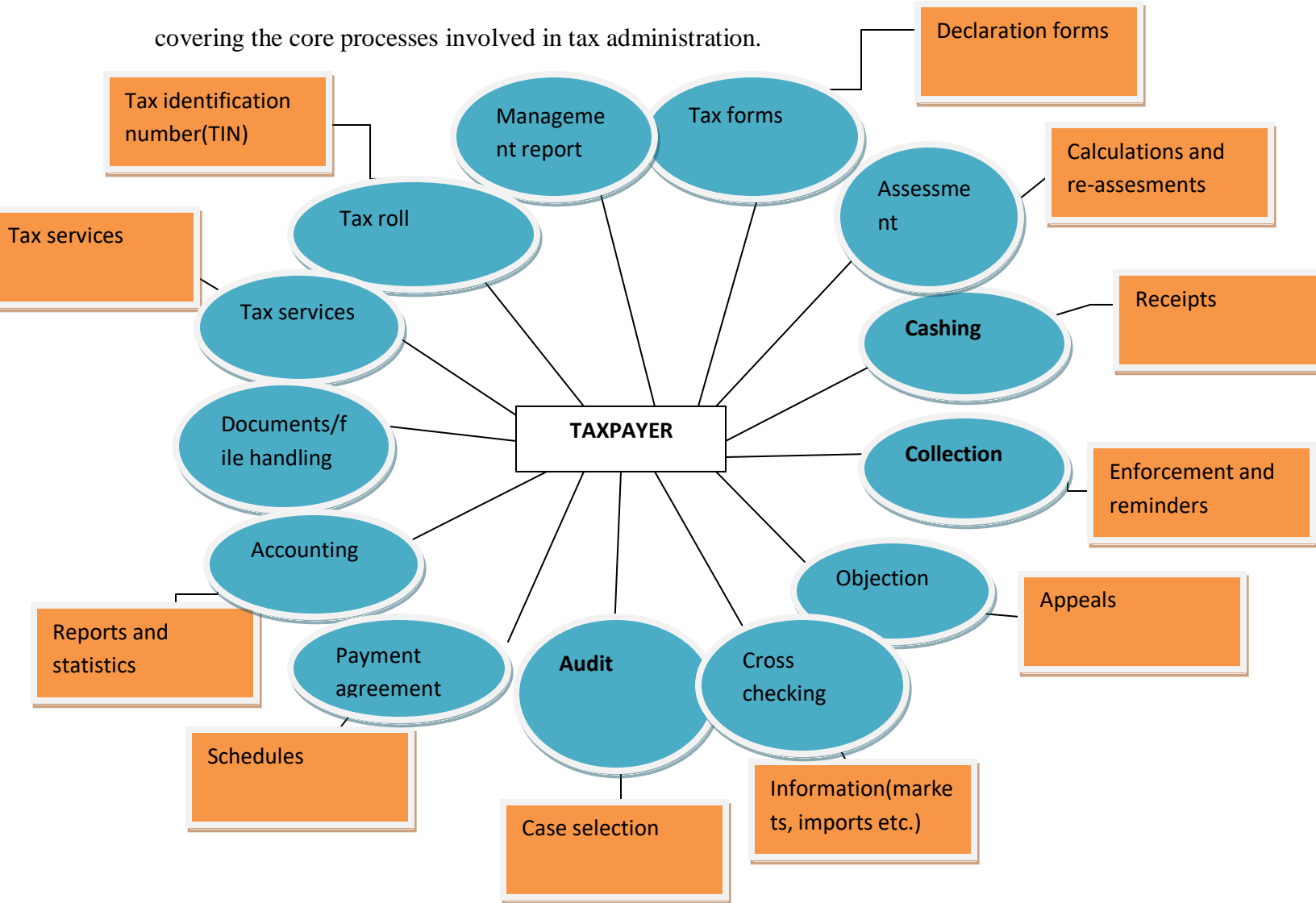


Figure 1

2.1.8.4 Procedure for Registration by tax payers

In order to be accessible using ITAS, taxpayers are expected to register with the FIRS by filling an application form which can be downloaded from the FIRS website (Firs.gov.ng) or obtained from the tax office. The tax payer is then expected to indicate on the form the access the nominated representative would have either view only, declare(file returns), or view rights. This means a taxpayer can nominate an agent or consultant to act as its representative. This chosen representative will then in turn be granted access rights and assigned roles as specified by the taxpayer. The default access role is the “view only” option which permits only the viewing of taxpayer’s information unlike the “declaration” access role that allows for viewing, editing and submission of tax returns.

On returning the completed form to the FIRS office, the information on the form would be used to issue system generated username and password, which are the keys the customer would need to access the e-tax to transact tax with FIRS. At the moment, password recovery is not yet fully automated and can only be done by contacting the FIRS. Customers can also use this platform to check their account balance, change relevant registration details and connect to tax office customer center to make enquiries. The final stage is the summary of the declarations (tax returns) on the customer homepage after a successful login, while retaining either hard or soft copy of the returns filed.

It should be noted however that if a tax filling or payment due date falls on a public holiday or weekend, the system automatically adjusts the deadline to the next working day before imposing penalty and interest.

2.1.9 Regulation of E-tax in Nigeria

The Federal Inland revenue board is responsible for the regulation and administration of the newly adopted E-tax system and all major taxes accruing to the federal government through its operational body which is the Federal Inland Revenue service (FIRS).

2.1.9.1 History of the Federal Inland Revenue Service

The federal inland Revenue Service first began as a body under the colonial administration and was in those days called the Inland Revenue Department of Anglophone West Africa and it covered tax administration in Ghana, Sierra-leone and the Gambia. In 1943, a Nigerian Inland revenue service department was carved out for Nigeria which is now popularly known as the Federal Inland Revenue Service. The passing of the Income tax administration under the Raiseman commission gave birth to the Federal Board of Internal Revenue establishment although it became fully operational under the company income tax act (CITA) 1961. The FIRS is currently one of the Federal ministries charged with the sole responsibility of accessing, collecting and accounting for the taxes to the federal government. The finance (miscellaneous taxation provisions) (Amendment) Decree No.3 of 1993 provided for an operational arm to be known as the federal Inland Revenue service

2.1.9.2 Composition of the board

- i. An executive Chairman of the FIRS, who shall be appointed by the President of the federation
- ii. Six members who shall represent the six geo-political zones as appointed by the President of the federation
- iii. A representative of the ministry of finance not below the rank of Director

- iv. The Chairman of the Revenue Mobilisation Allocation and fiscal Commission shall be a member
- v. A representative of the Attorney- General of the federation
- vi. The Registrar general of the Corporate Affairs Commission or his representative not below the rank of director
- vii. The chief executive officer of the National Planning Commission or a representative not below the rank of director.
- viii. The Governor of the Central bank of Nigeria or his representative (FIRS, 2012)
- ix. The directors and Heads of department of the service
- x. A director from the department of custom and excise duties

2.1.9.3 Powers and Duties of the Board

- i. They are charged with the responsibility of providing general guidelines relating to the functions of the service
- ii. Advising the federal government through the minister of finance on tax matters which include any amendment of existing laws .
- iii. Determining remuneration, allowances, benefits, and other pensions of staff of the service in agreement with the National salaries, Income and Wages commission.
- iv. Review and approval of strategic plans for the service.

v. Issuing instructions on the financial aspects of assessment including interpretation on the income tax

viii. Such other matters which in the boards opinion is necessary to ensure the efficient performance of the functions of the service

2.1.10 Benefits of e-tax in Nigeria

The move from manual system of collecting taxes to using e-tax is a great achievement and a highly commendable effort to improve the tax system on the part of the federal Inland Revenue service. The system benefits both taxpayers and tax authorities in immeasurable ways. Although Nigeria is still working towards full implementation of the system and it is already being used by taxpayers in Lagos and Abuja, the system has so far shown promising results and has provided a solution to most of the earlier identified challenges of the manual tax system. These include;

- 1) It solves the problem of complexity of payment: With the development of the integrated tax administration system filing of taxes has been made easier and less complex. Tax payers can easily file their tax returns from the comfort of their offices at anytime and anywhere within the required filing period. The e-tax system reduces time wasting because there are various channels through which the tax payers can pay their taxes and they can also communicate with the tax authority online when remitting their taxes. Unlike the manual tax system which was tiring and not to mention burdensome. The ease of paying taxes encourages tax compliance.
- 2) It solves the problem of poor tax administration: The e-tax system introduced has gone a long way in solving the administration problems in Nigeria. With the adoption of the system, the problem of lack of man power and machinery to administer taxes throughout Nigeria is

reduced to the barest minimum as tax payers in very remote areas can still pay taxes from where they are without the help of tax officials. The system also reduces the amount of paper work to be done by the tax authority thereby reducing the extent of errors and also affords them the opportunity to be able to carry out timely reviews of tax returns. The effectiveness of the system allows staff to have time to contribute to other aspects of the body, thereby focusing on the main objective of taxation which is to increase government revenue and promote development in the country.

- 3) It solves the problem of non-availability of tax statistics and information: E-tax enhances safer and better data storage of tax payer information. This is because it provides for an electronic data base management system for tax payers. It also improves the quality and quantity of information available to the government, hence, making it faster and easier to process tax payers information. The information made available using this system is mostly reliable and accurate, this ensures accountability and good stewardship thereby reducing corruption and building the tax payers trust in the system.
- 4) It helps minimize the issue of shortage of funds: It is the goal of every tax authority to establish a system of tax administration that collects taxes levied at a minimized cost. One main feature of a good tax system is the economy of tax collection whereby the cost of collecting taxes is less than the taxes collected. The e-tax system provides a cheaper way of administering taxes to the masses and if maintained properly reduces the running and overhead cost. Also the tax payer spends little or nothing in remitting taxes and filling returns unlike in the manual system where tax payers would have to incur some costs by going in person to the tax office for complaints, clarification, payments etc.

- 5) It enhances technological exposure for both taxpayers and tax officers: One major problem of tax administration Nigeria is the ignorance of tax payers on tax laws policies and procedure as well as their illiteracy and lack of exposure. Also most of the tax officers lack technical know-how in tax issues which often leads to unnecessary errors in handling of paperwork and tax returns. With the adoption of the E-tax system, both tax payers and tax officers are exposed to modern technology and expertise that they could quickly learn from. The taxpayers who use the system are better informed on tax issues, are more exposed to advanced technology and can maintain steady communication with the FIRS on issues of tax conflict and misunderstanding on a regular basis. Tax officers on the other hand gain better skill, efficiency and effectiveness in handling tax matters and are exposed to advanced technology making their work easier.
- 6) It increases compliance: In so many ways e-tax has increased compliance by tax payers and therein reduced the problem of tax evasion and avoidance which is said to be the number one enemy of taxation in Nigeria. The integrated tax administration system was created mainly to enhance convenience of paying taxes and ultimately incorporate a transparent and efficient tax system that optimizes tax revenue collection and voluntary compliance. The process is relatively easy, cost effective, convenient and flexible reducing the burden and stress usually involved in the filling of tax manually. The ease and convenience observed in e-tax encourages compliance from taxpayers. The accountability guaranteed by the tax system is also an encouraging factor and gives tax payers a sense of safety and security when remitting taxes. Finally, the system makes it possible to maintain a database for taxpayers which helps in checking for compliance and in turn helps government in capturing more taxes.

