

## **TAX ADMINISTRATION IN KANO STATE: PROBLEMS AND PROSPECTS.**

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### **ABSTRACT**

The paper examined the problems as well as prospect of tax administration in Kano state as part of its objective it identifies the problems which adversely affect tax administration in Kano state, it also find out workable means of obtaining sufficient internal revenue to enable government execute program and project in the state. Survey study/Secondary source were used as a method of data collection mainly, pamphlets', journal and seminar papers. The study review related literature on tax administration problems and prospects hence, recommends provision of adequate human resources, public enlightenment penalty and prosecution, as well as non-political appointment of directors that will control the problem of tax administration in Kano state.

**Keywords:** Tax, Administration, Problems, Prospects, Kano,

### **1.0 INTRODUCTION**

The importance of tax cannot be over emphasize and still been collected in Kano long before the coming of colonial administrators. It was Collected by the then local chiefs for the purpose of administration and Defence. Every person was expected to give part of his or her proceeds From cultivation of land to the state, for the benefit of the community as a Whole. Tax policies represent key resource allocator between the public and private sector in a country, it is usually imposed on individuals and entity that make up a country. The funds provided by tax are used by the State to support certain obligations such as education system, health care system, pension for the elderly, unemployment benefit, and public Transportation [chinyere, 2000]

Taxes are levied in almost every country of the world, primarily to raise revenue for government expenditure although they serve other purpose as well. In modern economies, taxes are the most important sources of Government revenue. They represent a general obligation of tax payers are not levied or paid in exchange for any particular benefit. The Kano state government has for long been unable to realised its economic objectives due to low revenue generation which was as a result Of inefficiency of existing tax collection procedures, known popularly as The orthodoxTax collection procedures [i.e. the use of the staff of board Of internal Revenue] as sole tax collectors: most problem of this Procedure is that it is characterised by in efficiency and massive Corruption There were cases of revenue collectors printing personal Receipt booklet and issuing fake receipt to tax payers. Especially the Private business Operators. Consequently, monies collected as Revenue are not being properly accounted for, hence the shortfall in tax Revenue estimated over the years. And this has a very serious economic Implication for the overall development of Kano state.

In view of this problem the research attempt to find answers to the Questions what affect the revenue generation in Kano state? And, Examine problem which adversely affect tax administration and postulate a workable means of obtaining sufficient internal revenue that will be Used for the implementation and execution of the development Programmes in the state.

## **2.0 LITERATURE REVIEW AND THEORETICAL ISSUES**

Taxation is an ancient practice which is old as the emergence of an Organised human society known as state, various studies in the past have define tax based on the role expected to play in the economy tax is a fee charge [levied] by government on a product, income or N activity. Where tax is levied directly on personal or corporate income it is Known as direct tax. While if levied on the price of a good or service Then it is called an Indirect tax. It is a pecuniary burden laid upon individuals or property owns to support the government, a tax is not voluntary payment or donation but an enforced contribution, exacted pursuant to legislative authority and is any contribution imposed by government [parkin, 2006].

The economic definition of taxes is quite different in that economic do not consider many transfers to government to be taxes. For example Some transfers' to the public sector are comparable to prices, this include tuition at public university, colleges and fees for utilities provided by local government. [Steven, 1984]. In Morden taxation system taxes are levied in money. The method of Taxation and the government expenditure has been highly debated in Politics and economics. Tax collection is preformed by a government Agency board of internal revenue based on tax act, 1993. [Johnson, 2000]

### **2.3 PROSPECTS OF TAX COLLECTION**

Adam smith [1776] identified the following prospects of tax collection:

- The administration of tax collection will be strengthened to ensure more efficient tax collection through training of staff, awareness campaigns and computerizations.
- Government should continue to ensure that tariff policy enables our local industries to be competitive.
- Specifically aggressive action should be taken to block revenue leakage on light duty goods and bulk items.
- Government should ensured fair tax administration base on the principle of derivation of tax proceeds; it is recommended that the tax law should be enacted.
- VAT has become a veritable source of revenue earning for government and therefore needs to be strengthened and expanded to broaden the tax base and to bring the VAT administration closer to the tax-payers, new local VAT offices should be established all over the state.

## 2.4 PROBLEMS OF TAX COLLECTION

Lawal, [1982] cited in Chinyere [2000] posits that the following are problems of tax collection:

- Inadequate staff or manpower to carry out the assignment efficiently and thus has contributed to the low revenue generated for the state.
- Mismanagement of tax collected: taxes collected were not been utilized for the purpose for which it was collected thus makes tax payers not give out their wealth for the state.
- Bribery and corruption: in this day, tax collector personal interest has over ride their official interest in the performance of their duties consequently affects revenue generation for the state.
- Lack of voluntary compliance from tax payers these attitudes of tax payer causes tax avoidance evasion and delinquency.
- Poor accounting records, most business traders professional do not keep proper records of their income and expenditure.
- Inadequate facilities: - the facilities like motor vehicle, motor cycle to carry out the assignment effectively is inadequate.

## CHARACTERISTIC OF GOOD TAX SYSTEM

Jean-Jacque [1998] cited in Chinyere [2000] summarised the under listed

Characteristic:

- A good tax system should try to accommodate the attitudes and Problem of tax payers.
- It should run in harmony with importance of state objectives.
- A good tax should be flexible enough to move the changing Requirement of the state economy.
- Tax system should recognise the basic right of the tax of the tax Payer.
- It should also yield adequate revenue for the treasury.