2.1.11 Challenges of E-tax in Nigeria and the way forward

Although e-tax to be a solution to most of our tax administration problems in Nigeria, like every other system there are challenges attributable to its adoption and implementation. Some of which are

1. Trust, security and privacy concerns prevail: Tax payers are concerned with the use of the data they provide during transactions. There are cases where unauthorized access to taxpayer information as a breach in security and therefore many taxpayers are scared about such information being getting into the wrong hands which might lead to fraud. The activities of hackers who disrupt websites also affect the system.
2. High level of illiteracy: Nigeria unfortunately has a low population of literate people and an even lower percentage of people who are computer literate. As a result of this, most tax payers who are not technologically exposed shy away from the system and stick to the more primitive methods they are already used to. The brave ones who are willing to try often fall prey to fraudsters and hackers. The knowledge of e-tax in businesses has become a challenge worldwide.
3. General resistance to change: This one of the key issues with implementing the system. Most people have their mind set on not responding to new system even before they know what it is about simply because they are already comfortable with the normal way things are done and wouldn't want to leave their comfort zone. Even though the manual tax system has proved tedious and difficult in the past, taxpayers still showed resistance to change with the advent of e-tax. The FIRS had to organize a number of forums and public enlightenments for taxpayers that provided detailed explanation about e-tax and the benefits it proposes.

4. Inaccessibility of the internet: Not all taxpayers have access to the web to gain access to the portal in the first place. Though this is a temporal issue as the evolution of the web continues, it is still a problem to the users of the portal. Also the unsteady and unreliable state of the internet connection by internet service providers is another challenge. When the internet connection is poor, it can lead to frustration on the part of the taxpayer who would have to repeat the process when there is a break in connection. Until there is steady and secure internet connection, this would continue to pose as a challenge to the electronic tax system.
5. Unawareness of the system: It is said that knowledge is key and ignorance is a fool's paradise. Many Nigerians remain blissfully unaware of the mere possibility of electronic taxation talk less of participating in the system. Most tax payers in less civilized states in the country are clueless as to the introduction of e-tax which accounts for the slow and problematic adoption of the system. Unless the revenue authorities take it upon themselves to create awareness amongst taxpayers as to the new system throughout the country, the perceived and highly anticipated increase in tax returns and government revenue might never be materialized. Also Nigerians deserve a chance and change and improved technology and should therefore not be cheated out of this opportunity at it by ignorance.

2.2 Theoretical Framework

Globally, government is saddled with the responsibility of providing some basic infrastructures for her citizens. Among these are the provisions of Schools, Hospitals, construction Roads, Bridges, Railway lines, Airports and seaports. Government however has to be able to back this up with revenue in order to sustain development. As established earlier, a major and steady source of government revenue is through taxation of individuals and companies within the nation. Taxation however is a contribution of theorists all over the world. Several theories of taxation exist in public economics due to the fact that governments at all levels need to raise revenue from a variety of sources to finance public sector expenditures. Years of research and review has proved that major theories or principles guarding taxes are the benefit theory (developed by Erik Lindahl) and the ability to pay theory which was adapted from the benefit theory (presented by author Cecil Pegou) . The contributions of theorists that will be analyzed in this research as related to the administration of taxes are as follows,

- 1) The theory of optimal taxation
- 2) The ability to pay theory

2.2.1 Theory of optimal taxation

This theory is largely based on the foundation work of Ramsey (1972) and Mirrlees (1971). The optimum design of a tax system is a topic that has long fascinated economic theorists and policymakers. The theory explores the interplay between tax policy and tax theory in its bid to attaining optimum return from taxes. The standard theory of optimal taxation poses that a tax system should be chosen to maximize a social welfare function subject to a set of constraints, the social welfare function here being based on the utilities of individuals in the society. The theory assumes the social planner in charge of designing the tax system to be a classic linear utilitarian meaning that he or she cares solely about average utility implying a social welfare function that is linear in individual utility. To simplify the problem facing the social planner, it is often assumed that everyone in the society has the same preferences over say consumption and leisure. Sometimes, this homogeneity assumption is taken one step further by assuming the economy is populated by completely identical individuals. This being said, the goal of the social planner is then to choose and plan a tax system that maximizes the representative consumers welfare, knowing that the consumer will then be forced to respond to whatever incentives the tax system provides.

Basically, the theory applies to formulating a tax system that is based on the welfare of the tax payers despite existing constraints such as poverty, unemployment, illiteracy, inaccessibility, lack of technological exposure etc. In Nigeria, taxpayers feel no obligation to respond to tax incentives because taxes are administered ways that burden them with no consideration of their difficulties or general well-being. To achieve optimal taxation, a tax system with laws and policies that ensure easy administration of taxes as well as considerate tax rate charged must come into play.

2.2.2 Ability to pay theory:

This one of the most popular and accepted principle of equity or justice in taxation. The theory holds that citizens of a country should pay taxes to the government in accordance with their ability to pay. It requires that the total tax burden will be distributed among individuals according to their capacity to bear it, taking into account all of the relevant personal characteristics. It is a product of the first propounded theory of taxation which is the benefit theory and so therefore adapts the same assumption that a tax payer is to pay taxes just because he can and his relative share in the total tax burden is to be determined by his relative paying capacity. It seems that if taxes are levied on this principle as stated above, the justice can be achieved. However our difficulties do not end here, the fact is that when we put this theory the problem starts. The economists that put forth this theory are not unanimous as to what should be the exact measure of a person's ability to pay. The major viewpoints are;

- a) Ownership of property: some economists believe that a good basis for measuring an individual's ability to pay taxes is through ownership of property .however this idea is out rightly rejected as it implies that a person who earns a large amount of income but does not spend on buying any property will then escape taxation while another person with a small income is taxed because of his property status.
- b) Tax on the bases of expenditure: economists also believe that taxation of an individual should be based on the expenditure he/she incurs meaning the greater the expenditure, the higher the tax rate and vice versa. Although this is a better than option than the one

previously stated, it is still argued to be unjust as different individuals have different responsibilities hence different patterns of spending regardless of how big or small their earnings are.

- c) Tax on the basis of income: most theorists are of the opinion that income is the best measure of an individual's ability to pay. This is the most widely acceptable bases for taxation and every modern tax system of the countries of the world have adopted this ideology in charging taxes.

In Nigeria, income tax rules tax administration. In order to improve on the tax system, not just the income of taxpayers should be considered as a basis for charging taxes because this still exempts a wide range of taxable individuals and property exempted from taxes not to mention discourages savings. However a systematic consideration of the three factors determining one's ability to pay taxes should help the government in achieving optimal results.

At present, there is very limited literature that focuses the adoption of e-fillings system. As regarding E-tax, we analyze theories in the context of technological acceptance which can be defined as an individual's psychological state with regard to his or her voluntary, intended use of a technology. A fundamental intention based theory is the theory of reasoned action which states external stimuli influences a person's attitude toward behaviour indirectly by influencing his or her salient believes about the consequences of performing the behaviour. Adapted from this context are the three technological models we will analyze namely:

- 3) Theory of planned behaviour
- 4) Technology acceptance model

5) Theory of perceived risk

2.2.3 Theory of planned behaviour

The theory of planned behaviour (TPB) was formulated as an improvement to the technology acceptance model (TAM). The theory asserts that behavioral intention is jointly determined by one's attitude, which reflects positive feelings towards performing a behaviour and subjective norms which reflects the perception that other people desire the individual to perform in a particular way, The theory is of the suggestion that a taxpayer is more willing to file tax electronically if he/she has a positive attitude towards using e-tax or feel obliged to comply with other peoples opinion on the use of a new technology especially if the necessary resources, skills and opportunity at his/her disposal. Previous researchers however have not found the theory of planned behaviour satisfactory enough in providing a consistently superior explanation or prediction for behaviour. In relation to the research at hand, the government's decision to adopt the system could be seen as a result of their positive feeling towards the system probably due to perceived benefits as well as their perception that other developed countries require them to be part of the advanced technology in light of the reputable developing and global business status of Nigeria as a country. Also using the theory to explain tax payer response, taxpayers will adopt the system if the necessary resources and facilities such as internet accessibility, computer education etc. are made available to them.

2.2.4 Technology acceptance model

This model which is an adaptation from the theory of reasoned action appears to be the most widely accepted amongst information system researchers, perhaps because of its parsimony and

the wealth of recent empirical support of it. The theory is of the assumption that an individual's intention towards using a system is jointly determined by perceived usefulness (PU) and perceived ease of use (PEOU). The perceived usefulness refers to the users believe that using a specific application system will improve his or her job performance while the perceived ease of use refers to the degree to which the user expects the target system to be free of effort. It was argued that the theory although is a very useful model still has to be integrated into a broader one which would include variables related to both human and social factors.

In relation to E-tax, TAM gives the bases of adopting the system as its perceived usefulness on the part of both tax payers and tax officials. The primary objective of the e-tax system is to solve the challenges facing the tax system which makes government tax officers the fore runners in the acceptance of the e-tax technology mostly because it has a direct positive effect on their job performance in terms of efficiency, timeliness, accuracy and reliability. As for the tax payers, the perceived usefulness of e-tax will then be the general ease of paying taxes in terms of simplicity, convenience, accuracy, and trust in the tax system which will then instigate compliance and hence solving one of the major problems of taxation in the country. The perceived ease of use is however a hindrance to both tax payers and tax officials who may sometimes feel they do not have what it takes to actually use the technology without much effort. This mainly due to lack of technological exposure which poses as a major threat to the ongoing use of e-tax in Nigeria.

2.2.5 Theory of perceived risk

This is a model developed from the TAM model. Perceived risk in this regard refers to the taxpayers' perception of the uncertainty and adverse consequences of a desired outcome. The theory is of the thesis that the perceived risk of adopting a new form of technology significantly

affects the behavioral intention of current and potential users of e-services including the e- filling system. In Hung et al's research (2006), perceived risk is said to have an influence on adopter attitude towards e-system but has no influence on non-adopters. Rotchanakitumnuai (2007) investigated the use of three perceived risk facets, namely privacy risk, performance risk and the fair financial audit risk but found out that only performance risk and the fair financial audit risk were significant variables to the adoption of e-payment method

In other words the perceived risk of the use of e-fillings affects its adoption by both government and tax payers meaning the higher the risk perceived, the slower the response of potential users. On the part of government, the perceived may risk may be high in relation to the security, performance and financial demand involved in maintaining the system which in turn will slow down the adoption process. On the other hand if the tax payers perceived risk of adopting the system are outweighed by the benefits then they will adopt the system leading to an increase in government revenue through taxation.

2.3 Empirical Review

James Abiola (2012) in his research on the impacts of tax administration on government revenue in developing economies sought to show how a well-structured tax system would guarantee easy and reliable tax administration and thereby stabilize revenue and enhance development. In his study 121 online questionnaires were used to gain response from the general audience who in turn attributed their failure to meet up with their tax responsibilities to the complexity of tax laws, corrupt tax officers, and general inefficient administration of taxes by tax authorities. Among the findings was also that up till date what is obtainable in the Nigerian tax system is paper documentation that have been characterized with mutilation and falsification of figures both on the part of the tax officers and the tax payers as well and there is no way the good intention of the tax policy and objective can be achieved with a system of this nature. He then gave suggestions on stabilizing government revenue and increasing GDP through tax administration some of which were making of policies on taxation with due consideration for the welfare of the people in mind, government should make the people have a sense of belonging by providing social amenities with revenue generated and defaulters in tax payment should be made to face the wrath of the law. He concluded that when all these are done, then and only then can the economic goal of taxation in Nigeria be achieved.

Osasomi researched on taxation as a tool for revenue generation and promotion of investment. He pointed the role of taxation in the economy highlighting that it already contributes more than 4% to Nigeria's GDP and could contribute much more should the challenges facing the tax system be dealt with effectively. The findings of the study through secondary data also pointed out the unwillingness and refusal of Nigerians to pay taxes as a major problem of taxation in the country reason being that they do not feel morally obligated to pay taxes neither are they inspired

to do so. He however recommended that government in their bid to generate more revenue and promote investment at both local and foreign levels should improve tax effort through solid and strategic tax reforms and should also find ways to motivate Nigerians to pay taxes especially by utilizing all revenue generated from taxation and adopting a more accountable and transparent mode of implementing projects funded by tax payers contribution. He also suggested the simplification of tax laws and policies for easy tax administration and therein stronger response from taxpayers. He also stated that the immediate impact of these recommendations may not necessarily manifest in the short run but will eventually benefit all parties.

Pius Vc Okoye carried out a research on the impacts of E-taxation on revenue generation. The objective of the study was to ascertain whether e-tax could solve the problem of tax evasion as well as corrupt tax practices by tax officers in Nigeria. Data were collected from both primary and secondary sources and were analyzed by use of means and standard deviation and the three hypotheses formulated were tested by the use of Z-test statistical tool. The findings therefore pointed out that e-tax provides a reliable system of taxation that prevents the diversion of government funds into private pockets thereby increasing internally generated revenue and tackling corrupt tax practices. Another result of the research was that, in a developing country like ours, tax revenue collection depends on efficiency of government to prevent tax evasion through accountability, political stability, government effectiveness, some of which are guaranteed through the adoption of an e-tax system. The then concluded that the extent at which government has gone in inaugurating their e-tax administration is still low hence some tax administrators and tax payers are still not aware of the online tax assessment/collection in Nigeria meaning the government has to increase their efforts in developing an e-tax system accessible by all parties involved.

In another line of study, Leyira (PHD) and Chukuma (2012) analyzed the tax system in Nigeria, its challenges and the way forward. The paper discusses the challenging issues affecting the tax system in Nigeria describing how it is characterized by lack of statistical data, poor tax administration, and inability to prioritize tax effort, multiplicity of taxes and increase in underground economy. It also proffer challenges so as to engender an efficient and effective tax regime in Nigeria. The study concluded that the foregoing offers a theoretical framework for improving some silent issue in Nigeria's tax system, and suggesting possible remedies. As must be clear by now, tax is a complex phenomenon that affects both the government and the citizenry and must be characterized by autonomy, Efficient and effective Tax Administration, use of computer technology, Strengthening Auditing, Tax Rates and Use of Tax Money and public enlightenment in order to be a progressive phenomenon. The study concluded that only then can Nigeria desire achieve the potential benefits of fiscal policy re-engineering through taxes.

Joana Nasir carried out a research on implementing electronic tax fillings and payments in Malaysia of which the main objective was to point out the benefits of maintaining a good e-tax system as opposed to a manual system. The study made use of secondary data from the doing business report and Malaysian inland revenue report from 2004 to 2011 using trend analysis to highlight the increase in tax returns since the adoption of an e-tax system in 2004. For the first two years, the number of taxpayers using the e-filling system remained far below expectation at about 5% and the tax authorities were still tackling the challenges posed by the new system such as timely and costly adaptation of the system, uncertainty and security problems, lack of technological exposure in the country etc. all of which had little or no impact on tax returns. 2006 to 2011 brought an increase in the users of the system from the disappointing 4% to an encouraging 34% and 37% in 2012, over the same period tax returns increased from 14.5% of

GDP to 15.3%. It also showed how compliance was increased and fewer hours used in collecting taxes. The conclusion of the study was that Electronic systems for filling and paying taxes, if implemented well and used by most taxpayers, benefit both tax payer and tax authorities and guarantees a better standard of living for all citizens.

Obonna and Ebimobowei (2012) in their research examined the impact of tax reforms on the economic growth of Nigeria from 1994 to 2009. The main objective of the study is to prove that the Nigerian tax system needs to be reformed in order to achieve long term economic growth and development. Relevant secondary data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS), Office of the Accountant General of the Federation, and other relevant government agencies. The data collected were analyzed using relevant descriptive statistics and econometric models such as White test, Ramsey RESET test, Breusch Godfrey test etc. The results from the various test showed that reforms on the tax system is positively and significantly related to economic growth. On the basis of the findings, the study concluded that tax reforms improves the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis. However, it was recommended that sustainable economic growth cannot be attained with tax reform processes except obsolete tax laws and rates are reviewed in line with macro- economic objectives, corrupt-free and efficient tax administrative machinery with personnel's and accountability and transparency of government officials in the management of tax revenue.

Wang 2002 carried out a research on the adoption of electronic filing system. The study aimed at highlighting the factors affecting the adoption of electronic tax-filing systems and predicting the response of the tax payers to the new system. The research was based on a sample of 260 users

from a telephone interview as well as the use of the Technology acceptance model (TAM) as a theoretical framework. The result of the findings showed computer self-efficacy has an impact on behavioral intention shown through perceived usefulness, perceived ease of use and credibility indicating that the perceived usefulness or established credibility of the system will serve as the basic strategy government could use in developing an effective electronic tax system.

Fu, Kiang Fan and Chao (2006) carried out an empirical study on the acceptance of electronic tax filing with the center of the study being taxpayers' intentions. Using the filling of personal income tax in Taiwan as an example, the study focused on two main theories, the theory of planned behaviour and the technological acceptance model used in discussing the factors affecting the tax payers' intention in adopting a particular tax filling method whether manual or electronic. The methodology involved was in the form of a large scale nationwide survey where demographic characteristic and perception of the tax payer was explored in order to identify potential determinants. The result of the research was that taxpayers tend to concentrate on the usefulness and simplicity of a tax filling and may be fairly pragmatic in developing general attitudes towards the using the method. It was also reported that taxpayers who although are in search of easier methods of tax filing and more accountable means of remitting taxes are also adamant to change and are threatened by new technology they do not understand. The study finalized by pointing out the need for government to familiarize themselves with these behavioral factors simply because it extends knowledge as regards taxpayers' decision making and can therefore lead to better planning and implementation of e-government service such as e-tax and also improve voluntary tax compliance.

Mary Auyat a citizen of Uganda carried out a research on the adoption of E-tax service system at Uganda revenue Authority. The report was written based on secondary data from the revenue service in the country and information and practical skills acquired in the field. The main aim objective of the report was to describe the system of e-tax adopted in the country. Highlights its benefits and determine the reasons for the slow adoption of the service system as well as give recommendations as to how these problems can be tackled. The result of the analysis showed that the revenue authorities had successfully implemented the adopted e-tax program as response from respondents showed obvious awareness of the system however some of the reasons for the slow adoption of the service system were identified to be poor internet access, predominance of illiteracy amongst taxpayers and high cost of maintenance. Also web portal disturbances especially at the time of deadlines were identified as one of the obstacles facing the system. One major recommendation of the study was that system monitoring should be done at the implementation stage to enable review of the web portal for better service delivery to the users of e-tax. The study also identified the change to e-tax system as the system that has brought the highest tax return in the country in a very long period and so encouraged the adoption of the system by all taxpayers in the country and worldwide.

Decman and Klun carried out an empirical study on e-public services: a case of e-tax in Slovenia E-taxation portal was established at the end of 2003 in form of electronic filling of personal income tax and VAT which was fully enabled in 2004. The study made use of surveys carried out in Slovenia and aimed at discussing the concept of e-taxation as one of the services offered by many governments in the world today. Information relating e-facilities by Eurostat, it was discovered that at the beginning of 2005 about 96% of businesses in Slovenia had internet access

while 74% had broadband access. The findings of the study indicated that the cost savings attributable to taxpayers who decide to file returns electronically can be estimated at 310 dollars (1.3 euros) which translates to a reduced cost for all tax payers. A major finding of the study was the discovery that e-filing of taxes is used more widely each year and yet is still far away from proper planning. It was recommended that to successfully promote electronic filing, the tax administration needs independent research into taxpayers' needs and perception in order to examine the important elements needed to promote e-taxation among individuals and companies.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

Methodology of a research work is the term giving to the systematic styles and process of collecting and analyzing data in order to arrive at a probable and dependable solution to the research problem. This chapter will therefore disclose the methodology adopted for the entire project and so covers the design, population, sample size, sample technique and the techniques and instrument for data collection, the main aim of all this being to arrive at a valid result.

3.1 Research design

This refers to the framework that guides the strategic investigation of the relationship between the variables that make up the study in order to aid the collection of the appropriate data to be used in the course of research. For the purpose of this study, the research design adopted involves a field survey of the target population to obtain primary data since little is known about the e-tax phenomena in question. This would aid the analysis of data and information over a given period of time ultimately derived from primary data available over a selected period of years. Questionnaires will be used in gathering the necessary information from the field due to the detailed and sensitive nature of information required for the study.

3.2 Population of the Study

The research topic requires a detailed study of tax experts and officials and an organization that is familiar with the concept of e-tax for in order to obtain informed response to questionnaires. For the purpose of this study, a finite population of tax experts, officials and tax payers in the federal capital territory, Abuja city will make up the target population. Information gotten from Members of staff, directors and managers of the federal Inland Revenue service as well as consistent and valid taxpayers in Abuja were the focus of the research.

3.3 Sample and Sampling Techniques

3.3.1 Sample size

The sample of every research is largely dependent on proportion of elements to be sampled as well as the number and nature of variables used. To achieve maximum results a sample size that combines both qualitative and quantitative factors is necessary. A sample is drawn by the researcher from the already mapped out population in order to enable him/her derive quicker results saving time and money in the process. For the purpose of this research a sample size of 120 employees chosen from the federal Inland Revenue service, audit firms and some well-known registered organizations with their headquarters in Abuja was drawn up as the research sample

3.3.2 Sampling techniques

The sampling technique refers to the technique adopted by the researcher in selecting the sample size. It is broadly categorized into probability or nonprobability sampling technique. For the sake of this study, non-probability method of sampling was selected. The researcher made use of quota sampling which is a form of nonprobability sampling to be able to select respondents from distinguished classes of units of the chosen population. Selected banks, audit firms and the central tax office in the federal capital territory were used by the researcher out of a number of registered businesses due to the outstanding qualities of each and their willingness in sharing available data for the study.