## 2.1 THEORETICAL ISSUES

The social contract theory is a political theory it is an agreement between the ruled and their rulers, defining the right and duties of each Chinyere [2000]. The new encyclopaedia Britannica, [1995-920] state that "in primeval Times according to the theory, individuals were born into an anarchic State of nature, which was happy or unhappy according to the particular Version, they then by

exercising natural reason formed society [and a Government] by means a contract among themselves". Although similar ideas can be traced back to the Greek sophist social Contract theorist had their greatest century in the 17<sup>th</sup> and 18<sup>th</sup> centuries And are associated with such names as [Thomas Hobbes, 1851. John Locke, 1960. Jean-Jacques Rousseau, 1762.] What distinguished these Theories of the of the obligation from other doctrines of the period was Their attempt to justify political authority on grounds of individual's self- Interest and normal consent.

The new encyclopaedia Britannica [1995:920] opines that theory of the Social differed according to their purpose; some were designed to justify the power of the saving. On the other hand some intended to safe guard the individuals from oppressing by an all too power full severing. Summarily the social contract theory is saying that the citizens will be willing to surrender their right to the government only when government Guarantees them of adequate protection and provision of social amenities. This applicable to taxation the citizens are willing to pay their taxes only When the government assures them of adequate provision of social Amenities such as electricity, good roads, hospitals etc.

Often times the tax payers are disappointed when government fail to provide these amenities despite huge tax burdens that they bear the social Contact theory support the benefit principles of taxation which states that Each payer should bear tax burden in relation to the benefits which he or Her receive from public services.

### **3-0 Methodology**

The paper generated most of its data from survey study/ secondary Sources of data Collection which involved text books, journals, scholarly Writings and Papers presents related to tax administration. As its nature of papers is conceptual, recommendation is based on the findings of the paper.

#### **3.1 AN OVERVIEW OF KANO STATE BOARD OF INTERNAL REVENUE:**

Originally, it was a sub department in the ministry of finance, but on 8<sup>th</sup> s September, 1985. It was up graded to full fleshed autonomous board Under edict no. 12 of 1985, mainly to generates internally revenue for the State Presently, the division of tax was sub- divided into four via: direct Assessment department, payee department, withholding tax department, And road taxes. It has 28 areas offices consists of 6 staff each in the Whole state. They are responsible to collect all taxes in their respective Areas. The division has 27 motor vehicles throughout the state.

### **4.0 Results and Discussions**

#### **4.1 TAX ADMINISTRATION IN KANO STATE**

Kano is the most populated area in Nigeria, with population over 10 million [census, 2006]. It has a large markets area, like Abubakar Rimi markets, sheik nasiru kabara kofar wambai markets, kurmi markets And 44 local government area markets. The state has potentials revenue Generation, where many business transport and many others commercial Activities are running day and night, every corner is shops and Departmental stores. The expectation of revenues is very high as the state Has all means of generating revenue compared to their counter parts. However, the situation is quiet different despite the state has the board Of internal revenue responsible for revenue generation.

The significant of tax administration can not be emphasis, however, in Kano state the situation is not like that, due some problems associated With tax collection and are summarised bellow:

- Societal orientation: majority of people in the state are not aware of the important of paying taxes, considering the population of the State with largest markets in West Africa. This in line with what Lawal [1982], observed.
- Under staffing: considering the nature of Kano state being a Centre of commerce only 168 staff collect taxes,[survey,2011]. This quiet impracticable the span of control is very wide, because they cannot cover all revenue generated areas. This also in line With what lawal [1982]. Observed.
- Lack of facilities: the division of tax has in adequate facilities to Carry out the collection of tax, for example in the whole Kano State only 27 motor vehicles uses in taxes collection. This is not Enough being Kano with large markets. Lawal [1982] also Observed.

Poor working condition: the working condition is very poor for Staff under the tax division, considering the task assign to them And they are dealing with money, the survey observed that an Average of staff salary is 20,000.00 in a month. [Survey, 2011]. This is quite not enough and can lead to corruption. This also in Line of what lawal [1982]. Observed.

- Training: basic training required for tax collection is not adequate In the division. The survey observed that most of the tax collector Are ranging from GL01-GL07, and their highest qualification they Obtained is Diploma programme. This is quiet impracticable for a State that need large revenue, [survey, 2011].

However, the followings are findings of the paper:

- There is an inadequate staffs for tax collection in Kano state.
- Lack of qualified professional to handle the administration of tax collection.
- The problem of public enlightens on the important of tax payments.
- Lack of proper control of officials to avoid forging government officials' receipts and tax evasion.
- There is also inadequate knowledge of computers among the staff.
- Lack of vehicles like motor vehicle to carry out the assignment effectively.
- Poor salary structures of tax collectors.

## 5.0 Conclusion and Recommendations

Tax administration is very vital for the economic development of any society, the problem associated with tax administration should serve as way policy makers to put strategy that would effectively eradicate the aforementioned problem and could lead to generate sound revenue that can bring economic development in Kano state.

The paper recommends the following:

- 1- The tax law should be made clear and comprehensive.

- 2- Tax payers should be taxed according to the principles of taxation and arbitrarily, and ensure corporate compliance.
- 3- Equitable distribution of taxation should be taxed vigorously pursued, devoid of sentiments and personal interest.
- 4- Proper monitoring of calculation of tax free pay in the various tax stations.
- 5- The management of board of internal revenue should organised vigorous training programme for their tax officials to improve their efficiency.
- 6- Tax authorities to strengths by qualified, competent and trained staff who will be highly motivated to improve their efficiency in the administration of tax laws.
- 7- The use of computer should be embarked upon as away of effective and control tax collection.
- 8- Penalty should impose on the tax defaulters and corrupt tax collectors officers.
- 9- Tax force should be established to move from one part of society and another enlightens the people about the importance of tax for the overall developments of Kano state.
- 10- There is need for introducing bonus system, i.e. who so ever generated a given percentage is entitle to 50-50 percentage as bonus. This will improve the ability as well as the performance of tax collectors in the state.

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