3.4 Research instruments

The researcher chose the research instrument she personally felt would capture the opinions and perception of the sample size so as to arrive at relevant and justified findings and facilitate informed conclusion. The researcher made use of questionnaires as the research instrument for collecting data and information in the process of carrying out this study.

3.4.1 Questionnaire

A questionnaire is a research instrument that comes in form of a collection of reviewed questions gathered by the researcher in order to measure and test the research hypothesis and also provide answers to the research questions included in the study. The researcher selected questionnaire for the study because she was of the opinion that the anonymity involved in administering questionnaires would provide the right concept of objectivity and free will required in answering questions asked. A questionnaire could either be open-ended which allow for free expression to questions asked or close-ended which limit respondent replies to a given

number of options. For the sake of this study, the researcher made use of a close ended questionnaire which provided options to the respondent on questions asked. The questionnaire was divided into two sections A and B as to which section A was to provide information on the demographic characteristics of the respondents and section B contained a set of questions aimed at deriving information for the hypothesis formulated in the study. The Likert summated rating scale was adopted by the researcher in the drafted questionnaire.

3.5 Validity of research instrument

In order to ensure the validity of the questionnaire administered during the course of this research, the Questionnaires were subject to effective scrutiny by my supervisor. This is to guarantee the content validity of the questionnaire drafted.

3.6 Reliability of Research Instrument

The instruments of analysis is reliable in the sense that the effectiveness of the result derived from it can be subjected to the test of accuracy, to know whether the result is reliable and can stand comparison with other works or not, necessary correction can be effected as at when due.

3.7 Sources and Methods of Data Collection

The source of data employed in this research is the primary data which was carefully obtained from tax practitioners through the use of a well-structured questionnaire. The methods of collecting data in this study could be done by administering questionnaires through mail, personally, online, researchers representative etc. In this case the researcher opted to administer questionnaires personally.

3.8 Data Analysis and Techniques

This covers the tools used for analyzing data which aid the analysis of the relationship between the variables used for the purpose of this research work. In analyzing the relationship between the two variables electronic tax system and traditional tax system, the researcher adopted the chi-square model as the tool for effective analysis of the observed and expected results of the questionnaire's administered to the given population.

CHAPTER FOUR

ANALYSIS

4.0 Introduction

This chapter essentially trashes out the analysis, variable by variable, of the responses to the questionnaires administered to firms; presentation and interpretation of each hypothesis stemming from the objectives of the study and the respective decisions.

4.1 Return of Questionnaire:

In order to conduct the research for the study, a total of 100 questionnaires were administered to the sampled Nigerian petroleum companies and audit firms. An analysis of the rates of return is set out as follows:

Table 1: Distribution of returned questionnaires

| Respondents | Number of questionnaires administered | Number returned | Percentage distributed | Percentage returned |
|--|--|------------------------|-------------------------------|----------------------------|
| Federal Inland Revenue Service ABUJA. | 60 | 50 | 60 | 50 |
| Audit firm | 40 | 24 | 40 | 24 |
| Total | 100 | 74 | 100 | 74 |

4.2 DATA ANALYSIS AND INTERPRETATION OF DEMOGRAPHIC FACTORS

TABLE 2: Age analysis of the respondent

| Age of the respondent | | | | |
|-----------------------|-----------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | | | | |
| 20-30 | 16 | 21.6 | 21.6 | 21.6 |
| 31-40 | 25 | 33.8 | 33.8 | 55.4 |
| 41-50 | 27 | 36.5 | 36.5 | 91.9 |
| 51-60 | 5 | 6.8 | 6.8 | 98.6 |
| 61-65 | 1 | 1.4 | 1.4 | 100.0 |
| Total | 74 | 100.0 | 100.0 | |

Source: field survey 2015

Table 2 shows the age distribution of the respondent with 41 of the respondents falling between the age of 20-40 years making 55.4% of the total distribution and the remaining 44.7% consist of respondents falling between the ages of 41-65. Below is a bar chart representing the frequency distribution of the respondent's ages shown in figure 2

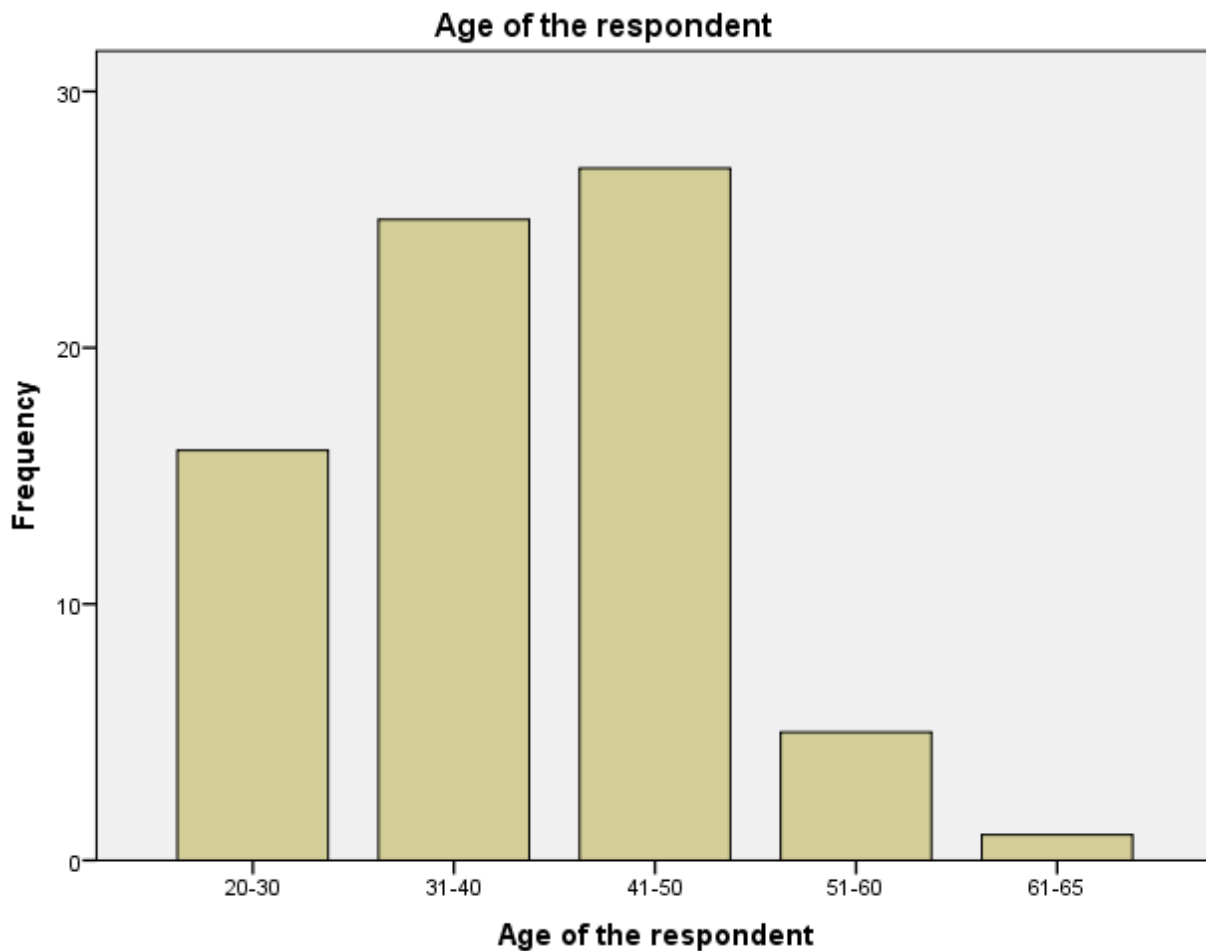


Figure 2

TABLE 3: Sex analysis of the respondent

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------|-----------|---------|---------------|--------------------|
| valid | male | 33 | 44.6 | 44.6 | 44.6 |
| | female | 41 | 55.4 | 55.4 | 100.0 |
| Total | | 74 | 100.0 | 100.0 | |

Source: field survey, 2015

Table 3 shows the gender distribution of the respondents with 33 representing male making 44.6 % of the distribution and 41 representing females making 55.4%. In figure 3 below is a bar chart showing the frequency distribution of the respondent's gender.

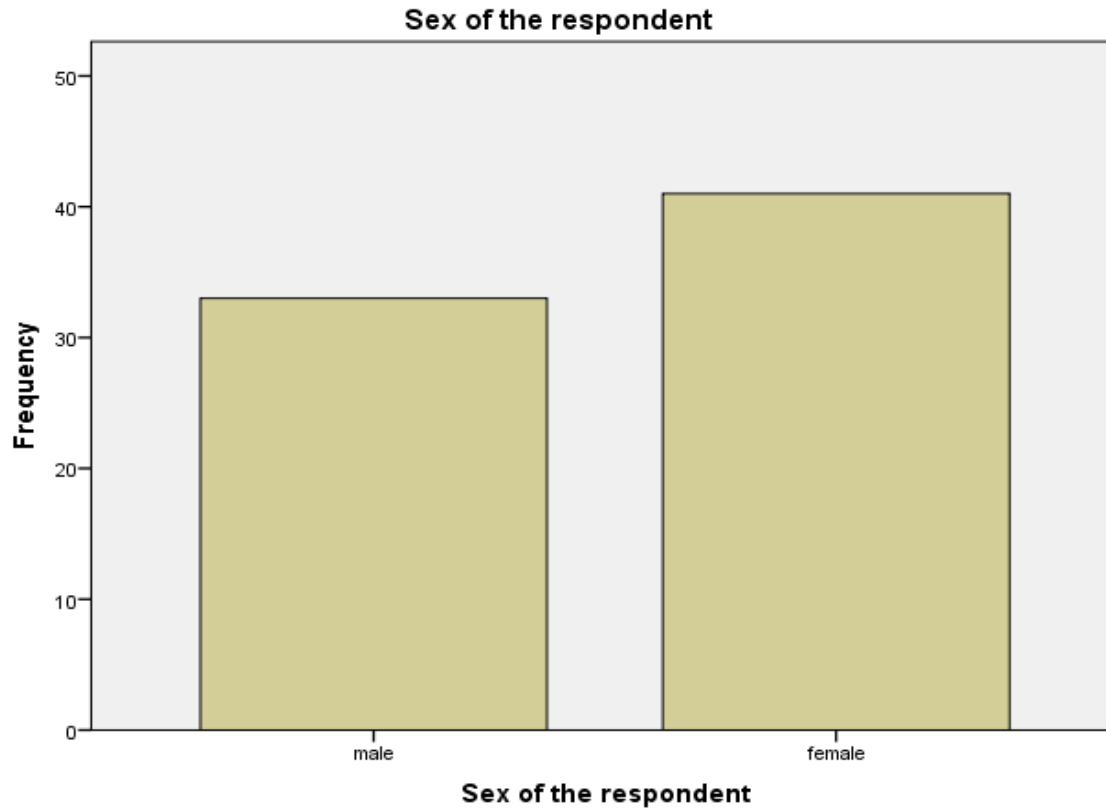


Figure3

TABLE 4: Analysis of professional qualification of respondent

| Professional qualification of the respondent | | | | |
|--|-----------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| AAT | 9 | 12.2 | 12.2 | 12.2 |
| ACA | 9 | 12.2 | 12.2 | 24.3 |
| ACCA | 10 | 13.5 | 13.5 | 37.8 |
| ANAN | 27 | 36.5 | 36.5 | 74.3 |
| others | 19 | 25.7 | 25.7 | 100.0 |
| Total | 74 | 100.0 | 100.0 | |

Source: field survey, 2015

Table 4 shows the professional qualification distribution of the respondents which consist of 12.2% representing 9 AAT holders, 12.2% representing 9 ACA holders, 13.5% representing 10 ACCA holders, 36.5% representing 27 ANAN holders and 25.7% representing others such as CITN, CIBN etc. Below is a bar chart showing this distribution



Figure 4

TABLE 5: Occupational distribution of the respondent

| Occupation of the respondent | | | | | |
|------------------------------|----------------|---------|---------------|--------------------|-------|
| | Frequency | Percent | Valid Percent | Cumulative Percent | |
| Valid | Accountant | 22 | 29.7 | 29.7 | 29.7 |
| | Tax consultant | 26 | 35.1 | 35.1 | 64.9 |
| | Others | 26 | 35.1 | 35.1 | 100.0 |
| | Total | 74 | 100.0 | 100.0 | |

Source: field survey 2015

Table 5 represents the occupational distribution of the various respondents which shows that 22 are accountants representing 29.7%, 26 of them are tax consultants representing 35.1%, another 26 represent other occupations such as auditors, tax administrators, tax managers etc. Figure 5 shows the bar chart representing the frequency of the distribution

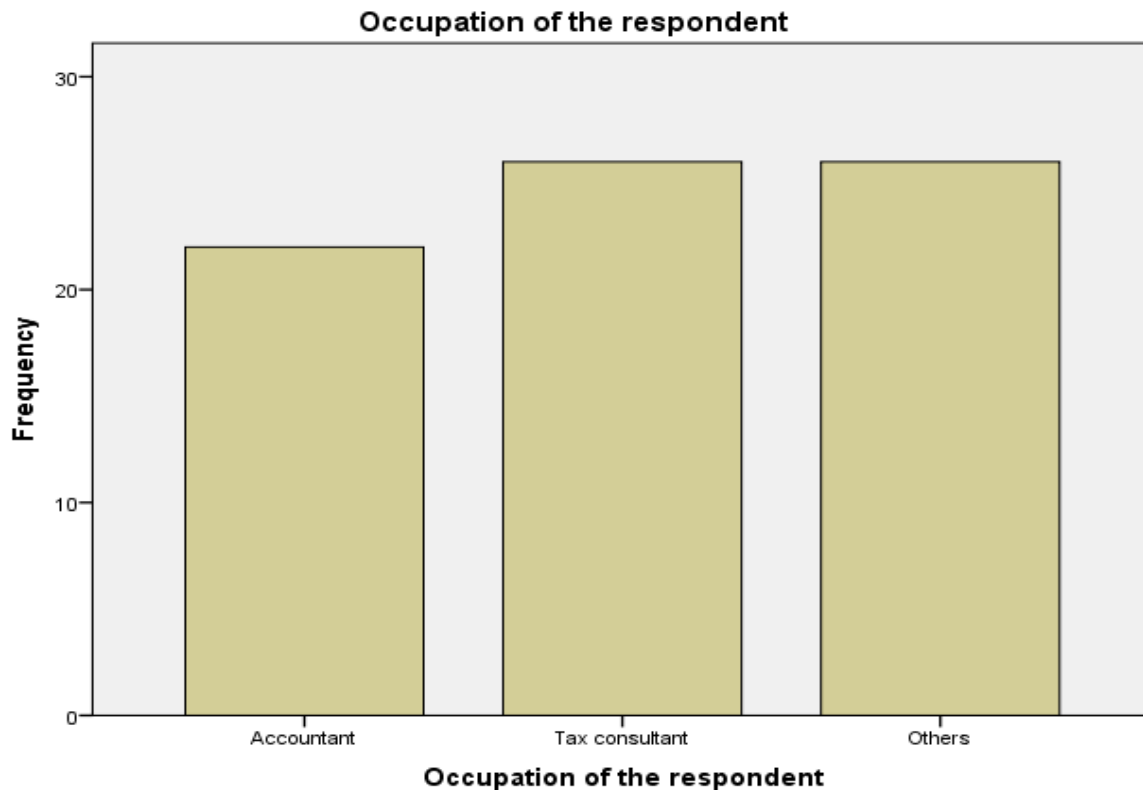


TABLE 6: Analysis of the educational level of the respondent

| Educational level of the respondent | | | | | |
|-------------------------------------|-----------|---------|---------------|--------------------|-------|
| | Frequency | Percent | Valid Percent | Cumulative Percent | |
| Valid | SSCE | 1 | 1.4 | 1.4 | 1.4 |
| | BSC | 30 | 40.5 | 40.5 | 41.9 |
| | MSC/MBA | 28 | 37.8 | 37.8 | 79.7 |
| | PHD | 12 | 16.2 | 16.2 | 95.9 |
| | Others | 3 | 4.1 | 4.1 | 100.0 |
| | Total | 74 | 100.0 | 100.0 | |

Source: field survey 2015

Table 6 shows the educational level of the respondent .1 respondent representing 1.4% is an SSCE holder, 30 of them are BSC holders representing 40.5%, 28 respondents are MSC/MBA holders representing 37.8%, 12 of them are PHD holder making 16.2% and 3 of them have attained other levels such as HND,OND etc. A bar chart illustration is shown in figure 6 below.

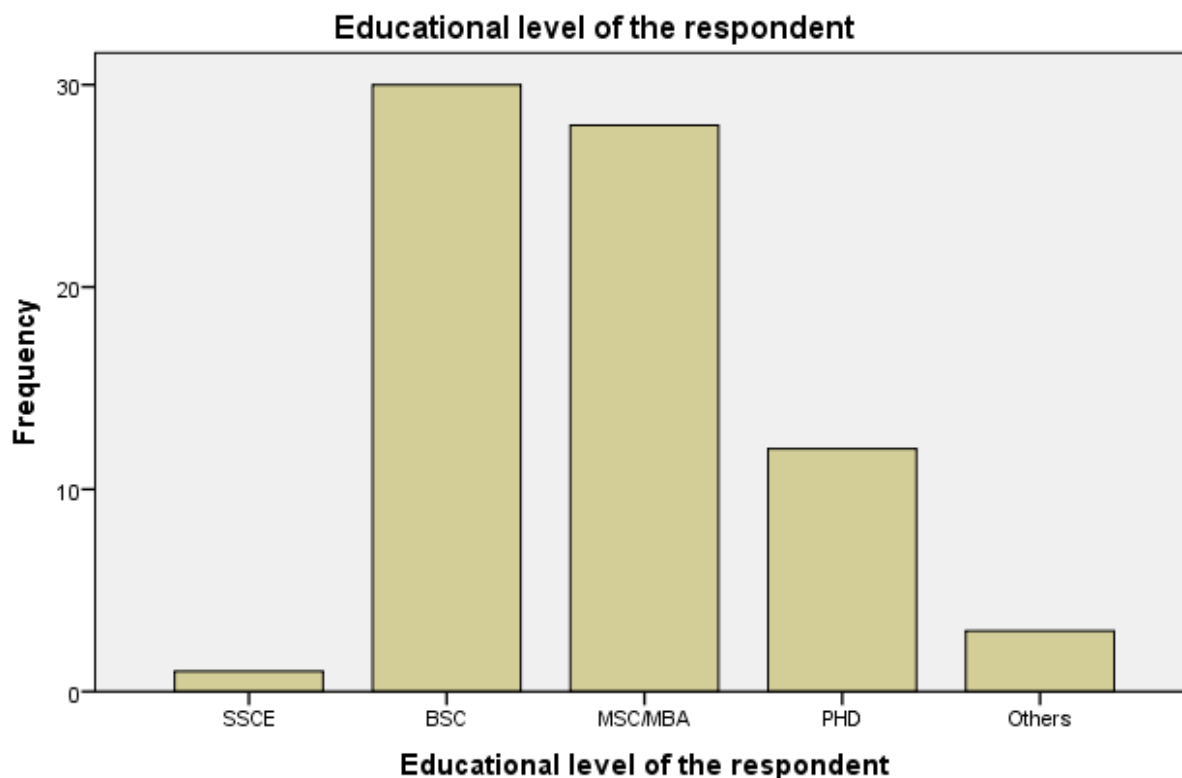


TABLE 7: Analysis of the marital status of the respondent

Marital status of the respondent

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Single | 16 | 21.6 | 21.6 | 21.6 |
| Divorced | 9 | 12.2 | 12.2 | 33.8 |
| Married | 46 | 62.2 | 62.2 | 95.9 |
| Others | 3 | 4.1 | 4.1 | 100.0 |
| Total | 74 | 100.0 | 100.0 | |

Source: field survey 2015

Table 7 shows the marital status of the respondent with 16 of them being single representing 21,6%, 9 of them are divorced representing 12.2%, 46 of them are married representing a large proportion at 62.2% the rest 3 fall in neither of the categories representing 4.1% . A bar chart

illustration is shown below in figure 7

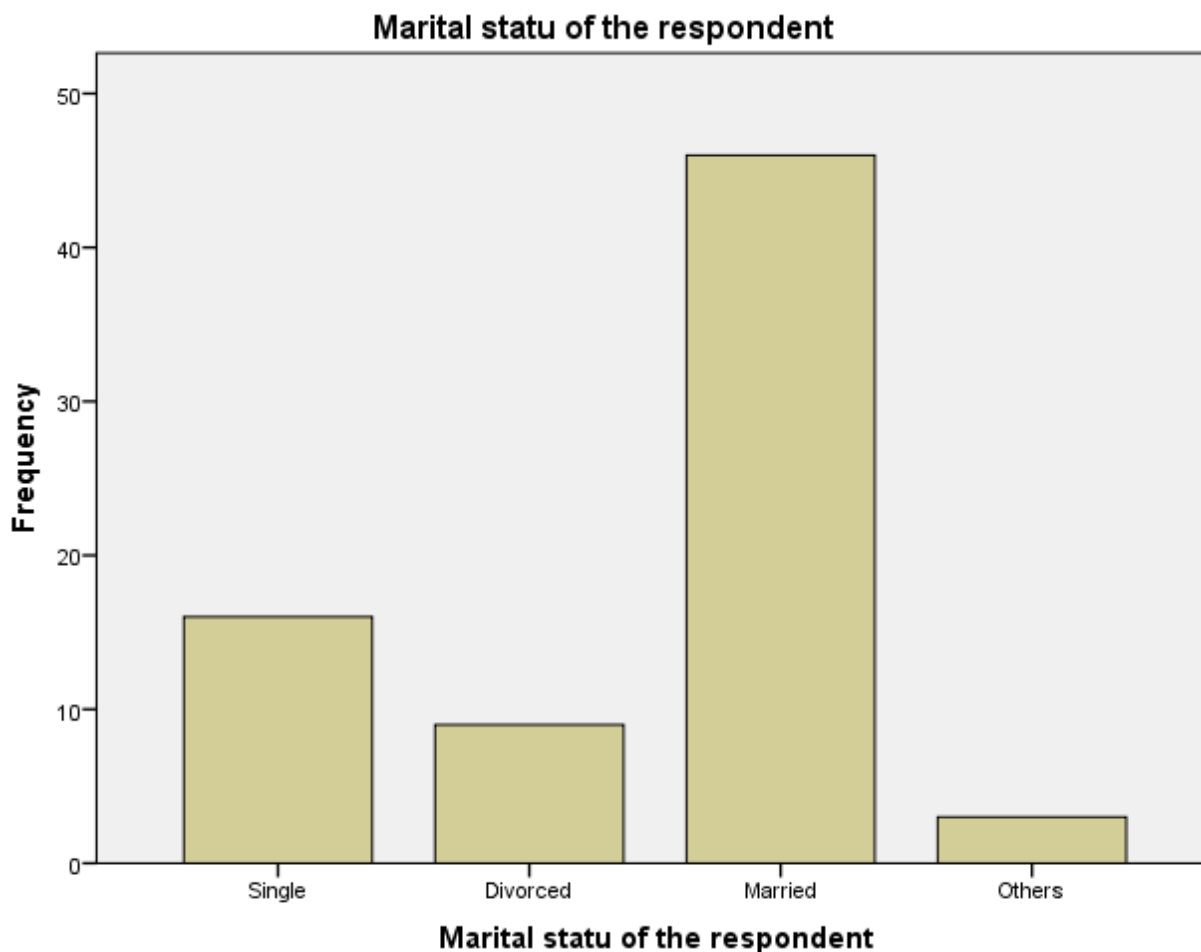


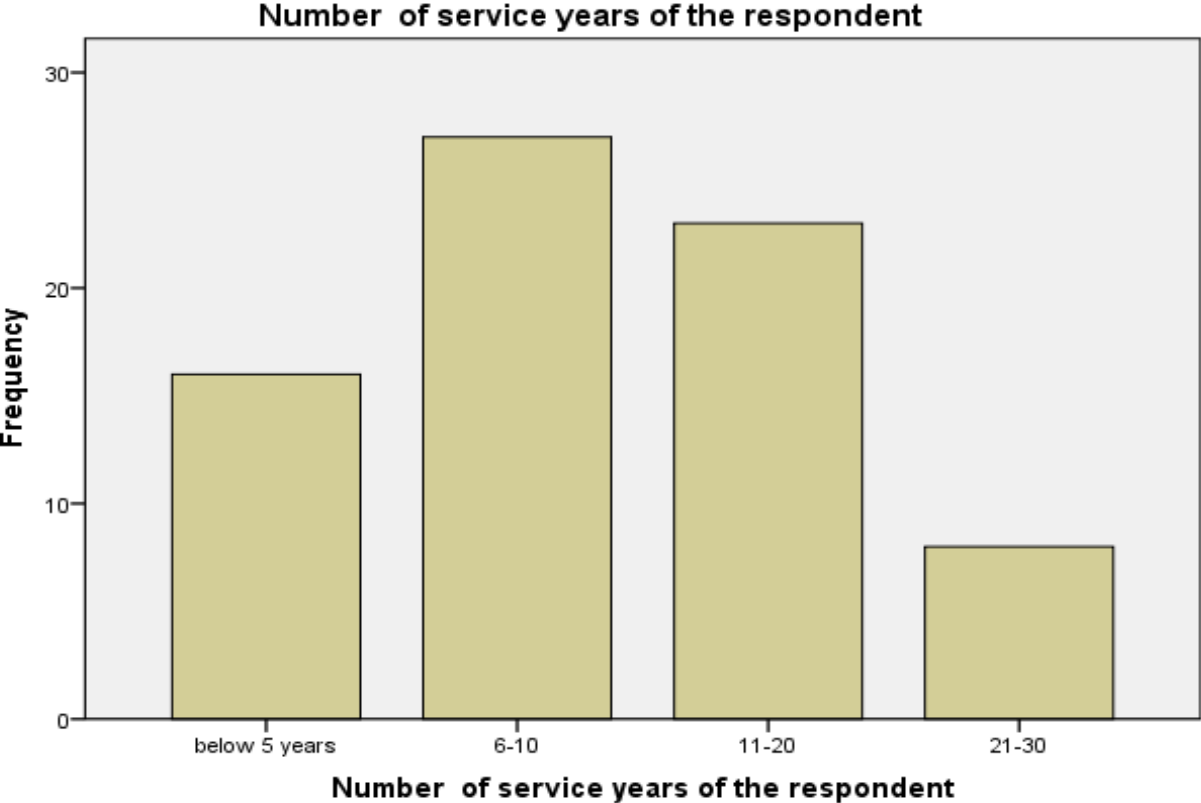
TABLE 8: Analysis of the number of service years of the respondent

Number of service years of the respondent

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------|-----------|---------|---------------|--------------------|
| below 5 years | 16 | 21.6 | 21.6 | 21.6 |
| 6-10 | 27 | 36.5 | 36.5 | 58.1 |
| Valid 11-20 | 23 | 31.1 | 31.1 | 89.2 |
| 21-30 | 8 | 10.8 | 10.8 | 100.0 |
| Total | 74 | 100.0 | 100.0 | |

Source: field survey 2015

Table 8 shows the distribution of the no of years spent in service by the respondent. 16 of them have spent below 5 years representing 21.6%, 27 of them have spent 6-10 years representing 36.5%, 23 of them have spent 11-20 years representing 31.1%, 8 of them have spent 21-30 years making 8% of the distribution. A bar chart illustrating this is shown below



4.3 Analysis of Hypothesis Using chi square Test

4.3.1 Test of hypothesis 1:

Q1: The tax administration system is characterized by non-accountability for revenue collected *Q2: The complexity of paying taxes in Nigeria does not encourage voluntary compliance from tax payers

Count

CROSSTAB 9

| | | The complexity of paying taxes in Nigeria does not encourage voluntary compliance from tax payers | | | | | Total |
|--|-------------------|---|-------|-------------------|----------|-----------|-------|
| | | strongly agree | agree | strongly disagree | disagree | undecided | |
| The tax administration system is characterized by non-accountability for revenue collected | strongly agree | 8 | 19 | 3 | 0 | 5 | 35 |
| | Agree | 4 | 7 | 2 | 1 | 2 | 16 |
| | strongly disagree | 5 | 0 | 2 | 4 | 2 | 13 |
| | Disagree | 0 | 2 | 1 | 4 | 0 | 7 |
| | Undecided | 1 | 0 | 0 | 1 | 1 | 3 |
| Total | | 18 | 28 | 8 | 10 | 10 | 74 |

Source: Field survey 2015

Table 9: chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 33.457 ^a |
| Degree of freedom | 16 |
| p-value | 0.006 |

Q1: The tax administration system is characterized by non-accountability for revenue collected * Q2: The manual system of administering taxes has failed in providing readily available tax statistics which discourages tax payers in remitting taxes

Count

Crosstab 10

| | The manual system of administering taxes has failed in providing readily available tax statistics which discourages tax payers in remitting taxes | | | | | Total |
|-------------------|---|-------|-------------------|----------|-----------|-------|
| | strongly agree | Agree | strongly disagree | disagree | undecided | |
| strongly agree | 24 | 8 | 0 | 1 | 2 | 35 |
| Agree | 4 | 10 | 0 | 1 | 1 | 16 |
| Strongly disagree | 2 | 1 | 3 | 3 | 4 | 13 |
| Disagreed | 1 | 0 | 0 | 4 | 2 | 7 |
| Undecided | 0 | 0 | 0 | 0 | 3 | 3 |
| Total | 31 | 19 | 3 | 9 | 12 | 74 |

Table 10: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 73.526 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

The tax administration system is characterized by non-accountability for revenue collected * Corruption and malpractice associated with the traditional tax system is a major contributing factor to the problem of tax avoidance and evasion which stands at a very high rate

Count

Crosstab 11

| | | Corruption and malpractice associated with the traditional tax system is a major contributing factor to the problem of tax avoidance and evasion which stands at a very high rate | | | | | Total |
|--|-------------------|---|-------|-------------------|----------|-----------|-------|
| | | strongly agree | agree | strongly disagree | disagree | undecided | |
| The tax administration system is characterized by non-accountability for revenue collected | strongly agree | 17 | 14 | 0 | 1 | 3 | 35 |
| | agree | 5 | 8 | 0 | 2 | 1 | 16 |
| | strongly disagree | 4 | 0 | 3 | 3 | 3 | 13 |
| | disagree | 2 | 3 | 0 | 1 | 1 | 7 |
| | undecided | 1 | 1 | 0 | 0 | 1 | 3 |
| Total | | 29 | 26 | 3 | 7 | 9 | 74 |

Source: Field survey

Table 11: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 29.524 ^a |
| Degree of freedom | 16 |
| p-value | 0.021 |

Q1: The tax administration system is characterized by non-accountability for revenue collected * Q2: The traditional tax system in the country gives room for unnecessary errors, blunders and incompetence by tax officials

Count Crosstab 12

| | The traditional tax system in the country gives room for unnecessary errors, blunders and incompetence by tax officials | | | | | Total |
|-------------------|---|-------|-------------------|----------|-----------|-------|
| | strongly agree | Agree | strongly disagree | disagree | undecided | |
| strongly agree | 17 | 13 | 1 | 3 | 1 | 35 |
| Agree | 6 | 9 | 1 | 0 | 0 | 16 |
| strongly disagree | 2 | 1 | 4 | 2 | 4 | 13 |
| Disagree | 1 | 3 | 0 | 2 | 1 | 7 |
| undecided | 0 | 1 | 0 | 1 | 1 | 3 |
| Total | 26 | 27 | 6 | 8 | 7 | 74 |

Table 12: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 37.188 ^a |
| Degree of freedom | 16 |
| p-value | 0.002 |

Decision rule: Reject H_0 , if p-value is less than α -value i.e. 5% significant level, otherwise reject H_1

Since table 1-4 give the p-value as figures 0.006, 0.000, 0.02 and 0.002 which are less than the α -value 0.05, we therefore reject H_0

Conclusion: It can therefore be concluded that there are problems with the traditional system of taxation in Nigeria.

4.3.2 Test of Hypothesis 2

Q1: E-tax came about mainly as a means of simplifying and saving cost in Nigeria * Q2: Since its adoption e-tax has had a significant impact on taxpayer compliance there by reducing the undeniable problem of tax evasion and avoidance in the Nigerian economy

Count

Cross tab 13

| | | Since its adoption e-tax has had a significant impact on taxpayer compliance there by reducing the undeniable problem of tax evasion and avoidance in the Nigerian economy | | | | | Total |
|--|-------------------|--|-------|-------------------|----------|-----------|-------|
| | | strongly agree | agree | strongly disagree | disagree | undecided | |
| E-tax came about mainly as a means of simplifying and saving cost in Nigeria | strongly agree | 9 | 22 | 0 | 1 | 2 | 34 |
| | Agree | 5 | 24 | 0 | 1 | 0 | 30 |
| | strongly disagree | 0 | 0 | 1 | 3 | 0 | 4 |
| | Disagree | 0 | 0 | 0 | 1 | 0 | 1 |
| | undecided | 0 | 0 | 1 | 4 | 0 | 5 |
| Total | | 14 | 46 | 2 | 10 | 2 | 74 |

Source: Field survey 2015

Table 13: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 65.982 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

Q1: E-tax came about mainly as a means of simplifying and saving cost in Nigeria * Q2: E-tax system due to its computerized nature ensures accountability and instills trust in the tax system thereby encouraging taxpayers in remitting taxes

Count

Crosstab 14

| | | E-tax system due to its computerized nature ensures accountability and instills trust in the tax system thereby encouraging taxpayers in remitting taxes | | | | | Total |
|--|-------------------|--|-------|-------------------|----------|-----------|-------|
| | | strongly agree | Agree | strongly disagree | disagree | undecided | |
| E-tax came about mainly as a means of simplifying and saving cost in Nigeria | strongly agree | 17 | 14 | 0 | 0 | 3 | 34 |
| | Agree | 6 | 17 | 1 | 4 | 2 | 30 |
| | strongly disagree | 1 | 0 | 2 | 1 | 0 | 4 |
| | Disagree | 1 | 0 | 0 | 0 | 0 | 1 |
| | undecided | 1 | 0 | 0 | 3 | 1 | 5 |
| Total | | 26 | 31 | 3 | 8 | 6 | 74 |

Source: Field survey 2015

Table 14: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 51.252 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

Q1: E-tax came about mainly as a means of simplifying and saving cost in Nigeria *Q2: E-tax provides relevant information to both taxpayers and tax authorities in the form of a well maintained database and updated tax statistics

Count

Crosstab 15

| | | E-tax provides relevant information to both taxpayers and tax authorities in the form of a well maintained database and updated tax statistics | | | | | Total |
|--|-------------------|--|-------|-------------------|----------|-----------|-------|
| | | strongly agree | Agree | strongly disagree | disagree | undecided | |
| E-tax came about mainly as a means of simplifying and saving cost in Nigeria | strongly agree | 16 | 14 | 0 | 3 | 1 | 34 |
| | Agree | 14 | 15 | 0 | 0 | 1 | 30 |
| | strongly disagree | 1 | 0 | 1 | 1 | 1 | 4 |
| | Disagree | 0 | 0 | 0 | 0 | 1 | 1 |
| | undecided | 2 | 1 | 1 | 1 | 0 | 5 |
| Total | | 33 | 30 | 2 | 5 | 4 | 74 |

Source: Field survey 2015

Table 15: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 44.616 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

Q1: E-tax came about mainly as a means of simplifying and saving cost in Nigeria * Q2: E-tax provides a channel through which taxes can be paid directly to the accounts of government tax authorities

Count

Crosstab 16

| | | E-tax provides a channel through which taxes can be paid directly to the accounts of government tax authorities | | | | | Total |
|--|-------------------|---|-------|-------------------|----------|-----------|-------|
| | | strongly agree | Agree | strongly disagree | disagree | undecided | |
| E-tax came about mainly as a means of simplifying and saving cost in Nigeria | strongly agree | 22 | 8 | 2 | 1 | 1 | 34 |
| | Agree | 11 | 16 | 2 | 0 | 1 | 30 |
| | strongly disagree | 2 | 1 | 1 | 0 | 0 | 4 |
| | Disagree | 0 | 0 | 0 | 1 | 0 | 1 |
| | undecided | 1 | 0 | 0 | 2 | 2 | 5 |
| Total | | 36 | 25 | 5 | 4 | 4 | 74 |

Source: Field survey 2015

Table 16: Chi-square test

| | |
|--------------------|--------|
| Pearson chi-square | 54.809 |
| Degree of freedom | 16 |
| p-value | 0.000 |

Decision rule: Reject H_0 if p-value is less than α -value at 5% significant level, otherwise reject H_1

As represented by the table above, p-value is given as 0.000, 0.000, 0.000 and 0.000 which is less than α -value 0.05

Conclusion: It can therefore be concluded that the adoption of E-tax will provide significant solution to the identified problems with the traditional system of taxation in Nigeria

4.3.3 Test of Hypothesis 3

The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system * There has been a strong resistance to change by taxpayers especially those who engage in tax avoidance and evasion

Count

Crosstab 17

| | There has been a strong resistance to change by taxpayers especially those who engage in tax avoidance and evasion | | | | | Total |
|---|--|-------|-------------------|----------|-----------|-------|
| | strongly agree | Agree | strongly disagree | disagree | Undecided | |
| strongly agree | 12 | 9 | 0 | 0 | 1 | 22 |
| The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system | 15 | 17 | 2 | 0 | 1 | 35 |
| strongly disagree | 1 | 2 | 1 | 1 | 0 | 5 |
| Disagree | 2 | 1 | 2 | 2 | 3 | 10 |
| undecided | 0 | 1 | 0 | 0 | 1 | 2 |
| Total | 30 | 30 | 5 | 3 | 6 | 74 |

Source: Field survey 2015

Table 17: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 35.936 ^a |
| Degree of freedom | 16 |
| p-value | 0.003 |

Q1: The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system * Q2: Nigeria lacks required ICT infrastructure for the successful implementation of e-tax

Count Crosstab 18

| | | Nigeria lacks required ICT infrastructure for the successful implementation of e-tax | | | | | Total |
|---|-------------------|--|-------|-------------------|----------|-----------|-------|
| | | strongly agree | Agree | strongly disagree | disagree | undecided | |
| The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system | strongly agree | 12 | 9 | 0 | 1 | 0 | 22 |
| | Agree | 12 | 18 | 4 | 0 | 1 | 35 |
| | strongly disagree | 2 | 1 | 1 | 0 | 1 | 5 |
| | Disagree | 1 | 0 | 0 | 7 | 2 | 10 |
| | Undecided | 0 | 0 | 0 | 1 | 1 | 2 |
| Total | | 27 | 28 | 5 | 9 | 5 | 74 |

Source: Field survey 2015

Table 18: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 63.609 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

Q1: The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system * Q2: The tax information system is susceptible to the activities of computer hackers and fraudsters

Count

Crosstab 19

| | The tax information system is susceptible to the activities of computer hackers and fraudsters | | | | | Total |
|---|--|-------|-------------------|----------|-----------|-------|
| | strongly agree | Agree | strongly disagree | disagree | undecided | |
| strongly agree | 14 | 6 | 1 | 0 | 1 | 22 |
| The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system | 10 | 21 | 2 | 2 | 0 | 35 |
| strongly disagree | 3 | 0 | 2 | 0 | 0 | 5 |
| Disagree | 1 | 2 | 0 | 4 | 3 | 10 |
| undecided | 0 | 0 | 1 | 0 | 1 | 2 |
| Total | 28 | 29 | 6 | 6 | 5 | 74 |

Source: Field survey 2015

Table 19: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 60.005 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

Q1: The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system *Q2: Most Nigerians remain blissfully unaware of the E-tax system in the country even though they are computer literate enough to take part in it

Count

Crosstab 20

| | | Most Nigerians remain blissfully unaware of the E-tax system in the country even though they are computer literate enough to take part in it | | | | | Total |
|---|-------------------|--|-------|-------------------|----------|-----------|-------|
| | | strongly agree | agree | strongly disagree | disagree | undecided | |
| The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system | strongly agree | 15 | 7 | 0 | 0 | 0 | 22 |
| | Agree | 9 | 23 | 2 | 0 | 1 | 35 |
| | strongly disagree | 3 | 0 | 1 | 1 | 0 | 5 |
| | disagree | 1 | 3 | 3 | 2 | 1 | 10 |
| | Undecided | 1 | 0 | 0 | 0 | 1 | 2 |
| Total | | 29 | 33 | 6 | 3 | 3 | 74 |

Source: Field survey 2015

Table 20: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 50.313 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

Decision rule: Reject H_0 if p-value is less than α -value at 5% significant level, otherwise reject H_1

Since table 17 give the p-value as figures 0.003, 0.000, 0.000 and 0.000 which are less than the α -value 0.05, we therefore reject H_0

Conclusion: It can be concluded that there are expected challenges and risks in the adoption of a good E-tax system

4.3.4 Test of Hypothesis 4

Q1: There should be a helpline and other forms of real time support for taxpayers who may encounter problems in using the system * Q2: The system should be able to efficiently collect, electronically store and easily retrieve taxpayer information thereby providing relative security

Count

Crosstab 21

| | | The system should be able to efficiently collect, electronically store and easily retrieve taxpayer information thereby providing relative security | | | | | Total |
|--|----------------|---|-------|-------------------|----------|-----------|-------|
| | | strongly agree | agree | strongly disagree | disagree | undecided | |
| There should be a helpline and other forms of real time support for taxpayers who may encounter problems in using the system | strongly agree | 39 | 9 | 0 | 0 | 0 | 48 |
| | Agree | 9 | 13 | 0 | 0 | 0 | 22 |
| | Undecided | 0 | 0 | 2 | 1 | 1 | 4 |
| Total | | 48 | 22 | 2 | 1 | 1 | 74 |

Table 21: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 86.043 ^a |
| Degree of freedom | 8 |
| p-value | 0.000 |

Q1: There should be concerted effort by the FIRS to ensure that tax payers are properly educated in order to become fully aware and comfortable with the e-tax system * Q1; The system should be made relatively easy to use by taxpayers even those with minimum education

Count

Crosstab 22

| | The system should be made relatively easy to use by taxpayers even those with minimum education | | | Total |
|---|---|-------|-------------------|-------|
| | strongly agree | agree | strongly disagree | |
| There should be concerted effort by the FIRS to ensure that tax payers are properly educated in order to become fully aware and comfortable with the e-tax system | 51 | 8 | 2 | 61 |
| strongly agree | 6 | 6 | 0 | 12 |
| Agree | 0 | 1 | 0 | 1 |
| Undecided | 0 | 1 | 0 | 1 |
| Total | 57 | 15 | 2 | 74 |

Table 22: Chi-square test

| | |
|--------------------|---------------------|
| Pearson chi-square | 12.578 ^a |
| Degree of freedom | 4 |
| p-value | 0.013 |

Q1: The system should be made available at all times and to the most remote of areas in Nigeria *Q2: The system should be able to efficiently collect ,electronically store and easily retrieve taxpayer information thereby providing relative security

Count

Cross tab 23

| | | The system should be able to efficiently collect, electronically store and easily retrieve taxpayer information thereby providing relative security | | | | | Total |
|---|-------------------|---|-------|-------------------|----------|-----------|-------|
| | | strongly agree | agree | strongly disagree | Disagree | undecided | |
| The system should be made available at all times and to the most remote of areas in Nigeria | strongly agree | 44 | 10 | 0 | 0 | 0 | 54 |
| | Agree | 4 | 9 | 0 | 0 | 0 | 13 |
| | strongly disagree | 0 | 1 | 0 | 0 | 0 | 1 |
| | disagree | 0 | 0 | 2 | 0 | 0 | 2 |
| | undecided | 0 | 2 | 0 | 1 | 1 | 4 |
| Total | | 48 | 22 | 2 | 1 | 1 | 74 |

Table 23: Chi-square test

| | |
|--------------------|----------------------|
| Pearson chi-square | 128.083 ^a |
| Degree of freedom | 16 |
| p-value | 0.000 |

Decision rule: Reject H_0 if p-value is less than α -value at 5% significant level, otherwise reject H_1

Since table 17 give the p-value as figures 0.000, 0.013 and 0.000 which are less than the α -value 0.05, we therefore reject H_0

Conclusion: It can be concluded that strategic efforts are required by the FIRS in overcoming these challenges for the smooth adoption and sustenance of a good E-tax system

4.4 Summary of data analysis

In analyzing data derived from questionnaires, a chi-square test was used with a significant level of 5% as a basis for decision making. We rejected H_0 when p-values was less than 0.05 and accepted H_1 as significant relationship was established between the variables. The summary of the findings is represented in the table below:

| Hypothesis | Significant level | p-value | Results | Decision |
|--------------|-------------------|-------------------------------|--|------------------------------|
| Hypothesis 1 | 0.05 | 0.006, 0.000, 0.021 and 0.002 | α – value is greater than p-value | Reject H_0 Accept H_1 |
| Hypothesis 2 | 0.05 | 0.000, 0.000, 0.000 and 0.000 | α – value is greater than p-value | Reject H_0 Accept H_1 |
| Hypothesis 3 | 0.05 | 0.003, 0.000, 0.000 and 0.000 | α – value is greater than p-value | Reject H_0 Accept H_1 |
| Hypothesis 4 | 0.05 | 0.000, 0.013 and 0.000 | α – value is greater than p-value | Reject H_0 Accept H_1 |

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction:

This chapter sheathes an abridgement of the whole research work as it provides the summary of findings, the implication of these findings, the recommendations given by the author, conclusion and suggestion for further studies.

5.1 Summary of findings:

The research was an inquiry into the Traditional tax system in Nigeria with an aim to point out its shortcomings as well as explore the highly prospective E-tax agenda as an avenue for change and improvement in administering taxes. In analyzing the research questions, questionnaires were distributed to a target population with appropriate educational standards as well as other necessary demographic characteristics as represented in the various bar charts presented. A chi-square test was also used to test the hypothesis of the research with a 5% significant level i.e. Alpha value of 0.05 set as the basis for the decision rule. The decision rule was to reject H_0 if p-value was less than α -value i.e. 0.05, otherwise reject H_1 . The following findings were then established:

1. There are perceived problems with the traditional system of administering taxes in Nigeria.
2. The adoption of E-tax will provide significant solution to the identified problem with the traditional system of taxation in Nigeria
3. There are expected challenges and risks in the adoption of a good E-tax system

4. Strategic efforts are required by the FIRS in overcoming these challenges for the smooth adoption and sustenance of a good E-tax system.

5.2 Implications of the Findings:

Oliver Wendell Holmes a former U.S Supreme Court justice said “Taxes are what we pay for a civilized society”. Taxation not only pays for public goods and services but serves as a key ingredient of the social contract between citizens and the economy thus the key to building effective government which is why it is essential the government put in commendable effort in ensuring continuous tax reforms that improve the tax system and stabilize revenue generated from taxes. The adoption of an electronic tax- filling is therefore an intelligent means of achieving a system of tax administration that allows for the collection and accountability of required taxes at a minimum cost. This initiative is what prompted the introduction of the integrated tax administration system in 2012 as a new angle to the administration of taxes in Nigeria. Now assessment and payment are done electronically in some states of the country, while this effort is commendable there have been various encountered challenges in developing the system causing a slow adoption process throughout the country. The findings therefore imply that the extent at which government has gone in inaugurating their e-tax administration is still low hence some tax administrators and tax payers are still not aware of the online tax assessment/collection in Nigeria and this means that there is still work to be done by the FIRS in establishing E-tax as a key element of the traditional tax system in Nigeria.

5.3 Conclusion

The main objective of this study is to assess the problems of the traditional tax system in Nigeria and establish E-tax as a solution to these problems. The study found among others that E-tax can significantly enhance tax administration and therefore benefits both tax payers and tax authorities. From the hypothesis tested, we found that there are a number of challenges with the traditional tax system which is the manual system of administering taxes and that modern technology could simplify as well as alienate some of these problems in the form of E-tax. However, the hypothesis tested also showed that there are perceived challenges with the adoption of a good E-tax system and although Nigeria has already adopted the system, these challenges threaten to discredit and discourage this new initiative. In conclusion, having established the importance of E-tax to the Nigerian tax system, this research has also pointed out that strategic steps and efforts must be undertaken by the FIRS in popularizing and simplifying the use of E-tax throughout the country so as to achieve maximum results as regarding revenue collected through taxes.

5.4 Recommendation

Following the analysis of the research topic, the researcher has come to the conclusion that the following actions in the form of recommendations can adopted:

1. Government should support with everything on their disposal the establishment of e-tax administration so as to start reaping the benefit of high rate of compliance among taxpayers.
2. The system must be secured to guarantee taxpayer confidentiality and minimize fraud especially with respect to online payment.

3. There should be a committee by the federal government under the watch of the FIRS and Joint Tax Board to ensure the effective implementation of the integrated tax administration system at all levels of government
4. Proper monitoring and control of the system must be put in place such as collection of relevant information about users in order to evaluate usage and address challenges faced and also provision of data validation mechanism as is the case with smart systems.
5. Tax incentives should be granted to E-tax users in order to encourage taxpayers in adopting the system as well as ensure compliance..
6. The E-tax system should be constantly reviewed so as to address emerging problems and to evolve with the changing economic landscape and increased complexity of today's business environment.

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Cover Letter

Department of Accounting,
College of Social & Mgt Sciences
Afe Babalola University

4th April, 2015

Dear Respondent,

REQUEST FOR ADMINISTRATION OF RESEARCH QUESTIONNAIRE

I am a final year of accounting department of the above named institution currently undertaking a research work in partial fulfillment for the award of a Bachelor of Science (B.Sc.) degree in Accounting.

I am carrying out a study on “**E-TAX; A SOLUTION TO TRADITIONAL TAX SYSTEM IN NIGERIA**”. Your distinguished firm has been selected as a means to gather data. I therefore wish to solicit your support in carrying out this project effectively by completing the attached questionnaire carefully and in your honest opinion. The information would be used solely for academic purposes. The highest confidentiality of your information will be maintained. Thank you for your anticipated cooperation.

Yours faithfully,

Abah B Enuwa; AAT

Enuwaabah@gmail.com

08102541848

SECTION A

DEMOGRAPHIC PROFILE

Instruction: kindly tick where appropriate

- 1) Age; 20-30 years 31-40 41-50 51-60 61-65
- 2) Sex; Male Female
- 3) Professional Qualification; AAT ACA ACCA ANAN
others(please specify) _____

- 4) Occupation; Accountant Consultant others(please specify)

- 5) Educational level; SSCE BSC MSC/MBA PHD others(please specify)_____
- 6) Marital Status; Single Divorced Married Others(please specify)_____
- 7) Number of service years; below 5 years 5-10 years 11-20 years 21-30 years 31-35 years

SECTION B

Instruction: kindly tick where appropriate

Keys; strongly agree (SA), Agree (A), strongly disagree (SD), Disagree (D), Undecided

- 1) Identifying and understanding the weaknesses of the traditional tax system in Nigeria

| SN | | SA | A | SD | D | U |
|----|--|----|---|----|---|---|
| 1. | The tax administration system is characterized by non-accountability for revenue collected | | | | | |
| 2. | The complexity of paying taxes in Nigeria does not encourage voluntary from tax payers | | | | | |
| 3. | The manual system of administering taxes in Nigeria has failed in providing readily available tax statistics which discourages tax payers in remitting taxes | | | | | |
| 4. | The corruption and malpractice associated with the traditional tax system is a major contributing factor to the problem of tax avoidance and evasion which stands at a very high rate. | | | | | |
| 5. | The traditional tax system in the country gives room for unnecessary errors, blunders and incompetence by tax officials. | | | | | |

2) Evaluating and analyzing E-tax, its origin and benefits over the years and proffering it as a solution to the traditional tax system

| SN | | SA | A | SD | D | U |
|----|--|----|---|----|---|---|
| 1. | E-tax came about mainly as a means of simplifying tax administration and saving cost in Nigeria. | | | | | |

| | | | | | | |
|----|--|--|--|--|--|--|
| 2. | Since its adoption, e-tax has had a significant impact on taxpayer compliance there by reducing the undeniable problem of tax evasion and avoidance in the Nigerian economy. | | | | | |
| 3. | The E-tax system due to its computerized nature ensures accountability and instils trust in the tax system thereby encouraging tax payers in remitting taxes. | | | | | |
| 4. | E-tax provides relevant information to both tax payers and tax authorities in the form of a well maintained database and updated statistics | | | | | |
| 5. | E-tax provides a channel through which taxes can be paid directly to the accounts of government/tax authorities. | | | | | |

3) Highlighting the challenges and risks of adopting an electronic tax system in the country.

| SN | | SA | A | SD | D | U |
|----|--|----|---|----|---|---|
| 1. | There has been a strong resistance to change by taxpayers especially among those who engage in tax avoidance and evasion | | | | | |
| 2. | The lack of technological exposure prevalent in Nigeria poses as a threat to the acceptance of the E-tax system | | | | | |
| 3. | Nigeria lacks required ICT infrastructure for the successful implementation of the E-tax system | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| 4. | The tax information system is susceptible to the activities of computer hackers and fraudsters. | | | | | |
| 5. | Most Nigerians remain blissfully unaware of the E-tax system in the country even though they are computer literate enough to take part in it. | | | | | |

4) Suggesting ways to overcome the challenges facing the adoption of E-tax system in Nigeria

| SN | | SA | A | SD | D | U |
|----|--|----|---|----|---|---|
| 1. | There should be concerted effort by the FIRS to ensure that taxpayers are properly educated in order to become fully aware of the E-tax system | | | | | |
| 2. | The system should be made relatively easy to use by tax payers even with minimum education | | | | | |
| 3. | There should be a helpline and other forms of real time support for taxpayers who may encounter problems in using the system | | | | | |
| 4. | The system should be able to efficiently collect, electronically store and easily retrieve taxpayers thereby providing relative security | | | | | |
| 5. | The system should be made available at all times and to the most remote areas of Nigeria | | | | | |

